

7.1 EXTERNAL AUDITORS - TENDER

Responsible officer: Tony Secomb, Manager Corporate Services

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- Attachments:**
1. **Audit Tender assessment matrix**
 2. **Audit tender fee comparison table**

Section under the Act	The grounds on which part of the Council or Committee may be closed to the public are listed in Section 90(2) & (3) of the <i>Local Government Act 1999</i> .
Sub-clause and Reason:	(k) - tenders for the supply of goods, the provision of services or the carrying out of works.

Executive Summary

The purpose of this report is for the Audit Committee to consider the assessment of tenders received for the provision of audit services to Council and to consider recommending to Council the appointment of an external auditor.

RECOMMENDATION

That the Audit Committee recommends to Council the appointment of Galpins as Council’s external auditor for a three year contract, with an option to extend for two further one year periods, at the discretion of council, commencing at the start of the 2020/2021 financial year.

COMMITTEE RESOLUTION

Moved: Cr Mick Sparnon
 Seconded: Robert Reiman

That the Audit Committee recommends to Council the appointment of Galpins as Council’s external auditor for a three year contract, with an option to extend for two further one year periods, at the discretion of council, commencing at the start of the 2020/2021 financial year.

CARRIED

Background

Section 128 (1) of the Local Government Act stipulates that Council must have an auditor and in Section 129 describes the auditors role and responsibilities. The Audit Committee Work Program and Terms of Reference allow for and provide opportunity for the committee to review the findings of the auditor and assist the Council in meeting its financial responsibilities. Every year, as part of the annual audit program, Council’s external auditors visit the council offices on two occasions for the interim audit and end of financial year audit. These visits are an integral part of the annual audit program and also serve to identify any likely issues prior to the finalisation of the annual financial statements.

Context

The Audit Committee meeting of 28 October 2020 considered the need for a tender process to obtain Council audit services. The discussion indicated five reputable auditing firms with local government experience that could be asked to submit a tender as part of a select tender process.

Council is seeking to appoint an external auditor for a three year term, with options to extend for a further two periods of twelve months at the discretion of council. The contract would commence from the audit of the 2020/2021 financial year.

The tender was open for a two week period commencing Tuesday 3 November 2020 and closing on Tuesday 17 November 2020. Four tenders were submitted with UHY Haines Norton declining to tender due to other consultancy work already being undertaken with council. The remaining four firms: Galpins; Dean Newbery and Partners; Bentleys; and BDO all submitted conforming tenders.

Tenders were evaluated using the criteria guidelines in the tender assessment matrix and comparison table as shown in the attachments.

Policy and statutory implications

The Local Government Act 1999, Local Government (Financial Management) Regulations 2011, Audit and Control Policy and Audit Committee Terms of Reference are all relevant to this matter.

Council's procurement policy is also relevant to this matter and the tender process has been undertaken in accordance with the policy.

All Council purchases must be carried out in compliance with the Local Government Act 1999 (the Act). Section 49 (a1) of the Act requires Council to develop and maintain procurement policies, practices and procedures directed towards:

- Obtaining value in the expenditure of public money, and
- Providing for ethical and fair treatment of participants, and
- Ensuring probity, accountability and transparency in the procurement process.

Council is not obliged to accept the lowest tender or any tender.

Issues

The tenders received from Galpins and Dean Newbery & Partners were assessed as the two best tenders. They both have significant experience with smaller rural councils. BDO and Bentleys tend to cater for the medium to larger metro councils and overall scored lower.

Due to ongoing issues in relation to COVID-19 that included a lockdown it was determined that the two preferred candidates (Galpins and Dean Newbery) were well known to council staff and did not require formal interviewing by the assessment panel. Instead the assessment panel convened via phone for an in depth discussion on the tender assessment ratings, reasons for certain scores and the personnel of the firms.

The two preferred candidates have great local government knowledge and experience with small rural councils. They both also have known experience with childcare centres which is considered important for Southern Mallee. Pricing submitted by Galpins and Dean Newbery was similar. Galpins provided a cost with mileage and accommodation included whilst Dean Newbery charged extra for this. The Dean Newbery tender provided a new lead auditor with significant experience and the same audit team which could provide some efficiencies for auditors and staff alike. The Galpins tender brings a whole new team with experienced lead auditor Tim Muhlhausler, the current Chair of the SA Local Government Auditors' Group (SALGAG). There was little separating

these two firms but in the end it was felt that a change in Auditor may also be a good internal practice. The change will staff to new auditors and their practices which may enhance professional development and process improvement.

The assessment panel discussion was very productive and the external members supported the rankings in the tender assessment as presented and discussed.

Alternate options

It is legislated that council must have an auditor and they have certain roles and responsibilities to assist council to meet its financial responsibilities. A focus on continuous improvement and management of financial risks as identified, leads to an internal control framework that is strong and effective and reduces the likelihood of a qualified audit opinion.

Financial implications

The costs associated with auditing are budgeted for annually. The total cost to council for its preferred option (Galpins) over a five year period is \$78,000.

Work Health and Safety and Risk implications

All tenders submitted required completion of the WHS and risk management system questionnaire as part of schedule 5 in council's request for tender documentation.

Consultation

The selection of the next external auditor is a matter for the Audit Committee to determine and recommend to Council.

**SOUTHERN MALLEE DISTRICT COUNCIL
EXTERNAL AUDIT TENDER ASSESSMENT, 2020
Tender Criteria**

Criteria	Weighting	Dean Newbery		Galpins		Bentleys		BDO Australia	
		Score	Weighted Score	Score	Weighted Score	Score	Weighted Score	Score	Weighted Score
LG understanding/experience	15%	10	15%	10	15%	8	12%	8	12%
Understand svcs sought/ ability	10%	10	10%	10	10%	8	8%	7	7%
Expertise of Key Personnel	15%	10	15%	10	15%	10	15%	8	12%
Resources available	10%	10	10%	10	10%	8	8%	8	8%
Fees proposed	20%	9	18%	10	20%	8	16%	4	8%
Accessibility/responsiveness	10%	8	8%	9	9%	9	9%	9	9%
Quality control evidenced	20%	10	20%	10	20%	7	14%	9	18%
Total score out of 70		67	96%	69	99%	58	82%	53	74%

SCORING

Excellent	9-10
Very Good	7-8
Good	5-6
Poor	3-4
Very Poor	1-2

Weighted Ranking	
1	Galpins
2	Dean Newbery
3	Bentleys
4	BDO

Criteria Guidelines

LG understanding/experience	- look for evidence of previous work at councils for all levels of staff
Understand svcs sought/ ability	- look for evidence of current knowledge (Int Ctrl's etc) and careful reading of tender
Expertise of Key Personnel	- look for qualifications and evidence of professional success (industry groups etc)
Resources available	- look at breadth of LG experience, office size and location, numbers of staff on LG team
Fees proposed	- look at total fee and its basis of calculation - realistic? Substantiated? Sustainable?
Accessibility/responsiveness	- assess evidence for contactability and client service levels
Quality control evidenced	- check accuracy and care demonstrated in proposal - internal inconsistencies, errors etc

**SOUTHERN MALLEE DISTRICT COUNCIL
EXTERNAL AUDIT TENDER ASSESSMENT, 2020
COMPARISON TABLE - FEES, EXPENSES AND HOURS**

Year	Dean Newbery	Galpins	Bentleys	BDO Australia	UHY Haines Norton
2020/21	\$ 14,500	\$ 15,000	\$ 16,000	\$ 20,000	
2021/22	\$ 14,800	\$ 15,300	\$ 16,320	\$ 20,600	Did
2022/23	\$ 15,100	\$ 15,600	\$ 16,640	\$ 22,200	not
2023/24	\$ 15,600	\$ 15,900	\$ 16,970	\$ 21,800	submit
2024/25	\$ 16,100	\$ 16,200	\$ 17,300	\$ 22,500	
Total	\$ 76,100	\$ 78,000	\$ 83,230	\$ 107,100	
Increment?	fixed	fixed	fixed	fixed	
Mileage	ATO rates	Included		ATO rates	
Accommodation	At Cost	Included	\$1000 per yr	Not Incl	
Avg Hrly rate	\$ 132	\$ 138	\$ 145	\$ 111	
Estimated hrs	110	109	110	180	

