



# COUNTY OF GREY

## AUDIT PLANNING REPORT TO THE MEMBERS OF THE COMMITTEE OF THE WHOLE

January 9, 2020

# TABLE OF CONTENTS

- EXECUTIVE SUMMARY ..... 2
- YOUR DEDICATED BDO AUDIT TEAM..... 3
- AUDIT TIMELINE ..... 4
- SIGNIFICANT AUDIT RISKS AND PLANNED RESPONSES ..... 5
- MATERIALITY..... 6
- FEES ..... 7
- APPENDIX A: BDO AUDIT STRATEGY
- APPENDIX B: ENGAGEMENT LETTER
- APPENDIX C: INDEPENDENCE LETTER
- APPENDIX D: RESPONSIBILITIES
- APPENDIX E: BDO RESOURCES

# 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 3 for contact information should you have any questions or concerns regarding the financial statement audit.



## Timeline

The audit is scheduled to start on March 30, 2020 with final completion scheduled for the end of May. See the [Audit Timeline](#) section of the report for the detailed milestones.



## Significant Audit Risks

Our audit is focused on risks specific to your municipality and key accounts. These are described in more detail on pages 5. Specifically, we have identified the following areas on which to focus:

- ▶ Control Environment
- ▶ Purchases
- ▶ Payroll
- ▶ Government Transfers



## Materiality

We have determined that materiality for the current year audit will be based on 2% of average total revenue. Preliminary materiality is \$2,750,000 for the year ended December 31, 2019.



## Fees

We estimate our fees for 2019 will be \$62,500 for the audit of the financial statements, based on the assumptions outlined in the Fees section on page 7 of this report.



## Engagement Objectives

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 B](#) for specific details regarding the scope of our work.



## Fraud Discussion

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 County. Please see [Appendix D](#) 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 County, we request that you provide us with this information.

## YOUR DEDICATED BDO AUDIT TEAM

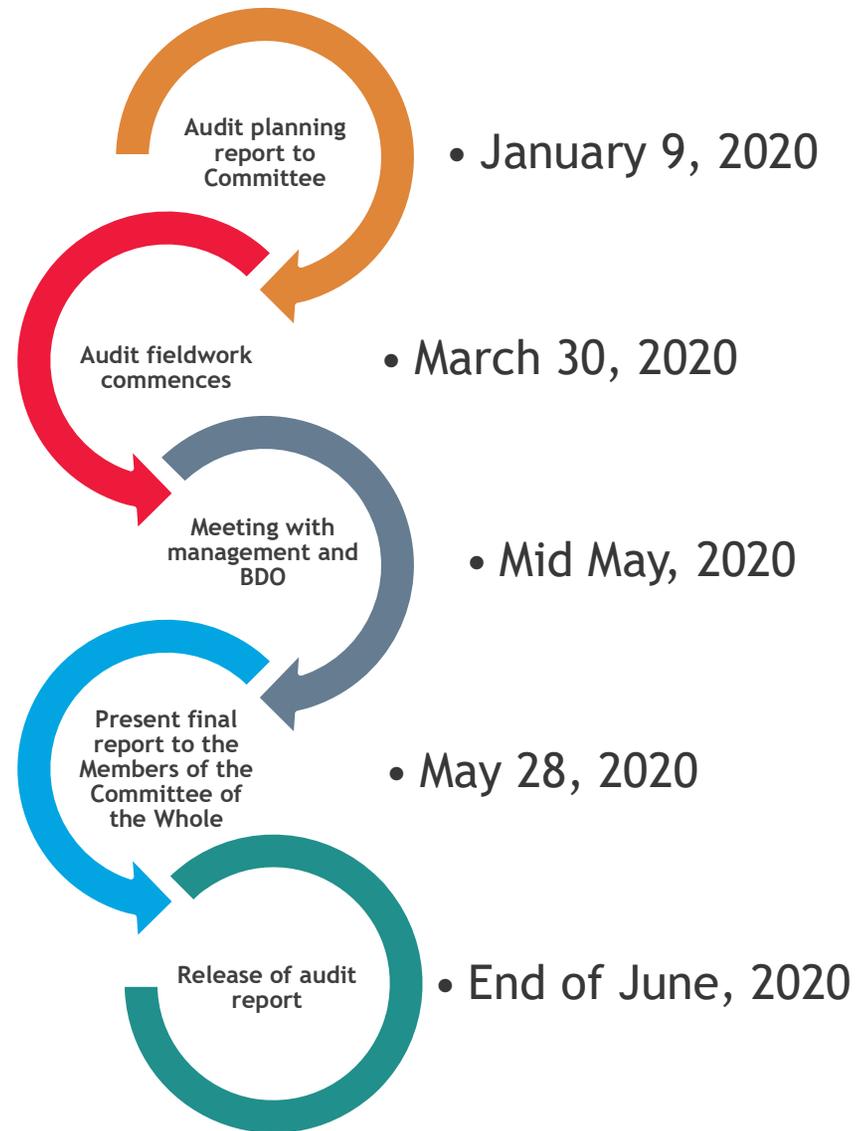
In order to ensure effective communication between the Members of the Committee of the Whole and BDO Canada LLP, the contact details of the engagement team are outlined below. We attempt to provide continuity of service to our clients to the greatest extent possible. When changes are required for key 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	519-376-6110 Ext 2225	tsmith@bdo.ca
Vicky Watson	Senior Manager	519-376-6110 Ext 2231	vwatson@bdo.ca
Alyshia Mader	Senior Accountant	519-376-6110 Ext 2223	amader@bdo.ca
Scott Merry Nicole White	HST Specialists	519-622-7676 Ext 1957 Ext 4594	smerry@bdo.ca nbwhite@bdo.ca

## AUDIT TIMELINE

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

As part of the year end Committee of the Whole meeting, we will provide the Members of 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 disclosures, and significant transactions completed during the year. We will also report any significant internal control deficiencies identified during our audit and reconfirm our independence.



## SIGNIFICANT AUDIT RISKS AND PLANNED RESPONSES

Based on our knowledge of the County, our past experience, and knowledge gained from management and the Members of the Committee of the Whole, we have identified the following significant risks; those risks of material misstatement that, in our judgment, require special audit consideration.

Significant risks arise mainly because of the complexity of the accounting rules, the extent of estimation and judgment involved in the valuation of these financial statement areas, and the existence of new accounting pronouncements that affect them. We request your input on the following significant risks and whether there are any other areas of concern that the Members of the Committee of the Whole have identified.

AREAS OF FOCUS	RISKS NOTED	AUDIT APPROACH
Control Environment	Management may at any time have the opportunity to override internal controls.	<ul style="list-style-type: none"> <li>• Test appropriateness of journal entries.</li> <li>• Review accounting estimates for biases and evaluate the risk of material misstatement due to fraud.</li> <li>• For significant transactions that are outside the normal course of business, evaluate the business rationale behind the transaction.</li> </ul>
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"> <li>• Review cheque and EFT logs for continuity of cheque and EFT transaction numbers.</li> <li>• Confirm bank balances and review bank reconciliations.</li> </ul>
Payroll	Significant risk that pay rates changes could be unauthorized.	<ul style="list-style-type: none"> <li>• Test salaries of those employees who are authorized to change pay rates.</li> </ul>
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"> <li>• Review of agreements and discussions with management.</li> <li>• Confirmation of cash received and reconciliation of cash flows and eligible expenditures.</li> </ul>

## MATERIALITY

Misstatements, including omitted financial statement disclosures, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Judgments about materiality are made in light of surrounding circumstances and include an assessment of both quantitative and qualitative factors and can be affected by the size or nature of a misstatement, or a combination of both.

Preliminary overall materiality was determined to be \$2,750,000, based on 2% of average total revenues. Performance materiality of \$2,062,500 is set at 75% 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.

Our materiality calculation is based on the County's preliminary results. In the event that actual results vary significantly from those used to calculate preliminary materiality, we will communicate these changes to the Members of the Committee of the Whole as part of our year end communication.

We will communicate all uncorrected misstatements identified during our audit to the Members of the Committee of the Whole, other than those which we determine to be "clearly trivial". Misstatements are considered to be clearly trivial for purposes of the audit when they are inconsequential both individually and in aggregate.

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

## FEES

We estimate our fees for 2019 will be \$62,500 (excluding taxes) for the audit of the consolidated financial statements.

These fees include:

- An audit report on the financial statements of the County;
- Separate audit opinions on the trust funds administered by the County maintained on behalf of Long-Term Care Facility Residents;
- An audit report on the Long-Term Care Facility Annual Reports for Grey Gables, Rockwood Terrace and Lee Manor;
- Two review engagement reports on Schedules of Revenue and Expenses of Ministry of Education programs;
- Preparation of Financial Information Return (FIR);
- Preparation of management letter (if applicable);
- Preparation of Letter to Council;
- Meetings with staff in the planning stage of the audit, execution stage of the audit and at the conclusion of the audit to discuss the audit, financial statements, management letter (if applicable) or any other matters as required;
- Meeting with Council to discuss the audit, financial statements, letter to Council and any other matters as required; and
- Ongoing communication and questions from staff during the year.

Our estimated fees are based on the time expected to complete the audit and is based upon the following assumptions:

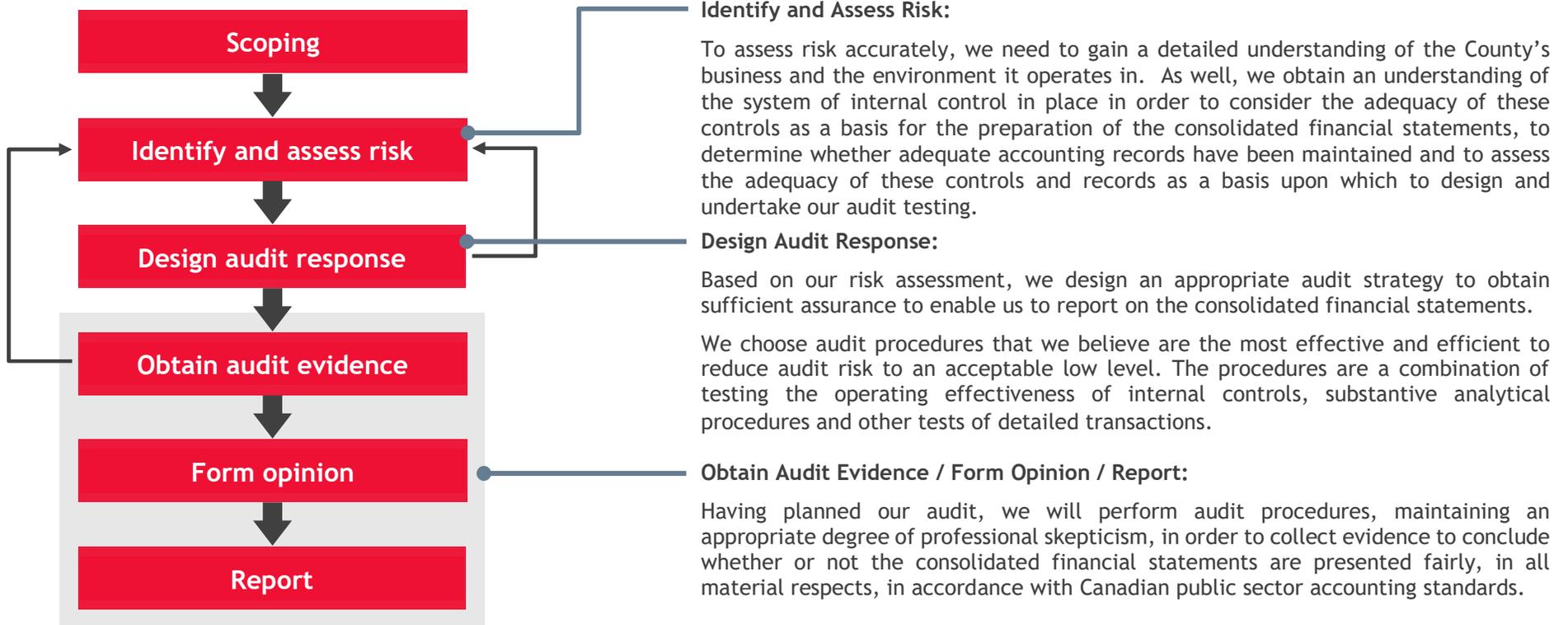
- ▶ We will be provided with the requested audit schedules, working papers and descriptions of accounting systems and processes as detailed in our annual requirements letter upon the commencement of fieldwork;
- ▶ There will be minimal adjusting entries; and
- ▶ The nature of the County's operations remain consistent with the prior year and there have been no changes in accounting personnel.

In the event that we incur additional charges or we experience delays in completing the audit, we will advise management.

## APPENDIX A: BDO AUDIT STRATEGY

Our overall audit strategy involves extensive partner and manager involvement in all aspects of the planning and execution of the audit and is based on our overall understanding of the County.

We will perform a risk-based audit which allows us to focus our audit effort on higher risk areas and other areas of concern for management and the Members of the Committee of the Whole.



**APPENDIX B: ENGAGEMENT LETTER**



Tel: 519 376 6110  
Fax: 519 376 4741  
www.bdo.ca

BDO Canada LLP  
1717 2<sup>nd</sup> Avenue E, Third Floor  
PO Box 397  
Owen Sound ON N4K 5P7 Canada

December 9, 2019

County of Grey  
595 9th Avenue East  
Owen Sound ON N4K 3E3

Dear Ms. Wingrove:

We understand that you wish for us to continue as the auditors of County of Grey for its fiscal year ended December 31, 2019 and subsequent years.

We are pleased to continue as your auditors 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 or until the completion of the audit for the 2023 fiscal year.

Traci Smith, CPA, CGA, LPA 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.

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 of 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**

- An audit report on the financial statements of the County;
- Separate audit opinions on the trust funds administered by the County maintained on behalf of Long-Term Care Facility residents;
- An audit report on the Long-Term Care Facility Annual Reports for Grey Gables, Rockwood Terrace and Lee Manor;
- Two review engagement reports on Schedules of Revenue and Expenses of Ministry of Education programs;
- Preparation of Financial Information Return (FIR);
- Preparation of management letter (if applicable);
- Preparation of Letter to Council;
- Meetings with staff in the planning stage of the audit, execution stage of the audit and at the conclusion of the audit to discuss the audit, financial statements, management letter (if applicable) or any other matters as required;
- Meeting with Council to discuss the audit, financial statements, letter to Council and any other matters as required; and
- Ongoing communication and questions from staff during the year.

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**

<b>Services</b>	<b>Estimated Audit Fee</b>
Annual audit fee for 2019 (includes additional services)	\$62,500
Annual audit fee for 2020 (includes additional services)	\$63,125



008

Annual audit fee for 2021 (includes additional services)	\$63,750
Annual audit fee for 2022 (includes additional services)	\$64,400
Annual audit fee for 2023 (includes additional services)	\$65,000

We will notify you on a timely basis if there are any circumstances we encounter which could significantly affect our initial estimate of professional fees. 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% of the audit fee within 10 days after issuance of the final audit report along with any additional required fees.

We reserve the right to suspend our Services if any of our invoices become delinquent. Fees that are not paid within 30 days of an invoice or by a specified payment deadline will be considered delinquent.

Additional information relating to our fees is provided in the Standard Terms and Conditions.

### 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:

*[Handwritten Signature]* \_\_\_\_\_ *CAO*  
 Signature Position

*Kim Willgrove* \_\_\_\_\_ *Dec 10, 2019*  
 Name (please print) Date

*[Handwritten Signature]* \_\_\_\_\_ *DIRECTOR OF CORPORATE SERVICES*  
 Signature Position

*KEVIN WEPPLER* \_\_\_\_\_ *DECEMBER 9, 2019*  
 Name (please print) Date

## ***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. 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, and any 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

**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, including the party's or parties' management and those charged with corporate governance. 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** - information that contains identifying features that can be attributed to you or individual personnel

### **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 if they were a party to 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** - Any documents prepared by us, or for us, in connection with Services belong solely to us.

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 any party to whom the assurance report is addressed. 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.

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 agree to use Confidential Information provided by you only in relation to the services in connection with which the information is provided and we will not disclose the information, except where required by law, regulation or professional obligation. We may however, give Confidential Information to other BDO Member Firms or other subcontractors assisting us in providing Services. Any party to whom we subcontract work will be required to keep Confidential Information confidential either by professional obligation or contract with us. Any BDO Member Firms or other subcontractors we use will be bound by the same confidentiality obligations.

5.2 BDO shall be entitled to include a description of services we render to or for you in marketing and research materials and disclose such information to third parties, provided that all such information will be made anonymous and not associated with you. Additionally, we may analyze information on an industry or sector basis for internal

purposes or to provide industry/sector wide information to our clients or potential clients. You consent to our using information obtained from you in this way provided that the outputs therefrom will not contain any identifying features that can be attributed to you.

- 5.3 The definition of “Confidential Information” in section 1.2 of Appendix 1 is amended to include information that the County is required to protect or keep confidential by applicable law, including the Municipal Freedom of Information Act (MFIPPA) and the Personal Health Information and Protection Act (PHIPA).
- 5.4 BDO acknowledges that the County is subject to the Municipal Freedom of Information Act (MFIPPA) and the Personal Health Information and Protection Act (PHIPA), which protects certain information that the County may provide to BDO as part of carrying out this Agreement, and that records created by the County through its relationship with BDO may be subject to public disclosure pursuant to MFIPPA. BDO agrees to advise the County of any information that it considers to be sensitive or confidential at the time that it provides that information to the County.

## **6. Independence**

- 6.1 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.

## **7. Offers of Employment**

- 7.1 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.

## **8. Professional and Regulatory Oversight**

- 8.1 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.
- 8.2 Certain regulatory bodies may also have the right to conduct investigations of you, including the Services provided by us. To the extent practicable and permitted by law, we will advise you of any such investigation request or order prior to providing our working papers.
- 8.3 You agree to reimburse us for our time and expenses, including reasonable legal fees, incurred in responding to any investigation that is requested or authorized by you or investigations of you undertaken under government regulation or authority, court order or other legal process.

## **9. Privacy and Consents**

9.1 You agree we will have access to all personal information in your custody that we require to complete our engagement. We may collect, use, transfer, store, or process such information disclosed by you of a personal nature (personal information). Our Services are provided on the understanding that:

- (a) you have obtained any consents for collection, use and disclosure to us of personal information required under all applicable privacy legislation; and
- (b) we will hold all personal information in compliance with our Privacy Statement.

## **10. Electronic Communications**

10.1 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.

10.2 By signing this agreement, you provide BDO with express consent to communicate with you and your employees, as applicable, electronically, including sending BDO newsletters, publications, announcements, invitations and other news and alerts that may be of interest to you. You and your employees may withdraw such consent at any time by contacting BDO at [www.bdo.ca/unsubscribe](http://www.bdo.ca/unsubscribe).

## **11. Limitation of Liability**

11.1 In any dispute, action, claim, demand for losses or damages arising out of the Services performed by BDO pursuant to this Agreement, 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 as a result of the dispute resolution procedures, notwithstanding the provisions of any statute or rule of common law which create, or purport to create, joint and several liability.

11.2 Our liability shall be restricted to damages of a direct and compensatory nature and shall not include indirect, consequential, aggravated or punitive damages, or damages for loss of profits or expected tax savings, whether or not the likelihood of such loss or damage was contemplated.

11.3 You agree that BDO shall not be liable to you for any actions, damages, claims, liabilities, costs, expenses, or losses in any way arising out of or relating to the services performed hereunder for an aggregate amount no more than three times the fees paid by you to BDO in the twelve months preceding the incident giving rise to the claim.

11.4 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.

11.5 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. Indemnity**

12.1 To the fullest extent permitted by applicable law and professional regulations, you agree to indemnify and hold harmless BDO from and against all losses, costs (including solicitors' fees), damages, expenses, claims, demands or liabilities arising out of or in consequence of:

- (a) a misrepresentation by a member of your management or board of directors, regardless of whether such person was acting in your interest;
- (b) the services performed by BDO pursuant to this Agreement, unless, and to the extent that, such losses, costs, damages and expenses are found by a court of competent jurisdiction to have been due to the gross negligence of BDO. In the event that the matter is settled out of court, we will mutually agree on the extent of the indemnification to be provided by you, failing which, the matter may be referred to dispute resolution in accordance with the terms of this letter.

## **13. Alternative Dispute Resolution**

13.1 Both parties agree that they will first attempt to settle any dispute arising out of or relating to this Agreement or the Services provided hereunder through good faith negotiations.

13.2 In the event that the parties are unable to settle or resolve their dispute through negotiation, such dispute shall be subject to mediation pursuant to the National Mediation rules of the ADR Institute of Canada Inc. All disputes remaining unsettled for more than 60 days following the parties first meeting with a mediator or such longer period as the parties mutually agree upon shall be subject to arbitration pursuant to the National Arbitration Rules of the ADR Institute of Canada Inc. 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. The parties hereby waive any such right of appeal which may otherwise be provided for in any provincial arbitration statute made applicable under the National Arbitration Rules.

## **14. Limitation Period**

14.1 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.

14.2 You shall in no event make any claim relating to the Services or otherwise under this Agreement later than two years after the completion of the Services under this Agreement.

14.3 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.

## **15. Québec Personnel**

- 15.1 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. The provisions in Sections 11 (Limitation of Liability) and 14 (Limitation Period) 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.

## **16. Termination**

- 16.1 This Agreement applies to Services whenever performed (including before the date of this Agreement).
- 16.2 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.

## **17. Fees and Billings**

- 17.1 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 the applicable financial reporting framework 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.
- 17.2 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. These fees will be discussed and agreed to with the Director of Corporate Services prior to the commencement of the work.
- 17.3 Our professional fees will be based on our billing rates which depend on the means by which and by whom our Services are provided. We also will bill you for applicable Goods and Services Sales Tax, Harmonized Sales Tax, Quebec Sales Tax and Provincial Sales Tax.
- 17.4 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. Interest may be charged at the rate of 12% per annum on all accounts outstanding for more than 30 days.

## **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 the province or territory 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. Entire Agreement and Survival**

- 19.1 This Agreement sets forth the entire agreement between the parties with respect to the subject matter herein, superseding all prior agreements, negotiations or understandings, whether oral or written, with respect to such subject matter. It is understood that this Agreement will not be superseded by any contract with us for other specific services that are not of the same scope as the Services contemplated in this Agreement, unless the other contract explicitly references this Agreement and an intent to supersede it.
- 19.2 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 If a court or regulator with proper jurisdiction determines that a provision of this Agreement is invalid, then the provision will be interpreted in a way that is valid under applicable law or regulation. If any provision is invalid, the rest of this Agreement will remain effective.

**23. Insurance**

- 23.1 BDO shall, during the entire Term of this Agreement at its own cost and expense, take out and keep in full force the following insurance, which shall be primary, non-contributing with and not in excess of any other insurance available to the County:
- (a) Commercial General Liability (satisfactory to the County, including the following and underwritten by an insurer licensed to conduct business in the Province of Ontario):
    - i) A limit of liability of not less than \$5,000,000/occurrence;
    - ii) The County of Grey shall be named as an additional insured;
    - iii) The policy shall contain a provision for cross liability in respect of the named insured;
  - (b) Professional Liability (Errors and Omissions) insurance coverage to a limit of not less than \$5,000,000. Such insurance shall provide coverage for all errors and omissions made by BDO, its directors, officers, employees, or any other participants in relation to this Agreement.

- 23.2 30 days' prior notice of an alternation or cancellation of any/all of the policies and those terms which reduce coverage shall be given to the County.
- 23.3 The Consultant shall, prior to execution of this Agreement, provide the County with a certificate of insurance as proof of coverage required under this Agreement, and a current valid certificate shall be provided throughout the Term of this Agreement during each policy period.
- 24. WSIB and Occupational Health and Safety**
- 24.1 BDO is responsible for all costs associated with its workplace accidents and all premiums or assessments owing to the Workplace Safety and Insurance Board (WSIB), or insurance company if applicable for its own employees. If requested, BDO shall, throughout the Term of this Agreement, provide the County with evidence of coverage for itself, its employees, subcontractors and subcontractors' employees under the *Workplace Safety and Insurance Act* or insurance policy.
- 24.2 BDO shall comply with the Occupational Health and Safety Act (Ontario), the Workplace Safety and Insurance Act (Ontario), the Human Rights Act, (Ontario), and applicable regulations under such legislation and all other legal obligations with respect to worker health, safety and treatment.

Version: 201909

## **APPENDIX C: INDEPENDENCE LETTER**



Tel: 519 376 6110  
Fax: 519 376 4741  
www.bdo.ca

BDO Canada LLP  
1717 2<sup>nd</sup> Avenue E, Third Floor  
PO Box 397  
Owen Sound ON N4K 5P7 Canada

January 9, 2020

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 the County of Grey (the "County") for the year ended December 31, 2019.

Canadian generally accepted auditing standards (GAAS) 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, we have considered the applicable legislation and relevant rules and related interpretations prescribed by the appropriate provincial institute/order, covering such matters as:

- Holding a financial interest, either directly or indirectly in a client;
- Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- Economic dependence on a client; and
- Provision of services in addition to the audit engagement.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since May 23, 2019, the date of our last letter.

We are aware of the following relationships between the organization 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 May 23, 2019 to January 9, 2020.

- We have provided advice and comments to management regarding 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 of the organization in accordance with 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 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.

We hereby confirm that we are independent with respect to the County within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario as of January 9, 2020.

This letter is intended solely for the use of the Members of the Committee of the Whole, management and others within the County and should not be used for any other purposes.

Yours truly,

*BDO Canada LLP*

BDO Canada LLP  
Chartered Professional Accountants, Licensed Public Accountants

## APPENDIX D: RESPONSIBILITIES

It is important for the Members of the Committee of the Whole to understand the responsibilities that rest with the County and its management, those that rest with the external auditor, and the responsibilities of those charged with governance. BDO’s responsibilities are outlined below and within the engagement letter (see Appendix B).

### AUDITOR’S ENGAGEMENT OBJECTIVES

Our overall objective is to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position, financial performance and cash flows of the County in accordance with Canadian public sector accounting standards.

Year-End Audit Work	Year-Round Work
<ul style="list-style-type: none"> <li>▶ Work with management towards the timely issuance of consolidated financial statements and tax returns.</li> <li>▶ Provide timely and constructive management letters. This will include deficiencies in internal control identified during our audit.</li> <li>▶ Present significant findings to the Members of 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.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Consult regarding accounting, tax and reporting matters as requested throughout the year.</li> </ul>

## AUDITOR'S RESPONSIBILITIES FOR DETECTING FRAUD

We are responsible for planning and performing the audit to obtain reasonable assurance that the consolidated 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.

### Fraud Risk Assessment Procedures

- ▶ Management's assessment of the risk that the consolidated 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 County, 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 County; and
- ▶ Management's communication, if any, to employees regarding its view on business practices and ethical behaviour.



### Response to Assessed Fraud Risks

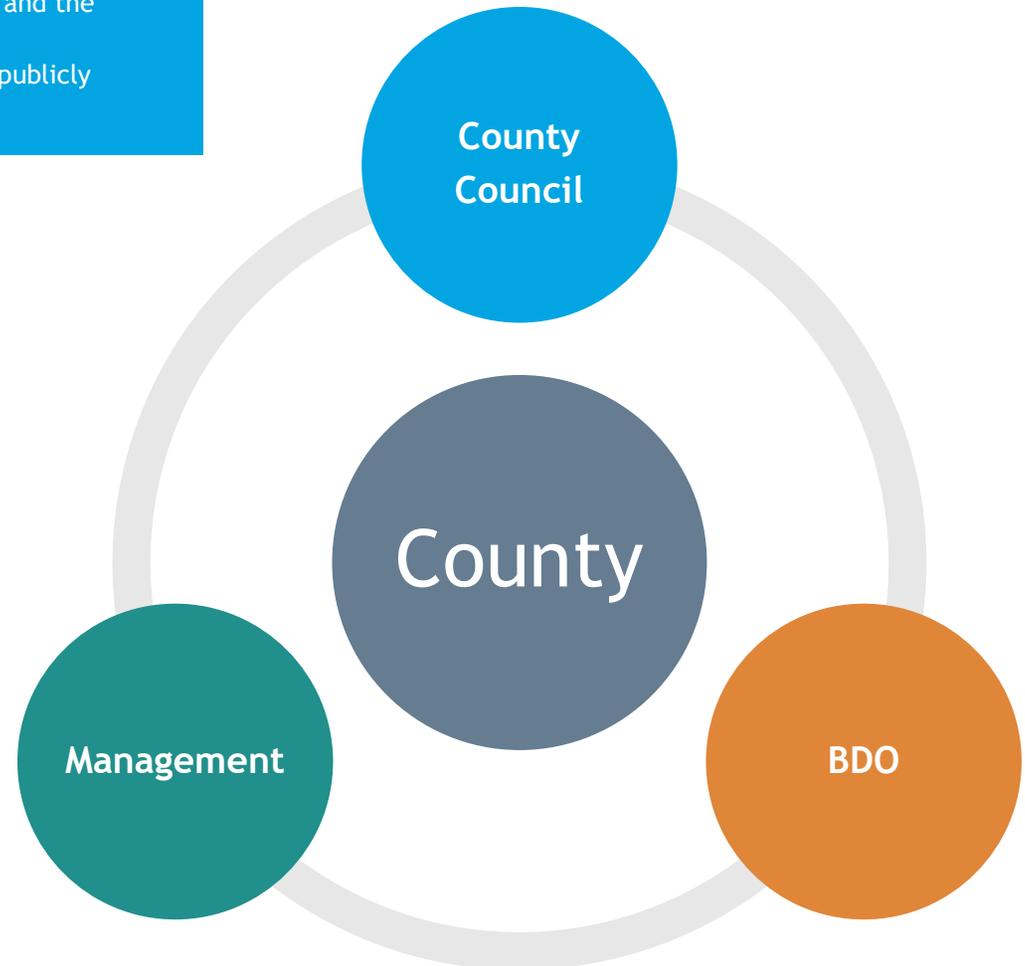
- ▶ Inquire of management, the Members of the Committee of the Whole, and others related to any knowledge of fraud, suspected fraud or alleged fraud;
- ▶ Perform disaggregated analytical procedures and consider unusual or unexpected relationships identified in the planning of our audit;
- ▶ Incorporate an element of unpredictability in the selection of the nature, timing and extent of our audit procedures; and
- ▶ Perform additional required procedures to address the risk of management's override of controls including:
  - Testing internal controls designed to prevent and detect fraud;
  - Testing the appropriateness of a sample of adjusting journal entries and other adjustments for evidence of the possibility of material misstatement due to fraud;
  - Reviewing accounting estimates for biases that could result in material misstatements due to fraud, including a retrospective review of significant prior years' estimates; and
  - Evaluating the business rationale for significant unusual transactions.

## COUNCIL’S RESPONSIBILITIES

- ▶ Oversee the work of the external auditor engaged for the purpose of issuing an independent auditor’s report.
- ▶ Facilitate the resolution of disagreements between management and the external auditor regarding financial reporting matters.
- ▶ Review the consolidated financial statements before the County publicly discloses this information.

## MANAGEMENT RESPONSIBILITIES

- ▶ Maintain adequate accounting records and maintain an appropriate system of internal control for the County.
- ▶ Select and consistently apply appropriate accounting policies.
- ▶ Prepare the annual consolidated financial statements in accordance with Canadian public sector accounting standards.
- ▶ Safeguard the County’s assets and take reasonable steps for the prevention and detection of fraud and other irregularities.
- ▶ Make available to us, as and when required, all of the County’s accounting records and related financial information.



## APPENDIX E: BDO RESOURCES

Outlined below is a summary of certain BDO resources which may be of interest to the Members of the Committee of the Whole.

### PSAB PUBLICATIONS

The County applies Canadian Public Sector Accounting Standards (PSAB). If the County would like additional information about the accounting standards or about upcoming changes please see the website below and review the BDO publications available to our clients. Publications relevant for the County would include the following:

- “Public Sector Accounting Standards Update 2019” which provides you with details on recent changes to PSAB Standards.

[http://www.bdo.ca/BDO/media/AA-Publications/PSAS\\_Update\\_09Sep19.pdf](http://www.bdo.ca/BDO/media/AA-Publications/PSAS_Update_09Sep19.pdf)

- “Public Sector at a Glance” which provides you with details on PSAB Standards.

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

### TAX BULLETINS, ALERTS AND NEWSLETTERS

BDO Canada’s national tax department issues a number of bulletins, alerts and newsletters relating to corporate federal, personal, commodity, transfer pricing and international tax matters.

For additional information on tax matters and links to archived tax publications, please refer to the following link: [Tax Library | BDO Canada](#)