

## Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score	Current Mitigations	Future Mitigations
Financial - External Auditor Independence	The external auditor independence would be impaired by awarding contracts that have a financial impact subject to external audit. The external auditors would no longer be objective in their audit of the financial statements as a result would not be able to provide an independent audit opinion with respect to the City of Edmonton's consolidated financial statements. Section 280 of the Municipal Government Act requires municipalities to appoint an external auditor on an annual basis.	1- Rare	3-Major	3- Low	<ul style="list-style-type: none"> <li>The Audit Committee Bylaw requires Audit Committee or City Manager approval for any non-audit services by the external auditor.</li> <li>External auditor completes an assessment of audit independence and conflict of interest considering professional standards and rules, which is reviewed by Administration.</li> <li>The external audit contract identifies restricted non-audit services.</li> <li>For non-audit services provided by the external auditor, no information would be transferred directly between KPMG teams working on the external audit and the project, and no team members would be involved in both assignments.</li> <li>The team providing the non-audit services will not be physically located with the audit team.</li> <li>All files relating to the non-audit services would be stored in a restricted server that cannot be accessed by the audit team members.</li> <li>Decisions are not being made on behalf of City Administration.</li> </ul>	
Public Perception of External Auditor Independence	Perception that external auditor independence would be impaired by the awarding of non-audit services contracts. It would be perceived that the external auditors are no longer objective in their audit of the consolidated financial statements which as a result would lose credibility.	1- Rare	3-Major	3- Low	<ul style="list-style-type: none"> <li>The Audit Committee Bylaw requires Audit Committee or City Manager approval for any non-audit services by the external auditor.</li> <li>External auditor completes an assessment of audit independence and conflict of interest considering professional standards and rules, which is reviewed by Administration.</li> <li>The external audit contract identifies restricted non-audit services.</li> </ul>	
Financial - External Auditor Independence	The reliance on non-audit services fees creates an economic bond to the City that could compromise the external auditor independence.	1- Rare	3-Major	3- Low	<ul style="list-style-type: none"> <li>Estimated fees and any other potential related fees are considered by the Audit Committee, City Manager and Administration when evaluating requests for non-audit services.</li> <li>Non-audit services fees are evaluated against KPMG's total Canadian revenue and this information is provided to Audit Committee.</li> </ul>	