

## 2025-2029 EXTERNAL AUDIT SERVICES

### Recommendation

1. That the selection process for the City’s external auditor for the 2025 to 2029 term, as outlined in Attachment 1 of the February 18, 2025, Financial and Corporate Services report FCS02915, be approved.
2. That the evaluation criteria for selecting the City’s external auditor, as outlined in Attachment 2 of the February 18, 2025, Financial and Corporate Services report FCS02915, be approved.
3. That Attachments 4 and 5 of the February 18, 2025, Financial and Corporate Services report FCS02915 remain private pursuant to sections 24 (advice from officials) and 25 (disclosure harmful to economic and other interest of a public body) of the *Freedom of Information and Protection of Privacy Act*.

<b>Requested Action</b>	Decision Required		
<b>ConnectEdmonton’s Guiding Principle</b>	<b>ConnectEdmonton Strategic Goals</b>		
<b>CONNECTED</b> This unifies our work to achieve our strategic goals.	N/A		
<b>City Plan Values</b>	N/A		
<b>City Plan Big City Move(s)</b>	N/A	<b>Relationship to Council’s Strategic Priorities</b>	N/A
<b>Corporate Business Plan</b>	Managing the corporation		
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>• Bylaw 16097 Audit Committee</li> </ul>		
<b>Related Council Discussions</b>	N/A		

### Executive Summary

- The City's current external audit contract will expire on October 27, 2025.
- This report outlines the scope of work, recommended process and timelines for the Request for Proposal, recommends technical evaluation criteria and weighting to be incorporated into the request for proposal for external audit services, and the Request for Proposal (RFP) Evaluation Plan.
- Approval of the process and timelines and evaluation criteria will allow audit planning for external audit services to begin with adequate time for the 2025 fiscal year.

### REPORT

The City's current external audit contract with KPMG LLP, will expire on October 27, 2025, at the conclusion of the 2024 fiscal year external audit. Accordingly, there will be a need to extend the term of the existing contract or to proceed with the RFP of external audit services beginning with the 2025 fiscal year. It has been the City's general practice to go to market competitively for external audit services every five years in line with industry best practices.

The *Municipal Government Act* requires City Council to appoint external auditors for the municipality. Some of the roles of City Council with respect to the appointment of the external auditor have been delegated to Audit Committee through Bylaw 16097 Audit Committee. Specifically, Section 16 of the bylaw states:

"The Committee will in relation to the appointment of the City's External Auditor:

- (a) approve the selection process and criteria;
- (b) review all materials submitted by applicants;
- (c) approve the short list of candidates;
- (d) participate in the interviews of short-listed candidates; and
- (e) make recommendations to Council about the appointment and fees payable to the External Auditor."

Administration reviewed literature and recommendations on best practices from the Chartered Professional Accountants Canada, the Government Finance Officers Association and other professional sources, as well as request for proposal (RFP) documents issued by other Canadian municipalities. The competitive procurement process recommended was developed based upon the practice review, in addition to City procurement practices, the roles set out in Bylaw 16097 for the Audit Committee and the approved 2025 Council and Committee meeting calendar. The City of Edmonton follows principles of open, fair and transparent procurement required under administrative policies and applicable trade agreements. The combination of the Audit Committee's insight and the recommended process encourages a well-balanced decision that takes into account all aspects of the proposals without making undue demands on the time and attention of Audit Committee members.

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### Scope of Work

External audit services will be conducted in accordance with generally accepted auditing standards, and will express an audit opinion on each of the following sets of financial statements/information:

- Consolidated Financial Statements for the City of Edmonton
  - Including ERP System Data Conversion audit procedures upon completion of the Enterprise System Transformation
- Municipal Financial Information Return (FIR) for the City of Edmonton
- Employee Benefit Plans Financial Statements (individual), including:
  - Group Life Plan
  - Dependent Group Life Plan
  - Dental Plan
  - Long-term Disability Plan
  - Major medical and Supplementary Hospital Plan
- Combined Pension Fund Financial Statements
- Firefighters' Supplementary Pension Fund Financial Statements
- Specific purpose audit services are required every three years (2026 and 2029) for regulatory reports (compliance audits) with respect to Local Authorities Pension Plan and Special Forces Pension Plan
- City of Edmonton Library Board Financial Statements
- Family and Community Support Services grant schedules
- Other grant schedules, as required

The City has a number of subsidiary organizations that require annual audits. In the past, the request for proposal has provided for the audit of certain of the subsidiaries subject to Board approval of those subsidiaries. This generally supports consistency of the external auditor across more of the consolidated City reporting entity and allows those smaller organizations to benefit from economies of scale for audit fees. Subsidiaries that would be scoped into the audit proposal, but subject to the approval of the Boards and/or shareholder would be Explore Edmonton Corporation, Non-Profit Housing Corporation, Fort Edmonton Management Company, Edmonton Unlimited Corporation and Edmonton Combative Sports Commission.

The audit engagement proposal will not include the audit of EPCOR Utilities Inc. as their audit process is managed independently through the EPCOR Board of Directors and shareholders.

### Contract Term

The City has generally followed a five-year term for audit appointment, which is followed by many companies and municipalities, balancing the benefit to the organization of maintaining the auditor's knowledge of the business and processes with the fresh perspective but possibly increased administrative cost of a new audit team. General terms of the standard City contract allow for termination, in rare cases, to address any extreme circumstances where the City may wish to terminate the audit relationship.

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### Proposed Process

Administration recommends the following process for the RFP evaluation and recommendation of the external auditor by Audit Committee to City Council. Further details on the process and the associated timelines are outlined in Attachment 1.

1. A Working Committee to be established to support the Audit Committee through the procurement and recommendation process, with representation from Financial and Corporate Services.
2. The Working Committee will prepare the request for proposal documents in compliance with the City's established procedures and templates for professional service agreements, for review and approval by Audit Committee. The request for proposal documents will integrate the term and scope of work outlined in this report and the evaluation criteria with weighting as outlined in Attachment 2. A draft evaluation matrix will be included within the request for proposal documents.
3. With Audit Committee's approval of the selection process (Recommendation 1/Attachment 1) and the evaluation criteria (Recommendation 2/Attachment 2) the Working Committee will work collaboratively with Corporate Procurement and Supply Services to issue a RFP and respond to questions from potential bidders during the procurement process.
4. The Working Committee will complete a draft evaluation of proposals and provide an in-private report to Audit Committee including all responses to the proposal, the draft technical evaluation matrix of the responses and a draft list of reference questions to be asked with respect to shortlisted bidders.
5. Audit Committee will review proposal submissions and draft evaluation by Working Committee.
6. Audit Committee will select up to three of the highest evaluated bidders to make presentations at the following Audit Committee meeting and provide any clarification to Working Committee with respect to questions to be included as part of reference checks.
7. Working Committee will complete reference checks and arrange for shortlisted bidders to make presentations to Audit Committee.
8. Audit Committee will receive presentations from each of the shortlisted bidders and ask any questions.
9. Based upon all information, Audit Committee may recommend the Working Committee to make any adjustments to the technical evaluations. The Working Committee will complete the price evaluations based on the bidders' price proposals and recommend the top ranked bidder to Audit Committee. Audit Committee will follow the results of the evaluation scores to keep the evaluation process fair and will choose the highest ranked bidder.
10. Audit Committee will make a recommendation to City Council about the appointment of the external auditor and the fees associated with the appointment.

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### Evaluation of Proposals

Consistent with best practice, the evaluation criteria recommended to be built into the RFP documents include aspects of the following categories:

- Ability, availability and independence of the audit firm and audit team
- Ability to add value based on the expertise and experience of the firm, audit office and client service team
- Audit approach and ability to meet the City's reporting timelines
- Presentation (to be completed by shortlisted bidders only)
- Sustainability criteria (process for implementing any strategies and policies and ensuring employment opportunities for equity-deserving groups)
- Cost of services

Further details with respect to the evaluation criteria are outlined in Attachment 2, along with the recommended weighting by evaluation category. To ensure objectivity in the assessment of proposing firms, the price proposals will be provided separately and will not be considered as part of the overall evaluation until the technical evaluation is complete.

The proposed RFP Evaluation Plan is included as Attachment 4. This plan is aligned with the process outlined in Attachment 1 as well as the evaluation criteria in Attachment 2.

### Acknowledgement of Role in Evaluation Committee

The City of Edmonton is committed to a fair, open and transparent competitive procurement process leading to the selection of a recommended bidder for this RFP. The City is accountable to all stakeholders, including suppliers and the public, for the efficiency and effectiveness of the procurement process. Procurement processes protect the interests of the City, the public and participating suppliers. The City established the official Procurement Standard on June 30, 2022, and related procedures and guidelines for competitive procurement to prescribe the roles, responsibilities, and accountabilities of employees involved in the competitive procurement process.

As per the Procurement Standard, employees and non-employees in evaluation roles are required to sign an acknowledgement of their obligations as members of the Evaluation Committee. Any members of the Evaluation Committee, including Audit Committee members, are required to review and sign off the Evaluation Committee Members Obligations Acknowledgement form that is included as Attachment 3. By signing the form Audit Committee members are acknowledging that they have read, understood and accepted the ongoing obligations as a member of this RFP Evaluation Committee.

### Draft Request for Proposal

Attachment 5 sets out the draft RFP documents developed by the Working Committee.

A negotiated proposal approach has been taken to allow for some leeway with respect to contract terms. Bidders are being asked to identify any changes to the standard City professional services

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agreement as included in the RFP documents in their proposals, and change requests may be considered at the time of negotiations

The proposal documents set out the term, scope, timing and expectations with respect to the external audit services for the City for fiscal periods 2025 to 2029.

Posting of the audit procurement will follow the standard City procurement process. Audit firms reviewing the procurement have the opportunity to ask questions or to seek clarification and the Request for Proposal will be updated if required.

### **Community Insight**

Public engagement was not conducted for the process, timelines and evaluation process involved with the competitive procurement of external audit services. The external financial statement audit process provides assurance over the reliability and accuracy of financial information and provides the stakeholders of the City with confidence in the financial records.

### **GBA+**

The procurement process at the City includes considerations for GBA+, particularly embedded into the evaluation criteria used in the process.

Administration has applied GBA+ to the review of the City's procurement processes, leading to further policy development in social procurement and Indigenous procurement. City Policy C556C Sustainable Procurement, is focused on four purchase outcomes to integrate community social value: employment, skills and training, social value supply chain and community development. Policy C556C also uses a variety of social benefit criteria that include many GBA+ considerations.

Administration intends to reinforce the values and commitments set by Council by working with contractors aligned to those values.

### **Environment and Climate Review**

This report was reviewed for environment and climate risks. Based on the review completed no significant interactions with the City's environmental and climate goals were identified within the scope of this report.

### **Attachments**

1. Process and Timelines
2. Evaluation Criteria
3. Evaluation Committee Member Obligations Acknowledgement
4. PRIVATE - Proposal Evaluation Plan
5. PRIVATE - Draft - Request for Proposal (RFP) no. 938799 for External Audit Services