



COUNTY OF GREY

AUDIT PLANNING REPORT TO THE COMMITTEE OF THE WHOLE

February 24, 2023

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.





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To the Members of the Committee of the Whole of the County of Grey

We are pleased to provide you with this planning report to highlight and explain key issues which we believe to be relevant to the audit of the County of Grey (the "County") for the year ended December 31, 2022.

The enclosed planning report includes our approach to your audit, the significant risks we have identified and the terms of our engagement. At the year-end meeting, we will provide you with a copy of our draft audit opinion and discuss the nature, extent, and results of our audit work. We will also report any significant internal control deficiencies identified during our audit and reconfirm our independence.

Our audit and therefore this report will not necessarily identify all matters that may be of interest to the Members of the Committee of the Whole in fulfilling its responsibilities. This report has been prepared solely for the use of the Committee of the Whole and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

We look forward to completing our draft audit report opinion and discussing our conclusions with you. In the meantime, please feel free to contact us if you have any questions or concerns.

Yours truly,

Chartered Professional Accountants, Licensed Public Accountants

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EXECUTIVE SUMMARY

Your BDO Audit Team

Traci Smith, CPA, CGA, LPA will be the lead on the engagement team, supported by experts as deemed necessary. Please refer to page 4 for contact information should you have any questions or concerns regarding the financial statement audit.

Timeline

The audit is scheduled to start on April 10, 2023 with final completion scheduled for the middle of June. See the [Audit Timeline](#) section of the report for the detailed milestones.

Auditor's Responsibilities - Financial Statements

Our overall responsibility is to form and express an opinion on the financial statements. The performance of this audit does not relieve management or those charged with governance of their responsibilities. Please see the attached engagement letter in [Appendix A](#) for specific details regarding the scope of our work.

Materiality

We have determined that materiality for the current year audit will be based on 3% of total average revenues. Preliminary materiality is \$4,500,000 for the year ended December 31, 2022 and is based on preliminary numbers.

Audit Process

Our overall audit strategy is based on our understanding of the Municipality. Our risk base audit approach is described in detail on Pages 9-11.

Significant Risks and Planned Responses

Our audit is focused on risks specific to your organization and key accounts. These are described in more detail on page 7. Specifically, we have identified the following areas on which to focus:

- ▶ Government transfers
- ▶ Control environment (management override of control)
- ▶ Purchases
- ▶ Payroll

Auditors Responsibilities - Fraud

Through our planning process, and prior years' audits, we have developed an understanding of your oversight processes. We are not currently aware of any fraud affecting the Municipality. Please see Page 6 for clarification of the auditor's responsibilities for detecting fraud.

If you are aware of changes to processes or are aware of any instances of actual, suspected, or alleged fraud affecting the Municipality, we request that you provide us with this information.

YOUR DEDICATED BDO AUDIT TEAM

In order to ensure effective communication between the Committee of the Whole and BDO Canada LLP, the contact details of the engagement team are outlined below. We attempt to provide continuity of service to our clients to the greatest extent possible. When changes are required for key members of the engagement team, we will discuss this matter with Management and determine the appropriate new individual(s) to be assigned to the engagement based on particular experience, expertise, and engagement needs.

NAME	ROLE	PHONE NUMBER	EMAIL
Traci Smith	Engagement Partner	519-376-1708	tsmith@bdo.ca
Vicky Watson	Senior Manager	226-279-2438	vwatson@bdo.ca
Erin DeRuyter	Audit In-Charge	226-279-2446	ederuyter@bdo.ca
Jenny Wang	Audit Assistant	226-279-2454	jenwang@bdo.ca

AUDIT TIMELINE

The following schedule outlines the anticipated timing of the audit of the financial statements of the Municipality.

As part of the year end Committee of the Whole meeting, we will provide the Committee of the Whole with a copy of our draft audit opinion, discuss our findings, including significant estimates utilized by management, accounting policies, financial statement disclosure, and significant transactions completed during the year. We will also report any significant internal control deficiencies identified during our audit and reconfirm our independence.

ACTION	TIMING
Audit planning and interim fieldwork	February 2023
Audit fieldwork commences	April 10, 2023
Meeting with management and BDO	Mid-May 2023
Present final report to the Committee of the Whole	Early June 2023
Release of audit report	Mid-June 2023

AUDITOR'S RESPONSIBILITIES: FINANCIAL STATEMENTS

We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management, with oversight by those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. The scope of our work, as confirmed in our engagement letter attached as Appendix A to this letter, is set out below:

Year-End Audit Work

- ▶ Work with management towards the timely issuance of the financial statement and required returns.
- ▶ Provide timely and constructive management letters. This will include deficiencies in internal control identified during our audit.
- ▶ Present significant findings to the Committee of the Whole including key audit and accounting issues, any significant deficiencies in internal control and any other significant matters arising from our work.

We are required to obtain an understanding of the system of internal control in place in order to consider the adequacy of these controls as a basis for the preparation of the financial statements, to determine whether adequate accounting records have been maintained and to assess the adequacy of these controls and records as a basis upon which to design and undertake our audit testing.

We are required to report to you in writing about any significant deficiencies in internal control that we have identified during the audit.

We have complied with relevant ethical requirements and are not aware of any relationships between the County of Grey and our Firm that may reasonably be thought to bear on our independence. Our annual confirmation of independence is attached as Appendix B to this letter.

AUDITOR'S RESPONSIBILITIES: FRAUD

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud, by:

- ▶ Identifying and assessing the risks of material misstatement due to fraud;
- ▶ Obtaining sufficient and appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- ▶ Responding appropriately to fraud or suspected fraud identified during the audit.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

Throughout our planning process, we performed risk assessment procedures and related activities to obtain an understanding of the entity and its environment, including the Municipality's internal control, to obtain information for use in identifying the risks of material misstatement due to fraud and made inquiries of management regarding:

- ▶ Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments;
- ▶ Management's process for identifying and responding to the risks of fraud in the organization, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;
- ▶ Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the organization; and
- ▶ Management's communication, if any, to employees regarding its view on business practices and ethical behavior.

We are not currently aware of any fraud affecting the organization. If you are aware of any instances of actual, suspected, or alleged fraud, please let us know.

SIGNIFICANT RISK AND PLANNED RESPONSES

We have identified the following significant risks that require special audit consideration. These risks were identified based on our knowledge of the County, our past experience, and input from management and the Committee of the Whole. Please review these significant risks and let us know your thoughts on these or any other areas of concern.

FINANCIAL STATEMENT AREAS	RISKS NOTED	AUDIT APPROACH
Government Transfers	Significant risk that government transfers may not be recorded properly because of the complexity of the standard. Significant judgment required to assess the eligibility criteria/stipulations and the recognition or deferral of grant revenue can affect the annual surplus.	<ul style="list-style-type: none"> • Review of agreements and discussions with management. • Confirmation of cash received and reconciliation of cash flows and eligible expenditures.
Control Environment	Management may at any time have the opportunity to override internal controls.	<ul style="list-style-type: none"> • Test appropriateness of journal entries. • Review accounting estimates for biases and evaluate the risk of material misstatement due to fraud. • For significant transactions that are outside the normal course of business, evaluate the business rationale behind the transaction.
Purchases	Significant risk of unauthorized use of signature stamp, theft of blank cheques, or misappropriation of County EFT funds.	<ul style="list-style-type: none"> • Review cheque and EFT logs for continuity of cheque and EFT transaction numbers. • Confirm bank balances and review bank reconciliations.
Payroll	Significant risk that pay rates changes could be unauthorized.	<ul style="list-style-type: none"> • Test salaries of those employees who are authorized to change pay rates.

** Due to the new Canadian Audit Standard 315 that is discussed on page 10 we are still in the process of finalizing our risk assessment and therefore if there are any additional significant risks added to the file we will notify management and those charged with governance.

MATERIALITY

We determined preliminary materiality to be \$4,500,000, based on 3% of total average revenues. Performance materiality of \$3,600,000 is set at 80% of the materiality. We use performance materiality to focus our audit; identify amounts to be examined using statistical sampling and determining key items for analytical procedures. A threshold of 10%-20% of performance materiality is then used for substantive and analytical procedures.

Misstatements are considered to be material if they could reasonably be expected to influence the decisions of users based on the financial statements.

Our materiality calculation is based on the County's preliminary results. If actual results change significantly, we will communicate those changes to the Committee of the Whole as part of our year-end communication.

We will communicate all corrected and uncorrected misstatements identified during our audit to the Committee of the Whole, other than those which we determine to be "clearly trivial."

We encourage management to correct any misstatements identified throughout the audit process.

HOW WE AUDIT FINANCIAL STATEMENTS: OUR SIX STEP AUDIT PROCESS

IDENTIFY AND ASSESS RISK

Focus on those areas of financial statements that contain potential material misstatements as a consequence of the risks you face

OBTAIN AUDIT EVIDENCE

Perform audit procedures while maintaining appropriate degree of professional skepticism, to conclude whether or not the financial statements are presented fairly

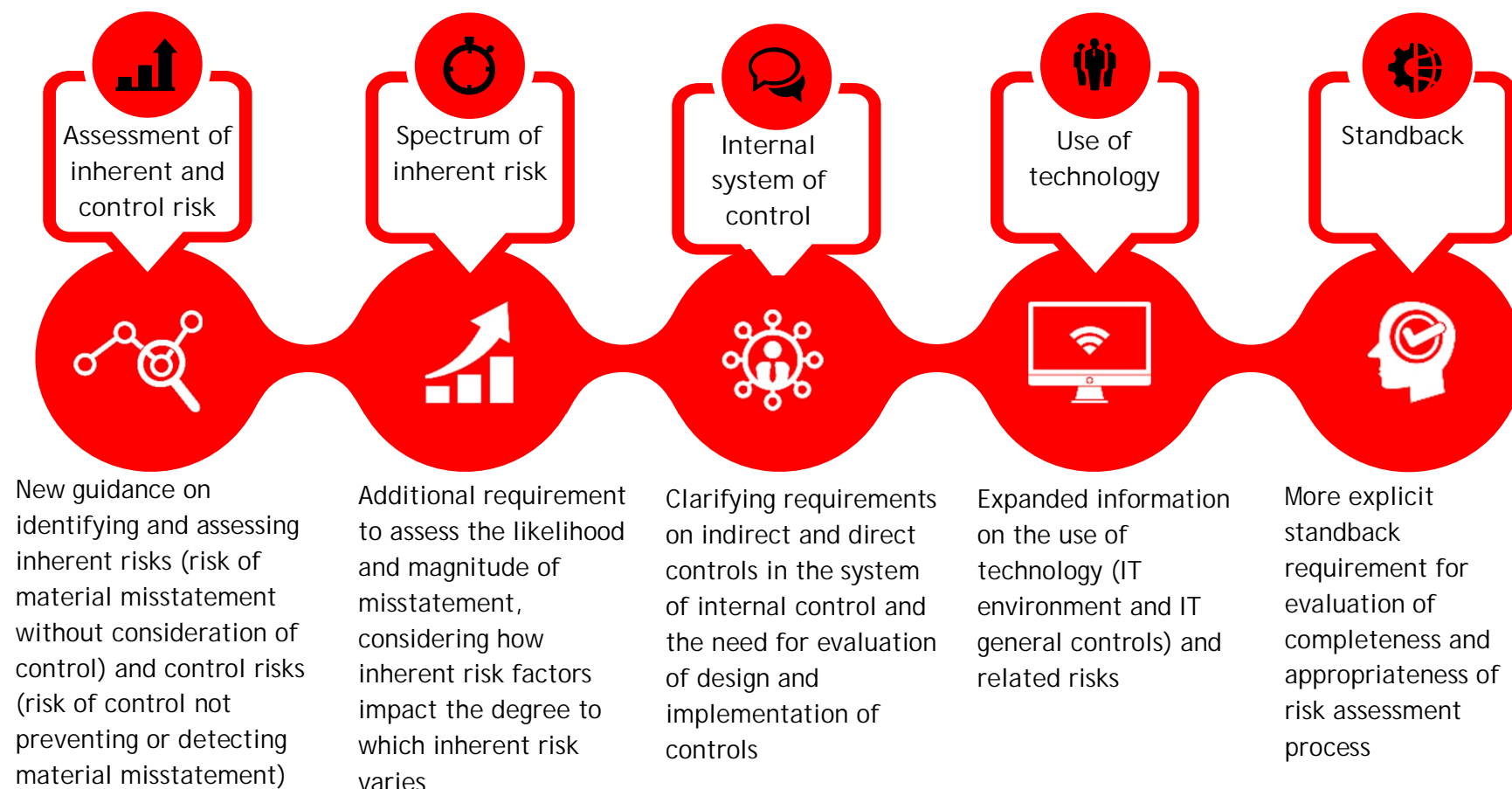
REPORT

Communicate our opinion and details of matters on which we are required to report



UPDATES TO OUR AUDIT PROCESS

Canadian Auditing Standard 315, Identifying and Assessing the Risks of Material Misstatement, was significantly revised with a greater focus on more robust risk identification, assessment and response procedures. The standard is effective for periods beginning on or after December 15, 2021. Key enhancements include:



UPDATES TO OUR AUDIT PROCESS: IMPACT ON THE AUDIT

Impact on Auditors

More inquiry, observation, and inspection procedures, especially for risks related to the use of technology



More robust risk identification and assessment



Audit procedures focused on addressing risks identified



More consistent and effective audits with improved responses to identified risks improving audit quality for all stakeholders

Impact on Clients

Audit team will need to spend more time in the field and/or will need to speak to personnel not previously accessed in the past



More up-front questions for you at planning and face-to-face meetings to gather information



Requirement to access IT personnel not previously accessed in the past



More robust discussions with Council, committees and Boards about increased risk identification

APPENDIX A: ENGAGEMENT LETTER



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December 5, 2022

The Corporation of the County of Grey
595 9th Avenue East
Owen Sound, ON N4K 3E3

Dear Mary Lou Spicer,

We understand that you wish to engage us as the auditors of The Corporation of the County of Grey for its fiscal year ended December 31, 2022 and subsequent years.

We are pleased to perform the engagement subject to the terms and conditions of this Agreement, to which the attached Standard Terms and Conditions form an integral part. The definitions set out in the Standard Terms and Conditions are applicable throughout this Agreement. This Agreement will remain in place and fully effective for future years until varied or replaced by another relevant written agreement.

Traci Smith will be the Engagement Partner for the audit work we perform for you. The Engagement Partner will call upon other individuals with specialized knowledge to assist in the performance of services.

Our Role as Auditors

We will conduct our audit(s) in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements prepared in accordance with Canadian Public Sector Accounting Standards are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by you, as well as evaluating the overall financial statement presentation.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements, whether by fraud or error, may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

In making our risk assessments, we consider internal control relevant to your preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of your internal controls. However, we will communicate to you concerning any significant deficiencies in internal controls relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate matters required by professional standards, to the extent that such matters come to our attention, to you, those charged with governance and/or the board of directors.



Reporting

Our audit will be conducted on the basis that the financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards.

Our independent auditor's report will be substantially in the form set out in Canadian Auditing Standard (CAS) 700. The form and content of our report may need to be amended in the light of our audit findings. If we are unable to issue or decline to issue an audit report, we will discuss the reasons with you and seek to resolve any differences of view that may exist.

Role of Management and Those Charged with Governance

You acknowledge and understand that you have responsibility for:

- (a) the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards. The audit of the financial statements does not relieve you of your responsibilities;
- (b) such internal controls as you determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- (c) providing us with:
 - access, in a timely manner, to all information of which you are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that we may request for the purpose of the audit;
 - unrestricted access to persons within the entity from whom we determine it is necessary to obtain audit evidence;
 - financial and non-financial information (other information) that will be included in document(s) containing financial statements and our audit report thereon prior to the date of our auditor's report. If it is not possible to provide all the other information prior to the date of our auditor's report, you are responsible for provision of such other information as soon as practicable; and
 - written confirmation concerning representations made to us in connection with the audit. If appropriate and adequate written representations are not provided to us, professional standards require that we disclaim an audit opinion.

Financial Statement Services

We will obtain your approval, if during the course of our engagement we:

- (a) prepare or change a journal entry; or
- (b) prepare or change an account code or a classification for a transaction.

As agreed, we will provide assistance in the preparation of the financial statements.

These services create a threat to our independence. We, therefore, require that the following safeguards be put into place:



- (a) that you create the source data for all accounting entries;
- (b) that you develop any underlying assumptions for the accounting treatment and measurement entries; and
- (c) that you review and approve the draft financial statements, including the notes to the financial statements.

Tax Services

Our audit is conducted primarily to enable us to express an opinion on the financial statements. The audit process is not designed to provide us with a full understanding of your tax situation and in particular, to allow us to determine whether the entity has specific tax compliance issues. We understand that you are not looking to BDO to provide you with any guidance or advice in regard to tax planning or compliance.

Additional Services

We are available to provide a wide range of services beyond those outlined in this Agreement. To the extent that any additional services that we provide to you that are not provided under a separate written engagement agreement, the provisions of this Agreement will apply to the services.

Fee Estimation

The estimated fee for this engagement is as follows:

Deliverable	FY 2022	FY 2023
Audit of the Corporation of the County of Grey (as per quote of September 25, 2019)	\$64,400	\$65,000
Information Systems Audit	\$5,500	\$5,600
One-time fee for adoption of CAS 315R	\$5,250	-

For each future year we will issue a Summary of Services providing details of our Services and fees.

Our estimated fee is based on an assumed level of quality of your accounting records, the agreed upon level of preparation and assistance from your personnel and adherence to the agreed-upon timetable. Our estimated fee also assumes that your financial statements are in accordance with Canadian Public Sector Accounting Standards and that there are no significant new or changed accounting policies or issues or internal control or other reporting issues. We will inform you on a timely basis if these factors are not in place. Should our assumptions with respect to the quality of your accounting records be incorrect or should the conditions of the records, degree of cooperation, results of audit procedures, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates.



Our professional fees will be based on our billing rates which depend on the means by which and by whom our Services are provided. Our billing rates may be subject to change from time to time at our discretion with or without notice to you.

We will also bill you for our out-of-pocket expenses, our administrative and technology charge, and applicable Goods and Services Sales Tax, Harmonized Sales Tax, Quebec Sales Tax and Provincial Sales Tax. Our administrative and technology charge is calculated as 7% of our professional fee and represents an allocation of estimated costs associated with our technology infrastructure and support staff time costs.

Our fees will be invoiced and payable as follows:

- On a monthly basis as the work is performed up to 95% of the audit fee prior to issuance of the audit report; and
- The remaining 5% within 10 days after issuance of our final invoice along with any additional required fees.

Our accounts are due when rendered and invoiced amounts are deemed to be earned when paid. BDO may suspend the performance of Services in the event that you fail to pay an invoice when it is due. Fees that are not paid within 30 days of an invoice or by a specified payment deadline will be considered delinquent. Interest may be charged at the rate of 12% per annum on all accounts outstanding for more than 30 days.

Standard Terms and Conditions

A copy of our Standard Terms and Conditions is attached as Appendix 1. You should ensure that you read and understand them. The Standard Terms and Conditions include clauses that limit our professional liability.

Please sign and return the attached copy of this Agreement to indicate your agreement with it. If you have any questions concerning this Agreement, please contact us before signing it.

It is a pleasure for us to be of service and we look forward to many future years of association with you.



Yours truly,

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Agreement of all the terms and conditions in this Agreement is hereby acknowledged by:

M. Spicer _____ *JAN 6, 2023*
Signature Date

MARY LOU SPICER _____ *DIRECTOR OF FINANCE*
Name (please print) Position

Please carefully review this Agreement, which includes the attached Standard Terms and Conditions, prior to signing it. A complete copy of the signed engagement letter should be returned to us.



Appendix 1 - Standard Terms and Conditions

1 Overview and Interpretation

1.1 This Agreement sets forth the entire agreement between the parties in relation to Services and it supersedes all prior agreements, negotiations or understandings, whether oral or written, with respect to Services, including without limitation any non-disclosure agreements entered into in advance of this Agreement. This Agreement applies to Services whenever performed (including before the date of this Agreement). To the extent that any of the provisions of the accompanying letter conflict with these Standard Terms and Conditions, these Standard Terms and Conditions shall prevail. This Agreement may not be changed, modified or waived in whole or part except by an instrument in writing signed by both parties.

1.2 In this Agreement, the following words and expressions have the meanings set out below:

This Agreement - these Standard Terms and Conditions, the letter to which they are attached, supporting schedules or other appendices to the letter, and any Summary of Services letters issued in future years

Services - the services provided or to be provided under this Agreement, and any other services which we agree to provide to you subsequent to the date of this Agreement that are not covered by a separate engagement letter

We, us, our, BDO - refer to BDO Canada LLP, a Canadian limited liability partnership organized under the laws of the Province of Ontario

You, your - the party or parties contracting with BDO under this Agreement. You and your does not include BDO, its affiliates or BDO Member Firms

BDO Member Firm or Firms - any firm or firms that form part of the international network of independent firms that are members of BDO International Limited

Confidential Information - all non-public proprietary or confidential information and Personal Information, including Client Documents

Personal Information - personal information that is or could be attributed to identifiable individuals

Client Documents - information (including internal financial information and internal records and reports) provided to us by you or on your behalf in connection with the performance of the Services

2 BDO Network and Sole Recourse

2.1 BDO is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international network of independent member firms (i.e. BDO Member Firms), each of which is a separate legal entity.

2.2 We may use other BDO Member Firms or subcontractors to provide Services; however, we remain solely responsible for Services. You agree not to bring any claim or action against another BDO Member Firm (or their partners, members, directors, employees or subcontractors) or our subcontractors in respect of any liability relating to the provision of Services.



2.3 You agree that any of our affiliates, subcontractors, and other BDO Member Firms and any subcontractors thereof whom we directly or indirectly involve in providing Services have the right to rely on and enforce Section 2.2 above, as well as all liability protections contained herein, as if they were a party to this Agreement. For greater certainty, you agree that other BDO Member Firms that are subcontractors may enforce any limitations or exclusions of liability available to us under this Agreement.

3 Respective Responsibilities

3.1 We will use reasonable efforts to complete, within any agreed-upon time frame, the performance of Services.

3.2 You shall be responsible for your personnel's compliance with your obligations under this Agreement. We will not be responsible for any delays or other consequences arising from you not fulfilling your obligations.

4 Working Papers and Deliverables

4.1 **Ownership** - All reports (including assurance reports where applicable), written advice, working papers, and internal materials created or developed by us pursuant to this Agreement are owned by us, and we retain all property rights therein. All Client Documents continue to be your property, provided that we retain copies of such documents as necessary for our internal record keeping (including as required to comply with our professional obligations).

4.2 **Oral advice and draft deliverables** - You should not rely upon any draft deliverables or oral advice provided by us. Should you wish to rely upon something we have said to you, please let us know and, if possible, we will provide the information that you require in writing.

4.3 **Translated documents** - If you engage us to translate any documents, advice, opinions, reports or other work product of BDO from one language to another, you are responsible for the accuracy of the translation work.

4.4 **Reliance by Third Parties** - Our Services will not be planned or conducted in contemplation of or for the purpose of reliance by any party other than you, and are intended for the benefit of only you. Items of possible interest to a third party will not be addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction. The receipt by any third parties of any advice, opinions, reports or other work product is not intended to create any duty of care, professional relationship or any present or future liability between such third parties and us. For greater certainty, we expressly disclaim any liability of any nature or kind resulting from the disclosure to or unauthorized reliance by any third party on our advice, opinions, reports or other work product.

4.5 **Consent to use the Report** - Nothing in this Agreement shall be construed as consent to the use of our report in connection with a continuous disclosure document, a public or private offering document, an annual report or any other document and we expressly do not provide such consent. If you request consent for the use of our report, we will consider, at the relevant time, providing consent and any conditions that we may attach to such consent. Our consent must be in writing.

4.6 **Consent requests** - In order to provide consent, professional standards require that we read the other information in the related document and consider whether such information



is materially inconsistent with the related financial statements. Any consent request must be made on a sufficiently timely basis to allow us to consider your identification and resolution of events occurring in the period since the date of our report, and to obtain updated written representation letters. Such procedures will be performed at your cost and will be documented in a separate engagement letter.

5 Confidentiality

- 5.1 We will use Confidential Information provided by you only in relation to the Services or for internal and administrative purposes. We will not disclose any Confidential Information, except where required by law, regulation or professional obligation. You agree, however, that we may disclose Confidential Information to other BDO Member Firms or other subcontractors assisting us in providing Services, provided that such parties are bound by reasonable confidentiality obligations no less stringent than in this Agreement.

6 Analytics

- 6.1 Notwithstanding any other provision, BDO uses Confidential Information to develop, enhance, modify and improve technologies, tools, methodologies, services and offerings and for data analytics and other insight generation, including by aggregating de-identified data. Information developed in connection with these purposes may be used or disclosed to current or prospective clients as part of service offerings, however BDO will not use or disclose any Confidential Information in a way that would permit you to be identified.

7 Privacy and Consent for Use of Personal Information

- 7.1 In order to provide our Services, we may be required to access and collect Personal Information of individuals that is in your custody. You agree that we may collect, use, store, transfer, disclose and otherwise process Personal Information as required for the purpose of providing the Services. Personal Information may be processed in various jurisdictions in which we or applicable BDO Member Firms and subcontractors providing Services operate and as such Personal Information may be subject to the laws of such jurisdictions. Personal Information will at all times be collected, used, stored, transferred, disclosed or processed in accordance with applicable laws and professional regulations and we will require any service providers and BDO Members that process Personal Information on our behalf to adhere to such requirements. Any collection, use, storage, transfer or disclosure of Personal Information is subject to BDO's Privacy Statement available at <https://www.bdo.ca/en-ca/legal-privacy/legal/privacy-policy/>.
- 7.2 You represent and warrant that:
- (a) you have the authority to provide the Personal Information to us in connection with the performance of our Services, and
 - (b) the Personal Information provided to us has been provided in accordance with applicable law, and you have obtained all required consents of the individuals to whom such Personal Information relates in order to permit BDO to collect, use and disclose the Personal Information in the course of providing the Services.

8 Independence

- 8.1 Professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to our clients in the performance of our Services. We will communicate to you any relationships between BDO (including its related entities) and you



that, in our professional judgment, may reasonably be thought to bear on our independence.

9 Offers of Employment

- 9.1 Any discussions that you, or any party acting on your behalf, have with professional personnel of our Firm regarding employment could pose a threat to our independence. Your recruitment of an engagement team member from the current or prior year's engagement may compromise our independence and our ability to render agreed Services to you. Engagement team members may include current and former partners and staff of BDO, other BDO Member Firms and other firms who work under our direction. Therefore, you agree to inform us prior to any such discussions so that you and we can implement appropriate safeguards to maintain our independence.

10 Professional and Regulatory Oversight and Legal Processes

- 10.1 As required by legal, regulatory, or professional authorities (both in Canada and abroad) and by BDO policy, our client files must periodically be reviewed by practice inspectors to ensure that we are adhering to professional and BDO standards. It is understood that by entering into this Agreement, you provide your consent to us providing our files relating to your engagement to the practice inspectors for the sole purpose of their inspection.
- 10.2 Certain law enforcement, regulatory and other governmental bodies may also have the right under law or regulation to conduct investigations of you, including the Services provided by us. To the extent practicable and permitted by law or regulation, we will advise you of any such document request or production order we receive in connection with any such investigation prior to providing any documents in response to such request or order.
- 10.3 We are sometimes required by law, regulation, subpoena or other legal process, or upon your request, to produce documents or personnel as witnesses in connection with legal or regulatory proceedings. Where BDO is not a party to such proceedings, you shall reimburse us at our current standard billing rates for professional time and expenses, including without limitation, reasonable legal fees, expenses and taxes incurred in responding to such compelled assistance or request by you.

11 Electronic Communications

- 11.1 Both parties recognize and accept the security risks associated with email communications, including but not limited to the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Unless you request in writing that we do not communicate by internet email, you assume all responsibility and liability in respect of risk associated with its use.

12 Limitation of Liability

- 12.1 In any dispute, action, claim, demand for losses or damages arising out of the Services performed by BDO pursuant to this Agreement, BDO's liability will be several, and not joint and several, and BDO shall only be liable for its proportionate share of the total liability based on degree of fault as determined by a court of competent jurisdiction or by an independent arbitrator, notwithstanding the provisions of any statute or rule of common law which create, or purport to create, joint and several liability.



- 12.2 In no event shall BDO be liable for indirect, consequential, special, incidental, aggravated, punitive or exemplary damages, losses or expenses, or for any loss of revenues or profits, loss of opportunity, loss of data, or other commercial or economic loss or failure to realize expected savings, including without limitation expected tax savings, whether or not the likelihood of such loss or damage was contemplated.
- 12.3 BDO shall in no event be liable under this Agreement or otherwise in connection with the Services for any actions, damages, claims, fines, penalties, complaints, demands, suits, proceedings, liabilities, costs, expenses, or losses (collectively, "Liabilities") in any way arising out of or relating to the Services performed hereunder for an aggregate amount of more than the higher of:
- (a) three times the fees paid to BDO by you, in a twelve consecutive month period, for the Services provided pursuant to this Agreement giving rise to the claim; and
 - (b) \$25,000.
- 12.4 The limitations of liability in this section apply whether or not the Liabilities asserted by you against BDO are incurred by you directly or as a result of a claim or demand against you by a third party.
- 12.5 No exclusion or limitation on the liability of other responsible persons imposed or agreed at any time shall affect any assessment of our proportionate liability hereunder, nor shall settlement of or difficulty enforcing any claim, or the death, dissolution or insolvency of any such other responsible persons or their ceasing to be liable for the loss or damage or any portion thereof, affect any such assessment.
- 12.6 You agree claims or actions relating to the delivery of Services shall be brought against us alone, and not against any individual. Where our individuals are described as partners, they are acting as one of our members.
- 12.7 For purposes of this Section, the term "BDO" shall include BDO Canada LLP and its subsidiaries, associated and affiliated entities and their respective current and former partners, directors, officers, employees, agents and representatives. The provisions of this Section shall apply to the fullest extent of the law, regardless of the form of the claim, whether in contract, statute, tort (including without limitation, negligence) or otherwise.

13 Indemnity

- 13.1 To the fullest extent permitted by applicable laws, in the event of a claim or demand by a third party against BDO that arises out of or relates to the Services, you agree to indemnify and hold harmless BDO from and against all losses, costs (including solicitors' fees), damages, or expenses resulting from such third party claim or demand, except to the extent that the same is finally determined to have resulted from BDO's negligence or intentional misconduct.

14 Alternative Dispute Resolution

- 14.1 Both parties agree that they will first attempt to settle any dispute arising out of or relating to this Agreement, including any question regarding its existence, interpretation, validity, breach or termination, or the Services provided hereunder, through good faith negotiations.

- 14.2 In the event that the parties are unable to settle or resolve their dispute through negotiation, such dispute shall be subject to mediation using a mediator chosen by mutual agreement of the parties.
- 14.3 All disputes remaining unsettled for more than 60 days following the parties first mediation session with a mediator, or such longer period as the parties mutually agree upon, shall be referred to and finally resolved by arbitration. The parties agree that one arbitrator shall be appointed within twenty (20) days of receipt of the request for arbitration. If the parties cannot agree on the appointment of an arbitrator in such period then either party may immediately apply for the appointment of an arbitrator to a court of competent jurisdiction in the Province of the governing law as contained herein pursuant to such Province's applicable *Arbitration Act*. The place of arbitration shall be in the capital of the Province of the governing law as contained herein. Unless the arbitrator otherwise determines, the fees of the arbitrator and the costs and expenses of the arbitration will be borne and paid equally by the parties. Such arbitration shall be final, conclusive and binding upon the parties, and the parties shall have no right of appeal or judicial review of the decision whatsoever. The parties hereby waive any such right of appeal or judicial review which may otherwise be provided for in any provincial arbitration statute. Judgement upon the award, including any interim award, rendered by the arbitrator may be entered in any court having jurisdiction. The arbitration shall be kept confidential and the existence of the arbitration proceeding and any element thereof (including but not limited to any pleadings, briefs or other documents submitted and exchanged and testimony and other oral submissions and any awards made) shall not be disclosed beyond the arbitrator(s), the parties, their counsel and any person to whom disclosure is necessary to the conduct of the proceeding except as may be lawfully required in judicial proceedings relating to the arbitration or otherwise.

15 Limitation Period

- 15.1 You shall make any claim relating to Services or otherwise under this Agreement no later than one year after you became aware or ought reasonably to have become aware of the facts giving rise to any such claim.
- 15.2 You shall in no event make any claim relating to the Services or otherwise under this Agreement later than four years after the completion of the Services under this Agreement.
- 15.3 To the extent permitted by law, the parties to this Agreement agree that the limitation periods established in this Agreement replace any limitation periods under any limitations act and/or any other applicable legislation and any limitation periods under any limitations act and/or any other applicable legislation shall not alter the limitation periods specified in this Agreement.

16 Québec Personnel

- 16.1 We may sometimes have individual partners and employees performing Services within the Province of Québec who are members of the *Ordre des comptables professionnels agréés du Québec*. Any such members performing professional services hereunder assumes full personal civil liability arising from the practice of their profession, regardless of their status within our partnership. They may not invoke the liability of our partnership as grounds for excluding or limiting their own liability. Any limitation of liability clauses in this Agreement shall therefore not apply to limit the personal civil liability of partners and



employees who are members of the Ordre des comptables professionnels agréés du Québec.

17 Termination

17.1 This Agreement applies to Services whenever performed (including before the date of this Agreement).

17.2 You or we may terminate this Agreement at any time upon written notice of such termination to the other party. We will not be liable for any loss, cost or expense arising from such termination. You agree to pay us for all Services performed up to the date of termination, including Services performed, work-in-progress and expenses incurred by us up to and including the effective date of the termination of this Agreement.

18 Governing Laws

18.1 The terms of our engagement shall remain operative until amended, terminated, or superseded in writing. They shall be interpreted according to the laws of Ontario in which BDO's principal Canadian office performing the engagement is located, without regard to such province/territory's rules on conflicts of law.

19 Survival

19.1 The provisions of this Agreement that give either of us rights or obligations beyond its termination shall continue indefinitely following the termination of this Agreement. Any clause that is meant to continue to apply after termination of this Agreement will do so.

20 Force Majeure

20.1 We will not be liable for any delays or failures in performance or breach of contract due to events or circumstances beyond our reasonable control, including acts of God, war, acts by governments and regulators, acts of terrorism, accident, fire, flood or storm or civil disturbance.

21 Assignment

21.1 No party may assign, transfer or delegate any of the rights or obligations hereunder without the written consent of the other party or parties. BDO may engage independent contractors and BDO Member Firms to assist us in performing the Services in this Agreement without your consent.

22 Severability

22.1 The provisions of this Agreement shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law, regulation or professional standards. If any of these provisions shall be held to be invalid, void or unenforceable, then the remainder of this Agreement shall not be affected, impaired or invalidated, and each such remaining provision shall be valid and enforceable to the fullest extent permitted by law.

Version: v4 202205

APPENDIX B: INDEPENDENCE LETTER



February 24, 2023

Members of the Committee of the Whole
County of Grey

Dear Members of the Committee of the Whole:

We have been engaged to audit the consolidated financial statements of County of Grey (the "County") for the year ended December 31, 2022.

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between the County and our Firm that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, the standards require us to consider independence rules and interpretations of the CPA profession and relevant legislation.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since September 8, 2022, the date of our last letter.

We are aware of the following relationships between the County and us that, in our professional judgment, may reasonably be thought to have influenced our independence. The following relationships represent matters that have occurred from September 8, 2022 to February 24, 2023.

- We have provided advice and comments to management regarding several financial statement measurement, presentation and disclosure matters.
- We have provided assistance in the preparation of the consolidated financial statements, including adjusting journal entries and/or bookkeeping services. These services created a self-review threat to our independence since we subsequently expressed an opinion on whether the consolidated financial statements presented fairly, in all material respects, the financial position, results of operations and cash flows in accordance with Canadian Public Sector Accounting Standards.
- We, therefore, required that the following safeguards be put in place related to the above:
 - Management provided us with a trial balance prior to completion of our audit.
 - Management created the source data for all the accounting entries.
 - Management developed any underlying assumptions required with respect to the accounting treatment and measurement of the entries.
 - Management reviewed advice and comments provided and undertook their own analysis considering the County's circumstances and generally accepted accounting principles.
 - Management reviewed and approved all journal entries prepared by us, as well as changes to financial statement presentation and disclosure.
 - Someone other than the preparer reviewed the proposed journal entries and consolidated financial statements.



This letter is intended solely for the use of the Committee of the Whole, management and those charged with governance of the County and should not be used for any other purpose.

Yours truly,

Chartered Professional Accountants, Licensed Public Accountants

APPENDIX C: BDO RESOURCES FOR PUBLIC SECTOR ENTITIES

Sector insights to shape your Municipality:

Our public sector leaders are thinking about the big questions facing the sector—from staying compliant with regulation to updates on changing financial reporting standards. Our team combines sector-leading assurance, advisory, and tax expertise to bring you key insights.

PSAS Accounting Knowledge Centre

<https://www.bdo.ca/en-ca/services/assurance-and-accounting/a-a-knowledge-centre/psas/>

Public Section Accounting Standards Update 2022

<https://www.bdo.ca/en-ca/insights/assurance-accounting/psas/psas-update-2022/>

The BDO Local & Municipal Governments Resource Centre

<https://www.bdo.ca/en-ca/industries/public-sector/local-government/>

For more on these and other key issues facing your business, please reach out to your engagement partner. They will be happy to put you in touch with the BDO professional who can best help you.