

minutes

Audit Committee

MEETING HELD ON **WEDNESDAY, 15 MAY 2013**

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CITY OF JOONDALUP

MINUTES OF THE SPECIAL AUDIT COMMITTEE MEETING HELD IN CONFERENCE ROOM 2, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON WEDNESDAY, 15 MAY 2013.

ATTENDANCE

Committee Members:

Cr Tom McLean, JP *Presiding Member*
Mayor Troy Pickard
Cr Geoff Amphlett, JP
Cr Brian Corr *Deputy Presiding Member*
Cr Christine Hamilton-Prime
Cr Teresa Ritchie
Cr Sam Thomas

Officers:

Mr Mike Tidy Director Corporate Services
Mr John Byrne Governance Coordinator
Mrs Deborah Gouges Governance Officer

DECLARATION OF OPENING

The Presiding Member declared the meeting open at 6.01pm.

APOLOGIES/LEAVE OF ABSENCE

Apologies

Mr Garry Hunt, Chief Executive Officer.

Leave of Absence previously approved

Cr Kerry Hollywood 1 May to 26 May 2013 inclusive.
Cr Brian Corr 17 May to 23 May 2013 inclusive.
Cr Russ Fishwick, JP 19 May to 23 May 2013 inclusive.

ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION

Nil.

DECLARATIONS OF INTEREST

Nil.

IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY SIT BEHIND CLOSED DOORS

In accordance with Clause 76 of the City's *Standing Orders Local Law 2005*, this meeting was not open to the public.

PETITIONS AND DEPUTATIONS

Nil.

REPORTS**ITEM 1 QUOTATION EAS/13 – PROVISION OF EXTERNAL AUDIT SERVICES**

WARD	All
RESPONSIBLE DIRECTOR	Mr Mike Tidy Corporate Services
FILE NUMBER	103136
ATTACHMENT	Attachment 1 Summary of Submissions
AUTHORITY / DISCRETION	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

PURPOSE

For Council to consider the submissions received for the provision of external audit services to the City.

EXECUTIVE SUMMARY

Quotations were issued on 26 February 2013 to the Western Australian Local Government Association (WALGA) audit preferred supplier panel for the provision of external audit services for a period of three years. Quotations closed on 12 March 2013. Two submissions were received from:

- Grant Thornton Audit Pty Ltd.
- UHY Haines Norton.

The submission from Grant Thornton Audit Pty Ltd represents best value to the City. Grant Thornton Audit Pty Ltd demonstrated a sound understanding of the requirements. The company is a well established auditing firm with significant industry experience and proven capability to conduct the City's audit. It has provided similar services to the Cities of Perth, Fremantle, Stirling, Bunbury, Albany, Wanneroo and Rockingham. It has been the City's external auditor for the past six years.

It is recommended that Council:

- 1 *ACCEPTS the quotation submitted by Grant Thornton Audit Pty Ltd for the provision of external audit services as specified in quotation EAS/13 for the fixed lump sum of \$96,000 (GST exclusive);*
- 2 *BY AN ABSOLUTE MAJORITY APPOINTS Grant Thornton Audit Pty Ltd to be its auditor for a period of three years.*

BACKGROUND

Under section 7.2 of the *Local Government Act 1995*, the accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.

WALGA has established a preferred supplier panel for internal and external audit services (Contract 0411-11). Each supplier to the panel has been prequalified by WALGA to approved terms and conditions for the delivery of specialist Local Government audit services.

The City had a single contract for the provision of external audit services with Grant Thornton Audit Pty Ltd which expired in 2012.

Grant Thornton Audit Pty Ltd provided a good quality service throughout the term of its contract.

Quotation assessment is based on the best value for money concept. Best value is determined after considering whole of life costs, fitness for purpose, respondents' experience and performance history, productive use of City resources and other environmental or local economic factors.

DETAILS

The quotation for the provision of external audit services was issued through the WALGA audit preferred supplier panel on 26 February 2013. The quotation period was for two weeks and quotations closed on 12 March 2013.

Submissions

Two submissions were received from:

- Grant Thornton Audit Pty Ltd.
- UHY Haines Norton.

A summary of the submissions including the location of each respondent is provided in Attachment 1.

Evaluation Panel

The evaluation panel comprised of two members:

- One with tender and contract preparation skills.
- One with the appropriate technical expertise and involvement in supervising the contract.

The panel carried out the assessment of submissions in accordance with the City's evaluation process in a fair and equitable manner.

Compliance Assessment

Both offers received were assessed as fully compliant.

Qualitative Assessment

The qualitative assessment used in evaluating the submissions received was based upon the scope and extent of audit and the proposed audit methodology submitted by the respondents.

Grant Thornton Audit Pty Ltd scored 70% and was ranked second in the qualitative assessment. The audit methodology, although brief, generally addressed the critical items of the audit, timing of audit visits, hours allocated to audits, attendance at audit committee meetings and reporting. Attendance by an auditor at the Annual General Meeting of ratepayers was not specifically addressed, however the offer from Grant Thornton Audit Pty Ltd included regular meetings during the audit and partner availability assured at any time.

UHY Haines Norton scored 80% and was ranked first in the qualitative assessment. The audit methodology was comprehensive and addressed the critical aspects of the audit, timing of audit visits, hours allocated to audit visits by each category of staff, attendance at audit committee meetings, attendance at the Annual General Meeting of ratepayers and reporting. The offer was subject to several limitations, with grant acquittals and attendance at more than one Audit Committee meeting per year not included as part of the standard audit service.

Price Assessment

Following the qualitative assessment, the panel carried out a comparison of the price offered by each respondent to assess value for money to the City.

The assessment of audit cost included the auditor's attendance at two audit committee meetings annually and the certifications of four grant acquittals per year. The base price of UHY Haines Norton was adjusted to include the additional costs of these items as provided in the table below.

Respondent	Year 1	Year 2	Year 3	Total
Grant Thornton Audit Pty Ltd	\$29,500	\$32,000	\$34,500	\$96,000
UHY Haines Norton	\$41,800	\$42,800	\$43,800	\$128,400

Evaluation Summary

The following table summarises the result of the qualitative and price evaluation as assessed by the evaluation panel.

Respondent	Estimated Year 1 Contract Price	Estimated Total Contract Price	Price Ranking	Percentage Score	Qualitative Ranking
UHY Haines Norton	\$41,800	\$128,400	2	80%	1
Grant Thornton Audit Pty Ltd	\$29,500	\$96,000	1	70%	2

Based on the evaluation result the panel concluded that the quotation from Grant Thornton Audit Pty Ltd provides best value to the City and is therefore recommended.

Although UHY Haines Norton submitted a more comprehensive audit methodology, its offer was 34% more expensive than Grant Thornton Audit Pty Ltd and did not provide significant value that would warrant the additional cost.

Issues and options considered

The accounts and annual financial report for each financial year are required to be audited by an independent auditor appointed by the City in accordance with section 7.3 of the *Local Government Act 1995*.

Legislation / Strategic Community Plan / policy implications

Legislation

A tender is not required to be publicly invited in accordance with Part 4, Division 2 clause 11(2)(b) of the *Local Government (Functions and General) Regulations 1996*, where the supply of the goods or services is to be obtained through the Council purchasing service of WALGA.

The appointment of an auditor cannot be delegated to the Chief Executive Officer in accordance with section 5.43(c) of the *Local Government Act 1995*.

Strategic Community Plan

Key theme

Governance and Leadership.

Objective

Corporate capacity.

Strategic initiative

Demonstrate accountability through robust reporting that is relevant and easily accessible by the community.

Policy

Not applicable.

Risk management considerations

Should the contract not proceed, the risk to the City will be high as the City would not meet its statutory obligations.

It is considered that the contract will represent a low risk to the City as the recommended respondent is a well-established audit firm with significant industry experience and the capacity to provide the services to the City.

Financial/budget implications

Account no.	322-A3202-3261-0000
Budget Item	Audit Fees
Budget amount	\$ 34,685
Amount spent to date	\$ 0
Proposed cost	\$ 29,500
Balance	\$ 5,185

All amounts quoted in this report are exclusive of GST.

Regional significance

Not applicable.

Sustainability implications

Not applicable.

Consultation

Not applicable.

COMMENT

The evaluation panel carried out the evaluation of the submission in accordance with the City's evaluation process and concluded that the offer submitted by Grant Thornton Audit Pty Ltd represents best value to the City.

VOTING REQUIREMENTS

Absolute Majority.

MOVED Mayor Pickard, SECONDED Cr Amphlett that Council:

- 1 ACCEPTS the quotation submitted by Grant Thornton Audit Pty Ltd for the provision of external audit services as specified in quotation EAS/13 for the fixed lump sum of \$96,000 (GST exclusive);**
- 2 BY AN ABSOLUTE MAJORITY APPOINTS Grant Thornton Audit Pty Ltd to be its auditor for a period of three years.**

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Cr McLean, Mayor Pickard, Crs Amphlett, Corr, Hamilton-Prime, Ritchie and Thomas.

Appendix 1 refers

To access this attachment on electronic document, click here: [Attach1AUDIT130515.pdf](#)

CLOSURE

There being no further business, the Presiding Member declared the meeting closed at 6.08pm; the following Committee Members being present at that time:

Cr Tom McLean, JP
Mayor Troy Pickard
Cr Geoff Amphlett, JP
Cr Brian Corr
Cr Christine Hamilton-Prime
Cr Teresa Ritchie
Cr Sam Thomas