



Appointment of External Auditors Policy

Issue Date: February 17, 1994

Revised Date: December 15, 2016

Authority:

The Crown Corporations Act, 1993
CIC Board Minute #29/2006

Applicability:

This policy is applicable to CIC and all CIC subsidiary Crown corporations.

Purpose:

The objectives of the policy are as follows:

1. To ensure CIC satisfies its responsibilities under *The Crown Corporations Act, 1993*.
2. To ensure audit and audit-related services are received in the most cost-efficient manner.
3. To ensure an efficient and effective approach for both management of the Crown corporation and the audit firms in dealing with audit tenders.
4. To meet legal and trade obligations.

Policy Statement and Process:

- Auditors will be appointed by Order-in-Council upon approval by the CIC Board.
- Auditor appointment will be for a term of five years. However, appointments will be reviewed annually by each Crown corporation. An appointment may be terminated by a Crown Board of Directors, at any time, for unsatisfactory service. All appointments are terminated after the completion of the five-year appointment, unless the CIC Board authorizes an extension.
- Incumbent auditors will be eligible for reappointment for additional consecutive terms (i.e., the same audit firm may be re-appointed).
- All CIC Crown corporations will tender their audits within the same year. CIC will determine the timing of the audit tender to ensure that the process is completed within a reasonable time period. This process will allow for CIC to optimize both Crown and external auditor resources.
- The Crown corporation's management and its Board of Directors will have substantial responsibility in the selection process. The subsidiary Crown's Board of Directors will make a recommendation to CIC stating the basis for their recommendation.
- CIC will be responsible for making a recommendation to the CIC Board to ensure a reasonable allocation of audit work.



Background:

CIC and its subsidiary Crown corporations are allowed under *The Crown Corporations Act, 1993* to appoint external auditors to examine their corporate financial statements. To ensure that CIC and its subsidiary Crowns are receiving value for services received CIC enacted a policy in 1994 to review auditor appointments on a five year cycle. The selection of an external auditor is the responsibility of the Board of Directors of each Crown corporation. External auditor selections are subject to CIC Board approval and are appointed through Order-in-Council.

General Provisions:

- The Crown Corporations must complete a Request for Proposal (RFP) if the total value of the audit services contract exceeds \$100,000 as per the New West Partnership Trade Agreement (NWPTA). Irrespective of the NWPTA, all Crowns must complete a RFP for audit services.
- The Crown corporation will make public their RFP (see Appendix A), on the “SaskTenders” website to ensure the Corporations are in compliance with the New West Partnership Agreement.
- There is transparency in this process as the auditors are aware of the selection process and the goal to balance the allocation of audit work across the Crowns.
- The audit committee (or in absence of an audit committee, a sub-committee of the Board) of the Crown corporation will recommend to the Board of Directors its first and second choices.
- The Board of Directors will, subject to their concurrence, recommend these choices to CIC’s Board of Directors.
- CIC Board of Directors will consider the recommended choices and recommend the appointment of one of the auditors to the Lieutenant Governor in Council. The CIC Board will consider the following in its evaluation:
 - Reasons for change in external audit firm (if changing external audit provider);
 - The Crown corporation’s assessment of the RFP; and,
 - CIC’s assessment of the impact of an appointment on the total allocation of audit work.

As part of CIC’s assessment of the RFP, CIC will consult with the Provincial Auditor for his or her comments on the primary candidates. This will provide the Provincial Auditor with an opportunity to express any reservations

Administrative Information:

Contact: Corporate Controller, Finance & Administration, CIC - 787-7264

Reviewed: December 15, 2016

Appendix A

Objectives

The objectives of the RFP are as follows:

- To obtain consistent relevant information about the audit firms to be able to assess their capabilities;
- To clearly define what services are required;
- To provide the audit firms with appropriate information about the Corporation to enable the audit firms to prepare a response; and,
- To ensure audit services received offer best value for money.

Guidelines

Selection of an audit firm depends on several factors, including the business of the corporation, the industry that it operates in, and what the Corporation wishes to achieve in the RFP process. Factual information on the Corporation will enable audit firms to make reasonable assumptions about the audit. Areas to consider in this section of the RFP are as follows:

- Brief history of the corporation, including locations of major divisions;
- Minimum services required (i.e. required audit reports to the Legislature and the Provincial Auditor);
- Reporting deadlines of required reports (i.e. annual financial statements and CIC consolidated schedules, Provincial Auditor reports, etc.);
- Current corporate structure, including key management personnel, composition of the board of directors, audit committee, etc.;
- Description of internal audit function;
- Current corporate climate including recent profit/loss positions, asset base, reorganizations, acquisitions, etc. and recent audited financial statements and annual reports;
- Discussion of current management in relation to the operations of the corporation;
- Description of expected extent of assistance from corporate staff.

The remainder of the document should define the types of information required from the firms in the RFP process. Objective weighting will be assigned to the requirements of the RFP. Examples of the types of information that should be requested from respondents are:

- A description of the audit firm's experience and expertise in the industry the Corporation operates in, including a list of local and national clients they serve in the industry and any economies of scale that can be derived from their related experience/expertise;
- A description of the audit firm's intended approach with respect to the required working relationship with the Provincial Auditor;
- A profile of the firm, which should include its Canadian and Saskatchewan practices (may not have all of these if they are a local firm) and what resources they can call upon within their network;
- An estimate of time budgets and a description of the fee structure. Fees may be fixed for the full five-year term or contain escalation provisions on some rational basis. Fee proposals should include estimates for out-of-pocket expenses;



- Resumes for all senior personnel involved in the audit. This should include all Partners and Managers assigned to the audit. Some indication should be provided on how continuity will be maintained in the event of the departure or reassignment of any audit personnel;
- A description of how the audit firm would manage the transition of the audit to their firm (if applicable); and,
- Any other information the audit firm feels would be useful in the assessment of the RFP.