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Twenty Seventh SPREP Meeting of Officials

Alofi, Niue

19 – 21 September 2016

Agenda Item 8.3 : Appointment of Auditors

Purpose

1. To seek the Meeting's approval for the appointment of external Auditors, to conduct the annual audit of SPREP's accounts for the financial years 2016 and 2017.

Background

2. The term of office of the Secretariat's current external auditor – Betham & Co will expire on 31st October 2016. Financial Regulation 29 requires the SPREP Meeting, on the Director General's recommendation, to "appoint biennially, one or more Auditors in no way connected with the Secretariat on such terms as it sees fit to undertake the audit of the Secretariat's annual accounts".
3. The Secretariat advertised for tenders both locally and regionally for the audit of its 2016 and 2017 accounts.
4. Tender criteria requires firms to demonstrate that they have:
 - i. extensive experience in the audit of similar inter-governmental agencies or international/regional organisations;
 - ii. qualified personnel to undertake the audit assignment;
 - iii. demonstrated in its proposal its ability to conduct the audit in a competent and professional manner and in line with the International Standards on Auditing; and
 - iv. a competitive quote for the conduct of the assignment. It is essential to note that the "value for money" assessment will consider economical, efficiency and effectiveness, which does not necessarily favour the cheapest tender.

5. Six tender proposals were received at the closure of the tender, one from Samoa, three from Fiji and two from New Zealand. All six tenders satisfied the required criteria regarding experience and personnel and also demonstrated their abilities to conduct the audit in a competent and professional manner. The firms and their relevant backgrounds are as follows:
- i. BDO Samoa, formerly known as Betham & Co, Apia Samoa, and originally operated under the name of Coopers & Lybrand, have been the auditors for SPREP for 1994 to 2001 as well as the last 6 consecutive years. This firm has also conducted audits for other similar regional organisations and a range of state owned enterprises and private companies. BDO is the largest accounting firm in Samoa with 3 partners and 20 staff. The staff designated for the audit assignment are qualified and have considerable experience. The audit assignment is expected to be completed on timelines set by the Secretariat.
 - ii. Aurora Financials Limited, Wellington New Zealand is a specialist accounting, audit, risk management and business consulting firm with a range of clients globally particularly in the Pacific and New Zealand. The staff designated for the audit assignment are highly qualified and experienced. The audit assignment is expected to be completed within the timelines set by the Secretariat.
 - iii. PriceWaterhouse Coopers, Suva, Fiji is a branch of one of the world's largest audit professional organisations and is one of the major audit firms in the world. They have a total headcount exceeding 195,000 in 156 countries. PriceWaterhouse Coopers Fiji, is the largest professional services firm in Fiji, with 5 partners and over 100 staff with a substantial client base in the region. They have done work for SPC, the PIFS, other CROP and similar organisations. The staff designated for the audit assignment are highly qualified and experienced. The audit assignment is expected to be completed within the timelines set by the Secretariat.
 - iv. Grant Thornton, Wellington New Zealand is a branch of one of the world's leading providers of audit and assurance services. With more than 42,000 employees in over 130 countries. As one of New Zealand's leading accounting and advisory businesses they have 32 partners and over 200 staff and a range of private and public sector clients. The staff designated for the audit assignment are highly qualified and experienced. The audit assignment is expected to be completed within the timelines set by the Secretariat.
 - v. KPMG Fiji is a branch of one of the world's largest audit professional organisations, which has over 100,000 professional staff, with offices in 155 countries and is one of the major audit firms in the world. KPMG Fiji's audit clientele is extensive, they are the external auditors for PIFS, SOPAC, UNDP, USP, SPC to name a few. They have over 130 staff working out of offices in Suva and Nadi. The staff designated for the audit assignment are highly qualified and have had extensive exposure to external audits. The audit assignment is expected to be completed within the timelines set by the Secretariat.
 - vi. Ernst & Young, Suva, Fiji is part of a large global network with 212,000 staff worldwide and is one of the major audit firms in the world. Ernst & Young Fiji has extensive auditing experience in a wide range of companies, industries, institutions and organisations. They have done project audits for the PIFS, SOPAC, UNDP and EU. The staff designated for the audit assignment are highly qualified and experienced. The audit assignment is expected to be completed within the timelines set by the Secretariat.

6. The proposed costs from the six tenders are as follows :

Audit Firm	2016	2017	Total
BDO Samoa	14,375	14,375	28,750
Aurora Financials	12,000	12,000	24,000
Price Waterhouse Coopers	21,509	21,509	43,018
Grant Thornton	15,467	15,467	30,934
KPMG	23,594	23,594	47,188
Ernst & Young	19,690	20,675	40,365

The quotes from the firms based outside Samoa included the out of pocket expenses such as travel costs.

7. Based on the evaluation criteria, the tender evaluation committee's aggregate ranking were as follows:

1. BDO Samoa
 2. PriceWaterhouse Coopers
 3. KPMG & Aurora Financials
 4. Ernst & Young
 5. Grant Thornton
- The panel concluded that all six proposals met the evaluation criteria and were all technically capable of carrying out the work required. The main factor which differentiated the proposals were those that had regional experience relative to their client base.
 - BDO formerly known as Betham & Co. had been contracted as the External Auditors to SPREP for the last 6 years since the Audit of the financial year ending 31 December 2010. Legally, BDO is a new entity although it must be noted that the personnel are essentially the same
 - The panel noted that the 25SM adopted a recommendation from the tender committee that Betham & Co's last contract (2014 & 2015 Audits) was their last appointment so as to allow the Secretariat to rotate the appointment of the auditors.
 - One of the most important factors forming the basis of the panel's decision was that there has been very significant changes in SPREP's Finance personnel during this year. The key senior Finance staff members (Finance Administration Advisor, Financial Accountant, Project Accountants) now in charge have had no prior involvement with Betham as SPREP's auditors. There is no question of excessive personal familiarity, or not operating in an "arms length" role. For them, BDO Samoa (previously known as Betham & Co) is a new player, just like any competing firm. So the customary precautionary rationale for rotation is much diminished.

- Lastly, SPREP is currently undergoing cost control measures to explore savings where it can be accommodated. Hence savings in audit fees while ensuring that independence is not undermined, also played a role in the panel's decision although it is was not in itself a determinative factor.
- Given the reasons listed above in addition to the transition phase with a new FAA & FA the panel felt it would be beneficial to the Secretariat to appoint BDO Samoa as was also reflected in their leading scores from the tender results.
- Meanwhile, for SPREP to consider awarding this tender for external audit but for the financial year ending 31 December 2016 only and then to tender again next year for the external audits for the two (2) years 2017 and 2018.

Recommendation

8. The Meeting is invited to:

- **consider** the paper and **endorse** the appointment of BDO Samoa to audit SPREP's 2016 financial accounts.

5 September, 2016