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**For Information**

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**REPORT TITLE:**      **External Auditor Appointment Jurisdictional Scan**

**FROM:**                Gary Kent, CPA, CGA, ICD.D, Chief Financial Officer and Commissioner  
of Corporate Services

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**OBJECTIVE**

To present the results from a jurisdictional scan related to the appointment of external auditors within the municipal sector.

**REPORT HIGHLIGHTS**

- At the May 20, 2021 Audit and Risk Committee meeting, staff were directed to complete a jurisdictional review of municipal processes related to external auditor appointments.
  - Staff reviewed information from various local, regional and single tier municipalities within Ontario and analyzed two key areas: length of external auditor appointment and frequency of contract renewal.
  - The Region of Peel's approach to the appointment of its external auditors is consistent with most of the municipalities that were analyzed.
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**DISCUSSION**

**1. Background**

At the May 20, 2021 Audit and Risk Committee meeting, staff were directed to complete a jurisdictional review of municipal processes related to external auditor appointments. Staff reviewed information from the following municipalities:

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|--------------------|-----------------------|
| • City of Brampton | • City of Mississauga |
| • Town of Caledon  | • Niagara Region      |
| • Durham Region    | • City of Toronto     |
| • Halton Region    | • York Region         |
| • City of Hamilton |                       |

The analysis focused on two key areas related to external auditor appointments: the length of appointment and the frequency of renewal. The findings are discussed below.

## External Auditor Appointment Jurisdictional Scan

### 2. Findings

#### a) Length of appointment

Out of the nine municipalities under review, five or 55 per cent have appointed their external auditors for a five-year period. This is consistent with the Region of Peel's approach, as the Region recently appointed Deloitte as its external auditors for the next five years.

Five years is the maximum period that an auditor can be appointed as per the *Municipal Act, 2001*, as amended, before the municipality would need to seek approval from Council or related Committee to appoint their auditors for an additional period.

The remaining four municipalities under review have appointed their auditors for a period ranging from one to three years.

#### b) Frequency of renewal

Municipalities have a variety of options when it comes to either renewing or extending contracts with their external auditors or initiating a procurement process for a new auditor. These approaches are based on the procurement rules of the municipality, as well as the approach approved by the Council or related Committee of the municipality.

Of the nine municipalities reviewed, all except one undertook a competitive procurement process for an external auditor contract within the last six years. The remaining municipality completed a competitive procurement process in 2011. Only four or 44 per cent of these municipalities had changed their auditors as a result of the procurement process. The five remaining municipalities have used the same external auditors for many years, with the average length of time being a period of 27 years.

It should be noted that only a few accounting firms participated in the competitive procurement process for the municipal external audit contracts, due to the limited number of firms with experience and knowledge of the municipal sector. This is further evident in the fact that of the nine municipalities under review, five use KPMG, three use Deloitte and one uses a local accounting firm as their auditor.

The results above are consistent with the situation in Peel. Peel has had Deloitte as its external auditor since 2010 and maintained the same auditor during its last procurement process, which was completed in 2016.

## CONCLUSION

A jurisdictional review of municipal processes related to external auditor appointments has been completed. Peel's approach to the appointment of its external auditors is consistent with most of the municipalities that were reviewed.

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