

NO: R167

COUNCIL DATE: October 3, 2022

REGULAR COUNCIL

TO: **Mayor & Council** DATE **September 28, 2022**

FROM: **General Manager, Finance** FILE: **1680-01**

SUBJECT: **Appointment of External Financial Auditor and Award of Contract
No. 1220-030-2022-022 for Financial Audit Services**

RECOMMENDATION

The Finance Department recommends that Council:

1. Approve the appointment of BDO Canada LLP (“BDO”) as the external financial auditor for the City of Surrey for a five-year term, beginning with the 2022 fiscal year that ends on December 31, 2022, through to the 2026 fiscal year that ends on December 31, 2026;
2. Award Contract No. 1220-030-2022-022 to BDO for a five-year term from the 2022 fiscal year to the 2026 fiscal year, in the amount of \$1,206,000 (including taxes) to provide external financial audit services;
3. Set the expenditure authorization limit for Contract No. 1220-030-2022-022 at \$1,326,000 (including taxes and contingency); and
4. Authorize the General Manager, Finance to execute Contract No. 1220-030-2022-022.

INTENT

The purpose of this report is to seek Council approval to appoint BDO as the external financial auditor for the City of Surrey from the 2022 fiscal year to the 2026 fiscal year and to obtain Council approval to award Contract No. 1220-030-2022-022 to BDO to provide financial audit services for a five-year term, starting in the 2022 fiscal year and ending in the 2026 fiscal year.

BACKGROUND

During the 2017 fiscal year, the City undertook a competitive bidding process and awarded BDO a five-year contract to be the City’s external financial auditor. The current financial audit services contract (2017 – 2021) with BDO expired with the completion of the 2021 financial audit and a Request for Proposals (“RFP”) No. 1220-030-2022-022 was issued for the provision of financial audit services for the next five years (2022-2026). The referenced financial audit services include an annual audit of the following:

- City of Surrey consolidated financial statements, inclusive of Surrey Public Library (“SPL”), Surrey Homelessness and Housing Society (“SHHS”), and Surrey City Development Corporation (“SCDC”);
- SPL financial statements;
- SCDC consolidated financial statements; and
- Logging Ditch Improvement District (“LDID”) financial statements.

Subject to Council approving the recommendations of this report, staff will advise the SCDC, SPL and LDID Boards to appoint BDO as their external financial auditor. Having the same auditor as the City will result in a cost effective and efficient financial statements audits of all the entities.

The RFP was advertised on the City of Surrey and BC Bid websites beginning on May 12th 2022 and closed on June 30th, 2022.

DISCUSSION

Two firms, KPMG LLP (“KPMG”) and BDO submitted their proposals, inclusive of taxes, in response to the RFP.

Entity	Total (2022 – 2026)
BDO	\$1,205,820
KPMG	\$1,635,585

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

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

Evaluation

The evaluation team included staff from the Finance Department. KPMG was the City’s financial audit services provider from 1997 to 2016 and BDO has been the financial audit services provider for the City for the last five years. Both the proponents are qualified in terms of experience, reputation, professional capabilities, technical services, and references. From a financial standpoint, the proposal from BDO was the lower cost alternative by over \$430,000 across the entire five-year term in comparison to KPMG. This averages to an approximate price difference of \$86,000 per year. Staff have had no concerns with the past performance of BDO. Based on the evaluation, it was determined that the proposal from BDO provides the best overall value to the City.

BDO provides financial audit services to over 1,100 public sector clients within Canada, including Metro Vancouver Regional District (“MVRD”), Simon Fraser University (“SFU”), and the Resort Municipality of Whistler, who have development and partnership entities similar to the City of 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.

FUNDING

Funding for this Contract is available within the approved Finance department Operating Budget.

SUSTAINABILITY CONSIDERATIONS

This reporting supports the objectives of the City's Sustainability Charter 2.0. In particular, this work relates to the Sustainability Charter 2.0 theme of Economic Prosperity and Livelihood, specifically the following Strategic Objective ("SO"):

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

CONCLUSION

It is recommended that Council approve the appointment of BDO as the external financial auditor for the City of Surrey from 2022 fiscal year to 2026 fiscal year, award a contract to BDO for financial audit services in the amount of \$1,326,000 including taxes and contingency, for the five-year term and authorize the General Manager, Finance to execute the contract with BDO.

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