

**3.2 TENDER FOR INTERNAL AUDIT SERVICES**

(CF2019093: FF)

Responsible Director: Danny Wain

**RECOMMENDATION\****That Council:*

- 1. Awards the tender from Crowe Horwath Melbourne for internal audit services, Contract No. 2019093 or a schedule of rates based contract with an estimated annual contract value of \$137,500 and an estimated total contract value of \$687,500 inclusive of all available extension options.*
- 2. Authorises the Chief Executive Officer or their delegate to execute the contract agreement.*
- 3. Notes that the contract will commence from 1 July 2019, with an initial term of 3 years and the contract has two extension options of one year each and authorises the Chief Executive Officer to approve extension options subject to satisfactory performance.*

*(\*please note that all dollar figures are GST inclusive unless stated otherwise)***INTRODUCTION**

Council has tendered for Internal Audit Services as a consequence of the existing service contract expiring on 30 June 2019.

**BACKGROUND**

Council is seeking to appoint a contractor for the provision of Internal Audit Services for Monash City Council.

Council's current contract for Internal Audit with Pitcher Partners expires on 30 June 2019. Pitcher Partners has been the provider of Internal Audit Services to Monash City Council for the past 3 years.

**NOTIFICATION**

A public notice was placed in The Age newspaper on Wednesday 3rd February 2019 and the tender closed on Friday 22nd February 2019.

**TENDERS RECEIVED**

Seven tender submissions were received by the appointed closing time. The tenders received are listed below:

Crowe Horwath Melbourne  
DFK Kidsons Partnership  
Grant Thornton Australia Limited  
HLB Mann Judd

KPMG  
Oakton  
Pitcher Partners

**Tender Conformance:**

All submissions were assessed for their compliance with the tender conditions including the contractual terms and conditions and the requirements of the response schedules. All tender submissions were deemed conforming.

**TENDER EVALUATION**

All members of the evaluation panel signed Conflict of Interest and Confidentiality forms and no conflicts were raised.

**Evaluation Criteria:**

The tenders were assessed in accordance with the evaluation criteria published in the tender documentation: *(Note: Financial Viability may be treated as either a weighted percentage or pass/fail)*

Key	Key Evaluation Criteria	Weighting (%)
Non-Price (40%)	<i>Internal Audit Experience</i>	10%
	<i>Demonstrated understanding of risks in a local government sector</i>	10%
	<i>Innovation and audit experience</i>	10%
	<i>Staff seniority/experience mix</i>	10%
Price (60%)	<i>Tender Price</i>	60%
	<b>Total</b>	<b>100%</b>

**DISCUSSION**

The following information supports the evaluation panel's recommendations.

The Panel shortlisted the four highest ranking tenderers for interview, which involved using the highest overall scores, obtained by assessing the tenderers' scores against the qualitative and price criteria.

Following the panel interviews, the initial qualitative scores developed by the panel for short listing purposes were updated to reflect the final qualitative assessment.

The final evaluation ranking (including the price and non-price evaluation criteria) had Crowe Horwath Melbourne ranked highest and as such, the evaluation panel recommends Crowe Horwath Melbourne as representing the best value outcome for Council.

Reference checks were also conducted and all provided positive affirmation of the panel's decision.

**FINANCIAL IMPLICATIONS**

The cost per annum as provided in the tender by Crowe Horwath Melbourne for the delivery of the 1,000 hour standard audit program is broken down by year in the following table.

	<b>Lump Sum Price excl GST</b>	<b>GST</b>	<b>Lump Sum Price incl GST</b>
<b>Year 1</b>	\$125,000	\$12,500	\$137,500
<b>Year 2</b>	\$125,000	\$12,500	\$137,500
<b>Year 3</b>	\$125,000	\$12,500	\$137,500
<b>Total</b>	<b>\$375,000</b>	<b>\$37,500</b>	<b>\$412,500</b>

The 2019/20 draft budget allocation for Internal Audit services amounts to \$230,000 and consists of the following:

- \$125,000 (net of GST) for Year 1's standard audit program
- \$50,000 (net of GST) for ad-hoc reviews including audits relating to specific issues and/or review of the tender and evaluation of major projects
- \$55,000 (net of GST) for the development of assurance mapping & its integration with risk management and support for fraud & corruption prevention and process improvement.

**CONCLUSION**

That Council approves the recommendations contained within this report.