

Our File/N/Réf.
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DATE 21 September 1998

TO/DEST. Co-ordinator
Corporate Services and Economic Development Committee

FROM/EXP. Finance Commissioner

SUBJECT/OBJET **APPOINTMENT OF EXTERNAL AUDITORS**

DEPARTMENTAL RECOMMENDATION

That the Corporate Services and Economic Development Committee and Council approve the reappointment of Ernst & Young, Chartered Accountants, as external auditors for the Region for a three-year term commencing with the fiscal year ending December 31, 1998 at an annual fee of \$130,200 plus net GST (total of \$ 134,103), and the enactment of the necessary by-law.

BACKGROUND AND DISCUSSION

The responsibility for the appointment of auditors is set out in Section 86(1) of the Municipal Act which provides, in part, that “*the Council of every municipality shall according to by-law appoint for a term of five years or less, one or more auditors who are licensed under the Public Accountancy Act...*”. Council may choose to reappoint the current auditor or to appoint a new auditor each time the term of appointment expires.

On October 13, 1993 Council approved the appointment of Ernst & Young, Chartered Accountants, as external auditors for a five-year term commencing the fiscal year ended December 31, 1993. The total annual audit fee for the 1997 fiscal year was \$130,266 plus GST.

The previous appointment of Ernst & Young on October 13, 1993 followed the issue of a Request for Proposal for External Audit Services. Four responses to the call were received and evaluated by a selection committee comprised of the Chief Administrative Officer, The Finance Commissioner, the Regional Internal Auditor and the Treasurer of the City of Nepean. As a result of the evaluation in 1993, Ernst & Young was considered the best firm with the appropriate level of experience to serve the audit needs of the Region.

The criteria for the selection of external auditors includes not only the fee, but the audit experience of the firm, the personnel to be assigned and the audit approach to be taken. Re-appointing Ernst & Young would also eliminate a considerable disruption and investment in Regional staff time that would be required during the transition, break in and start up of new external auditors. Currently the Region and OC Transpo are replacing their financial and management systems with SAP. The Region's external auditor will be involved in reviewing the adequacy of the internal controls of the new system. Continuity of the external auditing firm will greatly assist in this review.

Since 1993, the operations the Region has increased dramatically as a result of the Regionalization of Police Services and Solid Waste in 1995 and the provincial download and service realignment in 1998. This growth has increased the scope of the external audit requirements of the Region. The annual audit fees have increased \$1,200 from \$129,000 in 1993 to \$130,200 in 1998, an annual rate of increase of less than 0.2 %.

CONSULTATION

The public consultation process is not applicable.

EXPENDITURE JUSTIFICATION

Section 86(1) of the Ontario Municipal Act requires Council to appoint external auditors.

<u>FINANCIAL STATEMENT</u>	\$
Approved Budget to Date	134,548
Total Paid and Committed	-
Balance Available	<u>134,548</u>
THIS REQUEST	<u>134,103</u>
Balance Remaining	<u>445</u>

Funds have been provided in the 1998 Operating Budget, Account No. 012-12510-2310, External Audit.

Approved by J.C. LeBelle

FINANCE DEPARTMENT COMMENT

Funds are available in 1998 as indicated above. Approval of this report represents a commitment against future operating budgets.

*Approved by T. Fedec
on behalf of the Finance Commissioner*