



Administrative Report

To: Warden MacDonald and Members of Essex County Council

From: Melissa Ryan, CPA, Director, Financial Services/Treasurer

Date: Wednesday, February 19, 2025

Subject: Appointment of Auditors for the County of Essex

Report #: 2025-0219-FIN-R05-MR

Purpose

The purpose of this report is to recommend to Council the reappointment of KPMG as auditors for the County of Essex for a five-year term commencing on January 1, 2025.

Background

The *Municipal Act* sets out the requirement for municipalities to engage a licensed auditor on an annual basis. Section 296 states:

296 (1) A municipality shall appoint an auditor licensed under the Public Accounting Act, 2004 who is responsible for:

Annually auditing the accounts and transactions of the municipality and its local boards and expressing an opinion on the financial statements of these bodies based on the audit; and

Performing duties required by the municipality or local board.

296 (3) An auditor of a municipality shall not be appointed for a term exceeding five years.

The County of Essex appointed KMPG as corporate auditors for a five-year term expiring on December 31, 2024 at its regular meeting June 3, 2020.

The County auditor is engaged to express an opinion regarding the fair presentation of financial performance of the County of Essex as communicated publicly in its consolidated financial statements. The consolidated statements include operations of the following entities:

- County of Essex
- Essex County Library

- Proportionate share of Essex-Windsor Solid Waste Authority

The County auditor is also engaged to express an opinion regarding the fair presentation of financial performance of the Sun Parlor Home Residents Trust Fund and Sun Parlor Home Long-Term Care Annual Report.

In addition to assurance services, the municipal auditor may also provide advisory services in connection with financial and operating policies, practices and procedures. They may also assist with the administration of specialized areas such as HST, WSIB, financial reporting issues, PSAB compliance, etc.

The municipal auditor is viewed as an important resource to the financial administrative function, similar to the contribution a legal advisor would make to the organization's operations. The auditor-client service relationship can be viewed as a mutually beneficial service relationship which requires a fundamental appreciation on the part of the auditor to understand the municipal environment and the resources necessary to address the client's unique municipal government reporting requirements.

Discussion

Over the past five years, the total cost of auditing services amounted to approximately \$220,500. This includes assurance services for the County of Essex (\$152,700) and the Essex-Windsor Solid Waste Authority (EWSWA) (\$67,800). Historically, auditing services have been procured jointly with EWSWA to achieve cost savings and efficiencies, as the County's consolidated financial statements incorporate a proportionate share of EWSWA's operating results each year. Retaining the same auditor for both entities enhances efficiencies in the year-end financial statement process and provides a deeper understanding of the Corporation's consolidated operations. Additionally, KPMG also conducts audits for The City of Windsor, whose consolidated financial statements include EWSWA, further reinforcing the benefits of using the same auditor as they understand the relationships between entities.

Given the dollar value of the five-year contract, Procurement Policy #19-003 would typically require the Corporation to seek formal competitive proposals from the assurance market. However, Schedule B of Policy #19-003 allows for certain exclusions to the competitive process. Specifically, Schedule B, Section 2 (Excluded Professional Services), includes the following exemption:

Subsection (d): Financial services related to the management of government financial assets and liabilities (i.e., treasury operations),

including ancillary advisory and information services, whether or not delivered by a financial institution.

When determining whether to seek competitive proposals, Administration evaluates the quality of services provided by the incumbent auditor. Renewal is based on performance satisfaction and the ability to:

- Demonstrate experience in providing audit services and professional accounting advice.
- Develop auditing techniques and establish a sound system of control and audit performance review.
- Provide substantial resource/support services to meet the full scope of the County's audit-related needs.
- Ensure staff continuity with experienced, qualified audit professionals.
- Exhibit a comprehensive understanding of municipal financial reporting requirements.
- Demonstrate in-depth knowledge of legislation relevant to the municipal operating environment.
- Offer competitive fees.

Appendix A, attached to this report, outlines KPMG's proposal and the schedule of fees for the five-year contract under consideration.

Financial Implications

After reviewing the current contract and evaluating the proposed fees in light of inflation and the growing scope of the Corporation's audit, Administration supports the reappointment of KPMG LLP for a five-year term ending December 31, 2029.

Pending County Council's approval, the EWSWA Administration will seek approval for KPMG's reappointment at their upcoming monthly Board meeting in March (or potentially April).

While the proposed fee increases are notable and County Administration worked to secure the best pricing, it is believed that maintaining the relationship with KPMG LLP is in the County's best interest. The fee structure is considered reasonable and justifiable based on the following points outlined by KPMG:

- **Previous Fee Commitments:** KPMG's last fee proposal, issued in March 2020, was set just before the COVID-19 pandemic. Despite inflation, KPMG held the fees steady, with only small increases (0.5% to 2.5% in 2023). The 2025 fee adjustment is intended to address

past underpricing.

- **Audit and Accounting Standard Changes:** Significant changes in audit and accounting standards over the past five years have increased the effort required for high-quality audits. For example, an EWSWA audit cannot be completed for less than \$20,000. To avoid a sharp one-time increase, the adjustment will be spread over multiple years.

- **Rising Costs:** Similar to the County, KPMG has faced significant cost increases related to staff salaries and technology investments. These adjustments reflect industry-wide changes needed to retain staff and sustain technological advancements.

The table below outlines the costs proposed for the five-year contract:

	2024 Costs	2025 Cost	2025 % Chg.	2026 Cost	2026 % Chg.	2027 Cost	2027 % Chg.	2028 Cost	2028 % Chg.	2029 Cost	2029 % Chg.
County of Essex	24,820	34,000	36.99%	35,000	2.94%	36,000	2.86%	37,500	4.17%	39,000	4.00%
EWSWA	14,200	17,000	19.72%	18,000	5.88%	19,000	5.56%	20,500	7.89%	22,000	7.32%
Library	5,480	6,000	9.49%	6,500	8.33%	7,000	7.69%	7,500	7.14%	8,000	6.67%
SPH Trust	700	1,000	42.86%	1,100	10.00%	1,200	9.09%	1,300	8.33%	1,400	7.69%
	45,200	58,000	28.32%	60,600	4.48%	63,200	4.29%	66,800	5.70%	70,400	5.39%

Appendix A, attached to this report, provides further details on KPMG’s proposal and the schedule of fees applicable to the five-year contract period.

Consultations

- Michelle Bishop, General Manager, EWSWA
- Cynthia Swift, Partner, KPMG

Strategic Plan Alignment

Working as Team Essex County	Growing as Leaders in Public Service Excellence	Building a Regional Powerhouse
<ul style="list-style-type: none"> <input type="checkbox"/> Scaling Sustainable Services through Innovation <input type="checkbox"/> Focusing “Team Essex County” for Results <input type="checkbox"/> Advocating for Essex County’s Fair Share 	<ul style="list-style-type: none"> <input type="checkbox"/> Being an Employer with Impact <input type="checkbox"/> A Government Working for the People <input checked="" type="checkbox"/> Promoting Transparency and Awareness 	<ul style="list-style-type: none"> <input type="checkbox"/> Providing Reliable Infrastructure for Partners <input type="checkbox"/> Supporting Dynamic and Thriving Communities Across the County <input type="checkbox"/> Harmonizing Action for Growth <input type="checkbox"/> Advancing Truth and Reconciliation

Recommendation

That Essex County Council receive report number 2025-0219-FIN-R05-MR, Appointment of Auditor and;

That Essex County Council approve the re-appointment of KPMG LLP for a five-year period, commencing January 1, 2025, subject to renewal and confirmation by By-law, in accordance with the fees presented on pg.15 of Appendix A-KPMG Fee Proposal 2025-2029.

Approvals

Respectfully Submitted,

Melissa Ryan

Melissa Ryan, CPA, Director, Financial Services/Treasurer

Concurred With,

Sandra Zwiers

Sandra Zwiers, MAcc, CPA, CA, Chief Administrative Officer

Appendix	Title
A	KPMG Fee Proposal 2025-2029