

REQUEST FOR PROPOSAL FOR EXTERNAL AUDIT SERVICES

PROPOSAL NUMBER FIN001-2018

SCOPE OF WORK

Background

The Township of Alnwick/Haldimand (hereinafter known as the “Township”) is located between Lake Ontario and Rice Lake in Northumberland County. The majority of all administrative functions occur within the Municipal Administrative Officer at 10836 County Road 2, Grafton.

The Township was incorporated in 2001 and has an organizational structure which consists of a Council-Committee-Chief Administrative Officer system of government.

The following are the primary service responsibilities of the Township:

- Administrative Services
- Planning & Development Services and Building Services
- Fire, Emergency Preparedness, and By-Law Services
- Police Contract Services (OPP)
- Public Works Services
- Communal Water (Hamlet of Grafton) Services
- Recreation Services (5 community centres and one arena)
- Library and Cultural Services

Township Council and staff work as a team to service the needs of residents, businesses and visitors to the area. Our focus is on efficient and effective delivery of service for all of these customers.

Municipal Information

The Township is a progressive four-season community, offering a healthy and supportive lifestyle to a diverse range of permanent and non-permanent residents, businesses and visitors. The Townships demographic profile includes:

- Households: 3,271
- Population permanent: 6,869 (2016 Census)

The Township employs approximately 22 full time employees, 16 part time and 52 volunteer firefighters.

Financial Information

Financial Activities

In 2017, the Township budgeted approximately \$8.1 M in operating and capital expenditures. The Township relies heavily on property tax as the primary revenue source to deliver necessary services. The Township also receives development charges, user fees and grants as additional sources of revenue.

Indicators reflective of the Townships financial activities include:

- 300 Communal Water Accounts (Hamlet of Grafton)
- 4,376 Property Tax Accounts
- 8,500 invoices processed in 2017

Financial Reporting

Finance is responsible for the collection, safekeeping and allocation of all revenues. The Township utilizes Microsoft Dynamics GP for key financial functions except payroll which is outsourced.

[Financial Statements](#) representative of the audits required can be found on the Township's website:

i. Reporting Objectives

Finance is dedicated to delivering timely and accurate information to all stakeholders. The Townships objective is to deliver audited financial statements by May 31st of each fiscal year.

A tentative year end schedule for the 2018 financial statement process is attached to the Request for Proposal.

Eligibility

Before preparing a proposal for the provision of external audit services to the Township, proponents are advised to ensure that they can meet the following minimum requirements. The firm must:

- i. Hold a valid public accountants license under the *Public Accounting Act, 2004*
- ii. Have municipal audit experience in Ontario within the last five years, preferably with small to medium sized municipalities in Ontario;
- iii. Have well-developed professional auditing techniques and a sound system of control and service of audit work performed;

- iv. Have substantial resources/support services available to address the scope of audit services required, especially with regard to tax issues, development charge and local improvement revenue issues common to municipalities;
- v. Demonstrate a commitment to the provision of reasonable annual continuity by assigning experienced, well-qualified personnel who can work on the audit consistently from year to year.
- vi. Have sufficient resources to provide related services if and when required; and
- vii. Demonstrate an understanding of legislation and financial reporting recognition programs relevant of the municipal operating environment

Intent of Proposal

1. Scope

This Request for Proposal is a call for external audit services for the Township, its trust fund and associated boards.

The Municipal Act, 2001 Section 296 allows for the appointment of external auditors for a term of five years or less. Audit services and the term of this agreement will be binding for the period of **Three (3) years, beginning the December 31, 2018 fiscal year**. Pricing will be firm for the first two years and estimated for the remaining year. However, the contract will be reviewed on an annual basis and Council reserves the right to cancel the contract if dissatisfied in any way with performance, the fees charged, or any other elements of the service provided.

2. Audit Process

Audits shall include the examination of the records and financial statements of the Township, its funds and boards to the degree necessary to express an audit opinion on the financial statements. This will also include the auditing of the Library.

The work will include the preparation of financial statements and schedules. If any other non-audit responsibilities and work are required, they will be discussed separately from the annual audit.

Should the auditor identify any information or conditions which would otherwise lead to the inclusion of a qualified opinion with respect to any of the Township's financial statements, the auditor shall immediately inform and fully discuss matters with the Treasurer. Also the auditors shall, as far as possible, allow a reasonable time for the Township to investigate, analyze, report and take corrective action so as to avoid the inclusion of such qualifications.

The auditors shall attend such meetings as are called to discuss their work and reports and shall provide such information as requested which will enhance the understanding of members of Council and Boards concerning matters pertaining to the annual financial statements.

Upon completion of the report on the audit of the annual statements, the auditor shall prepare and deliver to the CAO draft letters conveying any concerns relative to the internal accounting, operating controls and/or other matters of material importance with respect to the operations of the Township. The auditor shall also provide recommendations as to such corrective measures as may be required and be prepared to provide assistance with regard to implementation, if required to do so. The auditor shall meet with the CAO and Treasurer, if necessary, to discuss the comments, following which an official management letter will be submitted to Council.

Additional services to the Township may be required from time to time. However, this type of work is not part of this proposal. The Township does not guarantee that the firm awarded this proposal will be asked to perform any services for the Township and its agencies beyond the audit services specifically requested in this proposal.

3. Annual Schedule

The auditors will meet with the Treasurer as soon as possible following the execution of an agreement for the 2018 year-end audit and by September of each subsequent year and provide:

- a. A schedule which includes all aspects of the completion and audit of the various financial statements of the Township for the current year;
- b. A list of necessary schedules, working papers, analyses and other information to be prepared by staff of the township.

[Section 4 – Audit Schedule](#) provides the estimated timeline to be followed for the first and subsequent audit engagements.

4. Terms of Engagement

To provide for a degree of continuity and familiarity in the provision of audit services, and given the scope and complexity of the audit, Township Council will appoint the external auditor during the term of the engagement for a period of three years, subject each year to the performance of the audit firm. However, it is understood that either party may cancel this contract with 30 days' notice.

An annual letter of engagement outlining the terms of the Financial Audit should be submitted to the Treasurer for the review and approval of both parties.

During the term of the engagement, the auditor's performance will be evaluated based on the following criteria:

i) Persons assigned to the audit:

For the initial year of the engagement, the persons assigned to the audit should be those originally proposed. Any subsequent changes to audit personnel must be presented at the time of the annual planning meeting and acceptable to the Treasurer.

ii) On-site participation of the Senior Accountant or Audit Manager:

It is expected that the Senior Accountant will be present for the Financial Audit and an Audit Partner for at least a half day.

iii) Performance in the manner proposed:

It is expected that the Financial Audit will be carried out in the manner proposed. Any changes in the Financial Audit program which impact staff and other resources of the Township shall be discussed at the time of the annual planning meeting and agreed to by the Treasurer.

The Township reserves the right to: request periodic progress reports; inspect reports, etc. at any time; monitor the progress of the Work; take samples, audit records during regular business hours with notice; request removal of any individual from the work if the quality of the work is in question.

If the quality of audit work or services does not comply with the requirements of the Township, the Township will notify the Partner assigned to the audit in writing, of the default. The default must be corrected within seven (7) working days following receipt of notice. If the default is not corrected to the Townships satisfaction in the specified time, the Township may:

- Correct such default through its own means and deduct the cost from any payment then or thereafter due to the selected Proponent.
- Terminate the selected Proponents right to continue with the work in whole or in part or terminate the Agreement. In the latter instance, work for subsequent years will be awarded to the next most Responsive and Responsible Proponent from this Proposal call. The Township also reserves the option, if required, to cancel the Agreement in whole or in part and to initiate a separate Tender or Request for Proposal for the entire Agreement. The Township is the final decision maker in this matter.

iv) Adherence to Financial Audit Deadlines:

It is expected that the Financial Audit will be completed within the time frames agreed to in the annual schedule as outlined in *Section 4 Audit Schedule*. Scheduled dates balance the Townships commitment to provide timely financial information and reasonable expectations of audit requirements. The dates are approximate and may require adjustment from year-to-year depending on issues facing the Township. It is expected that the selected proponent will support the Townships objective to advance financial reporting timelines.

v) Invoicing:

All invoices shall show the actual hours, responsibilities, staff and hourly rates. All payments will be made in response to invoices itemized in accordance with the final signed contract, provided the invoices are based on work described in the scope of the project, consistent with the negotiated deliverables and completed to the Townships satisfaction.

In the event that invoices are rendered in excess of the fees quoted in the final signed contract, payment will not be made unless the additional deliverables have been negotiated with and accepted by the Township in advance of the conduct of the work.

Proposal Structure and Content Requirements

Proposal documents should be numbered and tabbed accordingly as per the sections below.

Proposals to be submitted must include, at minimum the following information:

- Section 1 – Company Profile
- Section 2 – Experience
- Section 3 – Audit Approach
- Section 4 – Audit Schedule
- Section 5 – Value Added – Advisory Services

Section 1 - Company Profile

1. Name, address and telephone number of the firm and its principal contact person
2. A brief history and description of firm
3. Number of years providing auditing services
4. List of current municipal auditing clients
5. Number of auditing clients (municipal and non-municipal) in 2016 and 2017
6. Locations of Proponent's office responsible for the audit
7. Evidence of financial stability
8. Resource/support services available (e.g. income tax advice, sale tax advice, information systems and management consulting)

Section 2 - Experience

a) Personnel Technical Requirements

- i) Staffing profile of the partner, manager, and senior staff who will be assigned to the audit. (Note: it is expected that a commitment will be made to maintaining continuity of the audit staff).
- ii) Describe the experience in municipal audits of the partner, manager and staff assigned to the audit including years on each job and their position on each audit.
- iii) Describe the role of each member of the audit team assigned including support staff in specialized areas such as computer auditing or commodity tax specialists.
- iv) Describe any specialized skills, training and background in public finance by assigned individuals. This may include education or participation in municipal or provincial consulting assignments, speaker or instructor roles in conference or seminars.

b) Firm Experience

- i) Satisfactory evidence that the partner(s) is (are) licensed under *the Public Accountancy Act 2004*
- ii) Describe the firm's particular strengths relevant to the audit scope
- iii) Provide a list of the firm's current and prior largest municipal clients indicating the type(s) of services performed, the number of years served for each client
- iv) Indicate the firm's experience in providing auxiliary services to include tax services, technology and audit expertise to municipal clients by listing the name of each type of services performed
- v) Describe the firm's experience with emerging municipal issues and requirements

Section 3 - Audit Approach

Describe the firm's approach to the Financial Audit. As a minimum include the following information:

- a) Demonstrate an understanding of legislation relevant to the municipal environment
- b) Type of audit program used
- c) Reliance on management processes and internal controls
- d) Use of statistical sampling
- e) Use of computer audit techniques
- f) Assessment of deficiencies and weakness of system controls
- g) Reliance on third party information (Actuarial Reports)
- h) Management letter (provide a sample letter)
- i) Sample list of audit working paper requirements with details of specific formats

Section 4 – Audit Schedule

The auditors will meet with the Treasurer as soon as possible following the execution of an agreement for the 2018 year-end audit and by September of each subsequent year and provide:

1. A schedule which includes all aspects of the completion and audit of the various financial statements of the Township for the current year;
2. A list of necessary schedules, working papers, analyses and other information to be prepared by staff of the town.

The table below provides the estimated timeline to be followed for the first and subsequent audit engagements.

Task to be Completed	Completion Date of each annual contract
Planning Meeting	Mid-September
Completion of interim audits on all entities	Early November
Receive completed working paper files for the Township, Trust Funds and Library Board by Township staff	Mid February
Completion of audit field work on the Township, Trust Funds and Library Board	Beginning of March
Presentation of financial Statements and Management Report to Council	Mid May
Issuance of Final Financial Statements	End of May

Section 5 - Value Added - Advisory Services

Information should be included in the proposal regarding advisory services which may be provided free of charge on “routine” matters. Advisory services may include staff assistance, workshops or seminars and/or publications relating to income tax, sales tax, employee benefits, internal benefits, internal audit, management issues, cash management, federal and provincial budget reviews, etc.