

NO: A001

COUNCIL DATE: July 17, 2017

AUDIT COMMITTEE

TO: **Mayor & Council** DATE: **July 13, 2017**
FROM: **Acting General Manager, Finance & Technology** FILE: **1680-01**
SUBJECT: **Appointment of External Financial Auditor**

RECOMMENDATION

The Finance & Technology Department recommend that the Audit Committee recommend that Council:

1. Appoint BDO Canada LLP as the external financial auditor for the City of Surrey for a five-year period, beginning with the 2017 fiscal year that ends on December 31, 2017 through to the 2021 fiscal year that ends on December 31, 2021; and
2. Approve the appropriate officials of the City to execute a contract with BDO Canada LLP based on the terms and conditions as generally outlined in this report.

BACKGROUND

The City's annual financial audit services have been provided by KPMG LLP since 1997. Over the years since 1997, the City has undertaken a competitive bidding process on four separate occasions in relation to retaining financial auditor services for the City. The current contract with KPMG LLP for financial audit services expired with the completion of the 2016 financial audit.

At its meeting on May 1, 2017, the Audit Committee instructed staff to proceed with a Request for Proposals (RFP) process for the provision of financial auditing services for the next five years (2017-2021) for the City. The referenced financial audit services include the audit of the City's consolidated financial statements, the Surrey Public Library financial statements, the Logging Ditch financial statements, the Surrey City Development Corporation financial statements and the Surrey Homelessness and Housing Society financial statements.

The RFP (#1220-030-2017-034) was advertised on the City of Surrey website and BC Bid website and closed on June 15, 2017.

DISCUSSION

Each of the following firms submitted a proposal in response to the RFP:

- BDO Canada LLP;
- Grant Thornton LLP;
- KPMG LLP;
- MNP LLP; and
- PricewaterhouseCoopers LLP.

Each of the proposals was compliant with the instructions outlined in the RFP documentation and each was evaluated based on the following broad criteria:

- Relevant Experience and Qualifications;
- Resources (Performance Capabilities);
- Technical Services (Proposed Services and Alternatives);
- References; and
- Costs.

Results of the Evaluation:

Based on the evaluation, it has been determined that the proposal from BDO Canada LLP provides the overall best value to the City. Their proposal was also the lowest cost proposal by over \$160,000 for the entire five-year term. Although BDO Canada LLP is expected to have a learning curve in taking on this new engagement, it is expected that their experience and expertise in the public sector market will facilitate a relatively smooth transition.

BDO Canada LLP provides financial audit services to one third of the Municipalities in the Metro Vancouver region, including Metro Vancouver and the Resort Municipality of Whistler, who have development and partnership entities similar to Surrey. They are also very actively engaged in Public Sector Accounting initiatives with the Government Finance Officers Association and the Public Sector Accounting Standards Board. It is recommended that Council approve the appointment of BDO Canada LLP as the City's external auditors for the next five fiscal years (2017 through 2021 fiscal years).

The annual cost for this work is \$68,000 plus tax, with a five-year contract value of \$357,000 including GST. Funding for these services for 2017 is available in the 2017 Operating budget and funding for the remaining years of the term is included in the Five-Year Financial Plan.

Other Related Financial Audit Work:

Subject to Council approving the recommendations of this report, staff will advise the Surrey Public Library, the Logging Ditch Improvement District and the Surrey City Development Corporation, of the City's intention to enter into a five-year agreement with BDO Canada LLP. Staff will also advise these City-affiliated organizations that the most cost-effective approach in relation to the financial reporting requirements of the City, would be for each of these organizations to appoint BDO Canada LLP as their financial auditor.

SUSTAINABILITY CONSIDERATIONS

The 2016 Statement of Financial Information is required as part of the Financial Information Act. This reporting supports the objectives of the City's Sustainability Charter, specifically with the following Charter action item:

- Corporate SO8: Work towards corporate financial sustainability, including financial reporting.

CONCLUSION

Based on the above discussion, it is recommended that the Audit Committee recommend that Council:

- Appoint BDO Canada LLP as the external financial auditor for the City of Surrey for a five-year period beginning with the 2017 fiscal year that ends on December 31, 2017 through to the 2021 fiscal year that ends on December 31, 2021; and
- Approve the appropriate officials of the City to execute a contract with BDO Canada LLP based on the terms and conditions as generally outlined in this report.

Kam Grewal, CPA
General Manager,
Finance & Technology