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The Regional Municipality of Durham Report

To: Finance and Administration Committee
From: Commissioner of Finance
Report: #2023-F-19
Date: September 12, 2023

Subject:

By-Law for the Appointment of Municipal Auditor

Recommendation:

That the Finance & Administration Committee recommends to Regional Council:

That the Legal Department be directed to submit the appropriate by-law for the appointment of Deloitte LLP as Municipal Auditor for a five (5) year term for the 2023 to 2027 fiscal years.

Report:

1. Purpose

1.1 The purpose of this report is to report on the outcome of the Request for Proposals (RFP) process utilized to select a Municipal Auditor and to recommend to the Finance & Administration Committee and Regional Council that a by-law be passed to appoint Deloitte LLP (Deloitte) as the Municipal Auditor of the Regional Municipality of Durham for the fiscal years 2023 to 2027 inclusive.

2. Background

2.1 The appointment of a municipal auditor is a requirement under Provincial legislation. Specifically, the Ontario *Municipal Act, 2001* section 296, states that:

“(1) A municipality shall 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 these bodies based on the audit; and
- (b) Performing duties required by the municipality or local board.”

and

“(2) An auditor of a municipality shall not be appointed for a term exceeding five years.”

- 2.2 A municipal auditor is engaged to express an opinion on the financial statements and base their evaluation on audit work undertaken in accordance with Canadian Generally Accepted Auditing Standards. The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements that are prepared by Regional staff in accordance with Public Sector Accounting Standards. The audit also considers the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by Regional staff, as well as evaluating the overall presentation of the financial statements. To complete their audit, the independent auditor will develop risk assessments and design audit procedures appropriate in the circumstances to obtain reasonable assurance about whether the financial statements are free from material misstatement.
- 2.3 The issuance of an Independent Auditor’s Report adds credibility to the Region’s reported financial position and results of its operations. The audited financial statements are an integral component of the Region’s financial accountability framework and are used by stakeholders, including Durham residents and bond rating agencies.

3. Previous Reports and Decisions

- 3.1 Report 2018-F-3, presented to the Finance and Administration Committee on December 12, 2018, recommended the appointment of Deloitte for the fiscal years 2018-2020. Deloitte was the successful bidder to the RFP issued in 2018.
- 3.2 Report 2021-F-18, presented to the Finance and Administration Committee on June 8, 2021, recommended the appointment of Deloitte LLP for the fiscal years 2021 and 2022.

4. Request for Proposals RFP 631-2023

- 4.1 On June 29th, 2023, RFP- 631-2023 for the Provision of External Auditing Services for the Region of Durham was released. The scope of the services requested in the RFP included audit services for the Region’s Consolidated Financial Statements; the Financial Statements of the Durham Regional Local Housing Corporation (DRLHC), the public housing business wholly owned by the Region; Durham OneNet Inc. (DONi), the wholly owned business dealing with broadband services; and, audits of subsidized programs, as required under provincial or federal funding agreements.
- 4.2 The RFP indicated a term of five (5) years, the maximum allowed under the Ontario Municipal Act.

- 4.3 The RFP resulted in the submission of only one (1) proposal, which was reviewed by the Purchasing Section of the Finance Department for completeness and deemed compliant. The proposal was received from Deloitte LLP ('Deloitte'), the incumbent municipal auditor.
- 4.4 The proposal was evaluated by an Evaluation Committee made up of Finance Department staff, with the process overseen by the Purchasing section of the Finance Department, using the following criteria noted in the RFP:
- Understanding the Region's Requirements
 - Municipal Audit Experience and qualifications
 - Audit Approach
 - Pricing
- 4.5 The proposal submitted by Deloitte met the required scoring threshold and positive reference checks were obtained. It is also noted that Deloitte has the expertise, experience, and resources to meet the Region's current and future audit needs as the municipal corporation continues to grow, evolve and become more complex.
- 4.6 It is recommended that a by-law be passed (Attachment #1) to appoint Deloitte LLP as the Municipal Auditor of the Regional Municipality of Durham for the years 2023 to 2027 inclusive.

5. Financial Implications

- 5.1 The pricing submitted by Deloitte for the audit of the core annual Consolidated Financial Statements was \$105,000, an increase of \$27,000 or 35% from the 2022 fee of \$78,000. It should be noted, however, that **the previous fee of \$78,000 had been unchanged for over twenty (20) years.**
- 5.2 The fees would increase by five (5) per cent in Year 3, and again by five (5) per cent in Year 5 of the five (5) year term.
- 5.3 Funding for municipal audit services is available within the annual operating budgets for the Region, the DRLHC, DONi and the subsidized programs that require audits in compliance with their respective funding agreements.

6. Conclusion

- 6.1 It is therefore recommended that the by-law for the appointment of Deloitte LLP as Municipal Auditor for a five (5) year term for the 2023 to 2027 fiscal years be approved and that the Legal Department be directed to submit the appropriate by-law.

7. Attachments

Attachment #1: Draft By-Law to Appoint Municipal Auditor

Respectfully submitted,

Original Signed By

Nancy Taylor, BBA, CPA, CA
Commissioner of Finance

Recommended for Presentation to Committee

Original Signed By

Elaine C. Baxter-Trahair
Chief Administrative Officer

BY-LAW NUMBER XX-2023

OF

THE REGIONAL MUNICIPALITY OF DURHAM

being a by-law to appoint the firm of Deloitte LLP as the Municipal auditor for the 2023 to 2027 fiscal years inclusive.

WHEREAS Section 296(1) of the Municipal Act, 2001 provides that a Municipality shall 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 these bodies based on the audit; and
- b) performing duties required by the municipality or local board

AND WHEREAS Section 296(3) of the Municipal Act, 2001 provides that an auditor of a municipality shall not be appointed for a term exceeding five years.

NOW, THEREFORE, BE IT ENACTED AND IT IS HEREBY ENACTED as a by-law of the Regional Municipality of Durham by the Council thereof as follows:

1. Deloitte LLP be appointed as the Regional Auditors for the 2023 to 2027 fiscal years inclusive;
2. Deloitte LLP shall audit the accounts and transactions of the Regional Corporation, the Durham Regional Local Housing Corporation, Durham OneNet Inc., and of every local board of the Corporation.

BY-LAW read and passed this **xx** day of **September**, 2023.

John Henry, Regional Chair and CEO

A. Harras, Regional Clerk