

ITEM 16. TENDER - INTERNAL AUDIT SERVICES

FILE NO: 2016/503818

TENDER NO: 1649

SUMMARY

This report provides details of the tenders received for internal audit services.

The tenderers are required to provide internal audit support to the City's Internal Auditor by undertaking selected audits and the provision of individual auditors, as required, for particular projects for a period of three years from the commencement date, with the option for the City to extend for two further one-year periods.

Tenderers are required to demonstrate their capacity, financial and technical capability for completing the internal audit assignments within the required timeframe, have had previous experience on similar-sized projects and demonstrate a commitment to WHS and environmentally sound principles.

This report recommends that Council accept the tender offers of Tenderers 'A' and 'B' for internal audit services.

RECOMMENDATION

It is resolved that:

- (A) Council accept the tender offers of Tenderers 'A' and 'B' for internal audit services for a period of three years from the commencement date, with the option for the City to extend for two further one-year periods, if appropriate;
- (B) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the contracts relating to the tender; and
- (C) authority be delegated to the Chief Executive Officer to exercise the options referred to in clause (A), if appropriate, and negotiate the price to extend the contract accordingly.

ATTACHMENTS

Attachment A: Tender Evaluation Summary (Confidential)

Attachment B: Schedule of Rates for Recommended Tenderers (Confidential)

(As Attachments A and B are confidential, they will be circulated separately from the agenda paper and to Councillors and relevant senior staff only.)

BACKGROUND

1. The City's Internal Auditor is responsible for implementing an internal audit program of independent, objective assurance and consulting activities designed to add value and improve the City's operations and performance. The internal audit program accomplishes its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
2. The City has a strategic three-year audit plan, which is updated annually. The first year of the three-year audit plan comprises the annual operational audit program.
3. Internal Audit undertakes approximately 25 audits per financial year. Of those, approximately 60 percent of coverage will normally focus on a blend of performance and operational, financial, and compliance audits. Approximately 20 percent will focus mainly on Information Technology systems, with the balance on specialist or consulting and advisory activities.
4. The City has had an outsourced arrangement for the previous five years (three plus two contract) for the provision on internal audit services in support of the City's Internal Auditor. This contract expires on 31 December 2016.
5. The City has again advertised a tender; and intends to establish a ranked panel of two suitable firms to support the City's Internal Auditor undertake the audit program and assist with audit planning.
6. It is intended that, subject to the City's determination, the majority of each annual audit program of reviews will be allocated to the first ranked firm, with the second ranked firm providing additional services on the basis of need for additional capacity, specialised expertise, etc. The City's Internal Auditor will allocate all work based on the City's requirements and demonstrated professional expertise of the providers.

INVITATION TO TENDER

7. The tender was publicly advertised in The Sydney Morning Herald, The Daily Telegraph and ETender on Tuesday 19 July 2016. The tender closing date was Thursday 11 August 2016.

TENDER SUBMISSIONS

8. Nine tender submissions were received by close of tender from the following organisations (listed alphabetically):
 - BDO East Coast Partnership
 - Centium Group Pty Ltd
 - Crowe Horwath (Australia) Pty Ltd
 - Ernst & Young
 - Hill Rogers
 - InConsult Pty Ltd

- O'Connor Marsden & Associates Pty Ltd
- Pitcher Partners NSW Services Pty Ltd
- RSM Australia Pty Ltd

9. No late submissions were received.

TENDER EVALUATION

10. All members of the Tender Evaluation Panel have signed Pecuniary Interest Declarations. No pecuniary interests were noted.
11. The relative ranking of tenders as determined from the total weighted score is provided in the confidential Tender Evaluation Summary – Attachment A.
12. All submissions were assessed in accordance with the approved evaluation criteria being:
 - (a) demonstrated capacity and technical ability to carry out the work under the contract. Demonstrated managerial capability, qualifications, experience and number of personnel, including expertise and continuity of audit teams for the duration of the contract and quality of allocated team;
 - (b) capacity to achieve the required project program;
 - (c) the proposed Internal Audit methodology, including computer assisted audit techniques and technologies;
 - (d) communication and quality assurance – ensuring high quality outputs of the audit process; including superior standard of business writing, as well as customer service;
 - (e) innovation and 'value add' - what value adds are offered to the City's Internal Audit function to help enhance the function to the City; consider the offerings on how the City's Internal Audit function could be more innovative and how the service provider can be more innovative in provide its services;
 - (f) environmental management;
 - (g) insurances;
 - (h) financial stability and financial position of the tenderer; and
 - (i) schedule of prices.

PERFORMANCE MEASUREMENT

13. Performance measurement of the outsourced providers will include: achievement against key objectives and deliverables; quality of work; timeliness against plan and assignment objectives; reporting, including logic of findings and recommendations; communication; work, health and safety compliance.

RELEVANT LEGISLATION

14. The tender has been conducted in accordance with the Local Government Act 1993, the Local Government (General) Regulation 2005 and the City's Contracts Policy.
15. Attachments A and B contain confidential commercial information of the tenderers and details of Council's tender evaluation and contingencies which, if disclosed, would:
 - (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
16. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

CRITICAL DATES / TIME FRAMES

17. The internal audit program will be conducted in accordance with the Internal Audit Plan approved by the Audit, Risk and Compliance Committee.
18. The contract will commence from 1 January 2017.

ANTHONY LENEHAN

Director Legal and Governance

Barry Munns, Manager Internal Audit