To: Chair and Members
Audit and Administration Committee

From: Antonio D. Tollis
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Date: January 28, 2009

Re: 2008 External Audit Plan and Fees (FCS09018) (City Wide)

Council Direction:

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 the audit scope.

Information:

External Audit Plan

Every year, Grant Thornton, Chartered Accountants, provides the City with the annual Audit Plan. Grant Thornton’s Initial Communication on Audit Planning for December 31, 2008, is being submitted to the Audit and Administration Committee by Allister Byrne, Partner, and Melanie Dugard, Senior Audit Manager. This report and presentation are included, as a separate agenda item, for consideration of this Committee.
The Audit Plan communicates to the oversight body, Grant Thornton’s overall audit responsibilities and approach in accordance with Canadian generally accepted auditing standards. Recent improved auditing standards from the Canadian Institute of Chartered Accountants (“CICA”) focus the audit on areas where there is greater risk of mis-statement. Grant Thornton has tailored their audit of the City to several specific audit areas including: taxation, purchases, payables, significant estimates for post-employment benefits, landfill closure liabilities, commitments, 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.

Management met with Grant Thornton to discuss the 2008 External Audit Plan and reaffirmed the commitment to completing the financial statements in time for the start of the audit work on March 30th, 2009. Staff have developed an internal 2008 Year End Plan assigning responsibilities to individual directors, managers and other staff.

**Scope of Audit Work and Audit Fees**

The External Audit Services contract (C6-10-06) was awarded to Grant Thornton in 2006 for a term of five years from 2006 to 2010 and a contract fee of $1,355,107. There is a change in the scope of the audit work and fees for 2008. An audit of Locke Street Business Improvement Area and two additional requirements in the CICA Public Sector Handbook form part of the 2008 audit. Segment reporting requires Municipalities to disclose additional information about their businesses in the notes to the 2008 Financial Statements. The Public Sector Accounting Board (“PSAB”) of the CICA approved new accounting recommendations for tangible capital assets in section PS3150 and Public Sector Guideline PSG-7. Committee and Council have been advised of these changes at past Committee meetings. The 2008 audit work for tangible capital assets is a continuation of the work done for the 2007 audit. Roads tangible capital assets were included in the notes to the City’s 2007 Financial Statements. The notes to the City’s 2008 Financial Statements will include: roads, vehicles, land, buildings, bridges/culverts, water, wastewater and storm water linear assets.

Audit fees for these services are based on hourly rates included in Grant Thornton’s original audit proposal. The External Audit Fee Budget is sufficient to meet the increase in the scope of the work for 2008.

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