

11.2 External Audit Tender

Report Reference	FRAC220222F11.2
Originating Officer	Chief Financial Officer – Ray Barnwell
Corporate Manager	Chief Financial Officer - Ray Barnwell
General Manager	General Manager Corporate Services - Sorana Dinmore

CONFIDENTIAL MOTION

That pursuant to Section 90(2) and (3)(b) of the *Local Government Act 1999*, the Committee orders that all persons present, with the exception of the following persons: Chief Executive Officer, General Manager Corporate Services, Chief Financial Officer, Manager Office of the Chief Executive and Senior Procurement Specialist, be excluded from the meeting as the Council receives and considers information relating to the provision of External Audit Services, upon the basis that the Council is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to commercial information.

REPORT OBJECTIVE

The purpose of this report is to provide the Finance, Risk and Audit Committee (FRAC) with the outcome of the collaborative tender evaluation process undertaken by the City of Marion and the City of Port Adelaide Enfield for the provision of external audit services.

EXECUTIVE SUMMARY

Section 128 and 129 of the *Local Government Act 1999* outlines the requirements regarding the Council's obligations to have an auditor, the conditions of their appointment and the conduct of the auditor. Section 128(2) specifically requires that the auditor will be appointed by the council on the recommendation of the council's Audit Committee.

Council's 5-year contract for external audit services with Deloitte Touche Tohmatsu expired following the completion of the audit for the financial year ending 30 June 2021.

Consequently, at the meeting held on 12 October 2021 (FAC211012R7.4), the Committee considered and noted a report outlining the proposed process and timeline for the external audit tender requesting that a member of the Committee participate in the process to ensure independence and integrity over the process and a successful outcome for the City of Marion. Ms. Rantanen kindly participated in the process to meet the Committee's request.

A joint procurement process was undertaken with the City of Port Adelaide Enfield which commenced in November 2021 and concluded in January 2022.

With the conclusion of the tender evaluation process this report seeks the FRAC's recommendation to Council that Galpins be appointed as the City of Marion's service provider for the delivery of External Audit Services for a period of 3 years with the option of a further period of up to 2 years.

RECOMMENDATION

That the Finance, Risk and Audit Committee :

- 1. Recommends to Council that Galpins be appointed as the City of Marion's service provider in the delivery of External Audit Services for a term of 3 years commencing with the audit for the financial year to 30 June 2022, with an option to extend for a further period of up to years.**
- 2. Notes that a separate report will be brought to Council for consideration of any recommendations from the Finance, Risk and Audit Committee.**
- 3. In accordance with Section 91(7) and (9) of the *Local Government Act 1999* the Council orders that this report, External Audit Tender Report, any appendices and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(b) of the Act, except when required to effect or comply with Council's resolution(s) regarding this matter, be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2022.**

DISCUSSION

The Cities of Marion and Port Adelaide Enfield have worked closely to undertake a joint procurement process to engage the services of a suitably qualified Contractor(s) for the provision of External Audit services.

The potential benefits market approach included: more competitive pricing, avoiding duplication of administrative effort in procurement (tender and evaluation), and building a stronger collaborative relationship across the two Council's.

Tender Process Undertaken –

Strict formal tender processes were put in place, with all contact with Council through the Principal's Representative in the first instance (Colin Heath).

Key points noted regarding the procurement process include:

- A Collaborative Procurement Plan was approved by Sorana Dinmore and Abby Dickson from respective councils.
- Approval was provided by each council to undertake a Select Tender process, with Ernst & Young, PWC, BDO, Galpins and Dean Newbery invited to participate.
- Nicolle Rantanen - CoM Finance Risk and Audit Committee member participated in the tender process with oversight of the selection criteria, selected tenderers and final presentations to the panel
- Tender opened 2 November 2021
- Nil (0) Tender Addenda were issued
- Tender closed 26 November 2021 2pm

The joint tender specification and evaluation criteria were agreed, and a select tender was issued to the following parties on 2 November 2021:

- Ernst & Young
- PwC
- BDO
- Galpins
- Dean Newberry

Bentleys, Deloitte and KPMG were ineligible to participate in the joint tender due to recent and/or ongoing engagements with the participating Council's.

Tender responses were received from BDO, Galpins and Dean Newberry. Ernst & Young and PwC did not provide a response.

The Tender Evaluation Team ('TET') consisted of:

- Ray Barnwell, CFO, COM
- Kate McKenzie, Manager Office of the CEO, COM
- Mark Gray, Finance Manager, PAE
- Angela Papatheodorakis, Financial Accountant, PAE
- Colin Heath, Strategic Procurement, COM (facilitator)

The evaluation criteria and weightings against which the TET assessed the tenders were as follows:

Main Criteria	Sub Category Criteria	Evaluation Weighting
Experience and Capability		30%
	Extent of relevant statutory audit experience, including South Australian local government audits	15%
	Qualifications, capabilities and experience of the proposed Authorised Personnel	15%
Methodology		35%
	Audit methodology and approach	10%
	Extent to which the critical matters will be audited	10%
	Technical skills in undertaking such an audit in a well-developed computerised environment	10%
	Organisation support for service delivery	5%
Value for Money	Tendered cost over term of contract	35%

The TET met on 6 December 2021 to evaluate the submissions and confirmed Galpins as the shortlisted tenderer by a significant scoring margin. Proposed tender pricing is well within the Council's existing annual budget of \$40,000.

Galpins were also invited to provide a presentation on 20 January 2022 to the TET and other Council representatives, being:

- Abby Dickson, Director Corporate Services, PAE
- Nicolle Rantanen, COM Finance, Risk and Audit Committee representative

The presentation confirmed the TET's initial assessment with no issues identified.

It is recommended that the tender from Galpins be recommended by the Audit Committee to Council for the provision of external audit services for the 3-year period 2021-22 to 2023-24, with an option for a further 2-year extension.

ATTACHMENTS

Nil