

7 Presentation of officer reports

7.7 Contract 2021/104 Internal Audit

Executive Summary

Purpose

This report seeks Council endorsement to award Contract No. 2021/104 - Internal Audit Consultancy Services.

Background

This contract engages an Internal Auditor to assist Council to manage its strategic risks and support the Audit and Risk Committee.

Sections 53 and 54 of the *Local Government Act 2020* require Council to have an Audit and Risk Committee subject to an Audit and Risk Committee Charter. Council's Audit and Risk Committee Charter requires Council to engage an internal auditor to perform the internal audit function.

Key Issues

The procurement was by public tender with an evaluation panel included senior officers and an Audit and Risk Committee member as required by Council's Procurement Policy and the Audit and Risk Committee Charter.

The preferred tenderer achieved the highest qualitative and quantitative result.

The proposed contract replaces a previous contract. The proposed contract initial term is for three (3) years with two options for Council to extend of one (1) year each. This contract replaces its predecessor which expired in November 2022. The estimated cost of this contract (including the two discretionary options) over five years is \$650,000 (excluding GST).

Confidentiality

Confidential information is contained in **Attachment 1**, as circulated in the confidential section of the agenda attachments, in accordance with Section 66(2)(a) and the definitions of 'confidential information' in section 3(1) of the *Local Government Act 2020*. The information relates to:

- (a) Council business information, being information that would prejudice the Council's position in commercial negotiations if prematurely released;
- (g) private commercial information, being information provided by a business, commercial or financial undertaking that—
 - i. relates to trade secrets; or
 - ii. if released, would unreasonably expose the business, commercial or financial undertaking to disadvantage;

The item has been included in the public agenda to facilitate transparency and accountability in Council's decision making.

If discussion of the confidential information in the attachments to this report is required in order for Council to make a decision, this item will be deferred to the confidential section of the agenda.

Officers' recommendation

That Council resolve:

1. To award Contract No. 2021/104, Internal Audit Consultancy Services to Findex (Aust) Pty Ltd trading as Crowe Australia (ABN 84 006 466 351) at their tendered schedule of rates for an initial contract period of three (3) years plus two optional extension periods each or one year to be exercised at the discretion of Council. The estimated total contract cost is \$650,000 (excluding GST).
2. To authorise the Manager, Governance and Legal to sign and execute the contracts on behalf of the Council and to authorise invoices to an amount not exceeding the total contract price and any approved contingency.
3. To authorise the Manager, Governance and Legal to negotiate and execute optional extension periods.
4. To note that expenditure under this contract is in accordance with Council's 2022/23 adopted budget and expenditure in future years will be in accordance with the approved budget allocations.

Responsible director: **Phillip Storer, Chief Executive Officer**

1. Purpose

This report seeks Council endorsement to award Contract No. 2021/104 - Internal Audit Consultancy Services.

2. Policy implications and relevance to community plan and council plan

This contract aligns with the following themes and strategies in the Boroondara Community Plan (2021-31) and Council Plan (2021-25):

Theme 7 – Leadership and Governance

Strategy 7.2 - Resources are responsibly allocated and used through sound financial and asset planning, procurement and risk management practices

This procurement process has been carried out in accordance with the requirements of Council's Procurement Policy 2021-25.

3. Background

Sections 53 and 54 of the *Local Government Act 2020* require Council to have an Audit and Risk Committee subject to an Audit and Risk Committee Charter. Council's Audit and Risk Committee Charter requires Council to engage an internal auditor to perform the internal audit function.

Invitation to tender

In accordance with Council's Procurement Policy 2021-25, Council invited public tenders from suitably qualified organisations for internal audit consultancy services.

An invitation to tender was advertised in the local government tenders section of "The Age" newspaper on 10 September 2022 and on Council's website. The closing date for submissions was 4pm, 26 September 2022.

In response to the advertisement, Council received four tender submissions:

- Pitcher Partners Consulting Pty Ltd (incumbent)
- Findex (Aust) Pty Ltd trading as Crowe Australia (Crowe)
- HLB Mann Judd (Vic) Pty Ltd
- NTT Australia Digital Pty Ltd

4. Outline of key issues/options

Tenderers were expected to have and demonstrate capacity to deliver an audit program consistent with Council's key risks. Tenderers were asked to:

- explain how they would meet the specification and provide the requested services;
- set out their capability and capacity to provide the requested services;
- highlight expertise and experience delivering services to local government;

- provide a schedule of rates to conduct various internal audits;
- provide an estimate of the time and tasks associated with a sample of audits set out in the specifications; and
- provide a sample internal audit report.

The evaluation panel assessed all four tenders against five criteria:

1. Proposed Audit Program, Methodology and Reporting
2. Proven Past and Relevant Local Government Experience including ability to meet timelines
3. Proposed team capability, qualifications, and experience
4. Innovation in service delivery and value add
5. Overall value for money benefit to Council based on financials and price

The preferred tenderer achieved the highest overall qualitative and quantitative score. They had substantial experience in the local government sector including comparable councils. The preferred tenderer also had extensive internal audit capability with expertise across all areas sought by Council. They provided very competitive pricing and referees returned comments consistent with the evaluation panel's assessment.

5. Collaborative Procurement Opportunities

While it is possible to collaborate with another Council or Councils to procure internal audit services, there are two practical difficulties with doing so. Firstly, while most councils have similar functions that require internal audit, the risk profile of councils vary. A collaborative tender response for multiple councils may not provide the bespoke response to address Council's specific needs. Secondly, Councils require internal auditors on an almost continuous basis. Practically, this makes it more difficult to find another Council or Councils in a similar contract cycle requiring these services at the same time as the City of Boroondara.

6. Consultation/communication

External public consultation was not suitable for this procurement. The Audit and Risk Committee as a key stakeholder was represented by its Chair on the evaluation panel and each stage of the procurement was communicated to him.

7. Financial and resource implications

Council's 2022/23 adopted budget contains a budget allocation for internal audit works as outlined in the confidential evaluation report.

Council does not guarantee the appointed contractors a minimum quantity of work in relation to any of the contract components. The amount of works performed will be in accordance with the need and budgetary allocations each year. Payment will be made in line with the respective Tenderer's Schedule of Rates.

8. Governance issues

The implications of this report have been assessed in accordance with the requirements of the Victorian Charter of Human Rights and Responsibilities.

The officers responsible for this report have no general or material interests requiring disclosure.

This tender process has been carried out in accordance with the requirements of Council's Procurement Policy 2021-25.

9. Social and environmental issues

This contract will have a positive outcome on social issues by offering the community a level of comfort that Council policies, processes and functions are scrutinised through internal audit. There are no particular environmental impacts from the delivery of this service.

10. Evaluation and review

The evaluation report is provided as **Confidential Attachment 1**.

As a result of the evaluation, the evaluation panel recommends that Council award Contract No. 2021/104, Internal Audit Consultancy Services to Findex (Aust) Pty Ltd trading as Crowe Australia (ABN 84 006 466 351).

Manager: Bryan Wee, Manager Governance and Legal
Report officer: Bryan Wee, Manager Governance and Legal