

**4.1 External Auditor Selection and Appointment - CONFIDENTIAL**

*This report provides the outcomes of the external audit contract tender evaluation for the consideration of the Audit Committee.*

*This is an update on a previously reported project, concept or issue.*

General Manager: Steve Mathewson, Chief Financial Officer  
 Report Author: Mike Gostlow, Coordinator Financial Governance and Internal Control  
 Contact Number: 8384 0132  
 Attachments: 1. Tender Evaluation Summary (2 pages)

**1 Executive summary****1.1 Topic**

This report provides the outcome of the external audit contract tender evaluation for the consideration of the Audit Committee (the committee).

**1.2 Context**

The current external audit contract with Dean Newbery and Partners (DNP) expires with the audit of the financial statements for the year ended 30 June 2010.

Section 128 of the Local Government Act (the Act) requires us to have an auditor who must be appointed by Council on the recommendation of the committee. In addition the committee's Terms of Reference provide that the committee will 'oversee' the process of appointment.

At its meeting on 7 December 2009 the committee considered a report on a proposed process for the selection and appointment of an external auditor and resolved:

*That the Audit Committee endorse the proposed process for the selection and appointment of our external auditor which includes the calling of select tenders.*

A further report regarding the draft tender documents was considered by the committee at its meeting on 22 February 2010. The committee resolved:

*That the Audit Committee note the draft external audit tender document provided as attachment 1 to the report.*

*That the Audit Committee note the list of audit providers to be invited to tender, as listed in attachment 2 to the report.*

*That the Audit Committee note the Tender Evaluation Plan as provided in attachment 3 to the report.*

*Delegation of two members (these members being the two independent members) of the Audit Committee be part of the evaluation panel for incoming tenders.*

In accordance with the process approved by the committee we sought tenders from four accounting firms. Tenders were received from two firms and the external audit contract tender evaluation panel (the evaluation panel) met to consider these on 21 April 2010.

The report provides the outcomes of the selection process for consideration by the committee and proposes a preferred tenderer for recommendation to Council.

### **1.3 Suggested outcome**

It is suggested that the committee consider this item in confidence in accordance with Section 90(3)(k) of the Act as it relates to the consideration of tenders for the supply of audit services to Council.

It is proposed that the committee recommend to Council that Dean Newbery and Partners be appointed as Council's external auditor for the 2010–11 and 2011–12 financial years with a right of renewal (at Council discretion) for the 2012–13, 2013–14 and 2014–15 financial years and that a copy of this report be attached to the confidential minutes of this meeting of the committee for Council consideration.

## **2 Recommendation(s)**

### **2. That:**

- a. under the provisions of Section 90(2) of the Local Government Act 1999 an order be made that the public be excluded from attendance at the meeting in order to consider in confidence this item.**
- b. the Audit Committee is satisfied that it is necessary that the public be excluded to enable the Audit Committee to consider the report at the meeting on the following grounds:**

**Section 90(3)(k) tenders for the supply of goods, the provision of services or the carrying out of works;**

- c. accordingly, on this basis the principle that meetings of the Audit Committee should be conducted in a place open to the public has been outweighed by the need to keep the information or discussion confidential.**
- 3. That the Audit Committee recommend to Council that it appoint Dean Newbery and Partners to be its external auditor for the 2010–11 and 2011–12 financial years with a right of renewal (at Council discretion) for the 2012–13, 2013–14 and 2014–15 financial years.**
- 4. That a copy of this report be attached to the confidential minutes of this meeting of the Audit Committee for Council consideration.**
- 5. That an order be made under the provisions of Section 91(7) and (9) of the Local Government Act 1999 that the abovementioned document (or part of such document) including the minutes and the report of the Audit Committee relating to discussion of the subject matter of that document, having been dealt with on a confidential basis under Section 90 of the Act,**

**should be kept confidential on the grounds of information contained in 90(3)(k) until the external audit contract has been signed by both parties to the contract or 31 December 2010, whichever is the sooner.**

## Key factors

### 3 Discussion

Section 128 of the Act requires Council to have an auditor and specifies eligibility criteria, the term of appointment and provisions for the auditor's reappointment. Section 128 also stipulates that the auditor is to be appointed by Council on the recommendation of the committee. In addition, the committee's Terms of Reference provide that the committee will 'oversee' the process of appointment of the auditor.

Consistent with the resolutions of the committee we have undertaken a select tender process in accordance with our standard procurement procedures. Four accounting firms (Dean Newbery and Partners (DNP), Ernst and Young, KPMG and PKF Australia Ltd (PKF)) were invited to tender. These firms were selected based on their experience (with an emphasis on the auditing of local government authorities), understanding of the industry and the resources to undertake the audit of an organisation the size and complexity of ours.

Tender submissions were received from two firms (DNP and PKF). The evaluation panel interviewed each tenderer and scored their tender against the predetermined qualitative criteria in accordance with the Tender Evaluation Plan. Both tenderers met all mandatory criteria.

The tender prices for the 2010–11 financial year of \$33,000 for DNP and \$34,100 for PKF (both GST inclusive) represent increases of approximately 11% and 14% respectively over the 2009–10 audit fee.

The Tender Evaluation Summary is provided as Attachment 1 to this report. This summarises the tender evaluation process undertaken and provides an analysis of the scoring of each tender against the evaluation criteria.

On the basis of the evaluation outcomes, the evaluation panel is proposing that Dean Newbery and Partners be recommended to Council for appointment as external auditor in accordance with the terms of contract contained in the tender documentation.