

THE CORPORATION OF THE COUNTY OF PERTH

BY-LAW NO. 3553-2016

BEING A BY-LAW FOR THE APPOINTMENT OF AN AUDITOR

WHEREAS the *Municipal Act, 2001*, c. 25, s. 296 (1) provides that the Council of a municipality shall appoint an auditor licensed under the *Public Accounting Act, 2004* who is responsible for annually auditing the accounts and transactions of the municipality and its local boards and expressing an opinion on the financial statements of these bodies based on the audit; and

WHEREAS the *Municipal Act, 2001*, c. 25, s. 296 (3) states that an auditor of a municipality shall not be appointed for a term exceeding five years;

NOW THEREFORE THE COUNCIL OF THE CORPORATION OF THE COUNTY OF PERTH HEREBY ENACTS:

1. THAT the firm of BDO Canada LLP be appointed as auditor for the Corporation of the County of Perth for the 2016, 2017, 2018, 2019 and 2020 fiscal years; and
2. THAT the agreement outlining the terms and conditions of the said appointment be attached and forming part of this by-law as 'Schedule A'.

This by-law comes into force upon the final passing thereof.

Read a first and second time this 15th day of September, 2016.

Read a third and final time this 15th day of September, 2016.

Original Signed by

Meredith Schneider, Warden

Original Signed by

Jillene Bellchamber-Glazier, Clerk

AGREEMENT BETWEEN COUNTY OF PERTH AND BDO CANADA LLP

SCHEDULE 'A' to By-law 3553-2016

Annual Schedule

Before August 31st of each year, the auditors shall meet with the Treasurer to discuss and agree upon:

- a) The schedule for the completion of interim and final audit of various financial statements of the municipality for the current year.
- b) A list of the necessary schedules, working papers, analysis and other information to be prepared by staff of the municipality.

An annual letter of engagement outlining the terms of the audit and the annual audit plan should be submitted to the Treasurer for review and approval.

Systems and Procedures Review

As part of the annual audit, a systems and procedures review shall be undertaken by the auditors. Any key controls, including computer processing and system controls, which the auditors intend to rely on in their audit, will be subject to testing.

Any concerns identified by the auditors as part of this review will be communicated to the Treasurer in the management letter.

Participation of the Audit Senior

It is expected that the audit senior will be present throughout most of the audit fieldwork and provide regular updates to the Treasurer as to the status of the audit and issues that may have arisen.

Qualified Statements

The auditors shall, immediately upon discovery of information or conditions, which would otherwise lead to the inclusion of a qualified opinion with respect to the financial statements, inform and fully discuss such matters with the appropriate staff. In addition, the auditors shall, as far as possible, allow a reasonable period of time for the Treasurer to make an investigation, analyze, report and take such corrective action as to avoid the inclusion of such qualifications.

Commentary on Financial Statements

The auditors shall provide a written commentary highlighting changes between fiscal years, such as unusual or important items which significantly affected the operating results for the year, and changes in the format or the nature of the disclosures in the notes to the financial statements, etc.

Internal Control Letter

As part of the interim audit, an Internal Control letter will be submitted by the auditors to the Treasurer by an agreed upon date each year. This letter will address any concerns identified by the auditors during the interim audit regarding key control systems in both manual and automated environments. Such systems are defined as those which "collect, record and process data and report resulting information", or "enhance the reliability of such data and information."

Meetings and Subsequent Assistance

The auditors will attend such meetings as are called to discuss their work and reports and shall provide such information as requested which will enhance the understanding of members of Council concerning matters pertaining to the annual financial statements.

Management Letter

A Management Letter will be prepared by the auditors and submitted to the Treasurer, in draft form, at the same time the draft financial statements are completed, conveying their concerns relative to the internal accounting, operating controls and/or other matters of material importance with respect to the operations. These points will be discussed and agreed to with management prior to the presentation of the final Management Letter. The auditors shall also provide recommendations as to such corrective actions as may be required, and be prepared to provide advice and assistance with regard to implementation if required to do so.

Confidentiality

The auditors shall not at any time before, during or after the completion of the audit divulge to any third parties confidential information which they obtain during the course of the audit.

Invoicing and Payment

All invoices shall show the actual hours, responsibilities, staff and hourly rates. All payments will be made in response to invoices itemized in accordance with the final signed contract, provided the invoices are based on work described in the scope of the project, consistent with the negotiated deliverables and completed to the municipality's satisfaction.

For further certainty, in the event that rendered invoices are in excess of the fees quoted in the final signed contract, payment will not be made unless the additional deliverables have been negotiated with, and accepted, by the relevant entity in advance of the conduct of the work.

In the event that less time is required to perform the audit than anticipated, it is expected that a reduction will be provided to the municipality.

Should a significant increase or decrease occur in the scope of work to be conducted by the auditor during the terms of the engagement, the auditor must discuss this change with the Treasurer (or designate). The auditor must provide a firm quote of the impact of such changes on fees, if any, prior to the submission of the annual audit plan. Without a firm quote and agreement by the respective entity, additional billings will not be accepted.

Audit Scope

The audit shall include the examination of the records and financial statements, in compliance with the requirements of the CPA Public Sector Handbook. Generally, the responsibilities of the external auditor will include the expression of an opinion on the financial statements, preparation of the financial statements (unconsolidated and consolidated), notes or schedules. Any other non-audit responsibilities (i.e. signing off on the Retention By-law), should these be required, they will be discussed separately from the formal audit.

Also specifically included will be all related audit and certification work required by various provincial and federal government ministries or agencies, including:

- Lead sheet for preparation of the Financial Information Return (FIR)

Should any additional non-audited assignments be required, they shall be discussed separately from the audit of the County's activities and/or the other entities that are a part of this proposal. The County does not guarantee that the firm awarded the audit services contract will be asked to perform services beyond those specifically requested in this proposal.

The financial statements shall include the consolidation of the following entities:

- Corporation of the County of Perth
- Perth District Health Unit
- Spruce Lodge Home for the Aged
- Spruce Lodge Home Assistance Corporation
- Spruce Lodge Foundation

As well, under the Municipal Act, 2001, c. 25, s. 255 (3), "A municipality may, subject to the approval of the municipal auditor, establish retention periods during which the records of the municipality and local boards of the municipality must be retained and preserved in accordance with section 254." The Municipality requests that within the first six months of being appointed as the external auditor, a review of the municipal retention by-law must be completed by the auditor and that an opinion on the municipal retention by-law must be provided to Council. This is to be quoted as a separate, one time item for the contract period.

Fees and Expenses

- Out of pocket expenses must be included in the audit fees quoted in this proposal call.
- The fees must include all auditing assignments.
- The audit should be considered as a "local" audit and the County shall not be responsible for any disbursement incurred by the firm by which are caused by using staff from other locations.
- Services performed should be billed on a monthly basis from the start of the audit.
- Any additional service outside the audit assignment is to be approved by the Treasurer and/or the Chief Administrative Officer.

The costs for each of the respective years are agreed to as follows:

Audit	2016	2017	2018 (approx 3%)	2019 (approx 3%)	2020 (approx 3%)
Municipal annual audit and financial reporting (consolidated and unconsolidated)	\$27,550	\$27,550	\$28,377	\$29,228	\$30,105
FIR Leadsheet preparation	\$238	\$238	\$245	\$252	\$260
Retention By-Law approval	\$855	\$0	\$0	\$0	\$0
Total Fees (excluding HST)	\$28,643	\$27,788	\$28,622	\$29,480	\$30,365
HST (rounded nearest dollar)	\$3,724	\$3,612	\$3,721	\$3,832	\$3,947
Total Fees with HST	\$32,367	\$31,400	\$32,342	\$33,313	\$34,312

Should the number of entities subject to the statutory audit change within the term of appointment, the County of Perth reserves the right to re-negotiate the audit fee for the remainder of the said term.