

To:	Warden Hicks and Members of Grey County Council
Committee Date:	October 10, 2019
Subject / Report No:	FR-CW-25-2019
Title:	Auditor Appointment
Prepared by:	Kevin Weppler, Director of Corporate Services
Reviewed by:	Mary Lou Spicer and Joanna Alpajaro, Deputy Treasurers
Lower Tier(s) Affected:	
Status:	Recommendation adopted by Committee as presented per Resolution CW198-19; Endorsed by Council October 24, 2019 per Resolution CC83-19;

Recommendation

1. **That Report FR-CW-25-19 regarding Auditor Appointment be received; and**
2. **That BDO Canada LLP of Owen Sound be appointed auditors for the County of Grey, in accordance with Section 296 (1) of the Municipal Act; and**
3. **That the necessary 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, be presented to Council.**

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 recommend the appointment of BDO Canada LLP of Owen Sound to act as 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 those 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.

On August 22, 2019, Council endorsed Report FR-CW-23-19 authorizing staff to enter into price 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 existing terms and conditions of RFP-FIN-03-13.

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.

BDO Canada LLP was appointed auditor for the fiscal periods of 2013 through to 2018. The fee for each of those six years was \$62,500 per year exclusive of HST.

Staff entered into negotiations with BDO Canada LLP of Owen Sound in September. Based on this negotiation it was acknowledged that the existing terms and conditions are to be maintained and include the following:

- An audit report on the Financial Statements of the County of Grey;
- Separate audit opinions on the Trust Funds administered by the County of Grey;
- 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 (Ministry of Education);
- Audit reports for Business Enterprise Centre;
- 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.

The price negotiated with BDO Canada LLP of Owen Sound is that BDO will commit to maintaining an annual audit fee of \$62,500 excluding HST for the audit of the 2019 fiscal year, with a one percent increase annually thereafter.

The fee estimate assumes that:

- County staff will continue to prepare all journal entries, account analysis, and working papers prior to BDO's commencement of the audit;
- County staff will continue to prepare account analysis and working papers and the Annual Information Returns for the Homes for the Aged; and
- County staff will continue to assist BDO in the retrieval of documents necessary for BDO to conduct the audit.

It was also agreed and understood that if the need arises for BDO to require additional fees (i.e. audits of specifically designated funding, issues requiring significant research and investigation, or other BDO consulting services), that BDO would meet with the Director of Corporate Services to discuss proposed fees for these services prior to the commencement of the work. These fees would be negotiated on the bases of time spent and level of expertise of the individuals involved.

It was also understood that if there is a significant increase or decrease in the operations due to circumstances beyond the County's control or significant changes in accounting or auditing standards, that BDO would enter into discussions to discuss either an increase or decrease in the fees as appropriate to accommodate those changes experienced.

As a result of the Finance staff's opinion of the value of the services received from BDO, and based on the pricing negotiations that have occurred, it is recommended that BDO Canada LLP of Owen Sound be appointed auditors for the County of Grey. Based on Council's approval of this recommendation, that staff prepare a by-law to appoint the firm of BDO Canada LLP 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.

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 appoint BDO Canada LLP will not have an impact on the 2019 budget as the price negotiated with BDO Canada LLP is within the provision that had been made in the 2019 budget.

The following table illustrates the pricing proposal that has been negotiated with BDO Canada LLP. BDO is committing to maintain an annual audit fee of \$62,500 excluding HST for the 2019 year with a one percent increase annually thereafter as shown below:

	2019	2020	2021	2022	2023
Audit Fee	\$62,500	\$63,125	\$63,750	\$64,400	\$65,000

Relevant Consultation

- Internal – Finance staff
- External – BDO Canada LLP of Owen Sound

Appendices and Attachments

None