

CENTRAL LAKE ONTARIO CONSERVATION FUND

AGENDA

Tuesday, January 17, 2023

IN-PERSON MEETING LOCATION: 100 WHITING AVENUE, OSHAWA
AUTHORITY'S ADMINISTRATIVE OFFICE, BOARDROOM

CIRCULATION LIST

Authority	Bob Chapman	Authority	C. Darling, Chief Administrative Officer
Members:	Marilyn Crawford	Staff:	B. Boardman, Executive/Accounting Administrator/Recording Secretary
	Sami Elhajjeh		R. Catulli, Director, Corporate Services
	Bruce Garrod		J. Davidson, Director, Watershed Planning & Natural Heritage
	Ron Hooper		L. Hastings, Marketing & Communications Coordinator
	Rick Kerr		D. Hope, Land Management & Operations Supervisor
	Chris Leahy		C. Jones, Director, Planning & Regulation
	Tito-Dante Marimpietri		P. Sisson, Director, Engineering & Field Operations
	Ian McDougall		L.Vaja, Executive Assistant/Health & Safety Administrator
	Rhonda Mulcahy		R. Wilmot, GIS Systems Supervisor
	John Neal		
	David Pickles		
	Elizabeth Roy		
	Corinna Traill	Others:	
	Steve Yamada		

AGENDA ITEM:

SUPPORTING DOCUMENTS

- DECLARATIONS of interest by members on any matters herein contained**
- ADOPTION OF MINUTES** of June 21, 2022 pg. F1
- AUDITED FINANCIAL STATEMENTS**
(1) Staff Report #F001-23 pg. F3
Re: BDO Canada Audit of Financial Statements for the Year Ended, December 31, 2022
- OFFICERS & DIRECTORS**
Resolution Required: THAT the Officers of the Central Lake Ontario Conservation Fund for 2023 be confirmed as follows:
Chair: _____
Vice-Chair _____
Secretary: Chris Darling
Treasurer: Rose Catulli

Resolution Required: THAT the Directors of the Central Lake Ontario Conservation Fund for 2022 be confirmed as follows:

Directors:	<u><i>Bob Chapman</i></u>	<u><i>Ian McDougall</i></u>
	<u><i>Marilyn Crawford</i></u>	<u><i>Rhonda Mulcahy</i></u>
	<u><i>Sami Elhajjeh</i></u>	<u><i>John Neal</i></u>
	<u><i>Bruce Garrod</i></u>	<u><i>David Pickles</i></u>
	<u><i>Ron Hooper</i></u>	<u><i>Elizabeth Roy</i></u>
	<u><i>Rick Kerr</i></u>	<u><i>Corinna Traill</i></u>
	<u><i>Chris Leahy</i></u>	<u><i>Steve Yamada</i></u>
	<u><i>Tito-Dante Marimpietri</i></u>	<u></u>

5. OTHER BUSINESS

6. ADJOURNMENT

CENTRAL LAKE ONTARIO CONSERVATION FUND

MINUTES NO. 2

Tuesday, June 21, 2022

MEETING LOCATION: VIRTUAL MEETING THROUGH ZOOM

Members Present: Bob Chapman, Chair
Elizabeth Roy, Vice Chair
Dave Barton
Ron Hooper
Janice Jones
Chris, Leahy
Sterling Lee
Don Mitchell
John Neal
David Pickles
Steve Yamada

Staff Present: C. Darling Chief Administrative Officer
B. Boardman, Executive/Accounting Administrator
R. Catulli, Director, Corporate Services
J. Davidson, Director, Watershed Planning & Natural Heritage
C. Jones, Director, Planning & Regulation
P. Sisson, Director, Engineering, Field Operations & Education
L.Vaja, Executive Assistant/Health & Safety Administrator/Recording Secretary
R. Wilmot, Information Management & Technology Manager

Absent: Tito-Dante Marimpietri
Ian McDougall
Brian Nicholson
Corinna Traill

Others: Umair Qadeer, BDO

The Chair called the meeting to order at 5:01 p.m.

DECLARATIONS of interest by members on any matters herein contained – *NONE*

C. Leahy arrived at 5:01 pm

ADOPTION OF MINUTES of January 18, 2022 (Agenda pg. F1)

Res. #F6 Moved by E. Roy
Seconded by S. Lee

THAT the Central Lake Ontario Conservation Fund minutes of January 18, 2022 be adopted as circulated.
CARRIED

AUDITED FINANCIAL STATEMENTS

(1) Staff Report #F002-22 (Agenda pg. F3)
Re: DRAFT 2021 Financial Statements, Central Lake Ontario Conservation Fund

Res. #F7 Moved by D. Barton
Seconded by R. Hooper

THAT the Audited Financial Statements for the year ended December 31, 2021 be approved as presented;
THAT the pending 2021 Audited Financial Statements be distributed to the Region of Durham, Minister of the Environment, Conservation and Parks, and be made available on the Authority's website; and
THAT BDO Canada be appointed as CLOCA Auditors for the year ending December 31, 2022.
CARRIED

OTHER BUSINESS - NONE

ADJOURNMENT

Res. #F8 Moved by C. Leahy
 Seconded by D. Pickles

THAT the meeting adjourn.
CARRIED

The meeting adjourned at 5:03 p.m.

BOB CHAPMAN, CHAIR

CHRIS DARLING, CHIEF ADMINISTRATIVE OFFICER

DRAFT

DATE: January 17, 2023
FILE: ACEF26
S.R.: F001-23
TO: Chair and Members, CLOCA Board of Directors
FROM: Rose Catulli, Director of Corporate Services
SUBJECT: **BDO Canada Audit of Financial Statements for the Year Ended December 31, 2022**

APPROVED BY C.A.O. 

The attached audit plan letter from the audit firm of BDO Canada LLP is being sent to the Board in advance of the annual audit. Having gone through a number of significant reporting requirements in prior audit years, we do not anticipate any significant change in format for the 2022 statements. The letter in effect provides the Board of Directors an opportunity to provide information about anything that may affect the audit especially as it relates to risk in the organization or suspected or alleged fraud.

CAS 315R is a new international audit standing, which is effective for audits of financial statements for periods beginning on or after December 15, 2021. The change applies to all auditors in Canada; it applies to all audits, regardless of size and complexity. Attached for information is a BDO publication regarding CAS 315R – *Identifying and assessing risk of material misstatement for clients*. This new audit standard will have a varying impact on our audit fees which has been estimated at a 20 – 30% increase.

'Upcoming changes in Standards: Helping you understand the impact' effecting the 2022-year end for Accounting Standards for Not-for-Profit Organizations (ASNPO) (page 1) is attached for information.

RECOMMENDATIONS:

THAT the letter from Nigel A.C. Allen, BDO Dunwoody Canada LLP be received;

THAT the attached BDO publication, CAS 315R (revised) - Identifying and assessing risk of material misstatement for clients, be received for information;

THAT the attached BDO publication, Upcoming changes in Standards: Helping you understand the impact, be received for information; and

THAT Nigel A.C. Allen, BDO Dunwoody Canada, be advised that the Board of Directors is not aware of any matters related to increased risk, fraud, or errors on behalf of management processes.

Attach.

RC/bb
s:\fund\reports\2023\001_23.docx



Tel: (705) 726-6331
Fax: +1 (905) 898-0028
Toll-free: 1-866-275-8836
www.bdo.ca

BDO Canada LLP
300 Lakeshore Drive
Suite 300
Barrie, Ontario
L4N 0B4

January 9, 2023

Central Lake Ontario Conservation Fund
100 Whiting Avenue
Oshawa, Ontario
L1H 3T3

Dear Rose Catulli,

We understand that you wish to engage us as the auditors of Central Lake Ontario Conservation Fund for its fiscal year ended December 31, 2022 and subsequent years.

We are pleased to perform the engagement subject to the terms and conditions of this Agreement, to which the attached Standard Terms and Conditions form an integral part. The definitions set out in the Standard Terms and Conditions are applicable throughout this Agreement. This Agreement will remain in place and fully effective for future years until varied or replaced by another relevant written agreement.

Adam Delle Cese will be the Engagement Partner for the audit work we perform for you. The Engagement Partner will call upon other individuals with specialized knowledge to assist in the performance of services.

Our Role as Auditors

We will conduct our audit(s) in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by you, as well as evaluating the overall financial statement presentation.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements, whether by fraud or error, may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

In making our risk assessments, we consider internal control relevant to your preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of your internal controls. However, we will communicate to you concerning any significant deficiencies in internal controls relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate matters required by professional standards, to the extent that such matters come to our attention, to you, those charged with governance and/or the board of directors.



Reporting

Our audit will be conducted on the basis that the financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Our independent auditor's report will be substantially in the form set out in Canadian Auditing Standard (CAS) 700. The form and content of our report may need to be amended in the light of our audit findings. If we are unable to issue or decline to issue an audit report, we will discuss the reasons with you and seek to resolve any differences of view that may exist.

Role of Management and Those Charged with Governance

You acknowledge and understand that you have responsibility for:

- (a) the preparation and fair presentation of the financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. The audit of the financial statements does not relieve you of your responsibilities;
- (b) such internal controls as you determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- (c) providing us with:
 - access, in a timely manner, to all information of which you are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that we may request for the purpose of the audit;
 - unrestricted access to persons within the entity from whom we determine it is necessary to obtain audit evidence;
 - financial and non-financial information (other information) that will be included in document(s) containing financial statements and our audit report thereon prior to the date of our auditor's report. If it is not possible to provide all the other information prior to the date of our auditor's report, you are responsible for provision of such other information as soon as practicable; and
 - written confirmation concerning representations made to us in connection with the audit. If appropriate and adequate written representations are not provided to us, professional standards require that we disclaim an audit opinion.

Financial Statement Services

We will obtain your approval, if during the course of our engagement we:

- (a) prepare or change a journal entry; or
- (b) prepare or change an account code or a classification for a transaction.

As agreed, we will provide assistance in the preparation of the financial statements.

These services create a threat to our independence. We, therefore, require that the following safeguards be put into place:



- (a) that you create the source data for all accounting entries;
- (b) that you develop any underlying assumptions for the accounting treatment and measurement entries; and
- (c) that you review and approve the draft financial statements, including the notes to the financial statements.

Tax Services

In addition to the assurance services discussed above, we may be requested by you to prepare enter own description. The returns will be prepared based upon the information supplied by you. We will not review or otherwise attempt to verify the accuracy or completeness of such information. We will utilize the information you have already provided to our engagement personnel to the extent that the material is available and relevant to the preparation of the returns. It may be necessary for us to request further information. You should review all tax returns carefully before filing to confirm that they are true, correct and complete. The responsibility for the prevention and detection of fraud, error or other similar irregularities must remain with you.

Your returns are subject to review by the taxation authorities who may not agree with your tax positions. You are responsible for retaining adequate documentation that form the basis of your tax return. If an examination occurs, documentation may be requested to support items and positions reported on the tax returns. Penalties may apply for failure to maintain adequate documentation. Any items reassessed against you by the taxation authorities are subject to certain rights of appeal. In the event of any tax audit, we will be available to represent you for a mutually agreed upon fee.

Regardless of any tax return preparation services we provide to you, you will remain responsible for filing your tax returns and any additional reporting (if applicable) with the appropriate authorities on a timely basis, unless we undertake, in writing, to do so on your behalf. Notwithstanding the foregoing, in the event that we agree to file tax returns on your behalf, you acknowledge and agree that you remain solely responsible for providing us with the documents and information required to make a timely filing, which includes written authorization to file the return on your behalf. We assume no responsibility or liability for any fees or penalties associated with a late filing where you have failed to fulfil your responsibilities.

Our fee as indicated below is based on the assumption that all information required to prepare any required tax returns is provided on a timely basis. Our fee may need to be adjusted if there is a delay in providing this information to us. To the extent that there are unanticipated tax issues that require additional research to complete the tax return or should additional work be required on BDO's part to accumulate any schedules, information, calculations, etc., necessary to support the information required to be disclosed in the tax returns, additional fees shall be charged at our standard hourly rates based upon the increased time and expenses incurred by BDO personnel. In addition, the fee quoted does not include services related to responding to notices or inquiries from taxing authorities.

We will discuss with you any filing positions which, if taken, have the potential to give rise to a material adverse assessment or reassessment by the taxing authorities. If such an assessment or reassessment occurs, any additional tax that arises will be your responsibility. In addition, we cannot be responsible for interest and penalties assessed against you in connection with your tax affairs. Therefore, should any interest or penalty be assessed, they shall be your responsibility.



Our audit is conducted primarily to enable us to express an opinion on the financial statements. The audit process is not designed to provide us with a full understanding of your tax situation and in particular, to allow us to determine whether the entity has specific tax compliance issues. We will, however, provide advice on an ongoing basis on general tax matters as requested by you. To the extent that tax services requested by you are not covered by a separate engagement letter, the terms of this Agreement shall apply to the tax services.

Additional Services

We are available to provide a wide range of services beyond those outlined in this Agreement. To the extent that any additional services that we provide to you that are not provided under a separate written engagement agreement, the provisions of this Agreement will apply to the services.

Fee Estimation

The estimated fee for this engagement is as follows:

- Audit services: \$3,500
- Additional CAS 315R (estimate): \$500 - \$1,200
- Tax services: \$900

For each future year we will issue a Summary of Services providing details of our Services and fees.

Our estimated fee is based on an assumed level of quality of your accounting records, the agreed upon level of preparation and assistance from your personnel and adherence to the agreed-upon timetable. Our estimated fee also assumes that your financial statements are in accordance with Canadian Accounting Standards for Not-for-Profit Organizations and that there are no significant new or changed accounting policies or issues or internal control or other reporting issues. We will inform you on a timely basis if these factors are not in place. Should our assumptions with respect to the quality of your accounting records be incorrect or should the conditions of the records, degree of cooperation, results of audit procedures, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates.

Our professional fees will be based on our billing rates which depend on the means by which and by whom our Services are provided. Our billing rates may be subject to change from time to time at our discretion with or without notice to you.

Delays in providing the complete list of agreed upon working papers/schedules to BDO will result in additional fees as follows:

- 1 week delay - additional 10% of estimated fees
- 1 month delay - additional 20% of estimated fees

Should a delay occur, we cannot guarantee completion of our work by your deadline.

We will also bill you for our out-of-pocket expenses, our administrative and technology charge, and applicable Goods and Services Sales Tax, Harmonized Sales Tax, Quebec Sales Tax and Provincial Sales Tax. Our administrative and technology charge is calculated as 7% of our professional fee and represents an allocation of estimated costs associated with our technology infrastructure and support staff time costs.



Our fees will be invoiced and payable as follows:

- \$1,400 interim payment;
- \$1,400 prior to issuance of assurance report; and
- Remainder within 10 days after issuance of our final invoice along with any additional required final payments.

Our accounts are due when rendered and invoiced amounts are deemed to be earned when paid. BDO may suspend the performance of Services in the event that you fail to pay an invoice when it is due. Fees that are not paid within 30 days of an invoice or by a specified payment deadline will be considered delinquent. Interest may be charged at the rate of 12% per annum on all accounts outstanding for more than 30 days.

Standard Terms and Conditions

A copy of our Standard Terms and Conditions is attached as Appendix 1. You should ensure that you read and understand them. The Standard Terms and Conditions include clauses that limit our professional liability.

Please sign and return the attached copy of this Agreement to indicate your agreement with it. If you have any questions concerning this Agreement, please contact us before signing it.

It is a pleasure for us to be of service and we look forward to many future years of association with you.

Yours truly,

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Agreement of all the terms and conditions in this Agreement is hereby acknowledged by:

Signature	Date
-----------	------

Name (please print)	Position
---------------------	----------

Please carefully review this Agreement, which includes the attached Standard Terms and Conditions, prior to signing it. A complete copy of the signed engagement letter should be returned to us.



Appendix 1 - Standard Terms and Conditions

1 Overview and Interpretation

1.1 This Agreement sets forth the entire agreement between the parties in relation to Services and it supersedes all prior agreements, negotiations or understandings, whether oral or written, with respect to Services, including without limitation any non-disclosure agreements entered into in advance of this Agreement. This Agreement applies to Services whenever performed (including before the date of this Agreement). To the extent that any of the provisions of the accompanying letter conflict with these Standard Terms and Conditions, these Standard Terms and Conditions shall prevail. This Agreement may not be changed, modified or waived in whole or part except by an instrument in writing signed by both parties.

1.2 In this Agreement, the following words and expressions have the meanings set out below:

This Agreement - these Standard Terms and Conditions, the letter to which they are attached, supporting schedules or other appendices to the letter, and any Summary of Services letters issued in future years

Services - the services provided or to be provided under this Agreement, and any other services which we agree to provide to you subsequent to the date of this Agreement that are not covered by a separate engagement letter

We, us, our, BDO - refer to BDO Canada LLP, a Canadian limited liability partnership organized under the laws of the Province of Ontario

You, your - the party or parties contracting with BDO under this Agreement. You and your does not include BDO, its affiliates or BDO Member Firms

BDO Member Firm or Firms - any firm or firms that form part of the international network of independent firms that are members of BDO International Limited

Confidential Information - all non-public proprietary or confidential information and Personal Information, including Client Documents

Personal Information - personal information that is or could be attributed to identifiable individuals

Client Documents - information (including internal financial information and internal records and reports) provided to us by you or on your behalf in connection with the performance of the Services

2 BDO Network and Sole Recourse

2.1 BDO is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international network of independent member firms (i.e. BDO Member Firms), each of which is a separate legal entity.

2.2 We may use other BDO Member Firms or subcontractors to provide Services; however, we remain solely responsible for Services. You agree not to bring any claim or action against another BDO Member Firm (or their partners, members, directors, employees or subcontractors) or our subcontractors in respect of any liability relating to the provision of Services.



- 2.3 You agree that any of our affiliates, subcontractors, and other BDO Member Firms and any subcontractors thereof whom we directly or indirectly involve in providing Services have the right to rely on and enforce Section 2.2 above, as well as all liability protections contained herein, as if they were a party to this Agreement. For greater certainty, you agree that other BDO Member Firms that are subcontractors may enforce any limitations or exclusions of liability available to us under this Agreement.

3 Respective Responsibilities

- 3.1 We will use reasonable efforts to complete, within any agreed-upon time frame, the performance of Services.
- 3.2 You shall be responsible for your personnel's compliance with your obligations under this Agreement. We will not be responsible for any delays or other consequences arising from you not fulfilling your obligations.

4 Working Papers and Deliverables

- 4.1 **Ownership** - All reports (including assurance reports where applicable), written advice, working papers, and internal materials created or developed by us pursuant to this Agreement are owned by us, and we retain all property rights therein. All Client Documents continue to be your property, provided that we retain copies of such documents as necessary for our internal record keeping (including as required to comply with our professional obligations).
- 4.2 **Oral advice and draft deliverables** - You should not rely upon any draft deliverables or oral advice provided by us. Should you wish to rely upon something we have said to you, please let us know and, if possible, we will provide the information that you require in writing.
- 4.3 **Translated documents** - If you engage us to translate any documents, advice, opinions, reports or other work product of BDO from one language to another, you are responsible for the accuracy of the translation work.
- 4.4 **Reliance by Third Parties** - Our Services will not be planned or conducted in contemplation of or for the purpose of reliance by any party other than you, and are intended for the benefit of only you. Items of possible interest to a third party will not be addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction. The receipt by any third parties of any advice, opinions, reports or other work product is not intended to create any duty of care, professional relationship or any present or future liability between such third parties and us. For greater certainty, we expressly disclaim any liability of any nature or kind resulting from the disclosure to or unauthorized reliance by any third party on our advice, opinions, reports or other work product.
- 4.5 **Consent to use the Report** - Nothing in this Agreement shall be construed as consent to the use of our report in connection with a continuous disclosure document, a public or private offering document, an annual report or any other document and we expressly do not provide such consent. If you request consent for the use of our report, we will consider, at the relevant time, providing consent and any conditions that we may attach to such consent. Our consent must be in writing.
- 4.6 **Consent requests** - In order to provide consent, professional standards require that we read the other information in the related document and consider whether such information

is materially inconsistent with the related financial statements. Any consent request must be made on a sufficiently timely basis to allow us to consider your identification and resolution of events occurring in the period since the date of our report, and to obtain updated written representation letters. Such procedures will be performed at your cost and will be documented in a separate engagement letter.

5 Confidentiality

- 5.1 We will use Confidential Information provided by you only in relation to the Services or for internal and administrative purposes. We will not disclose any Confidential Information, except where required by law, regulation or professional obligation. You agree, however, that we may disclose Confidential Information to other BDO Member Firms or other subcontractors assisting us in providing Services, provided that such parties are bound by reasonable confidentiality obligations no less stringent than in this Agreement.

6 Analytics

- 6.1 Notwithstanding any other provision, BDO uses Confidential Information to develop, enhance, modify and improve technologies, tools, methodologies, services and offerings and for data analytics and other insight generation, including by aggregating de-identified data. Information developed in connection with these purposes may be used or disclosed to current or prospective clients as part of service offerings, however BDO will not use or disclose any Confidential Information in a way that would permit you to be identified.

7 Privacy and Consent for Use of Personal Information

- 7.1 In order to provide our Services, we may be required to access and collect Personal Information of individuals that is in your custody. You agree that we may collect, use, store, transfer, disclose and otherwise process Personal Information as required for the purpose of providing the Services. Personal Information may be processed in various jurisdictions in which we or applicable BDO Member Firms and subcontractors providing Services operate and as such Personal Information may be subject to the laws of such jurisdictions. Personal Information will at all times be collected, used, stored, transferred, disclosed or processed in accordance with applicable laws and professional regulations and we will require any service providers and BDO Members that process Personal Information on our behalf to adhere to such requirements. Any collection, use, storage, transfer or disclosure of Personal Information is subject to BDO's Privacy Statement available at <https://www.bdo.ca/en-ca/legal-privacy/legal/privacy-policy/>.

- 7.2 You represent and warrant that:

- (a) you have the authority to provide the Personal Information to us in connection with the performance of our Services, and
- (b) the Personal Information provided to us has been provided in accordance with applicable law, and you have obtained all required consents of the individuals to whom such Personal Information relates in order to permit BDO to collect, use and disclose the Personal Information in the course of providing the Services.

8 Independence

- 8.1 Professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to our clients in the performance of our Services. We will communicate to you any relationships between BDO (including its related entities) and you



that, in our professional judgment, may reasonably be thought to bear on our independence.

9 Offers of Employment

- 9.1 Any discussions that you, or any party acting on your behalf, have with professional personnel of our Firm regarding employment could pose a threat to our independence. Your recruitment of an engagement team member from the current or prior year's engagement may compromise our independence and our ability to render agreed Services to you. Engagement team members may include current and former partners and staff of BDO, other BDO Member Firms and other firms who work under our direction. Therefore, you agree to inform us prior to any such discussions so that you and we can implement appropriate safeguards to maintain our independence.

10 Professional and Regulatory Oversight and Legal Processes

- 10.1 As required by legal, regulatory, or professional authorities (both in Canada and abroad) and by BDO policy, our client files must periodically be reviewed by practice inspectors to ensure that we are adhering to professional and BDO standards. It is understood that by entering into this Agreement, you provide your consent to us providing our files relating to your engagement to the practice inspectors for the sole purpose of their inspection.
- 10.2 Certain law enforcement, regulatory and other governmental bodies may also have the right under law or regulation to conduct investigations of you, including the Services provided by us. To the extent practicable and permitted by law or regulation, we will advise you of any such document request or production order we receive in connection with any such investigation prior to providing any documents in response to such request or order.
- 10.3 We are sometimes required by law, regulation, subpoena or other legal process, or upon your request, to produce documents or personnel as witnesses in connection with legal or regulatory proceedings. Where BDO is not a party to such proceedings, you shall reimburse us at our current standard billing rates for professional time and expenses, including without limitation, reasonable legal fees, expenses and taxes incurred in responding to such compelled assistance or request by you.

11 Electronic Communications

- 11.1 Both parties recognize and accept the security risks associated with email communications, including but not limited to the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Unless you request in writing that we do not communicate by internet email, you assume all responsibility and liability in respect of risk associated with its use.

12 Limitation of Liability

- 12.1 In any dispute, action, claim, demand for losses or damages arising out of the Services performed by BDO pursuant to this Agreement, BDO's liability will be several, and not joint and several, and BDO shall only be liable for its proportionate share of the total liability based on degree of fault as determined by a court of competent jurisdiction or by an independent arbitrator, notwithstanding the provisions of any statute or rule of common law which create, or purport to create, joint and several liability.



- 12.2 In no event shall BDO be liable for indirect, consequential, special, incidental, aggravated, punitive or exemplary damages, losses or expenses, or for any loss of revenues or profits, loss of opportunity, loss of data, or other commercial or economic loss or failure to realize expected savings, including without limitation expected tax savings, whether or not the likelihood of such loss or damage was contemplated.
- 12.3 BDO shall in no event be liable under this Agreement or otherwise in connection with the Services for any actions, damages, claims, fines, penalties, complaints, demands, suits, proceedings, liabilities, costs, expenses, or losses (collectively, "Liabilities") in any way arising out of or relating to the Services performed hereunder for an aggregate amount of more than the higher of:
- (a) three times the fees paid to BDO by you, in a twelve consecutive month period, for the Services provided pursuant to this Agreement giving rise to the claim; and
 - (b) \$25,000.
- 12.4 The limitations of liability in this section apply whether or not the Liabilities asserted by you against BDO are incurred by you directly or as a result of a claim or demand against you by a third party.
- 12.5 No exclusion or limitation on the liability of other responsible persons imposed or agreed at any time shall affect any assessment of our proportionate liability hereunder, nor shall settlement of or difficulty enforcing any claim, or the death, dissolution or insolvency of any such other responsible persons or their ceasing to be liable for the loss or damage or any portion thereof, affect any such assessment.
- 12.6 You agree claims or actions relating to the delivery of Services shall be brought against us alone, and not against any individual. Where our individuals are described as partners, they are acting as one of our members.
- 12.7 For purposes of this Section, the term "BDO" shall include BDO Canada LLP and its subsidiaries, associated and affiliated entities and their respective current and former partners, directors, officers, employees, agents and representatives. The provisions of this Section shall apply to the fullest extent of the law, regardless of the form of the claim, whether in contract, statute, tort (including without limitation, negligence) or otherwise.

13 Indemnity

- 13.1 To the fullest extent permitted by applicable laws, in the event of a claim or demand by a third party against BDO that arises out of or relates to the Services, you agree to indemnify and hold harmless BDO from and against all losses, costs (including solicitors' fees), damages, or expenses resulting from such third party claim or demand, except to the extent that the same is finally determined to have resulted from BDO's negligence or intentional misconduct.

14 Alternative Dispute Resolution

- 14.1 Both parties agree that they will first attempt to settle any dispute arising out of or relating to this Agreement, including any question regarding its existence, interpretation, validity, breach or termination, or the Services provided hereunder, through good faith negotiations.

- 14.2 In the event that the parties are unable to settle or resolve their dispute through negotiation, such dispute shall be subject to mediation using a mediator chosen by mutual agreement of the parties.
- 14.3 All disputes remaining unsettled for more than 60 days following the parties first mediation session with a mediator, or such longer period as the parties mutually agree upon, shall be referred to and finally resolved by arbitration. The parties agree that one arbitrator shall be appointed within twenty (20) days of receipt of the request for arbitration. If the parties cannot agree on the appointment of an arbitrator in such period then either party may immediately apply for the appointment of an arbitrator to a court of competent jurisdiction in the Province of the governing law as contained herein pursuant to such Province's applicable *Arbitration Act*. The place of arbitration shall be in the capital of the Province of the governing law as contained herein. Unless the arbitrator otherwise determines, the fees of the arbitrator and the costs and expenses of the arbitration will be borne and paid equally by the parties. Such arbitration shall be final, conclusive and binding upon the parties, and the parties shall have no right of appeal or judicial review of the decision whatsoever. The parties hereby waive any such right of appeal or judicial review which may otherwise be provided for in any provincial arbitration statute. Judgement upon the award, including any interim award, rendered by the arbitrator may be entered in any court having jurisdiction. The arbitration shall be kept confidential and the existence of the arbitration proceeding and any element thereof (including but not limited to any pleadings, briefs or other documents submitted and exchanged and testimony and other oral submissions and any awards made) shall not be disclosed beyond the arbitrator(s), the parties, their counsel and any person to whom disclosure is necessary to the conduct of the proceeding except as may be lawfully required in judicial proceedings relating to the arbitration or otherwise.

15 Limitation Period

- 15.1 You shall make any claim relating to Services or otherwise under this Agreement no later than one year after you became aware or ought reasonably to have become aware of the facts giving rise to any such claim.
- 15.2 You shall in no event make any claim relating to the Services or otherwise under this Agreement later than four years after the completion of the Services under this Agreement.
- 15.3 To the extent permitted by law, the parties to this Agreement agree that the limitation periods established in this Agreement replace any limitation periods under any limitations act and/or any other applicable legislation and any limitation periods under any limitations act and/or any other applicable legislation shall not alter the limitation periods specified in this Agreement.

16 Québec Personnel

- 16.1 We may sometimes have individual partners and employees performing Services within the Province of Québec who are members of the Ordre des comptables professionnels agréés du Québec. Any such members performing professional services hereunder assumes full personal civil liability arising from the practice of their profession, regardless of their status within our partnership. They may not invoke the liability of our partnership as grounds for excluding or limiting their own liability. Any limitation of liability clauses in this Agreement shall therefore not apply to limit the personal civil liability of partners and



employees who are members of the Ordre des comptables professionnels agréés du Québec.

17 Termination

- 17.1 This Agreement applies to Services whenever performed (including before the date of this Agreement).
- 17.2 You or we may terminate this Agreement at any time upon written notice of such termination to the other party. We will not be liable for any loss, cost or expense arising from such termination. You agree to pay us for all Services performed up to the date of termination, including Services performed, work-in-progress and expenses incurred by us up to and including the effective date of the termination of this Agreement.

18 Governing Laws

- 18.1 The terms of our engagement shall remain operative until amended, terminated, or superseded in writing. They shall be interpreted according to the laws of Ontario in which BDO's principal Canadian office performing the engagement is located, without regard to such province/territory's rules on conflicts of law.

19 Survival

- 19.1 The provisions of this Agreement that give either of us rights or obligations beyond its termination shall continue indefinitely following the termination of this Agreement. Any clause that is meant to continue to apply after termination of this Agreement will do so.

20 Force Majeure

- 20.1 We will not be liable for any delays or failures in performance or breach of contract due to events or circumstances beyond our reasonable control, including acts of God, war, acts by governments and regulators, acts of terrorism, accident, fire, flood or storm or civil disturbance.

21 Assignment

- 21.1 No party may assign, transfer or delegate any of the rights or obligations hereunder without the written consent of the other party or parties. BDO may engage independent contractors and BDO Member Firms to assist us in performing the Services in this Agreement without your consent.

22 Severability

- 22.1 The provisions of this Agreement shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law, regulation or professional standards. If any of these provisions shall be held to be invalid, void or unenforceable, then the remainder of this Agreement shall not be affected, impaired or invalidated, and each such remaining provision shall be valid and enforceable to the fullest extent permitted by law.

Version: v4 202205

Assurance and accounting

CAS 315R (revised) – Identifying and assessing risk of material misstatement for clients

CAS 315R is a new international audit standard, which is effective for audits of financial statements for periods beginning on or after December 15, 2021. This includes stub periods during 2022.

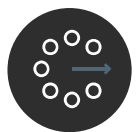
The change applies to all auditors in Canada and globally. And it applies to all audits, regardless of size and complexity.

Key changes to the standard and what it means for the audit

- Requirement to obtain more detailed information on your system of internal control and its environment, including the use of IT.
- Identify and assess all risks with a reasonable possibility of being material resulting in more risks identified than in the past.
- Use a “spectrum” (which considers inherent risk factors combined with the likelihood of the risk of occurring and the magnitude of misstatement) to form a conclusion on each potential risk of material misstatement identified.
- The conclusion on the risk will drive our response (i.e. the scope of audit work we need to perform), which may be less or more work.

Impact on auditors	Impact on you
Engagement teams have extensive training	N/A
Careful consideration when scheduling staff (i.e., timing, level, and experience)	Audit team will need to spend more time in the field and/or have new members
Requests to our clients for additional information regarding systems, processes, and controls	More up-front questions for you at planning; face-to-face meetings to gather information; requirement to speak to personnel not previously accessed in the past
Use of Information Systems (IS) audit specialists (where required)	Requirement to access IT personnel not previously accessed in the past

Quality and value added



EFFECTIVE AND BETTER-QUALITY AUDITS

Requires auditors to complete a more robust risk identification and assessment process resulting in a more focused response that is appropriate for the nature, size, and complexity of our clients—making our audits more effective and higher quality.



ENHANCED DISCUSSIONS

Increased risk identification and better professional judgement will result in more robust discussions with audit committees, boards and other stakeholders.



PROFESSIONAL JUDGEMENT

Changes came as a result of increased pressures for auditors to employ enhanced professional judgement.



COMPLEX ENVIRONMENTS

Responds to the increasingly complex nature of the environments in which we and our clients operate. For example, complex financial reporting frameworks, complex governance structures, greater use of technology/IT, and worldwide operations.

Impact on Fees

Depending on the nature, size, and complexity of the organization, this new audit standard will have varying impact on audit fees. This should be discussed with your auditor.

The information in this publication is current as of June 30, 2022.

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact BDO Canada LLP to discuss these matters in the context of your particular circumstances. BDO Canada LLP, its partners, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Assurance and accounting

Upcoming changes in Standards: Helping you understand the impact

Refer to the information below to discuss standards that may have an impact on client engagements in the next two years. **NOTE:** This is not a complete list of changes and the impact may be different for each organization.

JANUARY 1 2022	APRIL 1 2022	JANUARY 1 2023	DECEMBER 15 2023
<ul style="list-style-type: none"> Amendments to Section 3400, Revenue 	<ul style="list-style-type: none"> Asset Retirement Obligations, Section PS 3280 Financial Instruments, Section PS 3450 	<ul style="list-style-type: none"> Accounting Guideline (ACG) 20, Customer's Accounting for Cloud Computing Arrangements 	<ul style="list-style-type: none"> CAS 600 (Revised), Special Considerations—Audits of Group Financial Statements

ASPE/ASNPO

Amendments to Section 3400, Revenue

Additional guidance on the following revenue topics:

- Percentage of completion method
- Multiple-element arrangements
- Reporting revenue gross or net
- Bill and hold arrangements
- Up-front non-refundable fees or payments (NOTE: The AcSB is deliberating potentially deferring this change in the amendment.)

Effective date	Impact on auditors	Impact on you
Years beginning on or after Jan. 1 2022	<ul style="list-style-type: none"> Need to assess risks relating to the application of these amendments Understand systems and document processes related to changes in the timing of revenue recognition resulting from the changes Consider impact to audit approach based on risk assessment 	<ul style="list-style-type: none"> Must assess application and impact of changes Provide contracts to support application of changes

Exposure Draft: ACCOUNTING GUIDELINE (AcG) 20, Customer's Accounting for Cloud Computing Arrangements

- Proposals provide an option to expense certain costs in a cloud computing arrangement (the "simplification approach")
- For entities not following the simplification approach, proposals provide factors to help determine whether the cloud computing arrangement includes a software intangible asset under Section 3064, Goodwill and Intangible Assets
- If no software intangible asset exists, proposals allow an enterprise to capitalize certain implementation costs as prepaid assets to be amortized over the life of the service contract

Effective date	Impact on auditors	Impact on you
PROPOSED: Years beginning on or after Jan. 1 2023	<ul style="list-style-type: none"> Need to assess risks relating to the client's policy choice Depending on risk assessment, may need to read agreements/ understand systems and document processes/ controls related to the client's accounting of the cloud computing arrangement Consider impact to audit approach based on risk assessment 	<ul style="list-style-type: none"> Must assess application and impact of changes - if effective date is as proposed, entities will have a short period of time to adopt the Guideline May need to provide contracts to support allocations Fee implications to audit/review changes, including audit/review of estimates of costs/disclosures There may be an impact on key ratios in lending agreements depending on the policy choices.

PSAS

Asset Retirement Obligations, Section PS 3280

- Asset retirement obligations (AROs) must now be recognized if there is a legal obligation to incur retirement costs in relation to the tangible capital asset
- Landfill liabilities must now be accounted for in accordance with the new standard, which will result in measurement changes
- For more information on AROs, please visit the [ARO Resource Centre](#).

Effective date	Impact on auditors	Impact on you
Years beginning on or after April 1 2022	<ul style="list-style-type: none"> • Need to assess risks relating to the changes • Depending on risk assessment, may need to understand systems and document processes • Consider impact to audit approach based on risk assessment 	<ul style="list-style-type: none"> • Must assess application and impact of changes • Calculate the allocation of costs over the life of the obligation(s) • Management experts will be required in many instances to determine the asset retirement costs

Financial Instruments, Section PS 3450

- Now applicable for all governments and government organizations
- New Statement of Remeasurement Gains and Losses to show fair value changes in derivatives and portfolio investments and foreign exchange gains/losses
- Guidance related to embedded derivatives

Effective date	Impact on auditors	Impact on you
Years beginning on or after April 1 2022	<ul style="list-style-type: none"> • Need to assess risks relating to the changes • Depending on risk assessment, may need to understand systems and document processes/controls • Consider impact to audit/ review approach based on risk/ area of concern assessment 	<ul style="list-style-type: none"> • Prepare new Statement of Remeasurement Gains and Losses • Identify potential embedded derivatives in debt agreements and supply contracts

Assurance

CAS 600 (Revised), Special Considerations—Audits of Group Financial Statements (Including the work of component auditors)

- Strengthens responsibilities related to professional skepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and documentation

Effective date	Impact on auditors	Impact on you
Periods beginning on or after Dec. 15 2023	<ul style="list-style-type: none"> • Using professional judgement to determine the nature and extent of testing at each subsidiary/component making up the group and whether to involve other auditors/practitioners More explicit requirements for reviewing work of and communicating with auditors/practitioners used by the group auditor • Enhanced documentation requirements 	<ul style="list-style-type: none"> • May see changes in the nature and extent of the audit work performed on subsidiaries/ components making up the group audit and the use of other auditors/practitioners

Impact on Fees

Depending on the nature, size, and complexity of the organization, these changes will have varying impact on audit fees. This should be discussed with your auditor.

The information in this publication is current as of June 30, 2022.

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact BDO Canada LLP to discuss these matters in the context of your particular circumstances. BDO Canada LLP, its partners, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms.