

<b>To:</b>	Warden Hicks and Members of Grey County Council
<b>Committee Date:</b>	August 8, 2019
<b>Subject / Report No:</b>	FR-CW-23-19
<b>Title:</b>	Auditor Appointment
<b>Prepared by:</b>	Kevin Wepler, Director of Corporate Services
<b>Reviewed by:</b>	Kim Wingrove, CAO
<b>Lower Tier(s) Affected:</b>	
<b>Status:</b>	Recommendation adopted by Committee of the Whole as presented as per Resolution <i>CW172-19</i> ;

## Recommendation

1. That Report FR-CW-23-19 regarding Auditor Appointment be received and that Council direct staff to enter into pricing negotiations with the firm of BDO Canada LLP of Owen Sound to award a single source five-year contract for external audit services for the County of Grey based on the existing terms and conditions of RFP-FIN-03-13; and
2. That upon finalizing pricing negotiations with the firm of BDO Canada LLP of Owen Sound, that a by-law to appoint the firm of BDO Canada LLP of Owen Sound as auditors for the County of Grey for a period of five (5) years beginning with the 2019 fiscal year and running through and including the audit for the 2023 fiscal year, be presented to Council for consideration.

## Executive Summary

- A municipality is required to appoint an auditor licensed under the *Public Accounting Act, 2004*
- An auditor of a municipality shall not be appointed for a term exceeding five years
- The use of sole or single sourcing with a particular vendor exceeding \$25,000 must be reported to Council.

# Background and Discussion

The purpose of this report is to seek direction from Council on the appointment of auditors for the County of Grey for the 2019 through to 2023 fiscal years.

Section 296 (1) of the *Municipal Act* requires that a municipality appoint an auditor licensed under the *Public Accounting Act, 2004* who is responsible for:

- a) 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
- b) performing duties required by the board or local board

In addition, the *Act* also states that an auditor of a municipality shall not be appointed for a term exceeding five years.

The role of the Auditor is to conduct an audit(s) in accordance with Canadian generally accepted auditing standards. Those standards require the Auditor to comply with ethical requirements and to plan and perform the audit to obtain reasonable assurance the consolidated financial statements are prepared in accordance with Canadian public sector accounting standards and 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 judgement, include the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. The auditor will also evaluate the appropriateness of accounting policies used and reasonableness of accounting estimates made by the County, as well as evaluating the overall financial statement presentation.

The auditor will consider internal controls relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate to the municipality's circumstances and will communicate any concerns regarding significant deficiencies in internal controls relevant to the audit of the financial statements.

The auditor will communicate matters required by professional standards, to matters that they identify, to Council and management. The Canadian Auditing Standard (CAS) 700 sets out the independent auditor's report. If the auditor is unable to issue or declines to issue an audit report, the auditor will discuss the reasons with management and/or Council to seek to resolve any differences of view that may exist.

BDO has been the County's auditor for over 40 years. Over these years the County has been served by various engagement partners, senior managers, senior accountants, and audit team staff members. This has provided the County with a variation of audit

professionals reviewing the County's financials to ensure compliance with regulatory and statutory requirements, and accuracy of the County's financial information. As well, the profession is governed through the Chartered Professional Accountants (CPA) of Ontario and the CPA Code of Professional Conduct, which stresses the importance of independence.

The County issued an RFP in 2005 for audit services for the fiscal years 2005 to 2009, where BDO was the only respondent. In 2013, the County procured this service and based on the four responses received and the evaluation criteria, BDO was selected as the successful proponent and appointed for a further five-year period for the fiscal years 2013 to 2017.

Staff recommended in 2018 that for the services required for the audit of the 2018 fiscal year, that the method of procurement be to single source this service. The reasoning at this time was that there were challenges for Finance staff to properly scope the audit services required in the future with the changes that were being considered with management of the County's long term care operations.

With the possibility of moving to a management contract, this may have resulted in recommended corporate changes to processes, policies and procedures. Until these processes, policies and procedures were finalized and documented, it would have been difficult for County staff to document in a request for proposal the scope of work that would be required for the provision of external audit services and therefore difficult for proponents to respond to such a request for proposal.

BDO has worked with County staff to deliver a full range of audit and accounting services for the County. Their expertise in this area is well respected, including appointment as auditor for approximately 90 municipalities in Ontario.

As stated previously, BDO has a long-standing experience with auditing the County's financial activities and has worked with the County's Finance staff in order that the annual audit is undertaken in a professional and efficient manner. This has resulted, in what Finance staff perceives to be a process that has reduced the County's staff audit work once the on-site audit has been undertaken, as the documentation required for the audit has been prepared and accumulated in advance of the auditors' arrival.

Staff believe that BDO's municipal experience with the County's operations have been an asset to the County in providing an opinion on the County's annual consolidated financial statements and in recommending practices and/or controls to improve the County's financial processes. Staff also have an appreciation for having a local municipal auditor with municipal county experience that can meet with staff without extra costs for travel, etc. being incurred.

As a result of the Finance staff's opinion of the value of the services received from BDO, it is recommended that Council direct staff to enter into pricing negotiations with the firm

of BDO Canada LLP of Owen Sound to award a single source five-year contract for external audit services for the County of Grey based on the terms and conditions of RFP-FIN-03-13.

Upon finalizing pricing negotiations with the firm of BDO Canada LLP of Owen Sound, that a by-law will be prepared to appoint the firm of BDO Canada LLP of Owen Sound as auditors for the for the County of Grey for a period of five (5) years beginning with the 2019 fiscal year and running through and including the audit for the 2023 fiscal year and be presented to Council for consideration.

If County Council does not support the single sourcing of external audit services, staff will develop a request for proposal for procuring external audit services.

## Legal and Legislated Requirements

Section 296 (1) of the Municipal Act requires that a municipality appoint an auditor licensed under the *Public Accounting Act, 2004*.

## Financial and Resource Implications

The recommendation to negotiate and appoint BDO Canada LLP could possibly have an impact on the 2019 budget as the negotiated pricing is unknown at this time, as no quoted pricing has been received from BDO Canada LLP. The pricing proposal negotiated would be based on the 2018 scope of work and would not include a material organizational change of the County, or material regulatory changes made impacting accounting or auditing standards.

If Council directs staff to develop a competitive process for audit services for 2019 through to the 2023 fiscal years, the issuing of a request for proposal will require Purchasing and Finance staff resources to undertake and evaluate.

There is the possibility that if a competitive process was undertaken for external audit services that a successful proponent to a request for proposal may provide lower costs, however given the previous RFP-FIN-03-13, any significant savings seems unlikely.

## Relevant Consultation

- Internal – Finance and Purchasing staff
- External (list)

## Appendices and Attachments

None