

Staff Report

Report To: City Council
Report From: Bradey Carbert, Manager of Corporate Services
Meeting Date: December 12, 2022
Report Code: CR-22-107
Subject: Award of RFP-22-006 for the Provision of External Audit Services and the Appointment of a Municipal Auditor

Recommendations:

THAT in consideration of Staff Report CR-22-107 respecting the Award of RFP-22-006 for the Provision of External Audit Services and the Appointment of a Municipal Auditor, City Council:

1. Awards RFP-22-006 for the Provision of Audit Services to BDO Canada LLP for \$463,081.27, including the City's non-refundable allocation of HST;
2. Directs staff to bring forward a by-law to authorize the Mayor and Clerk to execute the Agreement; and
3. Directs staff to bring forward a by-law to authorize BDO Canada LLP as the City's Auditor for a period not exceeding five years.

Highlights:

- Section 296 of the Municipal Act, 2001, authorizes the City to appoint an auditor under the Public Accounting Act, 2004.
- Council has the authority to appoint an auditor for up to 5 years.
- BDO Canada LLP is the recommended Proponent for the award of RFP -22-006 for External Audit Services.
- Annual upset fees for external audit services have increased substantially over previous years and will be updated during the development of the 2023 operating budget.

Strategic Plan Alignment:

This report supports the delivery of Core Service.

Previous Report/Authority:

N/A

Background:

Section 296 of the Municipal Act, 2001, identifies the requirements of an external auditor and allows for the appointment of external auditors for a term of five years or less.

External audit services are required for the Corporation of the City of Owen Sound (City), River District Board of Management (RDBOM), and Owen Sound and North Grey Union Public Library (Library).

The statutory requirements require the RDBOM and Library to be included in the consolidated financial statements for the City and the Provincial Financial Information Returns (FIR).

The City's current Agreement with BDO Canada LLP for external audit services expired after the presentation of the 2021 Financial Statements to the Corporate Services Committee on November 5, 2022.

Analysis:

RFP-22-006 for the Provision of External Audit Services was issued, in compliance with the City's Purchasing By-law, on October 12, 2022, and closed on November 7, 2022. While there were three plan takers for the RFP, BDO Canada LLP was the only company that submitted a proposal.

The evaluation of the proposal was made based on the criteria listed below:

Criteria	Weighting
Company Profile	15%
Experience	25%
Audit Approach & Value-Added Services	25%
Proposed Audit Schedule	10%

Financial Consideration

25%

Total Weighted Points

100%

The proposal evaluation committee completed a review of the submission from BDO Canada LLP to ensure the proposal met the City's requirements and assigned a score of 84%. As such, the proposal evaluation committee recommends the award of the RFP to BDO Canada LLP.

Financial Implications:

The RFP required the submission of upset cost limits for the City for the 2022 and 2023 audits, and estimates for the fees for the three subsequent years are as follows:

Entity	2022	2023	2024 (estimated)	2025 (estimated)	2026 (estimated)
Audit - City of Owen Sound	\$74,250	\$70,375	\$71,725	\$73,325	\$74,700
Audit - RDBOM	\$3,975	\$3,750	\$3,825	\$3,900	\$3,975
Audit - Library	\$8,950	\$7,900	\$8,050	\$8,225	\$8,375
Disbursements – Administrative and Technology Fee	\$6,102	\$5,742	\$5,852	\$5,982	\$6,094
Total Fees	\$93,277	\$87,767	\$89,452	\$91,432	\$93,144

The Library and the RDBOM pay their own fees, and the City portion of the External Auditing Services is covered under the annual operating budget.

The 2022 audit upset cost estimate includes a one-time fee for adopting the Canadian Auditing Standard (CAS) 315 for Identifying and Assessing the Risks of Material Misstatement, a new requirement beginning with the 2022 audit. The one-time fee represents the costs of establishing baseline assessment work required for this new standard, which will then be reviewed and updated on future audits.

While the 2022 audit fees for the RDBOM have decreased by approximately 43% compared to the 2021 fees, the audit expenses for the City and the Library have increased by 50% and 24%, respectively. The implementation of the new CAS standard and the updated pricing received in BDO Canada

LLP's RFP submission represents an increase of \$31,055 for the 2022 audit, then back down to approximately \$25,000 more each year after that compared to the pricing received under the previous Agreement.

Financial Services staff will update the annual audit fees during the development of the 2023 operating budget and future forecasts.

Communication Strategy:

The above tender was posted on the City's Bids and Tenders Website on October 12, 2022.

With the exception of the 2022 audit, the annual process will commence in mid-September of the fiscal year and will be completed and presented to Council by the following June. The 2022 audit will be completed by September 30, 2023, due to the timing of the RFP award and presentation of the 2021 Financial Statements.

Consultation:

- Director of Corporate Services
- Deputy Treasurer (A)
- Financial Analyst

Attachments:

N/A

Recommended by:

Kate Allan, Director of Corporate Services

Submission approved by:

Tim Simmonds, City Manager

For more information on this report, please contact Bradey Carbert, Manager of Corporate Services, at bcarbert@owensound.ca or 519-376-4440 ext. 1240.