

## **EXTERNAL AUDITOR SELECTION PROCESS (2018-2022)**

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### **EXECUTIVE SUMMARY**

This report outlines the process for selection of an External Auditor for The City for the fiscal years 2018 – 2022.

### **RECOMMENDATIONS:**

That Audit Committee recommends:

1. That a Sub-Committee of Audit be appointed to oversee the process to select an External Auditor for The City for the fiscal years 2018 – 2022 as follows:
  - Two Councillor members of Audit Committee;
  - Two Citizen members of Audit Committee; and
2. That the Sub-Committee report to Audit Committee with its recommendation for appointment of an External Auditor for the fiscal years 2018-2022, no later than the 2017 June 22 Meeting.

### **PREVIOUS COUNCIL DIRECTION / POLICY**

The Audit Committee Bylaw 48M2012, Section 4(1)(b) indicates that the Audit Committee is responsible for recommending the selection of the External Auditor. Schedule 'B', Section 2 states:

“Unless otherwise determined by Council the External Auditor contract is awarded on a five-year basis, subject to satisfactory annual assessments. The contract may be extended annually beyond five years, based on Audit Committee’s recommendation for Council’s approval.”

### **BACKGROUND**

The City’s current External Auditors are Deloitte LLP who were appointed effective 2013 May 01 for the 2013-2017 fiscal year audits. The agreement for external auditing services between The City and Deloitte LLP provided for a series of one-year terms for a total term of five years, subject to satisfactory annual assessments. This agreement will end with the completion of the 2017 fiscal year audit.

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

Bylaw 48M2012 provides that the Audit Committee is responsible for recommending to Council an external auditor for The City. The Audit Committee’s approval is sought for initiation of a request for proposal (RFP) for an external audit firm for the 2018 – 2022 fiscal years.

The recommendation is that a Sub-Committee be appointed by the Audit Committee to approve the scope of the work, evaluate proposals received and recommend appointment of a qualified firm. The Audit Committee is responsible for approval of the Sub-Committee’s recommendation for appointment and forwards their recommendation to Council. The final decision rests with Council with respect to this appointment.

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The Executive Assistant to the Audit Committee (Executive Assistant) held several meetings with a representative of Supply Management to determine the RFP process. To develop a scope of work for the RFP a working committee will be formed consisting of the Executive Assistant and representatives from both the Finance Department and Supply Management. The working committee will submit the proposed scope of work to the Sub-Committee for review and approval prior to a RFP being released to the market. The Sub-Committee will be responsible for evaluating all compliant proposals received and recommending a successful firm to the Audit Committee.

It is anticipated that the Audit Committee will receive a recommendation for appointment of an External Auditor from the Sub-Committee at their 2017 June 22 Meeting. This timing allows the recommendation to be forwarded to the 2017 July 24 Regular Meeting of Council for their final approval.

A Request for Proposal will include audits for the following entities:

- City of Calgary – consolidated accounts
- Attainable Homes Calgary Corporation
- ENMAX Corporation
- Calgary Housing Company
- Calgary Police Service
- Calgary Public Library
- Calgary Parking Authority
- Calgary Convention Centre Authority
- Calgary Arts Development Authority
- Calgary Economic Development
- Other Ancillary Audits

### **Stakeholder Engagement, Research and Communication**

Supply Management have been engaged to determine the process for the Request for Proposal. Supply Management has committed to working with the Executive Assistant to provide guidance to the Committee throughout the process. Representatives from the Finance Department will also contribute their expertise to the development of the RFP.

### **Strategic Alignment**

Council Priority: A well-run city. Calgary's government is open, responsive, accountable and transparent, delivering excellent services at a fair price. We work with our government partners to ensure we have the tools we need.

### **Social, Environmental, Economic (External)**

Not applicable.

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**Financial Capacity**

**Current and Future Operating Budget:**

The Audit Committee budget has funds for External Auditor fees, although it is not possible at this time to state whether sufficient funds are available. Determination of this is dependent upon proposed fees submitted by the successful external auditing firm. Reprioritization of the budget may be necessary for the 2018 fiscal year audit.

**Current and Future Capital Budget:**

There are no capital budget implications for this report.

**Risk Assessment**

It is essential that continuity with an external audit firm is preserved. The *Municipal Government Act*, Section 281(1) states that "The auditor for the municipality must report to the council on the annual financial statements and financial information return of the municipality".

**REASON FOR RECOMMENDATION:**

The current External Auditor's agreement will be complete following the 2017 audit of The City's financials. This report sets out the RFP process for selection of an External Auditor for the fiscal years 2018-2022.

**ATTACHMENT**

None