THIS MEMORANDUM OF UNDERSTANDING made this 12 day of June, 2005

BETWEEN:

THE REGIONAL MUNICIPALITY OF YORK

(the "Region")
- and -

THE CORPORATION OF THE TOWN OF AURORA

(the "Town of Aurora")
- and -

THE CORPORATION OF THE TOWN OF EAST GWILLIMBURY

(the "Town of East Gwillimbury")
- and -

THE CORPORATION OF THE TOWN OF GEORGINA

(the "Town of Georgina")
- and -

CORPORATION OF THE TOWN OF NEWMARKET

(the "Town of Newmarket")

1. **Purpose**

The purpose of this Memorandum of Understanding is to establish and implement an arrangement to facilitate the provision of Internal Audit Services to local municipalities in The Regional Municipality of York.

2. **Definitions**

In this Memorandum of Understanding, the following definitions shall apply:

(a) "Audit Group" means those local municipalities who are parties to this Memorandum of Understanding;

(b) "Audit Vendor Listing" means the listing of qualified auditors administered by the Region's Director, Audit Services;

(c) "Auditor" means a person holding the qualifications set out in Section 9 of this MOU;

(d) "Internal Audit Services" means the services of an Auditor provided to a Member by the Region pursuant to this MOU;

(e) "Member" means a local municipality which is a member of the Audit Group; and

(f) "MOU" means this Memorandum of Understanding, as amended from time to time.

3. **Scope of Services**

The Internal Audit Services provided pursuant to this MOU shall include the following:

Operational Audit: An audit of a Member's resource utilization and accomplishment of operational goals.

Compliance Audit: An audit of a Member's adherence to legislative and regulatory requirements.

Risk Audit: An audit to determine the risk of fraud that may occur in a Member's organization.

Performance Management Audit: An audit to evaluate a Member's effectiveness, economy and efficient use of resources.

General Services: Consultation and advice on the internal audit function such as assistance in developing and updating policies and best practices.

4. **Term**

This MOU shall be effective on June 1, 2005, or such other date as mutually agreed between the parties, and shall be in force for a term of two (2) years.

5. **Roles and Responsibilities**

5.1 The Region shall retain an Auditor to deliver the Internal Audit Services on such terms as are mutually agreed upon between the Region and the Auditor.

5.2. The Region shall be responsible directly to the Auditor for the payment of any compensation or benefits.

5.3 The Region shall also provide the services of the Region's Director, Audit Services for a maximum of 200 hours per annum. The Director, Audit Services, shall undertake such tasks under this agreement as may be appropriate from time to time.

5.4 In order to facilitate the provision of Internal Audit Services, each Member shall be responsible during each audit as follows:

(a) to assist in the development of an audit plan as a framework for the delivery of Internal Audit Services;

(b) to assist in an analysis of the need for Internal Audit Services and to establish the Member's priorities for such services;

(c) to provide to the Auditor all written policies and procedures applicable to the audit including reporting relationships for each project;

(d) to provide an appropriate work area for the conduct of the Internal Audit Services, including a work area and supplies during the duration of the audit;

(e) to provide to the Auditor all documentation applicable to the audit; and

(f) to ensure that the Auditor has access to and the co-operation of the appropriate staff in order to conduct the audit.

6. Schedule of Services

6.1 Through the services of a consultant, or the Internal Auditor, each Member will perform a "baseline" risk assessment which will be used as the basis for the development of the service requirements for Internal Audit Services for that Member or for any other Member on request.

6.2 The Region shall schedule the delivery of Internal Audit Services in consultation with each Member and shall use its best efforts to accommodate each Member's requirements. Provided, however, that the Director, Audit Services reserves the right to schedule assignments as he or she considers appropriate.

6.3 In the event that a Member requires additional Internal Audit Services that cannot be accommodated in the schedule, the Region shall provide such services through its Audit Vendor Listing and the Member shall reimburse the Region in full for the actual cost incurred for the provision of such services.

7. Cost of Services

7.1 The parties acknowledge that the Region will deliver Internal Audit Services based on full cost recovery and an estimated number of hours. The total estimated cost of providing the Internal Audit Services is approximately $125,000.00. It is mutually agreed that the upset limit for the Internal Audit Services shall be $150,000 and that this amount shall not be exceeded without the written approval of all members of the Audit Group. Accordingly, the pro-rated hourly rate chargeable to each Member shall be approximately $92.60, subject to adjustments when the actual cost is determined by the Region.

7.2 In addition to the payment of an hourly rate, each Member shall reimburse the Region for any disbursements incurred during each audit, including mileage expenses, in accordance with Regional policy.

7.3 The Region may choose to purchase any available spare time of the Auditor with the agreement of the Audit Group for the agreed hourly rate.

8. **Deliverables**

Upon completion of each audit, the Auditor shall deliver to the Member an audit report in a form agreed upon between the Auditor and the Member.

9. **Qualifications of Auditor**

The Internal Audit Services shall be delivered by an Auditor, who at a minimum, shall have one of the following designations or equivalent:

(a) Chartered Accountant (C.A.);

(b) Certified General Accountant (C.G.A.);

(c) Certified Management Accountant (C.M.A.);

(d) Certified Internal Auditor (C.I.A.);

or such other designation appropriate to the services as determined by the Director, Audit Services.

10. The Region shall ensure that the Auditor shall be available for occasional evening or weekend meetings without overtime compensation.

11. **Payment**

11.1 It is the intent of this MOU that the Members reimburse the Region for the full cost recovery of Internal Audit Services, based on their proportionate share of such services.

11.2 On completion of each audit, the Region shall submit to the Member an invoice setting out the amount payable for the audit, based on the hourly rate set out in Section 7 and shall set out in detail any expenses or disbursements incurred.

11.3 The Member shall pay each invoice submitted within sixty (60) days of receipt.

11.4 The base formula for cost sharing by the Audit Group for this service shall be based on the average of population, households and Schedule 40 of the Financial Information Return. The Audit Group members may agree to share their time with each other such that Group members receive time in a budget year in addition to the time allotted by the base formula.

12. Conflict of Interest

12.1 The parties acknowledge that a conflict of interest may arise in the provision of Internal Audit Services. In the event that a conflict of interest is identified, the Director, Audit Services shall consult with the Member and determine the appropriate means of conducting the audit and may require that the audit be conducted by an independent auditor retained from the Region's Audit Vendor Listing, in accordance with Section 6.3 of this MOU.

12.2 A confidentiality agreement will be entered into with the Internal Auditor and the Director, Audit Services.

13. General Provisions

13.1 This MOU shall enure to the benefit of and be binding upon the parties and their respective successors, administrators and assigns.

13.2 If any provision or part of any provision in this MOU is rendered null and void, it shall be severed without affecting the validity of the remaining provisions of the MOU.

13.3 This MOU shall be governed by the laws of the Province of Ontario.

13.4 This MOU may be amended only upon the written agreement of the parties or their respective successors or permitted assigns and any such amendments require the consent of all parties.

IN WITNESS WHEREOF the parties have caused this Memorandum of Understanding to be executed.

THE REGIONAL MUNICIPALITY OF YORK

name: M. Garrett
title: Chief Administrative Officer

name: Paul Duncan
title: Director, Audit Services

THE CORPORATION OF THE TOWN OF AURORA

name:
title:

name:
title: **BOB PANIZZA**
TOWN CLERK
TOWN OF AURORA

THE CORPORATION OF THE TOWN OF EAST GWILLIMBURY

name: T R WEBSTER, CAO.
title:

name:
title: DIRECTOR OF CORPORATE SERVICES / MUNICIPAL CLERK

THE CORPORATION OF THE TOWN OF GEORGINA

name: Robert A. Grossi
title: Mayor

name: Roland Chenier
title: Town Clerk

CORPORATION OF THE TOWN OF NEWMARKET

name: R. SHELTON
title: CAO

name: Town Clerk
title: