SUBJECT: 2007 External Audit Plan and Audit Fees (FCS08012) (City Wide)

RECOMMENDATION:

That Grant Thornton’s 2007 External Audit Plan be approved.

Joseph L. Rinaldo  
General Manager  
Finance and Corporate Services

EXECUTIVE SUMMARY:

Council at its meeting of September 13th, 2006 approved Report 06-001 of the External Audit Sub-Committee which contained the following recommendations:

1. Appointment of External Auditor for Fiscal Years 2006 to 2010 – City of Hamilton  
   (a) That Grant Thornton LLP Chartered Accountants be appointed as External Auditors for the City of Hamilton;  
   (b) That the term of the engagement be five years 2006 to 2010 for a contract fee of $1,355,107 plus applicable taxes;  
   (c) That the engagement be subject to a satisfactory annual performance review; and  
   (d) That the fees be reviewed annually to reflect changes in audit scope.

Grant Thornton, Chartered Accountants, audit approach and scope of audit work for the City of Hamilton and its related entities for the 2007 fiscal year is provided in their 2007 External Audit Plan Communication. The Audit Plan communicates to the oversight body Grant Thornton’s overall audit responsibilities and audit approach in accordance with Canadian generally accepted auditing standards. New auditing standards from the
Canadian Institute of Chartered Accountants ("CICA") focus the audit on areas where there is greater risk of misstatement. Grant Thornton has tailored their audit of the City to several specific audit areas, including taxation, grants and subsidies, purchases and payables, significant estimates for post employment benefits and landfill closure liabilities, commitments and contingencies and tangible capital assets.

Grant Thornton will be discussing the audit work required on the financial statements for HECFI, Library, Housing, Tourism and Business Improvement Areas with the respective boards or oversight bodies.

There is a change in the scope of the audit work and fees included in the original 2006 to 2010 Audit Proposal. Two new audits for the Federal Public Transit Funding Agreement and Locke Street Business Improvement Area and additional audit work for tangible capital assets are required for the 2007 audit.

The External Audit Fee Budget is sufficient to meet the increase in scope of work.

**BACKGROUND:**

Grant Thornton was appointed the City's External Auditor by Council at its meeting on September 13th, 2006 for fiscal years 2006 to 2010. Annually, the auditors present their audit plan to the Audit and Administration Committee of the City of Hamilton.

The City of Hamilton’s 2007 Initial Communication on Audit Planning from Grant Thornton provides more details of the roles and responsibilities of the auditors, the Audit and Administration Committee and City of Hamilton management and staff, and the expected completion date of the 2007 audited financial statements. Grant Thornton’s Initial Communication on Audit Planning is being distributed to the Committee separately.

**ANALYSIS/RATIONALE:**

Management met with Grant Thornton to discuss the 2007 External Audit Plan and reaffirmed the commitment to completing the financial statements in time for the start of the audit work on March 31st, 2008. Staff have developed an internal 2007 Year End Plan assigning responsibilities to individual directors, managers and other staff.

There is a change in the scope of the audit work and fees included in the original 2006 to 2010 Audit Proposal. Two new audits for the Federal Public Transit Funding Agreement and Locke Street Business Improvement Area need to be included for 2007 audit. Audit fees for these services totalling $2,500 are comparable to other similar audits included in Grant Thornton’s original audit proposal.

In addition, the audit work for tangible capital assets is new for 2007. The Public Sector Accounting Board ("PSAB") of the CICA approved new accounting recommendations for tangible capital assets in section PS3150. Committee and Council have been advised of these changes at past meetings. City staff and Grant Thornton have had meetings.
and discussions regarding the City’s plans to meet these changes. The City of Hamilton’s Tangible Capital Asset Project Team will be providing Grant Thornton with the accounting policies, assumptions and valuation estimates for the inclusion of Roads Tangible Capital Assets in the notes to the 2007 Financial Statements. The audit fee for the audit work for tangible capital assets will be discussed with management once the supporting documentation is available. A sufficient estimate for External Audit Services was included in the budget for the Tangible Capital Asset Program approved in 2007.

**ALTERNATIVES FOR CONSIDERATION:**

N/A.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

None. The 2007 budget for external audit fees is sufficient to cover the increase in scope of audit work.

**POLICIES AFFECTING PROPOSAL:**

N/A.

**RELEVANT CONSULTATION:**

The 2007 External Audit Plan from Grant Thornton and the City of Hamilton 2007 Year End Plan has been discussed with staff and management of all of the City’s departments and boards. Grant Thornton has prepared similar 2007 External Audit Plans for the Hamilton Public Library, HECFI and Housing and Tourism and they will be having discussions with the respective staff. City staff has advised the other organizations, including CANUSA Games, the Canadian Football Hall of Fame and Museum, the Hamilton Association of Business Improvement Areas, Tradeport, Mohawk 4Ice Centre and Hamilton Renewable Power Inc., of the approval of the auditors and the respective audit fees.

**CITY STRATEGIC COMMITMENT:**

By evaluating the “**Triple Bottom Line**”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☑ Yes ☐ No

The 2007 External Audit Plan Communication from the external auditors provides the City’s elected officials with information to carry out their oversight responsibilities for financial reporting. The
subsequent audit of the financial statements ensures that public activities are reported and decisions at all levels of government are co-ordinated, efficient, effective and easily accessible to all citizens.

Environmental Well-Being is enhanced. ☑ Yes ☐ No

Economic Well-Being is enhanced. ☑ Yes ☐ No

The 2007 External Audit Plan is prepared to ensure fiscal accountability of the City to the ratepayers and contributes to Council’s strategic goals as a City that spends wisely and invests strategically. The External Audit Plan Communication from the external auditors reinforces the responsibilities of the elected officials and management in ensuring that the organizations financial resources are being protected and economic well-being is enhanced.

Does the option you are recommending create value across all three bottom lines? ☑ Yes ☐ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☐ Yes ☑ No