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REPORT FOR:	Audit Committee		
MEETING DATE:	22 October 2015		
REPORT FROM:	Acting Director Corporate Services		
REPORT TITLE:	Appointment of Auditor 2015-2020		
FILE NAME:	F15/753	RECORD NO:	AR15/37518

COMMUNITY VISION & STRATEGIC PLAN OUTCOMES

6 We Achieve

6.5 We use and manage our financial resources in the best interests of our community, now and for the future.

PURPOSE

To provide details of the Selective Tender for Audit Services that closed 28th September 2015.

To appoint an Audit Firm to undertake audit services for 2015/16 to 2019/2020 financial years

RECOMMENDATION

Audit Committee recommends Council:

1. Receives and notes the report (AR15/37518) dated 14th October 2015, submitted by the acting Director Corporate Services, concerning "Audit Committee Report – Appointment of Auditor".
2. Appoints Galpins as its Auditor for 2015/2016 to 2019/2020 financial years for a fee of \$100,000 (ex GST).

BACKGROUND

The five year term of Council's previous auditor, Ian G McDonald expired at the end of financial year audit for the 2014/15 financial year.

Under Local Government Act, the term of an auditor must not exceed five years.

Mr Ian McDonald is precluded from being re-appointed on this occasion and as a result, a selective tender (AR15/34016) was let and closed 28th September 2015.

The selective tender was offered to the major accounting firms other than Ian G McDonald that provide audit services to local government in South Australia, namely: -

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Dean Newbery & Associates
 Bentleys
 Hayes Knight
 UHY Haines Norton
 Deloitte Touche Tohmatsu
 Galpins
 JD Ewen & Associates
 BDO
 PKF Kennedy

A copy of the Tender Cover sheet is provided for Members information. GST excluded, the tenders are as follows: -

Galpins	\$100,000 for 5 years (180 hours)
Bentleys	\$110,740 for 5 years (155 hours)
Dean Newbery & Partners	\$ 99,100 for 5 years + \$200 additional cost each acquittal (hours not stated)
UYH Haines Norton	\$19,500 per annum + CPI (hours not stated)
Hayes Knight	\$30,000 per annum + CPI (175 hours)

Travel and accommodation will be charged at cost in all tenders.

As can be seen, there is not a material difference in price of the tenders over a five year period.

It is a given, that all five firms that provided a tender are capable of providing audit services to Council. The scope of the audit provided by each firm is very much based on audit procedures as set out in the standards.

The tender specification sets out key information required to support the tender. The following points are very relevant: -

- Experience in Local Government of the people undertaking the audit.
- Experience with Aged Care.
- The partner responsible for the audit and the level of involvement in the interim audit process and the end of year audit as well as the staff involved.
- Other Councils that are clients of the firm.
- Audit timetable

The following table provides a summary of the points set out above.

Galpins	
Industry Experience	More than 30 years experience in SA Local Government. Extensive involvement with LGA projects.
Aged Care	CHSA Local Health Network Boneham Aged Care City of West Torrens Rural City of Murray Bridge City of Holdfast Bay Boandik Lodge Inc.
Responsible Partner/Director	Simon Smith. (30 hours)
Audit Manager	Juliano Freitas (75 hours)
Auditor	Zoe Hoang, Jamie Lam (75 hours)
Referees	City of Mount Gambier

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	Rural City of Murray Bridge Country Health SA Local Health Network
Audit Timetable	Interim audit –February Final audit – August Management Letter – September
Value Added Services	Chair of SA Local Government Auditors' Group Membership of Council audit committees Internal control and corporate governance reviews Internal control framework development
Bentleys	
Industry Experience	Not specifically stated other than Councils outlined below.
Aged Care	Warrina Homes St Basil's The Society of St Hilarion Inc.
Responsible Partner/Director	David Papa
Quality Control	David Francis
Client Manager	Scott Blake
Senior Auditor	Alyssa Panagopoulos
Councils currently provided with external audit services	DC of Coober Pedy Mid-Murray Council Wudinna District Council
Audit Timetable	Interim Audit – April/May Final Audit – August/September Management Letter – Sept/Oct
Value Added Services	Member of SA Local Government Auditors' Group Also contracted to provide internal audit services to 6 Councils
Dean Newbery & Partners	
Industry Experience	35 years experience in the industry.
Aged Care	Clients in the past 3 years: Eldercare Inc Clayton Church Homes Inc Balaklava Mill Court Homes Inc Clare & Gilbert Valley Homes Inc Mallala Community Hospital Inc St Louis Nursing Homes Pty Ltd
Responsible Partner/Director	Jim Keogh
Client Manager	John Jovicevic
Audit Supervisor	Stuart Simpson
Councils currently provided with external audit services	6 metropolitan councils and 12 rural councils.
Audit Timetable	Interim Audit – January-July Final Audit – August-Sept Management Letter – Sept-Oct
Value Added Services	Member of SA Local Government Auditors' Group Contracted to provide internal audit services to 6 Councils SA Local Government Finance Managers Group
UHY Haines Norton	
Industry Experience	50 years experience in the industry. However most senior executive has held position for 1 year.
Aged Care	Not stated
Responsible Partner/Director	Mark Nicholaeff

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Audit Manager	Kristy Watson
Senior Auditor	Chris Leggett
Councils currently provided with external audit services	DC of Copper Coast Litchfield Council City of Palmerston
Audit timetable	Not stated
Value Added Services	
Hayes Knight	
Industry Experience	15 years experience in the industry.
Aged Care	Not stated
Responsible Partner/Director	Graeme Rodda
Audit Manager	Jason Siebert
Quality Reviewer	Richard Perkins
Councils currently provided with external audit services	DC of Orroroo Carrieton City of Marion City of Palmerston
Audit timetable	Interim Audit – April/May Final Audit – August/Sept Management Letter - Sept
Value Added Services	Audit Committee member at several Councils. Member of SA Local Government Auditors' Group

The three most obvious differentiating points from the submissions are price, exposure/experience with other local governments and aged care experience.

Galpins has been a local government auditor for 30 years. Galpins has proposed 180 hours for the audit and have experience with other South Australian Councils operating residential aged care. The audit timetable meets Port Augusta City Council's requirements to ensure compliance with aged care prudential requirements as well as the Local Government Act.

A referee check has been undertaken with positive feedback received regarding Galpins' ability to perform this work.

It is recommended that Galpins be awarded the contract as per tender subject to re-negotiation if any substantial change in Council operations (eg removal of aged care, commencement of shared services)

CONFIDENTIALITY PROVISIONS

Pursuant to Section 90(2) of the Local Government Act 1999 it is recommended that the Audit Committee orders that members of the public be excluded from attendance at the meeting for this agenda item.

The reason for maintaining this agenda item under confidential provision is supported by Section 90(3)(k) of the Act, in that the report provides information to be received, discussed and considered in relation to tenders for the Appointment of Auditor.

It is considered that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the information to be disclosed and discussed has the potential to impact adversely on each of the tenderers as competitive commercial information will be disclosed.

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Having considered this agenda item, in confidence under Section 90(2) and (3)(k) of the Local Government Act 1999, the Committee, pursuant to Section 91(7) of that Act orders that the report, tender information, discussions and minutes be **retained in confidence until a decision has been made by Council in relation to the successful tenderer.**

RISK MANAGEMENT

1: Financial/Budget

Council provides a budget allocation on an annual basis to cover the cost of annual and interim audit processes inline with the tendered amount.

2: Legal/Policy

Section 128 of the *Local Government Act 1999* provides that Council must have an auditor, appointed by Council on the recommendation of the Audit Committee. This report and the tendering process ensures that an open and transparent process has been undertaken in identifying suitable auditor to be appointed to this role and that the legislative requirements have been complied with.

Section 36 of the *Local Government Act 1999* further provides that Council may enter into any kind of contract or arrangements.

Council's Purchasing, Contracts and Tendering Policy outlines the process to be undertaken in relation to obtaining the services of contractors, consultants etc.

3: Environment/Planning

Not applicable.

4: Community

4.1 General

Council's audited financial statements, including Audit Opinion are published on an annual basis within Council's Annual Report and are presented to Council as part of a public agenda for access by the community.

4.2 Aboriginal Community Consultation

Not applicable.

4.3 OPAL – Healthy Lifestyle Program

Not applicable.

ANNE O'REILLY
15/10/2015