

Municipality of Chatham-Kent

Finance, Budget, Information Technology & Transformation

Financial Services

To: Mayor and Members of Council

From: Matt Torrance, MBA, CPA, CGA
Director, Financial Services

Date: September 12, 2022

Subject: External Auditor Contract

Recommendation

It is recommended that:

1. An RFP for auditor services be released for a five year financial reporting period (2022 to 2026) as a result of Deloitte terminating the audit contract with the Municipality of Chatham-Kent.

Background

Section 296 of the Municipal Act, 2001 states the following:

Auditor

[296. \(1\)](#) 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

Term

[\(3\)](#) An auditor of a municipality shall not be appointed for a term exceeding five years.

On April 24, 2018 Council approved the following recommendation:

Council appoint Deloitte as the external auditors for the Municipality of Chatham-Kent and all its related Companies and Boards for the calendar years 2018 to 2022, at an average cost of \$83,790 per year.

On July 27, 2018 an agreement was signed between the Municipality of Chatham-Kent and Deloitte for external audit services covering the 5 year financial reporting periods of 2018 to 2022.

Comments

While Deloitte was selected to be the auditor for Chatham-Kent under an RFP released in 2018, Deloitte gave notice to administration in May of 2022 that it would no longer be in a position to continue that role under the existing contract in 2023 (for the 2022 financial year audit for the Municipality as well as 2021 and 2022 for the BIAs). Deloitte has advised administration that due to its escalating costs, in order to remain as auditor for Chatham-Kent and related boards, Deloitte would require a significant increase in the compensation paid under this agreement. Over the past months, administration continued discussions with Deloitte on this matter.

Administration is not supportive of an increase in the compensation for Deloitte under this agreement, as the services were originally procured under a competitive RFP process. Under such a process it is intended that contractors will honour their prices throughout the term of the resulting contract. Where a contractor indicates an intention to no longer honour the contract pricing, the most appropriate course of action is to again seek competitive bids from any interested bidders.

As a result, administration is recommending that an RFP for auditor services be released for a five year period (2022-2026). Further discussion about implications of Deloitte's termination of the existing auditor contract and resulting financial costs to Chatham-Kent is most appropriately dealt with through Closed Session advice to Council.

Areas of Strategic Focus and Critical Success Factors

The recommendation in this report supports the following areas of strategic focus:

- ☒ Economic Prosperity:
Chatham-Kent is an innovative and thriving community with a diversified economy
- ☐ A Healthy and Safe Community:
Chatham-Kent is a healthy and safe community with sustainable population growth
- ☐ People and Culture:
Chatham-Kent is recognized as a culturally vibrant, dynamic, and creative community
- ☐ Environmental Sustainability:
Chatham-Kent is a community that is environmentally sustainable and promotes stewardship of our natural resources

The recommendation in this report supports the following critical success factors:

- ☒ Financial Sustainability:

The Corporation of the Municipality of Chatham-Kent is financially sustainable

☐ Open, Transparent and Effective Governance:

The Corporation of the Municipality of Chatham-Kent is open, transparent and effectively governed with efficient and bold, visionary leadership

☐ Has the potential to support all areas of strategic focus & critical success factors

☐ Neutral issues (does not support negatively or positively)

Consultation

The Director, Legal Services was consulted on this report.

Financial Implications

The financial implications will be reported to Council with the results of the RFP.

Prepared by: Matt Torrance, Director, Financial Services

Reviewed by:

Dave Taylor, Director, Legal Services

Gord Quinton, Chief Financial Officer, Treasurer

Attachments: None