

minutes

Audit Committee

MEETING HELD ON **TUESDAY 14 JUNE 2016**

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CITY OF JOONDALUP

MINUTES OF THE SPECIAL AUDIT COMMITTEE MEETING HELD IN CONFERENCE ROOM 3, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON TUESDAY 14 JUNE 2016.

ATTENDANCE

Committee Members

Cr Christine Hamilton-Prime	<i>Presiding Member</i>	
Mayor Troy Pickard		<i>from 5.47pm</i>
Cr Tom McLean, JP		
Cr Nige Jones		
Cr Russell Poliwka	<i>Deputy Presiding Member</i>	
Cr John Logan		<i>from 5.47pm</i>
Cr Sophie Dwyer		

Officers

Mr Garry Hunt	Chief Executive Officer	<i>to 5.49pm</i>
Mr Mike Tidy	Director Corporate Services	
Mr Brad Sillence	Manager Governance	
Mr Roney Oommen	Manager Financial Services	
Mrs Lesley Taylor	Governance Officer	

DECLARATION OF OPENING

The Presiding Member declared the meeting open at 5.45pm.

DECLARATIONS OF INTEREST

Nil.

APOLOGIES/LEAVE OF ABSENCE

Leave of Absence previously approved:

Cr John Chester	18 June to 23 June 2016 inclusive.
Cr Sophie Dwyer	21 June to 26 June 2016 inclusive.
Cr John Logan	27 June to 3 July 2016 inclusive.

ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION

Nil.

IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC

In accordance with Clause 5.2 of the City's *Meeting Procedures Local Law 2013*, this meeting was not open to the public.

PETITIONS AND DEPUTATIONS

Nil.

REPORT**ITEM 1 QUOTATION 010/16 – PROVISION OF EXTERNAL
AUDIT SERVICES**

WARD	All
RESPONSIBLE DIRECTOR	Mr Mike Tidy Corporate Services
FILE NUMBER	105737, 101515
ATTACHMENTS	Attachment 1 Summary of Quotation Submissions Attachment 2 Ministerial Circular No 03-2016
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

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

The State Government some time ago announced that it proposed to make the Auditor General responsible for local government audits. The Minister for Local Government has now advised (Ministerial Circular No. 03-2016 – Attachment 2 refers) that it is intended to amend the *Local Government Act 1995* to provide for the Auditor General to take over responsibility for local government audits from 1 July 2017. The Minister has advised that local governments entering into or renewing audit contracts should not do so beyond the audit of the 2016-17 year.

Quotations were issued on 23 March 2016 to the Western Australian Local Government Association (WALGA) audit services preferred supply panel for the provision of external audit services for a period up to three years. Quotations closed on 11 April 2016. A submission was received from each of the following:

- Moore Stephens Perth.
- Grant Thornton Audit Pty Ltd.
- Macri Partners.
- PKF Audit (WA) Pty Ltd.
- Butler Settineri (Audit) Pty Ltd.

The submission from Moore Stephens represents best value to the City. Moore Stephens Perth demonstrated a thorough 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 Fremantle, Kwinana, Subiaco and Albany and the Towns of Cottesloe and Claremont, as well as a large number of regional local governments.

It is therefore recommended that Council:

- 1 *ACCEPTS the quotation submitted by Moore Stephens Perth for the provision of external audit services as specified in quotation 010/16 for a period of two years with an option for a further one year, for the fixed lump sum of \$55,500 (GST exclusive) and schedule of rates for meeting attendance, grant acquittals and any additional services;*
- 2 *BY AN ABSOLUTE MAJORITY APPOINTS Moore Stephens Perth to be its auditor for a period of two years, to cover the audit of the 2015-16 and 2016-17 financial years, with an option for a further one year period.*

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.

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

WALGA has established a preferred supplier panel for internal and external audit services (Contract C026_14). Each supplier to the panel has been prequalified by WALGA to approved terms and conditions for the delivery of specialist local government audit services.

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 services preferred supplier panel on 23 March 2016. The quotation period was for two weeks and quotations closed on 11 April 2016.

Submissions

A submission was received from each of the following:

- Moore Stephens Perth.
- Grant Thornton Audit Pty Ltd.
- Macri Partners.
- PKF Audit (WA) Pty Ltd.
- Butler Settineri (Audit) Pty Ltd.

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

Evaluation Panel

The evaluation panel comprised 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

All offers received were assessed as fully compliant.

Qualitative Assessment

The qualitative criteria and weighting used in evaluating the submissions received were as follows:

Qualitative Criteria		Weighting
1	Audit methodology	50%
2	Capacity	30%
3	Demonstrated experience in providing similar services	20%

Butler Settineri (Audit) Pty Ltd scored 49% and was ranked fifth in the qualitative assessment. The proposed audit plan and methodology demonstrated an understanding of the requirements. The timing of both audit visits does not fit with the City's program. A team of four was nominated for the City's requirements. No information was supplied for supporting staff. Butler Settineri demonstrated experience providing audit services to local governments. It listed 15 current clients. All local governments are small regional shires except for the Shire of Peppermint Grove. Its staff have prior work experience auditing large metropolitan local governments.

PKF Audit (WA) Pty Ltd scored 50% and ranked fourth in the qualitative assessment. It has a considerable number of staff across Australia, however it was not stated how many are located in Perth and dedicated to audit services. A team of three was nominated for the City's requirements. The total number of supporting staff was not supplied. The proposed audit plan and methodology demonstrated a good understanding of the requirements. The timing of the interim audit needs to be re-considered as it does not meet the City's requirements. PKF Audit did not provide sufficient information demonstrating its experience. The response stated that the firm has prior experience providing assurance and advisory services to local government agencies, State owned corporations and large companies; however no specific information on these clients was supplied. Its staff have had prior experience in auditing the Cities of South Perth and Kalgoorlie-Boulder and the Shires of Serpentine-Jarrahdale and Coolgardie.

Macri Partners scored 56.5% and was ranked third in the qualitative assessment. The firm has an audit team of nine staff. Given the number of current contracts with other large local governments, the capacity of the small team does not appear sufficient. Macri Partners demonstrated considerable experience performing similar audit services for local governments.

Current clients include the following:

- City of Armadale.
- City of Cockburn.
- City of Gosnells.
- City of Nedlands.
- City of Vincent.
- City of South Perth.
- City of Swan.
- Eastern Metropolitan Regional Council.
- Western Metropolitan Regional Council.
- Mindarie Regional Council.
- Six other local governments.

The proposed audit plan and methodology demonstrated a good understanding of the requirements.

Grant Thornton Audit Pty Ltd scored 67% and was ranked second in the qualitative assessment. The proposed audit plan and methodology demonstrated a thorough understanding of the requirements and meets all requirements for statutory auditing and reporting; however it did not provide an estimate of the number of hours allocated to each audit. It proposed an appropriately experienced and resourced team to perform the audit services. It has extensive experience in auditing services to local and state governments across Australia. Western Australian clients include the Cities of Perth, Wanneroo, Rockingham, Canning, Belmont, Kwinana and Melville and it is the City's incumbent external auditor.

Moore Stephens Perth scored 72% and was ranked first in the qualitative assessment. It demonstrated substantial experience in auditing local governments in Western Australia. Current clients include the Cities of Fremantle, Kwinana, Subiaco and Albany and the Towns of Cottesloe and Claremont as well as a large number of regional local governments. Its personnel are suitably experienced and the firm has sufficient resources to undertake the City's contract. The proposed audit plan and methodology demonstrated a thorough understanding of the requirements and meets all requirements for statutory auditing and reporting.

Price Assessment

The panel carried out a comparison of the lump sum prices and rates offered by each respondent in order to assess value for money to the City.

The assessment of audit cost included the auditor's attendance at two Audit Committee meetings annually. The auditors are also required to carry out grant acquittals each year; however the rates for this service are dependent on the size and complexity of the acquittal. Rates for this service are on application from some of the respondents, therefore it was not included in the contract cost assessment.

Respondent	Year 1	Year 2	Estimated Meeting Fees	Total
PKF Audit (WA) Pty Ltd	\$24,000	\$24,750	Incl. in audit fee	\$48,750
Moore Stephens Perth	\$27,500	\$28,000	\$1,200	\$56,700
Macri Partners	\$28,000	\$29,000	\$645	\$57,645
Butler Settineri (Audit) Pty Ltd	\$28,500	\$28,875	\$840	\$58,215
Grant Thornton Audit Pty Ltd	\$32,000	\$32,650	Incl. in audit fee	\$64,650

During 2014-15, the City incurred \$34,500 for the provision of external audit services and the expenditure is estimated at \$86,300 over a three year period if the extension option is exercised.

Evaluation Summary

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

Respondent	Price Ranking	Total Estimated Contract Price	Qualitative Ranking	Weighted Percentage Score
Moore Stephens Perth	2	\$56,700	1	72%
Grant Thornton Audit Pty Ltd	5	\$64,650	2	67%
Macri Partners	3	\$57,645	3	56.5%
PKF Audit (WA) Pty Ltd	1	\$48,750	4	50%
Butler Settineri (Audit) Pty Ltd	4	\$58,215	5	49%

Based on the evaluation result the panel concluded that the quotation from Moore Stephens Perth provides best value to the City and is therefore recommended.

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 Services.
Budget amount	\$ 45,000
Amount spent to date	\$ 5,000
Proposed cost	\$ 27,500
Balance	\$ 12,500

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 submissions in accordance with the City's evaluation process and concluded that the offer submitted by Moore Stephens Perth represents best value to the City.

VOTING REQUIREMENTS

Absolute Majority.

Mayor Pickard and Cr Logan entered the room at 5.47pm.

The Chief Executive Officer left the room at 5.49pm.

MOVED Cr Poliwka, SECONDED Mayor Pickard that Council:

- 1 ACCEPTS the quotation submitted by Moore Stephens Perth for the provision of external audit services as specified in quotation 010/16 for a period of two years with an option for a further one year, for the fixed lump sum of \$55,500 (GST exclusive) and schedule of rates for meeting attendance, grant acquittals and any additional services;**
- 2 BY AN ABSOLUTE MAJORITY APPOINTS Moore Stephens Perth to be its auditor for a period of two years, to cover the audit of the 2015-16 and 2016-17 financial years, with an option for a further one year period.**

The Motion was Put and

CARRIED (7/0)

In favour of the Motion: Cr Hamilton-Prime, Mayor Pickard, Crs Fishwick, Jones, Logan, McLean and Poliwka.

Appendix 1 refers

To access this attachment on electronic document, clickhere: [Attach1agnAUDIT160614.pdf](#)

CLOSURE

There being no further business, the Presiding Member declared the meeting closed at 5.51pm; the following Committee Members being present at that time:

Cr Christine Hamilton-Prime
Mayor Troy Pickard
Cr Tom McLean, JP
Cr Nige Jones
Cr Russell Poliwka
Cr John Logan
Cr Sophie Dwyer