Confidential Item

CAMPBELLTOWN CITY COUNCIL

# Confidential Item

For Council meeting to be held on

***Tuesday 17 January 2023 at 7.00 pm***

***Refer Item 11.18***

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# Confidential Item

## 11.18 Appointment of External Auditor – 2022/2023 to 2026/2027

Acting Manager Finance, Evi Morrison's Report

### Purpose of Report

To appoint an Audit firm to undertake Council's external Audit from 2022/2023 to 2026/2027.

### Strategic Plan Link

Focus Area 5.3.3 Provide corporate and financial governance that meets the needs of our Community and legislative requirements

### Previous Council/Committee Resolution

At its meeting held on 19 December 2022, the Audit & Governance Advisory Committee resolved:

'That:

1. the Committee is satisfied that it is reasonably foreseeable that the public disclosure or discussion of the report attachment at the meeting could reasonably be expected to confer commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party, as contained in Section 90 (3)(d)(i)

2. an order be made under the provisions of Section 91(7) of the Local Government Act 1999, that the report attachment of the subject matter, having been dealt with on a confidential basis under Section 90(3) of the Act, should be kept confidential on the grounds that disclosure of information could confer commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party as contained in Section 90 (3)(b)(i) until the contract is signed

3. it be a recommendation to Council that Auditor C be selected as Council's external auditor from 2022/2023 to 2026/2027.'

### Background

Section 128 of the Act (Local Government Act 1999) specifies that, based on the recommendation of the AGAC (Audit and Governance Advisory Committee), Council must have an Auditor and their term of appointment must not exceed five years.



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The Act has recently changed such that at the expiration of the five year term, the same Audit firm cannot be used for at least another five years.

Galpins were engaged as Council's Auditor in 2018, with their five year term expiring at the completion of the audit of the General Purpose Financial Statements for the year ending 30 June 2022.

As such, Staff prepared a tender seeking the services of an external auditor, commencing in 2022/2023 and concluding at the completion of the external audit for the financial year ending 30 June 2027.

**Discussion**

In accordance with Council's Procurement Policy, open tenders were called for External Financial Audit Services, closing on Tuesday 1 November 2022, with Council receiving a total of three submissions. These responses were opened in the presence of three Staff.

To review the responses, an assessment panel was formed, comprising:

- General Manager Corporate Services
- Manager Finance, and
- Accountant.

The Risk Management Coordinator assessed the Work Health Safety and Insurance responses, while the Senior Accountant reviewed the financial performance component of the respective tender responses.

A copy of the Tender Evaluation report is included as an attachment for Members' information.

The following factors and observations were made by the panel in evaluating the Tenders:

1. *Evaluation Criteria*

   The weightings listed were used to evaluate the tender responses:

| Assessment Criteria | Weighting |
|---|---|
| Relevant Experience | 20% |
| Track Record | 15% |
| Technical Skills | 10% |
| Methodology | 10% |
| Management | 5% |
| Time Performance | 5% |
| Management – Insurances and WHS System | 5% |
| Management – Financial and Economic Stability | 5% |
| Local | 5% |
| Price | 20% |
| **Total** | **100%** |



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*2. Local Government Experience*

All three respondents have significant experience auditing Local Government and provide the same service across a mix of metropolitan and regional Councils. The Partners, who would be assigned to Campbelltown if successful, have at least 15 years of experience in the industry.

All parties provided an overview of their approach and methodology to the audit function and scope of works they plan to undertake.

*3. Site Visits*

All parties indicated that their audit would be undertaken onsite and would include interim visits as well as a Balance Date Audit. All Tenderers indicated that they would be able to complete their audit program in a timely manner and in accordance with their legislative requirements.

*4. Staff Qualifications and Resourcing*

All firms have appropriately qualified professional staff who would be available to undertake the audit. All firms have Staff who would be responsible for the audit are eligible for appointment under S128(3) and (6) of the Act.

The signing partners for each firm are registered Company Auditors and Chartered Accountants. All firms advised that they have the appropriate resources and support Staff required to undertake the audit.

*5. Insurance Cover*

Staff noted that all respondents to the tender provided sufficient insurance coverage in regards to professional indemnity and public liability to undertake the role.

***Conclusion***

Following consideration of each tenderers' information and comparison of the submissions received, the companies were ranked by the panel in the following order, prior to the inclusion of pricing:

1. Dean Newbery – 316.67
2. Bentleys SA Audit Partnership – 310.00
3. BDO Audit – 285.00.

With Dean Newbery also being the cheapest Tenderer, they further improved their ranking compared to the other two respondents, as summarised below:

1. Dean Newbery – 373.89
2. Bentleys SA Audit Partnership – 356.79
3. BDO Audit – 330.98.



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The proposed annual fees to be charged by the highest ranking Tenderer are listed within the Recommendation, noting that a fee of $300 per acquittal will also be charged for any acquittals to be completed above and beyond the Roads to Recovery, Workers Compensation Scheme Declaration and CHSP (Commonwealth Home Support Program) acquittals. The panel noted that there would be very few additional audits required and an additional cost would still make the overall cost lower than the next cheapest tenderer.

Dean Newbery have previously provided external audit services to Council, with history showing excellent and timely responses to questions and queries asked by Staff. Within their tender documentation, they have offered to provide benchmark and KPI data to compare similar Councils, along with providing commentary on the trends contained in Council's Long Term Financial Plan.

In summary, the Panel were unanimous in their recommendation to engage Dean Newbery to perform the external audit for the next five financial years.

**Social Implications**

The appointment of an external auditor provides confidence to the Community that Council's financial information is free of any material misstatement.

**Environmental / Climate Change Implications**

There are no environmental / climate change implications in relation to this report.

**Asset Management Implications**

There are no asset management implications in relation to this report.

**Governance / Risk Management**
With AGAC providing a recommendation to Council, this complies with the requirements of Section 128(2) of the Act and the Committee's Terms of Reference.

The preferred supplier has provided the necessary documentation to confirm they have adequate insurance coverage to protect Council from any exposure in regards to professional indemnity and public liability.

**Community Engagement**

There are no Community engagement implications in relation to this report.

**Regional Implications**

There are no regional implications in relation to this report.

**Economic Development Implications**

There are no economic development implications in relation to this report.



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## Financial Implications

Council has budgeted $26,300 to cover the cost of its external audit for the 2022/2023 financial year. This budget was developed to take into account an assumed increase on the contracted amount for 2021/2022, which was the last year of the previous contract.

Based on the submissions received, the 5 year cost of this contract ranged from $130,000 to $145,750. Dean Newbery, the preferred supplier offered the cheapest price quoted at $130,000.

With Dean Newbery as the preferred supplier, there will be a saving of $2,300 in the 2022/2023 Recurrent budget.

## Recommendation

**That Dean Newbery be appointed as Council's external auditor from 2022/2023 to 2026/2027 with the annual fees set at:**

- **Year 1 (2022/2023) - $24,000**
- **Year 2 (2023/2024) - $25,000**
- **Year 3 (2024/2025) - $26,000**
- **Year 4 (2025/2026) - $27,000**
- **Year 5 (2026/2027) - $28,000.**



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