



The Corporation of the Municipality of Arran-Elderslie

Staff Report

Council Meeting Date: March 13, 2023

Subject: SRFIN.23.11 BDO Audit Planning Report for 2022

Report from: Tracey Neifer, Treasurer

Appendices: A - Audit Planning Report to the Members of Council, March 9, 2023

Recommendation

Be It Resolved that Council hereby,

1. Accept the audit plan as prepared by BDO Canada LLP for the year ending December 31, 2022; and
2. That Council approves the fee increase of \$4,000 for IS Audit Costs and \$3,650 for One-time Fee for Canadian Audit Standard 315R Implementation.

Report Summary

The attached Audit Planning Report prepared for Council highlights and explains key issues, process timelines, summarizes the audit approach, the significant risks identified, and the terms of BDO Canada LLP's (BDO) engagement for the audit for the year ended December 31, 2022. BDO applies a six-step audit process:

1. Scoping – a preliminary review
2. Identify and assess risk
3. Design audit process
4. Obtain audit evidence
5. Form opinion
6. Report

BDO has proposed a change in the audit date from April to May 15, 2023. Municipal staff are in support of the change as it provides staff with additional time to ensure a complete electronic working paper file is prepared.

Background

On January 31st, 2022, Council passed the following resolution, 34-02-2022:

Be it Resolved that Council hereby,

1. Approve an exemption from Section 9.3 Consulting and Professional Services of the Procurement Policy;
2. Appoint BDO Canada LLP as external auditors for 2022 to 2025 fiscal year-ends; and
3. That the necessary By-Law be prepared to appoint BDO Canada LLP as External Auditor for the term 2022 to 2025.

By-Law 11-2022 was then adopted to confirm BDO's appointment.

The proposed fee structure for 2021 to 2025 remains stable for each year at:

- Municipality - \$37,250
- Chesley Fire - \$3,500

The fee structures assumes that Arran-Elderslie staff meets the requirements of providing the necessary working papers and supporting documents, and that there are no significant changes in operations, programs or reporting requirements. For 2022, as noted on page 10 of the Audit Planning Report, there has been a significant change in the audit process due to Canadian Auditing Standard 315, Identifying and Assessing the Risks of Material Misstatement. As a result, additional work is required by BDO to address this standard, and a fee adjustment has been noted for 2022:

- IS Audit Costs - \$4,000
- One-time fee for CAS 315R Implementation – \$3,650

Historically, the audit engagement has been separated into Interim Procedures in December/January, followed by the Annual Audit in April. For the 2022 audit BDO will be completing their interim audit procedures at the same time as the annual audit. The interim procedures generally focus on a review of financial and supporting systems and the processes that are in place, to ensure adequate controls exist and are functioning as designed, and that any changes made from the prior year are reflected within the system notes. In addition, a sample of transactions are examined to validate the processes. This information is used in the preparation of the Audit Planning Report.

The Audit Planning Report for 2022 has been prepared based on BDO's long-term engagement with Arran-Elderslie and a review of preliminary year-end results for December 31, 2022.

Analysis

The Audit Planning Report includes the following key aspects:

- Traci Smith, CPA, CGA, LPA continues as the lead on the engagement team

- The audit is scheduled to start May 15, 2023.
 - Materiality, based on 3% of average total revenue is \$310,000 (2021 - \$310,000, based on 3%)
 - The audit risks identified for 2022 are consistent with the prior year, Control Environment, Purchases and Government Transfers, however, Payroll has been identified for 2022.
 - Present the final report to the members of Council – late July, with the release of the audit report also in late July.
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Link to Strategic/Master Plan

6.4 Leading Financial Management

Financial Impacts/Source of Funding/Link to Procurement Policy

On January 31, 2022, Council passed a resolution to appoint BDO as auditors for 2022 to 2025 for the annual fee of \$37,250 for the Municipal audit and \$3,500 for the Chesley and Area Fire Board. The 2022 Operating Budget was prepared based on the quoted fees. There will be a financial impact to address the additional fees identified for the IS Audit, \$4,000 and implementation of CAS 315R, \$3,650.

Approved by: Sylvia Kirkwood, Chief Administrative Officer