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**AGENDA ITEM 9.5:**

**Appointment of External Auditors**

**Purpose of Paper**

1. To seek the Meeting's approval for the appointment of External Auditors to conduct the annual audit of SPREP's financial accounts for the financial years ending 31 December 2019 and 2020.

**Background**

2. The term of office of the Secretariat's current external auditor- KPMG, Fiji expired on 31<sup>st</sup> August 2019. Section 29 of the Financial Regulations 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 2019 and 2020 accounts.
4. Tender criteria require firms to demonstrate the following attributes:
  - i. Extensive experience in the audit of similar inter-governmental agencies or international / regional organisations;
  - ii. Qualified personnel to undertake the audit assignment;
  - iii. Demonstrate in its proposal the ability to conduct the audit in a competent and professional manner and in line with the International Standards on Auditing;
  - iv. Provides a competitive fee for the tender. It is essential to note that the "value for money" assessment will consider economy, efficiency and effectiveness, which does not necessarily favour the cheapest tender.
  - v. The tender application form including all required supporting documentation needs to be provided in order for the application to be considered.
5. SPREP received proposals from three potential suppliers within the deadline of which only two tenders satisfied the required criteria. The qualified firms and their relevant backgrounds are as follows:
  - **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. KPMG Fiji's audit clientele is extensive with external audit experience for various regional organisations such as PIFS, SPC, USP, SOPAC and UNDP to name a few. KPMG just completed its 2 year contract for the audit of SPREP for its financial years 2017 and 2018. They also have experience in auditing other companies in Samoa such as BAT,

Bluesky and ANZ. They have over 130 staff working out of offices in both Suva and Nadi. The audit team designated for the audit assignment are highly qualified personnel and have had extensive exposure to external audits. The audit assignment is expected to be completed with the timelines set by the Secretariat. KPMG has a current Temporary Certificate of Public Practice (TCPP) to conduct audits in Samoa. KPMG via their referees checked were highly commended for their professionalism, working well within timeframes and for providing appropriate technical and practical advice in various situations.

6. Lochan & Co is a Chartered Accounting firm registered in India to undertake assurance services relating to accounting and auditing. The firm was established in 1987 in India with various associate firms in other areas such as Asia, Africa and America. Their clientele has expanded to include international clients such as the African Union Commission, UNOPS Asia, ADB, UNDP projects audits in some of the implementing partners in the Pacific, World Bank Projects, UNICEF projects to name a few. The number of staff for Lochan & Co was not clear in the proposal, meanwhile, it identified the relevant personnel to be included in the proposed audit team all of whom are registered members of the Institute of Chartered Accountants in India. The audit assignment as per their proposal is expected to be completed within the timeframes set by the Secretariat. Meanwhile, Lochan & Co were unable to provide confirmation of eligibility to practice audit services in Samoa.
7. The proposed costs from the above tenders are as follows:

<b>Audit Firm</b>	<b>2019</b>	<b>2020</b>	<b>Total</b>
KPMG, Fiji	USD\$19,583.50	USD\$19,953	<b>USD\$39,536.50</b>
Lochan & Co	USD\$19,180	USD\$19,180	<b>USD\$38,360</b>

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

8. The panel concluded that both proposals met the conditions set as prerequisites for the assessment and were evaluated against the criteria.
9. Whilst Lochan & Co's proposal was very comparable to KPMG with international exposure, KPMG's knowledge of the business environment in the Pacific region as well as its audit work portfolio with numerous regional organisations particularly CROP agencies such as PIFs, SPC, SPREP and USP gives them an excellent advantage.
10. KPMG experience also well attested to both the quality and timeliness of its audit services rendered for the last 2 financial years for the Secretariat.
11. Although KPMG's price was slightly higher than Lochan & Co, the panel agreed that KPMG met all the technical specifications for the proposed audit engagement.
12. At the time of evaluation, there was no confirmation received from Lochan & Co that it has been accepted to practice audit in Samoa as governed by the Samoa Institute of Accountants for any audit engagements in the Country.

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

1. KPMG, Fiji
2. Lochan & Co

### **Recommendation**

14. The Meeting is invited to:

- **consider** the paper and **endorse** the appointment of KPMG, Fiji to audit SPREP's financial accounts for the financial years ending 31 December 2019 and 2020.

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17 July, 2019