




Report to Finance and Corporate Services Committee

TO: FINANCE AND CORPORATE SERVICES COMMITTEE

PREPARED BY AND KEY CONTACT: C. MILLAR, MBA, CGA, ACTING DIRECTOR OF FINANCE 

SUBMITTED BY: C. MILLAR, MBA, CGA, ACTING DIRECTOR OF FINANCE

GENERAL MANAGER APPROVAL: E. ARCHER, CMA, GENERAL MANAGER OF CORPORATE SERVICES 

CHIEF ADMINISTRATIVE OFFICER APPROVAL: CARLA LADD, CHIEF ADMINISTRATIVE OFFICER 

DATE: AUGUST 14, 2012

SUBJECT: APPOINTMENT OF MUNICIPAL AUDITOR

RECOMMENDED MOTION

1. That Deloitte & Touche LLP be awarded a contract to serve as the City of Barrie's municipal auditor for the fiscal reporting years 2012, 2013 and 2014, with an option to extend the contract for up to an additional two years subject to an evaluation of its performance, and that the appropriate by-law be prepared.

PURPOSE & BACKGROUND

Report Overview

2. The five year term of the City's current auditor, BDO Dunwoody LLP, will be completed with Council's approval of the 2011 Consolidated Financial Statements. As mandated under the Municipal Act 2001, the City is required to appoint an auditor licensed under the Public Accounting Act, 2004. The procurement process for new auditors has been conducted in compliance with the City's Purchasing By-law 2008-121, with Council approval required before the awarding of the engagement to the preferred candidate, Deloitte & Touche LLP (Deloitte).

Background

3. The Municipal Act, 2001, Section 296 states that "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". The annual financial statements of the municipality shall, under Section 294 of the Municipal Act, 2001, be prepared in accordance with generally accepted accounting principles (GAAP) for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.
4. The consolidated financial statements combine the financial results of the City's divisions with the financial results of the agencies, boards, commissions and government business enterprise that the City effectively controls or significantly influences. The entities consolidated in the financial statements as described include:
 - Barrie Police Services Board
 - Barrie Public Library Board

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- Downtown Barrie Business Improvement Area
 - Barrie Hydro Holdings Inc.
 - Lake Simcoe Regional Airport Inc.
5. Section 296 of The Municipal Act, 2001 allows for the appointment of external auditors for a term of five years or less. BDO Dunwoody LLP was appointed as the City's auditors in 2002 and then again in 2007 for the previous five years. Prior to 2002, BDO Dunwoody LLP (through acquisition of Peat Marwick) was the City's auditor since 1992.

ANALYSIS

6. Staff issued a Request For Proposal (RFP) from experienced qualified firms for the provision of audit services of the City's and related entities' financial statements. The intent is to award a three-year contract with an optional two-year extension. The option to extend would be subject to a review of the audit firm's performance.
7. The responsibility of the auditors will be to conduct the necessary work to audit and provide an opinion on the financial statements and schedules for each of the following entities:
- Barrie Police Services Board
 - Barrie Public Library Board
 - Downtown Barrie Business Improvement Areas
 - Barrie Hydro Holding Inc.
 - Lake Simcoe Regional Airport Inc.
- Notice to Reader reports and corporate tax returns will also be required for the following entities:
- Barrie Hydro Holdings Inc.
 - Barrie Hydro Energy Services Inc.
8. The RFP produced four responses from firms with national reputations and experience in performing financial statement audits. Following a review of the proposals, and in compliance with the City's Purchasing By-law, Staff recommends Deloitte & Touche LLP (Deloitte's). Deloitte's proposal was scored highest for both its technical and financial elements.
9. Deloitte's is one of Canada's leading professional services firm, providing a full range of audit, advisory, tax and specialized management and consulting services. In Ontario, it has extensive experience in completing municipal audits of consolidated financial statements, local boards and commissions, special audits including audits of financial information and compliance audits as well as various advisory services.
10. Based on its proposal, it is expected that Deloitte's will provide greater value added audit services to the City with access to an extensive professional network, training opportunities for City Staff through seminars and newsletters, as well as identifying potential internal control weaknesses and suggesting best practice improvements for internal processes.
11. Deloitte's will present and discuss with Council, through Finance and Corporate Services Committee, their audit plan at the beginning of the audit process, as well as summarizing the audit results at the end of process. It is anticipated that communication between Council and the City's auditor will be enhanced compared to prior periods.

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12. Deloitte's proposal describes an audit approach and related fees that should produce audit results with greater efficiency compared to prior periods. This will be accomplished using a combination of staffing decisions, technology resources to support the work required to complete the audit, and the overall experience of the audit team. Based on Deloitte's proposal, these attributes will reduce the City's costs.

ENVIRONMENTAL MATTERS

13. There are no environmental matters related to the recommendation.

ALTERNATIVES

15. The alternative available for consideration by General Committee in relation to the appointment of City auditors:

Alternative #1

General Committee could choose not to appoint the auditors as recommended in this staff report

This alternative is not recommended because the preferred candidate has been evaluated based on the criteria of the RFP and the process is compliant with the City's Purchasing By-law 2008-121. In addition, under the Municipal Act 2001, the City is required to appoint a licensed auditor under the Public Accounting Act, 2004. Deferring the appointment of a municipal auditor will delay the completion of the City's legislated audited 2012 Consolidated Financial Statements and related filings.

FINANCIAL

16. The proposed 2012 price is approximately \$31,000 lower than the 2011 budget for these services. The following table summarizes Deloitte's proposed pricing for the three year term of the audit engagement:

	Year 1 (2012 Audit)	Year 2 (2013 Audit)	Year 3 (2014 Audit)	Total
Deloitte	\$99,400	\$102,125	\$104,450	\$305,975

LINKAGE TO COUNCIL STRATEGIC PRIORITIES

17. This is an operational matter with no direct relationship to Council's strategic priorities.