
REPORT TITLE: External Consulting Services for Asset Retirement Obligations (ARO) Adoption – Document 2022-488N

FROM: Patricia Caza, Chief Financial Officer and Commissioner of Corporate Services

RECOMMENDATION

That the contract (Document 2022-488N) awarded to Deloitte LLP for external consulting services for asset retirement obligation (ARO) adoption be increased by \$72,000 (excluding applicable taxes) for a new total contract value of \$160,000 (excluding applicable taxes), in accordance with Procurement By-law 30-2018, as amended.

REPORT HIGHLIGHTS

- Document 2022-488N was awarded to Deloitte LLP for the supply of external consulting services for Phase 1 of the asset retirement obligation (ARO) adoption project in the amount of for \$40,000.
- The contract was increased in April 2023 by \$48,000 for Phase 2A of the project.
- An increase is required to the contract awarded to Deloitte LLP to provide consulting services for the remaining phases of the project in the estimated amount of \$72,000.
- ARO is mandatory for inclusion in Peel Region's fiscal year ended 2023 financial statements for Public Sector Accounting Standards compliance.

DISCUSSION

1. Background

Corporate Finance staff require the services of an experienced consultant to assist with the implementation of the Public Sector Accounting Standards (PSAS) section 3280, asset retirement obligations (ARO). The PSAS Section 3280 asset retirement obligations (ARO) project is time sensitive. The ARO work is required to be included in Peel Region's 2023 fiscal year end financial statements to be compliant with PSAS. Delays due to COVID-19 resulted in the project's late start; however, the project has moved well since its launch in 2022 and is projected to be completed on time with the plan as presented by Deloitte and in conjunction with finance staff.

External Consulting Services for Asset Retirement Obligations (ARO) Adoption – Document 2022-488N

The implementation of the Public Sector Accounting Standards (PSAS) section 3280, asset retirement obligations (ARO) has been divided into the following phases:

- **Phase 1: Planning** – mobilize teams and resources, evaluation of legislation, contracts, agreements, and scope and identify TCA with ARO (**Completed**).
- **Phase 2A: Measurement and Recognition** – evaluate transition approach, availability of data, and plan measurement methodologies (**Work in Progress**)
- **Phase 2B: Measurement and Recognition** – Fill in data gaps and financial reporting requirements
- **Phase 3: Implement, Report and Disclose** – Calculate ARO estimates, calculate transition and 2023 entries, and report and disclosure

There are limited firms that provide the services needed, especially due to the size and complexity of the municipality. Deloitte LLP is familiar with the Region's financial history due to being the Region's auditors for the past several years. They know the structure of the Region and are familiar with the Region's software, leaving them uniquely positioned to provide the best support in the most time efficient and cost-effective manner

Due to the significant amount of time and work required for Phases 2B and 3, consulting services from Deloitte LLP are required to see this project through to completion. Deloitte LLP will assist with managing the ARO project, consulting, providing guidance and sharing their expertise as the Region moves through each remaining phase of the project implementation.

Procurement

In August 2022, on behalf of Corporate Finance, Procurement awarded contract (Document 2022-488N) to Deloitte LLP for the supply of external consulting services for Phase 1 of the asset retirement obligation (ARO) adoption project in the amount of for \$40,000.

In April 2023, the contract awarded to Deloitte LLP was increased by \$48,000 for Phase 2A for a new contact value of \$88,000 for the supply of external consulting services of the ARO adoption project. The phased approach was required to better understand the scope of the entire project, to get accurate plans and pricing, and to understand resourcing requirements. This project does require coordination across many departments at Peel Region.

Deloitte LLP has provided a budget for the remaining Phases of the ARO adoption project for an estimated additional amount of \$72,000.00, excluding applicable taxes.

Proposed Direction

Staff have reviewed the pricing received from Deloitte LLP for the additional phases of the project and are recommending an increase of the current contract to \$160,000. It is estimated that the additional work would require an increase of \$72,000 to complete.

FINANCIAL IMPLICATIONS

There are sufficient funds in the capital budget in Capital Project 23-7200 to carry out the direction recommended in this report.

**External Consulting Services for Asset Retirement Obligations (ARO) Adoption –
Document 2022-488N**

CONCLUSION

Staff recommends that the contract for Document 2022-488N for external consulting services for asset retirement obligation (ARO) adoption be increased by \$72,000, excluding applicable taxes for a new total commitment of \$160,000, excluding applicable taxes.



Patricia Caza, Chief Financial Officer and Commissioner of Corporate Services

Authored By: Kazi Khan, Manager, Accounting Services