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October 13, 2016

Municipality of the County of Richmond
2357 Highway 206
PO Box 120
Arichat, NS B0E 1A0

Attention: Warden Victor David
Members of Council

Dear Warden and Councillors:

**Re: Independent Counsel Report – Forensic Investigation of Municipal Travel
and Expenses**

Introduction:

We were retained as independent counsel to the Council for the Municipality of the County of Richmond pursuant to a retainer letter dated May 11, 2016. The Municipality agreed to retain BOYNECLARKE LLP as Independent Counsel to oversee an independent forensic investigation of the expenses and credit card transactions of all Councillors of the Municipality and the Chief Administrative Officer (the “Project”).

Our primary role in the Project was to direct the work of Grant Thornton. As Independent Counsel, we engaged Grant Thornton pursuant to the terms of the engagement letter set out in Schedule “A” to this Report. Council accepted our recommendation that it retain independent counsel to oversee the Project with a view to ensuring that Council obtains the information it seeks through a process that is external and independent.

The Project is complete and this constitutes our Independent Counsel Report. As contemplated, Grant Thornton conducted a forensic investigation as described in Schedule “A” covering a period of five fiscal years (April 1, 2011 – March 31, 2016). Grant Thornton has reported its findings to us, and their report is attached as Schedule “B”. We have reviewed the work completed by Grant Thornton, and in collaboration with Grant Thornton, we have drawn conclusions based on the examined evidence, and have identified recommendations regarding policy improvement, enforcement of policies, and governance oversight with respect to internal controls within the Municipality.

On the basis of the facts and conclusions reported to us by Grant Thornton, as well as our own independent assessment of the information gathered during the Project, we also make recommendations to Council addressing issues relative to the operations of Council as a whole and with respect to any findings relating to the conduct of individuals within the scope of the Project.

Executive Summary

We acknowledge the complete cooperation of Municipal staff and the individual Councillors who agreed to be interviewed and who provided information at our request throughout the Project. We encountered no difficulties in accessing information. The individuals who were interviewed are noted in the Grant Thornton report.

We do not intend to summarize the Grant Thornton report, as it speaks for itself. We accept the Grant Thornton report as submitted without reservation. The audit was conducted in accordance with generally accepted industry standards for an investigation of the nature contemplated by the Grant Thornton engagement letter. As Independent Counsel, we are in a position to add commentary and observations based on our professional experience in interpreting laws, policies, and governance documents. In addition to the work conducted by Grant Thornton and the interviews conducted jointly by Grant Thornton and Claire Milton, Q.C. of this firm, we have also completed the following work to inform this analysis:

1. Reviewed applicable provisions of the **Municipal Government Act** (Nova Scotia) with respect to the respective authority, role, and responsibilities of Council and the Chief Administrative Officer;
2. Reviewed internal policies of the Municipality, including:
 - (a) Travel Expense Policy
 - (b) Employee Policy Manual
 - (c) Code of Conduct for Elected Municipal Officials
3. Reviewed the Local Government Resource Handbook published by Service Nova Scotia and Municipal Relations (March 2005);
4. Reviewed policies of other municipal governments within the Province of Nova Scotia; and
5. Researched law and jurisprudence applicable to the subjects considered within the scope of the Project.

It is clear from the findings of Grant Thornton and our research that there are serious weaknesses in the Municipality's governance practices and system of internal controls. It is our respectful opinion that many, if not all of these weaknesses, can be attributed to the following factors:

- A. Inadequate orientation and training of Councillors with respect to their statutory duties, authority, roles and responsibilities;
- B. Deficient and ambiguous internal policies;
- C. Failure of Council to oversee and monitor the performance and activities of the Chief Administrative Officer;
- D. A serious misapprehension on the part of the Chief Administrative Officer of the nature of his employment and the scope of his authority;
- E. Failure of Councillors and the Chief Administrative Officer to adhere to internal policies, to the Code of Conduct, and to generally accepted standards of conduct for public officials and employees.

Legal Context

It will assist the Municipality in implementing the recommendations contained in this Report if Council fully understands the legal context in which it operates and the scope of its authority and responsibility for internal controls and overseeing the employment of the Chief Executive Officer.

Municipal Government Act (the “MGA”)

Pursuant to section 13 of the MGA, the powers of a municipality are exercised by the council. It is the duty of, in the case of Richmond County, the warden to preside at all meetings of a council and to “monitor the administration and government of the municipality” (s. 15(3)(a)).

Section 23 of the MGA stipulates that a council may make policies regarding operational matters and the remuneration to be paid to councillors, including allowances for expenses incidental to the discharge of their duties. Subsection (3) states:

- (3) Where
 - (a) an expense by a council member is authorized by an expense policy adopted by council; or
 - (b) no expense policy has been adopted by the council but the expense is supported by proof that it has actually been incurred,the expense may be reimbursed to the council member.

Section 28 of the MGA allows the council to employ a person to be the chief administrative officer (“CAO”) for the municipality. Section 30 stipulates that the CAO is the head of the administrative branch of the municipality and is “responsible to the

council for the proper administration of the affairs of the municipality in accordance with the by-laws of the municipality and the policies adopted by the council.”

This structure is analogous to the structure of any other corporate entity created by statute: the council is essentially a board of directors and the CAO is essentially a CEO. The CAO is an employee of the municipality and reports to and is under the direction and authority of the council. This is expressly provided for in Section 30(3), which states:

- (3) The council shall provide direction on the administration, plans, policies and programs of the municipality to the chief administrative officer.

The responsibilities of the CAO are set out in Section 31 of the Act. We will not recite the entirety of this section, but it is important to note that it is clear from the Act that the CAO is subject to the direction and authority of the council. With respect to expenses and the expenditures of funds, subsection 31(2)(d) makes it clear that the authority of the CAO to make or authorize expenditures is at all times subject to policies adopted by the council and to budgets approved by council.

During interviews conducted with councillors and with employees of the Municipality, it became apparent to us that the CAO has misapprehended the scope of his authority and the nature of his employment, to the extent that he has, at times, conducted himself in a manner that exhibits a lack of deference to the authority of council.

At the same time, the Council, and particularly the Warden, has not sufficiently grasped that they have the authority to provide general direction to the CAO. The current Warden has stated that he did not agree with the practices of “double-dipping” on meal expenses and had concerned about the lack of substantiation for expense reports. Pursuant to the MGA, it is within the scope of the Warden’s authority to direct the CAO to comply with the policies of Council and to demand answers to questions arising out of the CAO’s activities. It became clear during the Project that the Warden, the acting Warden (during the Warden’s medical leave), and the Council itself is not sufficiently oriented to its authority as overseer of the CAO. We cite three examples:

- (i) The CAO told us directly that the Employee Policy Manual, and in particular the section of the Employee Policy Manual governing Expense Reimbursement, does not apply to him. There is no basis in the MGA or in law for this statement. The CAO cited his status as a “statutory employee” as the basis for his belief that he is not an employee subject to the Manual. It is true that the position of CAO is created by the MGA. However, there is no immunity afforded to a municipal officer simply on the basis that the position is created by a legislature and appointed by a municipal council. In fact, the Supreme Court of Canada¹ has stated that where a municipal employment relationship is contractual, the terms of the contract will govern the relationship, and it should be viewed as any other private law employment relationship regardless of an employee’s status as an “office holder”.

¹ New Brunswick (Board of Management) v Dunsmuir 2008 SCC 9

The CAO is an employee of the municipality pursuant to a written employment contract and the Employee Policy Manual does not exempt the CAO from its application. As noted in the Grant Thornton report, the reimbursement of expenditures on alcohol is prohibited by the Employee Policy. When questioned about the application of this prohibition, the CAO stated that it would be ridiculous for the prohibition to apply to the CAO, as it was necessary to the conduct of business development activities to purchase alcohol. Some councillors appear to agree with this opinion and told us during interviews that the purchase of alcohol is incidental to the conduct of business on behalf of the Municipality. In many instances of expenditures by the CAO at events that included alcohol, at least one other councillor or the former Warden were present. If the CAO is to be exempted from application of any part of the Employee Policy Manual, it would have to be by way of a policy approved of by Council as required by the MGA. No such exemption has been approved by Council.

(ii) As noted in the Grant Thornton report, the CAO submitted expense reimbursement claims and reports on use of the municipal credit cards without submitting such reports to the Warden or to Council for approval. It is generally accepted that a good system of internal control requires all such reports to be approved by the next level of authority within an organization. The CAO's expense reports should have been approved by Council, through the Warden, in advance of any payment to the CAO. This would have exhibited the required oversight and monitoring role of both Council and the Warden. The system in place during the period of review whereby the Warden would review expense reports after payment had already been made devolved to a "rubber stamp" method that added no value or control whatsoever to the process. It was reported to us by several councillors that the CAO did not answer questions asked of him with respect to expenses in a forthright manner.

Employees of the Municipality also reported that the CAO would not cooperate in requests for substantiation of expenditures and directed employees to "just pay it" on numerous occasions. Certain employees reported that the behaviour of the CAO made them fearful of reprisal or job loss if they challenged the CAO with respect to adherence to expense reimbursement policies. All employees of the Municipality are subordinate to the CAO and therefore their reluctance to challenge the authority of the CAO is understandable. In his interview, the CAO did suggest that the Director of Finance is responsible for administering the Travel Policy and it is therefore the Director of Finance who should have brought forward concerns. However, this suggestion ignores the dynamic of the subordinate employment relationship and also is not consistent with the MGA's stipulation that it is the CAO who is responsible to Council for the overall administration of the Municipality in accordance with the bylaws and policies approved of by council.

Some councillors admitted that they were fully aware of what some described as a "toxic culture" within the Municipality's office due to the overbearing behaviour of the CAO. This awareness was based on their own observations and on reports from individual staff members. The Council clearly did not sufficiently appreciate that it did

have the authority to address these concerns, and in fact has a legal obligation to ensure that the Municipality is a safe and respectful workplace.

(iii) A councillor reported to us that the CAO refused to leave a Council meeting when he was requested to do so by Council. The purpose of the request was to allow the Council to discuss the performance of the CAO. The CAO is under the impression that subsection 31(2) of the MGA allows him to insist on being present during all proceedings of Council. The MGA expressly allows a council to conduct *in camera* meetings to discuss personnel matters, and, based on the fact that the Council is the employer of the CAO, it is our opinion that it was within the lawful authority of the Council to require the CAO to leave a meeting. If the CAO then refused to do so, it would be an act of insubordination.

Power to Expend Money

Section 65 of the MGA provides a detailed list of the categories of expenses that a council has the power to incur. The list includes the power to pay “the reasonable expenses incurred by the mayor or warden or a councillor for attendance at meetings and conferences, *if the permission of the council is obtained prior to the meeting or conference or the attendance is in accordance with a policy of the council.* (emphasis added) (see subsection 65(s) of the MGA).

A significant portion of the expenditures reviewed during the Project are related to attendance by councillors and the CAO at meetings and conferences. There is no policy of the Municipality at present that governs attendance at meetings and conferences, and therefore there should be some record of council approval in advance of any meeting or conference. There is no record to suggest that a process for advance approval is in place.

Interviews with councillors and the CAO suggest that there is a variance in level of understanding of the Travel Expense Policy and a variance of opinion on how the Council should exercise its right to approve and monitor the expenditure of funds in the category of travel and meeting expenses. To rectify this situation, Council should:

- i. Adopt a policy with respect to attendance at non-council meetings and conferences that specifies criteria for attendance, the assessment of reasonableness of attendant expenses, and a process for documenting advance approval;
- ii. Monitor adherence to the policy;
- iii. For the purposes of evaluation, regular periodic reports from the CAO to Council on meetings and conferences attended should be provided.

Internal Policies of the Municipality

Travel Expense Policy

As noted above, by virtue of the MGA the Council has the power to adopt internal policies, including expense reimbursement policies. The Municipality has adopted a

Travel Expense Policy. The details of this policy are described in the Grant Thornton report. We agree with the deficiencies in this policy identified by Grant Thornton, including its lack of detail on required supporting documentation, secondary approval requirements, and categorization of allowable and prohibited expenditures. However, we are of the view that the lack of detail, or even alleged ambiguities, do not provide a defence to what we observe is a pattern of habitual poor judgment on the part of certain individuals both expending municipal funds and approving such expenditures.

The Grant Thornton report identifies the common “double dipping” practice of claiming the meal allowance permitted by the Travel Expense Policy at the same time as seeking reimbursement of a meal purchased with a personal credit card or purchasing a meal with a municipal credit card. At least two councillors and the CAO regularly engaged in the practice as detailed in the Grant Thornton report. The Travel Expense Policy does not justify this practice. The original Policy stated that “meals will be compensated for at the rate of \$60 per day for a full day out of county travel. For travel of less than a full day, meals will be compensated for at the rate of \$15 for breakfast, \$20 for lunch, and \$25 for dinner.” The rates have been increased on two occasions and the allowance is now \$100 per day for full day out of county travel and \$25, \$35 and \$40 for the individual meals.

It is clearly the intent of this policy that councillors and employees be “compensated” for expenditures on meals. The wording of the policy is not ambiguous to the degree suggested by certain individuals who attempted to defend the practice of double dipping. The language “meals will be compensated” does not support the practice that has evolved of treating the meal allowance as a per diem “honorarium” that effectively increases the compensation paid to individuals travelling on municipal business, and that is paid regardless of whether the individual is provided with a meal through some other channel (conference program, for example) or purchases a meal using a municipal credit card or submits a receipt for a meal purchase for additional reimbursement. According to accounts from councillors and employees, the double dipping practice evolved since the hiring of the incumbent CAO. We conclude that the CAO and some councillors applied an unreasonable and self-serving interpretation of the Policy that should be immediately rejected by Council.

Employee Policy Manual

An Employee Policy Manual was adopted by the Municipality in 2013. Section 8.9 of the Policy Manual deals with Expenses and Reimbursement. The Policy stipulates that it applies to all County of Richmond employees. The Policy expressly states that certain types of expenses are not reimbursable, including credit card finance charges, laundry and valet charges except for extended travel, delinquency fees, travel upgrades, and alcohol. The Policy adopts the meal allowance adopted by Council for employees authorized to travel. The Policy allows for payment of mileage claims for travel “in personal vehicles”. At the top of page 58 of the Policy, it states “Employees should spend the County of Richmond funds prudently. Business travel expenses will be paid by the County of Richmond only if they are pre-approved, reasonable, necessary and in accordance with this policy”.

Arguably, travel expenses that do not exceed a budgeted amount approved by Council are “pre-approved”. However, in several years during the period of review, the expenditures on travel and entertaining exceeded budgeted amounts. The portion in excess of the budget is therefore not pre-approved. Further, the Grant Thornton Report finds that more than 70% of submitted expense claims were submitted without adequate substantiation. Although the policy is not absolutely clear as to the required form of substantiation, without detailed receipts and explanations it is also not possible to conclude that the expenses claimed were reasonable and necessary. It is possible to conclude that many claims were not in accordance with the Employee Policy Manual. All claims for expenditures on alcohol were contrary and not in accordance with the Policy. Most claims for laundry and valet charges were not in accordance with the Policy. The failure of the CAO to submit receipts and detailed information with respect to entertainment expenditures resulted in credit card finance charges that should not have been incurred by the Municipality. A proper system of review and approval of the CAO expense claims before payment would have served as an effective deterrent to the submission of such claims.

Compensation Policy for the CAO

As detailed in the Grant Thornton Report, Council approved a monthly travel allowance of \$500 for the CAO’s “in county travel”. The rationale for the allowance appears to be that the CAO is required to use a personal vehicle to travel within the County and the allowance obviates the requirement to track and claim mileage. We agree with the Grant Thornton conclusion that the in county portion of mileage claims submitted by the CAO for out of county destinations should have been subtracted for mileage claims for trips extending beyond the County boundary. The practice of the CAO reflected in the mileage claims submitted during the period of review resulted in “double dipping”.

Code of Conduct for Municipal Officials

The Code of Conduct for Municipal Officials adopted by the Municipality states that it has been established based on “core values” of Council: “honesty, respect, accountability, leadership, integrity and objectivity.” The Code contains two “General Conduct Standards” that, if met, would address any gap or ambiguity in a specific rule or policy. For example, the first requires that “Council members will act in good faith at all times, putting public interest above personal interest”. The second states that “Council members will recognize that the expenditure of municipal funds is a public trust and will endeavour to ensure such funds are expended efficiently, economically, and in the best interest of the Municipality of the County of Richmond.”

During interviews, several councillors admitted that the expense reimbursement practices within the Municipality were questionable. For example, councillors stated that they agreed that meal allowance practices constituted “double dipping” when both the allowance and actual meal expenditures were allowed. However, most councillors appear to have engaged in the practice and cited defences such as “we were told to” or “we were advised that it has always been done that way” to justify individual behaviour.

We submit that, with very few exceptions, such behaviour is inconsistent with the core values of the Code of Conduct and is in fact more consistent with the pursuit of personal interest versus public interest. Several councillors indicated that they were uncomfortable with historical practice and some indicated that they disapproved of the manner in which the operations of the Municipality were been administered but no councillor took steps to change practices or adapt their individual practices to align with policy or the Code of Conduct. It is simply insufficient to assert that “I did as I was told” or “I did what everyone else was doing” when you are expected to demonstrate leadership and accountability.

It must also be noted that during the fiscal years of 2013 and 2014, expenses claimed by the then-Warden and the CAO were significantly higher than in other years and exceeded budgets. It is also evident that most of the expenditures were incurred when the then-Warden and the CAO were travelling together, and that most of the money was spent on mileage, travel fares, meals, and alcohol. When interviewed, each of these individuals claimed that increases in expenditures correspond to an increase in business development efforts. However, the findings of the Grant Thornton Report disclose that the expense reports submitted during this time period do not divulge adequate substantiation or the business rationale for the increase in spending. There is no evidence that the increase in activity resulted in any measurable benefit for the Municipality. It is a fundamental tenet of good corporate governance that the tone of an organization is set “at the top”. It is therefore incumbent on a warden to set this tone based on the core values expressed in the Code of Conduct and to have been mindful that the expenditure of municipal funds is a public trust. In reviewing the nature of the expense claims filed during the peak spending years, it is apparent that such mindfulness was lacking.

Conclusions based on findings of Grant Thornton and testimony of individuals

1. The internal policies of the Municipality with respect to travel and expenses incurred in the conduct of municipal business are inadequate. In particular, no policy sufficiently establishes a system of internal controls to ensure compliance with policies, budget, and the MGA.
2. Councillors require training with respect to the role and responsibility of a councillor, and the power of the Council as a whole to oversee and monitor the administration.
3. Staff of the Municipality requires access to an internal complaint policy and procedure that affords an opportunity for individuals to safely report questionable activities and abusive behaviour with assurance that appropriate responses will ensue.
4. The CAO does not have the confidence of municipal employees, has exhibited indifference to the authority of Council, and appears not to accept accountability for the weaknesses in internal control evident from the Grant Thornton Report.

Recommendations regarding Municipal Policies

We agree with all of the Grant Thornton recommendations, summarized in Section 2.5 of its report. With respect to revising the Travel Expense Policy, we agree that one policy is required for both employees and councillors, and in addition to the content suggested by Grant Thornton, we recommend that a new policy be aimed at achieving the following objectives:

- Education for employees and elected officials to ensure a clear understanding of cost control and reporting objectives and individual roles in achieving same;
- Regular evaluation of the effectiveness of the policy and of internal controls;
- Accountability of councillors and employees for compliance.

An effective policy will clearly delineate the roles, responsibilities, and authority of members of council, the CAO, the Director of Finance, and other employees. It should be clear that no claimant can authorize his or her own claims. The CAO claims must be approved by the Warden on behalf of Council prior to any reimbursement and in a timely manner. Councillor claims should be reviewed by the Director of Finance for compliance with policy and should also be approved by the Warden prior to payment.

The policy should be clear that appropriately detailed receipts are provided, and that the business justification for any expenditure be clearly detailed on claim forms. The policy should be clear that irregular use of expense claims or inappropriate use of public funds will result in disciplinary or legal action. To support the enforcement of the policy, there must be a channel for reporting irregular activity.

The policy should clearly define circumstances, if any, where alcohol purchases may be expended or reimbursed. For example, the Halifax Employment Expense Reimbursement Policy states: "Alcohol will not be reimbursed as part of individual entertainment/hospitality expenses. Alcohol purchases may be reimbursed for protocol/special events organized and hosted by HRM Mayors, Councillors, or CAO's Offices." We would add to such a policy that such protocol/special events should be approved by Council in advance and ideally would be included in budgets. We do not agree that the purchase of alcohol is a necessary incident to promoting business development for the Municipality. It is now more common than not for employment policies to prohibit the purchase of alcohol except in limited circumstances.

The policy should also clarify the reimbursement of meal costs. If Council elects to maintain a meal allowance approach of fixed dollar amounts with no receipts required, then the policy should stipulate that the meal allowance is not available and meal costs will not be reimbursed where the cost is included in travel fares or in registration fees at conventions, conferences, and training events. The policy should require that conference itineraries be submitted with claims to verify whether meals were included in registration costs. Any reimbursement claim for meal costs in excess of daily maximums should be subject to the approval of an employee's director, or in the case of the CAO, of the Warden. The approval should not be granted unless the claim is

substantiated based on merit (for example, that an expense was incurred in a market known to be relatively expensive).

The policy should require that all employees receiving a fixed monthly vehicle allowance must keep a travel log to support kilometers claimed for business purposes. This is necessary to monitor the appropriateness and level of allowance. The policy should clearly indicate whether the allowance is a taxable benefit. Generally speaking, a flat rate vehicle allowance is a taxable benefit unless the rate is related to the number of kilometres driven. A log is the only accepted method of assessing the status of the allowance for tax purposes.

Recommendations regarding Governance

It is clear that the Council has not been functioning effectively for a considerable period of time. Based on individual accounts, it appears that the objectivity required of councillors has been compromised by many individuals based on partisan and personal differences. The incumbent CAO has contributed to the dysfunction due to his misunderstanding of the nature of his employment relationship and the matters on which he must be deferential to Council. The Council should engage a facilitator experienced in governance and organizational effectiveness to re-orient councillors to their statutory duties and to restore a functional relationship between Council and administration.

The first line of defence against misuse of public funds or the abuse of public trust will be effective prevention, detection, and monitoring programs. The building blocks of a program for the Municipality must include a clear code of conduct to clarify expectations about official integrity and avoidance of conflict of interest. The current code should be revised and improved and should clearly apply to both councillors and to senior officers employed by the Municipality. This must be supported by systematic management procedures under the administration of the CAO but subject always to the oversight of Council. Other key elements should include a commitment to strong public disclosure, independent external monitoring (such as the annual audit process), effective internal monitoring, continuing education of officials, and public access to information.

The Council should consider developing and implementing a comprehensive councillor handbook and orientation program that clearly delineates or provides:

- Role of Council
- Role of Warden
- Role of individual Councillors
- Role of Staff, including CAO
- Legal framework within which municipality must operate
- Governance structure of the municipality
- Policies to ensure accountability and transparency of the municipality and its operations

- Policies to ensure financial management of the municipality, which would include expectations of administration with respect to regular reports to council
- Performance management approach with respect to the CAO
- Standard meeting agendas and policies to ensure the effective and efficient conduct of meetings
- Essential elements of proper budgeting
- Fundamentals of interpreting financial information
- Whistleblower program and complaint resolution process.

Recommendations regarding Conduct of Individuals

The Council is empowered to oversee and direct the activities and behavior of the CAO. The fact that the MGA stipulates that the CAO is the only employee of the Municipality who reports to Council should not mean that the CAO is not accountable to the Council for the manner in which the CAO oversees the public servants who work for the Municipality. The Council must accept this oversight responsibility with confidence and must institute processes to enable it to demonstrate to the public that it is fulfilling its oversight function. These processes must include strategic planning, the setting of annual goals and objectives, setting expectations for timely and regular reporting by the CAO, measuring the performance of the CAO, and demanding accountability. Outside expertise with respect to performance management should be obtained to establish these processes.

We invite your questions and we are able to provide you with any continuing assistance in your efforts to establish an effective municipal government.

Respectfully submitted,

BOYNECLARKE LLP



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May 11, 2016

Halifax Regional
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Council for the Municipality
of the County of Richmond

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Attention: Councillor Malcolm Beaton
Deputy Warden

Dear Deputy Warden:

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Re: Retainer – Forensic Audit



I received an email dated Wednesday May 4, 2016 from Mr. Warren Olsen, Chief Administration Officer of the Municipality of the County of Richmond, confirming that the Council has accepted our recommendation to proceed with a facts and findings report, as outlined in our letter to Council dated April 25, 2016.

We are pleased that Council has accepted our recommendation and we are prepared to commence our work immediately. As a first step, it is important that we confirm the scope of our retainer. This letter outlines the services and related report that we will provide to the Municipality of the County of Richmond (the "Municipality"). It will also set out the project management timeline.

Project

As set out in our letter of April 25, 2016 (attached as Schedule "A"), the Municipality agrees to retain BOYNECLARKE LLP as Independent Counsel to oversee an independent forensic investigation of the expenses and credit card transactions of all Councillors of the Municipality and the Chief Administration Officer (the "Project"). Our primary role in the Project will be to direct the work of Grant Thornton. As Independent Counsel, we will engage Grant Thornton pursuant to the terms of the engagement letter set out in Schedule "B" to this letter, and Grant Thornton will report its findings to us.

We will review the work completed by Grant Thornton, and in collaboration with Grant Thornton we will identify possible recommendations regarding policy improvement, enforcement of policies, and governance oversight with respect to internal controls within the Municipality. On the basis of the facts and conclusions reported to us by Grant Thornton we will make recommendations to the Municipality addressing issues

relative to the operations of Council as a whole and with respect to any findings relative to the conduct of individuals within the scope of the Project. At the conclusion of the Project, our report will be delivered to the Municipality (the "Independent Counsel Report").

Purpose and limitations

Our Independent Counsel Report will be addressed to Council and cannot be used as an expert report for any possible litigation or insurance matter. It will be subject to legal privilege, which may be waived by the Municipality at its discretion. It will not be made available for any other purposes or given to any other person without your prior written consent, unless compelled to do so by law.

Project Timeline and Milestones

Without having first had an opportunity to review the extent of the information that will be made available to us, it is difficult to estimate the length of time that will be required to complete the Project. However, the Project will involve the following key activities in chronological order:

Background

1. Presentation to Council

We request that a Council meeting be immediately convened (*in camera, with Councillors only*) for the purposes of introducing our personnel, discussing the Project, and answering any questions of Councillors. This meeting is important for the following reasons:

- (a) Every Councillor must have confidence that the Project will be undertaken objectively and independently with a view to improving the operations of Council and the Municipality; and
- (b) The role of Independent Counsel is to advise the Council as a whole and it is important to the integrity of the Project that all questions or concerns regarding the scope or purpose of the Project are addressed to the satisfaction of Council at the outset.

2. Meeting with Municipal personnel

Together with Grant Thornton, we will meet with Municipal personnel and will review documents to gain a thorough understanding of internal control and transaction approval policies, including the policies, information, and records identified in the **Phase One** portion of the work to be conducted by Grant Thornton as set out in Schedule "B".

3. Reporting

Throughout the Project we will provide regular oral updates regarding our work. At the conclusion of the Project, we will provide a comprehensive written report of the Independent Counsel.

Team and Professional Fees

Our fees will be based on the actual time incurred at the hourly rates set out in our letter of April 25, 2016. Claire E. Milton, Q.C. and John A. Young, Q.C. will be responsible for the overall engagement. It is our practice to assign work to the level of professional who can perform particular work in the most cost effective manner. Accordingly, Claire will delegate work to other qualified lawyers and support staff as appropriate. We will update you regularly on fees incurred and work performed to date by us and Grant Thornton throughout the Project.

In addition to fees, we invoice for the out of pocket expenses incurred on your behalf as part of this engagement. These expenses, which we call "disbursements", include but are not limited to copy and print charges, fax transmission costs, long-distance telephone charges, transportation, courier and postage costs and government filing fees.

Finally, all legal fees and most disbursements are subject to Harmonized Sales Tax (HST), which is currently set at the rate of 15%.

Regardless of when an invoice is rendered, payment is due within thirty (30) days of the invoice date. Interest is charged on accounts 30 days past due at a rate of 12% per annum.

Conflicts and Confidentiality

The rules of professional conduct for lawyers require that we preserve the confidential information of clients. This obligation continues indefinitely, even if you are no longer a client. The rules do not prevent us from representing clients whose legal interests may be adverse to yours in unrelated matters after our representation of you is complete, provided we preserve your confidences.

We are not aware of any conflict of interest that would preclude us from taking on this engagement.

Electronic Communications

During the Project, we may need to electronically transmit confidentiality information to each other and to outside specialists, particularly Grant Thornton, engaged by either BOYNECLARKE LLP or the Municipality. Electronic methods include telephone, cell phones, email and facsimile. These technologies are efficient but have inherent security weaknesses. The Municipality agrees to the use of electronic methods to transmit and receive information. Wherever possible, the parties shall use encrypted email or other appropriate security measures for this purpose.

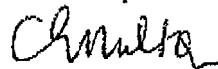
Formal Acknowledgement

We require formal acknowledgment of the terms of our retainer. We trust that the foregoing provides you with a general understanding of our approach and is acceptable to you. We understand that there is a sense of urgency to proceed with the matter, and we are prepared to begin work immediately upon your acceptance of this letter.

Thank you for retaining BOYNECLARKE LLP to assist you with this important matter. Please contact us at your convenience should you have any questions or require further clarification regarding anything in this letter. We ask you to confirm your agreement with the terms of this letter by signing and returning a copy of this letter to us.

Yours truly,

BOYNECLARKE LLP



Claire E. Milton, Q.C.

ACKNOWLEDGEMENT AND AGREEMENT

We acknowledge and agree to the terms of this engagement letter.

MUNICIPALITY OF THE COUNTY OF RICHMOND

By:


Malcolm Beaton, Deputy Warden

PL# CEM/5473687

DELIVERY VIA:
E-mail: mbeaton@richmondcounty.ca

Claire E. Milton, Q.C.
Direct Dial: (902) 460-3412
Facsimile: (902) 463-7500
E-mail: cmilton@boyneclarke.ca

FILE REFERENCE:
CEM

April 25, 2016

Council for the Municipality
of the County of Richmond
2357 Highway 206
P.O. Box 120
Arichat, Nova Scotia B0E 1A0

Attention: Councillor Malcolm Beaton
Deputy Warden

Dear Deputy Warden:

Re: Council Resolution to proceed with forensic audit

We understand that at a recent Council meeting, the Council resolved to require a "forensic audit of municipal travel/expenses and credit cards for the CAO and 12 Councillors for five (5) fiscal years (April 1, 2011 - March 31, 2016)" (the "Assignment"). We have discussed the Assignment with the Municipality's audit firm, Grant Thornton LLP, and have been invited to recommend to Council a process that (i) ensures Council obtains the information it seeks; and (ii) is entirely credible.

To achieve these objectives, Grant Thornton LLP has recommended, and we agree, that Council should retain independent counsel to oversee the Assignment and report to Council at its completion. Therefore, we propose that BOYNECLARKE LLP be retained by Council as independent counsel for the Assignment to perform the following work:

- Retain Grant Thornton LLP to undertake the activities specified in the scope of work detailed under the first option in the attached Schedule "A";
- Review the work completed by Grant Thornton LLP and, in collaboration with Grant Thornton LLP, identify possible recommendations regarding policy improvement, enforcement of policies, and oversight; and
- On the basis of the facts and conclusions reported to us by Grant Thornton LLP, analyze the report and make recommendations to Council based on such analysis. Our recommendations would address issues relative to the operations of Council as a whole and with respect to any findings relative to the conduct of individuals within the scope of the Assignment.

In order to carry out our responsibilities, it will be important for us and Grant Thornton LLP to have a point of contact at the Municipality who is not an individual within the scope of the Assignment. We suggest that the Director of Finance be this contact person.

We do note that there are alternative approaches available to Council as outlined in Schedule A. Council could choose to retain Grant Thornton LLP to conduct an "audit extension" that would expand prior sample testing completed within the scope of the last audit and potentially identify inconsistencies with existing policies. You may also consider commissioning an "expert report". An expert other than Grant Thornton LLP would have to be retained to complete such a report to avoid compromising the independence of your audit firm.

We do not recommend either of these approaches. The audit extension would not encompass the scope of the Assignment and would not include the forward-looking recommendations that we suggest are in the best interests of Council. The expert report would be more costly and potentially more time consuming. An expert report is generally commissioned in circumstances of litigation or an insurance claim so we believe it is premature to consider this option.

We recommend the review and fact-finding process outlined above in order to provide Council with:

- A comprehensive review of activities within the scope of the resolution adopted by Council;
- Recommendations for Council that can form the basis of improved operational effectiveness and external stakeholder relationships.

Our professional fees for this assignment on an hourly basis are:

Role	Standard Hourly Rate
Partner	\$425
Senior Counsel	\$315
Senior Associate	\$220
Junior Associate	\$190
Paralegal	\$150

We do not charge for administrative services. It is our practice to delegate work to the level of competence required for the particular task at hand.

It is difficult to provide an estimate for the total time that might be involved in the Assignment until we have had an opportunity to examine the data that must be reviewed and consult with Grant Thornton. We would be happy to provide an updated estimate once we have had an opportunity to conduct this preliminary assessment.



SCHEDULE A

Please do not hesitate to contact one of us if you have any questions or concerns arising out of this proposal.

Yours truly,

A handwritten signature in cursive script, appearing to read "C. Milton".

Claire E. Milton, Q.C.
T 902.460.3412
C 902.293.1157

John A. Young, Q.C.
T 902.460.3406
C 902.293.3406

Schedule "B"



May 6, 2016

Mr. John Young, Q.C.
Boyne Clarke LLP
99 Wise Road, Suite 600
Halifax, NS

Grant Thornton LLP
Suite 100, Barrington Street
Halifax, NS
B3J 3K1
T (902) 421 1734
F (902) 420 1068
www.GrantThornton.ca

Re: Forensic Investigation at the Municipality of the County of Richmond

Dear Mr. Young,

We are pleased to provide you with a summary of our understanding of the terms of our involvement for the above noted matter. This letter (the "Engagement") outlines the services and related report that Grant Thornton LLP ("Grant Thornton") will provide to the Municipality of the County of Richmond (the "Municipality"). As you are aware, the Municipality is a current Audit client of Grant Thornton. We confirm that we have no conflicts to perform this fact-finding engagement and are pleased to assist with this matter.

Background

We understand that Municipality's Council has voted to have a forensic audit of municipal travel and expenses claims and credit card transactions for the Chief Administrative Officer ("CAO") and all Councillors performed for the five fiscal years April 1, 2011 to March 31, 2016 ("Period of Review").

Our understanding of your needs

The Council for the Municipality has requested us to perform an independent forensic investigation of the expenses and credit card transactions of all Councillors and the CAO. As the Councillors and the CAO are key parties to the investigation, it would not be appropriate for us to report directly Council or the CAO, nor have them direct the scope of our work. The Municipality has retained Boyne Clarke LLP ("Boyne Clarke") to act as independent counsel to direct the engagement, and we will report our findings directly to Boyne Clarke.

Boyne Clarke would like Grant Thornton to investigate the following:

- All travel and expense claims submitted by the 12 Councillors and the CAO during the Period of Review;
- All credit card transactions made on Municipal credit cards;
- Review and categorize disbursements;

- Determine if expenses agree with policies, supporting documentation, approvals and authorizations; and
- Identify possible recommendations regarding policy enforcement and oversight.

Upon completion of the above-noted procedures, Grant Thornton will prepare a final written report of our findings, including recommendations, on controls and preventative techniques (i.e., training, policy and procedure revisions, etc.) where possible. We understand that this written report will be used by Council.

Purpose and limitation of use

The Report use will be limited to Council and cannot be used as an expert report for any possible litigation or insurance matter.

Confidential and privileged information

Our work, report and our related working papers will constitute confidential and privileged information and, as such, will not be used or made available for any other purposes or given to any other person without your prior written consent, unless compelled to do so by law.

Our approach

Our work will be performed following the *Chartered Professional Accountants ("CPA") of Canada's Standard Practices for Investigative and Forensic Accounting ("IFA") Engagements*.

We propose a phased approach to our engagement as we have found that this allows for changes that can often occur in this type of work and provides better control over the related fees.

Phase One

Our assistance in Phase One will include the following:

Background

- 1 Meeting with Municipal personnel to gain a thorough understanding of:
 - a The current policies and procedures (if any) for submitting and approving expense claims, advances, and other disbursements at the Municipality; and
 - b The parameters for the type of expenses that are allowed to be processed on the Municipal credit card and through the Municipal bank account.
- 2 Obtaining and analyzing information and supporting documents and information.

Review of Municipal Records

- 3 Review supporting information in relation to the above to determine if the disbursements were in compliance with applicable policies and procedures.

- 4 Review expenses incurred on the corporate credit card (including supporting documentation) to determine if personal amounts, if permitted under the Municipalities policies, were paid for by the Municipality during the Period of Review and, if so, whether they were reimbursed.

Reporting

- 5 Throughout the engagement, we will provide regular oral updates regarding our work and actual fees incurred.

Engagement team and professional fees

Our fees will be based on the actual time incurred at the standard hourly rates shown below. The hourly rates for the professionals we anticipate being involved in this engagement are as follows:

Role	Standard Rate
Partner	\$425
Senior Manager	\$315
Manager	\$220
Senior Associate	\$190
Other Junior Staff as required	\$110-\$150

David Malamed will be responsible for the overall engagement including assessing the approach and methodology and other matters as required.

It is our practice to staff assignments utilizing the level of personnel who can perform the assignment in the most cost effective manner. Accordingly, we will utilize other suitably qualified professionals and support staff at other billing rates as needed. Given the nature of this engagement, it is difficult to predict how much our fees will be at this time. We will update you on a regular basis regarding our fees incurred and work performed to date and will not proceed with any future phases of work without your prior approval.

In addition to our professional fees, office costs related to photocopies, telephone, cell phone, long distance, courier, micro-computer technology, etc., will be billed by way of a 7% fee based on the amount of the professional fees. All out-of-pocket expenses will be charged at cost as incurred. HST will be added at 15%.

Payment for services

Professional fees and expenses will be invoiced on a monthly basis, and all invoices are due upon receipt. We require formal acknowledgement of this engagement. Also note that payment of our fees is not contingent on the outcome of this matter.

Relationship to Grant Thornton International

Grant Thornton LLP is a Canadian member of Grant Thornton International, a global organization of member firms in over 100 countries. Member firms are not members of one

international partnership or otherwise legal partners with each other. There is no common ownership, control, governance, or agency relationship between member firms.

Privacy

Grant Thornton is committed to the protection of personal information. During the course of performing the specified procedures, partners and employees assigned to this engagement may need to obtain, use and disclose personal information in the possession of, or under the control of, the Municipality. The Municipality is responsible for obtaining, when required under law or regulation, consent from those parties that provided the Municipality with their personal information for Grant Thornton to obtain, use and disclose it for its required purposes.

Use of electronic communications

During the course of our engagement, we may need to electronically transmit confidential information to each other and to outside specialists or other entities engaged by either Grant Thornton or the Municipality. Electronic methods include telephone, cell phones, e-mail and fax. These technologies provide a fast and convenient way to communicate. However, all forms of communications have inherent security weaknesses, and the risk of compromised confidentiality cannot be eliminated. The Municipality agrees to the use of electronic methods to transmit and receive information. Where ever possible, the parties shall use encrypted email or other appropriate security measures for this purpose.

Limitation of Liability

In any action, claim, loss or damage arising out of the Engagement, you agree that Grant Thornton's liability will be several, and not joint and several, and you may only claim payment from Grant Thornton of Grant Thornton's proportionate share of the total liability based on degree of fault as finally determined. Any action against us must be commenced on or before the date which is the earlier of i) eighteen months from the completion of the Services; and ii) the date by which an action must be commenced under any applicable legislation other than limitation legislation.

The total liability assumed by Grant Thornton for any claim, loss or damage arising out of or in connection with the Engagement, regardless of the form of action, claim, loss or damage, be it tort, contract or otherwise, shall in no event exceed the aggregate of the professional fees paid to Grant Thornton for that portion of the Services that has given rise to the claim. In addition, Grant Thornton shall not under any circumstances be liable for any special, indirect or consequential damages, including without limitation, lost profit or revenue, or similar damage.

Grant Thornton will use all reasonable efforts to complete within any agreed upon time-frame the performance of the services described above. However, Grant Thornton shall not be liable for failures or delays in performance or a termination of the Engagement prior to completion that arise from causes beyond its control, including the untimely performance or non-performance by the Municipality of each parties respective obligations.

Release and indemnification

You agree to release, indemnify and hold harmless Grant Thornton, its affiliates and their respective directors, officers, partners, principals, employees, consultants and contractors from any and all claims, liabilities, costs and expenses (including any and all legal expenses incurred by Grant Thornton) arising out of or based upon: (a) any misstatement or omission in any material information or representation supplied or approved by you or your employees, representatives, advisors, or legal counsel; or (b) any other matter related to or arising out of this engagement, except to the extent finally determined to have resulted from the negligence, wilful misconduct or fraudulent behaviour of Grant Thornton.

Governing law

This engagement will be governed by the laws of Nova Scotia. The Municipality and Grant Thornton agree to submit any unresolved dispute or any litigation arising as a result of or in relation to this letter to the exclusive jurisdiction of the Courts of Nova Scotia.

Survival of terms

The Municipality and Grant Thornton agree that the limitation of liability paragraph will survive the termination of this engagement contract.

Standard terms and conditions

This letter and our standard terms and conditions attached as Schedule "A" shall form the basis of the Engagement. All references to "Company" as contained within the attached Schedule "A" shall be interpreted to mean the Municipality.

We trust that the foregoing provides you with a general understanding of our approach and is acceptable to you. We understand that there is a sense of urgency to proceed with this matter, and we are prepared to begin work on this assignment upon your approval.

Thank you for retaining Grant Thornton LLP to assist you with this matter. Please contact us at your convenience should you have any questions or require further clarification regarding any of the above.

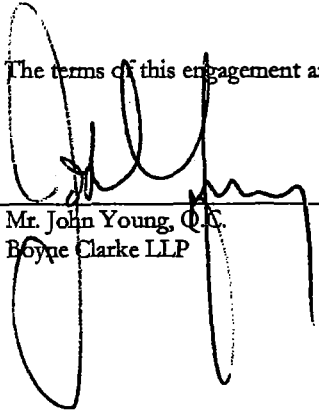
If you are in agreement with the terms of the Engagement, please sign and return a copy of this letter to us.

Yours very truly,
Grant Thornton LLP



David Malamed
CPA, CA, DIFA, CPA (Illinois), CFI, CFE, CFF
Partner, Forensics & Dispute Resolution

The terms of this engagement are accepted as outlined in the above letter and attachments:



Mr. John Young, C.I.A.
Boyer Clarke LLP

May 23, 2016
Date

Schedule A Terms and conditions

Except as otherwise specifically stated in the attached engagement letter between Grant Thornton and the Company, the following general terms and conditions apply to and form part of the Engagement.

Responsibilities – Grant Thornton shall use all reasonable efforts to complete the Services within the time-frame stipulated in the Engagement. Grant Thornton shall not be liable for failures or delays in performance of the Services that arise from causes beyond its control, including the untimely performance by the Company of its obligations and responsibilities as set out in the Engagement.

In addition, Grant Thornton reserves the right, in whole or in part, to decline the performance of any Service(s) if, in the sole discretion of Grant Thornton, the performance of any of the Services may cause Grant Thornton to be in violation of any applicable law, regulations, professional standards or obligations or which may otherwise result in damage to Grant Thornton's reputation.

Information and Announcements – The Company shall provide Grant Thornton with all material information in its possession or control or to which it has access and such other information as Grant Thornton deems relevant for the purposes of the Engagement. The company shall also provide access to its directors, officers or professional advisers as required to complete the Services. The Company acknowledges and agrees that Grant Thornton may be using and relying upon supplied information and documents without any investigation or verification thereof. The Company undertakes that if anything occurs after the supply of any such information or documents which would render same inaccurate, untrue, unfair or misleading it will promptly notify Grant Thornton and take all such steps as Grant Thornton may require to correct such information or documents.

Except as provided for elsewhere within the Engagement, any advice, reports or Information, whether written or oral, rendered or provided by Grant Thornton to the Company (and/or its affiliates), or any communications between Grant Thornton and the Company (and/or its affiliates) in connection with the Engagement may not be disclosed to any third party without the prior written consent of Grant Thornton. Any advice, reports, discoveries, information or opinions provided to the Company ("Deliverables") shall be solely for the benefit of the Company and not for the benefit of any third party unless otherwise permitted by the Engagement. Grant Thornton recognizes no responsibility whatsoever, other than that owed to the Company as at the date on which the report or other advice is given to the Company by Grant Thornton, for any unauthorized use of or reliance on any

Deliverable(s) by any party. Unless otherwise expressly provided for within the Engagement or upon written consent of Grant Thornton, no Deliverables shall be used or relied on by the Company as expert evidence or included as evidence in any litigation or court proceeding.

The Company acknowledges that the Services will involve analysis, judgement and other performance from time to time in a context where the participation of the Company or others is necessary, where answers often are not certain or verifiable in advance and where facts and available information change with time. Accordingly, the Company agrees that the evaluation of the Services provided by Grant Thornton shall be based solely on Grant Thornton's substantial conformance with any standards or specifications expressly set forth within this Engagement and applicable professional standards, and any claim of non-conformance (and applicability of such standards) must be clearly and convincingly shown. Unless the Company or Grant Thornton agree otherwise in writing, Grant Thornton shall have no responsibility to update any of the Services or Deliverables after their completion, and any updates to the Report or other Deliverables will be billed at Grant Thornton's then current hourly rates.

Independent contractor – Grant Thornton shall provide all services as an independent contractor and nothing in this Engagement shall be construed as to create a partnership, joint venture or other similar relationship with the Company or any other party. Neither the Company nor Grant Thornton shall have the right, power or authority to obligate or bind the other in any manner.

Subcontracting – The Company agrees that Grant Thornton may authorize, allow or require its affiliates and contractors to assist in the performance of the Services and to share in Grant Thornton's rights under the Engagement, provided that such party(ies) shall commit (as applicable) to be bound by the restrictions set forth in the Engagement.

Non-Solicitation – The Company agrees that it shall not solicit for employment or hire any of the partners, limited partners, principals, employees or consultants employed by Grant Thornton who are involved in the performance of the Services during the term of the Engagement and for a period of twelve (12) months thereafter.

Confidentiality – All information which Grant Thornton receives from the Company or the Company's directors, officers, agents, advisors or counsel in connection with the Engagement and which is for the time being confidential, will be held in strict confidence, provided that Grant Thornton shall be free to: (a) make disclosures as a result of any applicable law, court or other order binding upon it, under the laws of, or

pursuant to any governmental action, regulatory requirement, or professional standard, in which event, Grant Thornton will, in so far as it deems that it is able, immediately notify the Company; (b) make disclosures of such information to any professional advisers it may consult in connection with the Engagement; and (c) make disclosures with the Company's consent.

Working Papers/Reports – The advice or opinions of Grant Thornton, including all materials, reports, photos or scans taken and work created, developed or performed by Grant Thornton during the course of the Engagement shall belong to Grant Thornton (the "Grant Thornton Materials"), with the exception of original contracts, other documents of title held to the Company's order and any documents the return of which, the Company has stipulated on or prior to their release to Grant Thornton (the "Company Materials"). Notwithstanding the foregoing, Grant Thornton may retain a copy of the Company Materials as required by it to meet any obligations imposed by professional standards.

Rights to Deliverables – Except as provided for elsewhere within the Engagement, upon full payment of our account, Grant Thornton hereby assigns to the Company all its rights, title and interest including, without limitation, copyright and proprietary rights to the Deliverables developed or prepared specifically for the Company hereunder, if any, save and except for Grant Thornton Materials. However, the Deliverables may include, without limitation, know-how, concepts, techniques, methodologies, ideas and trade secrets that existed prior to the commencement of the Engagement or that, to the extent they are of general application, may have been discovered, created or developed by Grant Thornton as a result of its own efforts during the Engagement (collectively "Building Blocks"), which rights and interests shall be retained by Grant Thornton. To the extent the Deliverables may incorporate such Building Blocks, Grant Thornton hereby grants to the Company a perpetual, worldwide, paid up limited license to use such Building Blocks as integrated into such Deliverables for 1) the Company's internal purposes; or for litigation purposes (if it formed a part of the Services). The Company agrees not to sublicense or otherwise grant to any other party a right to use, copy or otherwise exploit or create derivative works from the Building Blocks. In addition, Grant Thornton retains the right to use its knowledge, experience and know-how, including processes, ideas, concepts and techniques developed in the course of performing the Services.

Conflict of Interest – Grant Thornton and its affiliates are involved in a wide range of financial advisory activities out of which conflicting interests or duties may arise. Within Grant Thornton and its affiliates, practices and procedures are maintained to restrict the flow of information and thereby manage or assist in managing such conflicts in a proper manner. Nothing within this Engagement will be interpreted to preclude Grant Thornton or its affiliates from engaging in any transaction

or representing any other party at any time or in any capacity, provided that Grant Thornton shall not, knowingly provide services to another party under circumstances which would place Grant Thornton in a direct conflict of interest during the term of the Engagement without the Company's prior written consent. In the event Grant Thornton becomes conflicted, Grant Thornton shall be permitted, but not obligated to, terminate this Engagement without any additional liability to the Company, upon seven (7) days prior written notice.

Access to Electronic Information – The Company acknowledges that in order to perform the Services, Grant Thornton may be required to access electronic information stored on a computer hard drive or other data device and the Company confirms that it is the owner or proprietor of such information, computer(s) and other data devices or that it has the legal authority to provide Grant Thornton such access and/or removal rights. The Company further acknowledges and agrees that it is responsible for obtaining, where required under applicable law or regulation, a court order or consent from any third party in order to permit Grant Thornton to access obtain, use and/or disclose any such information (including personal information) for the purposes of completing the Services.

Grant Thornton shall not be responsible or liable for any i) service interruptions of; or ii) corruption, damage or loss (whether direct, indirect, consequential or otherwise) of any hardware, property (personal or otherwise), information systems or data contained therein, including but not limited to, the denial of access or automatic shutdown of information systems caused by or resulting from this Engagement.

Electronic Communication – Grant Thornton and the Company may need to electronically transmit confidential information to each other and to other entities engaged by either party during the Engagement. Electronic methods include, but are not limited to telephones, cellular telephones, electronic mail and facsimiles. These technologies provide for a fast and convenient way to communicate. However, all forms of communications have inherent security weaknesses and the risks of compromised confidentiality cannot be eliminated. Notwithstanding the inherent risks, the Company agrees to the use of such electronic methods to transmit and receive information (including confidential information), between Grant Thornton and the Company and between Grant Thornton and outside specialists, contractors or other entities engaged by either Grant Thornton or the Company. The Company further agrees that Grant Thornton shall not be liable for any loss, damage, expense, inconvenience or harm resulting from the loss, delay, interception, corruption or alteration of any electronic communication due to any reason whatsoever.

Expenses – The Company will reimburse Grant Thornton for all reasonable out-of-pocket expenses incurred by Grant Thornton in entering into and

performing the Engagement, whether or not it is completed, including but not limited to, travel, telecommunications costs, fees and disbursements of other professional advisers, and other disbursements customary in engagements of this nature. All other out-of-pocket expenses will be charged at cost as incurred by Grant Thornton.

Taxes – All fees and other charges payable to Grant Thornton do not include any applicable federal, provincial, or other goods and services tax or sales tax, or any other taxes or duties presently in force or imposed in the future. All sums payable to Grant Thornton hereunder shall be paid in full without withholding or deduction.

Billing – Except as provided for elsewhere within the Engagement, all invoices issued by Grant Thornton hereunder are due within 30 days of the invoice date. Interest will be charged on all overdue accounts at a rate of 1.5% per month (18% per annum) until paid. Fees paid or payable to Grant Thornton under this Engagement are non-refundable and shall not be subject to set-off. Unless otherwise directed by Grant Thornton, all fees, expenses and other sums will be billed by Grant Thornton and payable by the Company in Canadian Dollars.

Termination – Either the Company or Grant Thornton may terminate the Engagement upon fourteen (14) days prior written notice to the other party. In addition to the foregoing, Grant Thornton may also terminate the Engagement in the event of a breach of any term of the Engagement by the Company which is not cured by the Company within ten (10) days of receipt of written notice as to the breach. Upon termination for any reason, the parties shall return each other's confidential information, except that Grant Thornton may retain one copy for its working papers and one copy of the Company Data may also be retained by Grant Thornton even if same may contain confidential information of the Company. In addition to its rights of termination provided herein and notwithstanding anything to the contrary in the Engagement, Grant Thornton shall also have the right to, upon five (5) days prior written notice to the Company i) suspend or terminate its Services in the event the Company fails to pay Grant Thornton any amount due to it under the terms of the Engagement; or ii) terminate its Services in the event Grant Thornton discovers any information which Grant Thornton determines, in its sole discretion, may affect its reputation, integrity or ability to generate a full report.

Severability – Each provision of this Engagement is severable and if any provision (in whole or in part) is or becomes invalid or unenforceable or contravenes any applicable regulations or laws, the remaining provisions and the remainder of the affected provision (if any) will not be affected.

Assignment – No assignment shall be made by either party of their respective obligations under this

Engagement without the prior written consent of the other party.

Publication – Under no circumstances without the express prior written consent of Grant Thornton, shall the Company disclose, release, use, make reference to, or quote Grant Thornton's name, logo or any report or opinion expressed by Grant Thornton (whether written or verbal) within any press release, press conference, website update, media release or any other form of public disclosure ("Disclosure Document") other than for litigation purposes, provided that such is contemplated by the Engagement. In the event the Company wishes to seek Grant Thornton's consent as required by the Engagement, the Company shall provide to Grant Thornton a copy of such Disclosure Document for prior approval, which approval may be unreasonably withheld.

Company Representations, Warranties and Covenants – The Company represents, warrants and covenants to Grant Thornton that:

- a. the execution, delivery and performance of the Engagement has been duly authorized and does not, and with the passage of time, will not conflict with or violate any contractual, statutory, common law, legal, regulatory or other obligation by which the Company is bound; and
- b. the Engagement is the legal, valid and binding obligation of Company, enforceable in accordance with its terms.

Grant Thornton Representations, Warranties and Covenants Grant Thornton represents, warrant and covenants to the Company that Grant Thornton will provide the Services described within the Engagement in a professional and competent manner. Grant Thornton makes no other representation or warranties and explicitly disclaims all other warranties and representations whether express or implied by law, usage of trade, course of dealing or otherwise.

Surviving Provisions – The Company's obligations in respect of confidentiality, payment of fees and expenses, non-solicitation, working papers, limitation of liability and indemnity as outlined within the Engagement shall survive termination of the Engagement.

Governing Law and Forum – The Engagement, including these terms and conditions shall be governed by and construed in accordance with the laws of the Province in which the Company's head office resides and the laws of Canada, where applicable therein, excluding conflict of laws rules. In the event the Company's head office resides outside of a Province or Territory in Canada or in Quebec, the Engagement shall be governed by and construed in accordance with the laws of the Province of Ontario.

Complete Agreement – This Engagement, including these terms and conditions and any schedules, sets forth the entire understanding of the parties relating to the subject matter hereof and supersedes and cancels



any prior communications, understandings, and agreements between the parties. This Engagement may not be amended or modified excepting in writing

between the parties and shall inure to the benefit of and be binding upon the parties and their respective successors and assigns.



September 19, 2016

John Young QC
BoyneClarke LLP
600-99 Wyse Rd
Dartmouth, NS
B2Y 3Z5

Grant Thornton LLP
Suite 100, Barrington Street
Halifax, NS

Dear Mr. Young,

Re: Forensic Investigation at the Municipality of the County of Richmond

Grant Thornton LLP was retained by BoyneClarke LLP, counsel to the Municipality of the County of Richmond on the 23rd of May, 2016 to conduct a forensic investigation and report on the travel expense claims submitted and expenses incurred on credit cards belonging to the Municipality by the Municipality's Councillors and the Chief Administrative Officer from April 1, 2011 to March 31, 2016.

Please find attached our report which details the procedures performed, findings and recommendations.

As discussed, we understand that this report will be communicated to the Council through a joint presentation with Grant Thornton LLP and BoyneClarke LLP.

Thank you.

Yours truly,

Grant Thornton LLP

A handwritten signature in black ink, appearing to read "D Malamed", written over a light blue horizontal line.

David Malamed
CPA, CA, DIFA, CPA (Illinois), CFI, CFE, CFF
Partner, Forensics & Dispute Resolution