

19.1 CORPORATE SERVICES

**19.1.1 Service Review and Internal Audit Services – Appointment of Provider–
CONFIDENTIAL**

Council Meeting: 17 July 2023

Author’s Title: Manager Governance

File No.: 5-4

Directorate: Corporate Services

Annexures:

A – Audit and Risk Committee Report

Officer Direct or Indirect Conflict of Interest:

*In accordance with Local Government Act 1999,
Section 120*

Status:

*Information classified confidential under
Section 90(2) of the Local Government Act*

Yes

No

Yes

No

Reason – This report is considered confidential on the basis that it contains information of a commercial nature consistent with Sections 90(3)(b) of the Local Government Act 1999

RECOMMENDATION

Pursuant to Section 90(2) and (3)(b) of the Local Government Act 1999, the Council orders that the public be excluded from the meeting with the exception of Justin Commons; Chief Executive Officer, Kristin Clark; Director City Infrastructure, Kathy Jarrett; Director Corporate Services, Jade Ballantine; Director City Growth, Irene Adair; Manager Governance, Grant Jennings; Manager Finance, Michelle Armstrong; Executive Co-ordinator – CEO and Mayor and Lisette Symons; Executive Co-ordinator – Corporate Services for Agenda Item 19.1.1 –Service Review and Internal Audit Services – Appointment of Provider.

The Council considers that the requirement for the meeting to be conducted in a place open to the public has been outweighed in circumstances where the Council will receive and consider a report containing information the disclosure of which could reasonably be expected to prejudice the commercial position of the Council and would, on balance, be contrary to the public interest.

PURPOSE

To seek Council's approval to engage BDO Services Pty Ltd for the provision of a Service Review and Internal Audit Services for the Whyalla City Council.

DISCUSSION

In May 2023, the Audit and Risk Committee endorsed the issuing of a request for proposal (RFP) seeking Service Review and Internal Audit Services. An open RFP was subsequently undertaken, with six proposals now being received and evaluated.

The six proposals were evaluated, resulting in BDO Services Pty Ltd being recommended as representing the best value based on their methodology, capability, capacity and experience in providing similar services across local government.

The Audit and Risk Committee considered the report provided at **Annexure "A"**, during their meeting held on 17 July 2023, and a verbal update will be provided to Council during the meeting as to the Committee's recommendations.

RECOMMENDATION

Council:

- 1. approves the engagement of BDO Services Pty Ltd as the provider Service Review and Internal Audit Services for the Whyalla City Council; and**
- 2. having considered Agenda Item 19.1.1 – Service Review and Internal Audit Services – Appointment of Provider in confidence, under Sections 90(2) and (3)(b) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Act, orders that this Report, any Annexures to this Report and the Minutes pertaining to this item, be kept confidential and not available for public inspection for a period of 7 years, except insofar as is necessary to implement the Council's decision on the basis that it contains commercial information the disclosure of which could reasonably be expected to prejudice the commercial position of the Council, notwithstanding that it will be reviewed annually in February of each year.**

4. CONFIDENTIAL ITEMS

**4.3 Service Review and Internal Audit Services – Appointment of Provider–
CONFIDENTIAL**

Audit and Risk Committee Meeting: 17 July 2023
Author’s Title: Manager Governance **File No.:** 0.159
Directorate: Corporate Services

Annexures – Nil

Officer Direct or Indirect Conflict of Interest: *In accordance with Local Government Act 1999, Section 120*
Status: *Information classified confidential under Section 90(2) of the Local Government Act*

Yes **No** **Yes** **No**

Reason – This report is considered confidential on the basis that it contains information of a commercial nature consistent with Sections 90(3)(b) of the Local Government Act 1999

RECOMMENDATION

Pursuant to Section 90(2) and (3)(b) of the Local Government Act 1999, the Committee orders that the public be excluded from the meeting with the exception of Justin Commons; Chief Executive Officer, Kristin Clark; Director City Infrastructure, Kathy Jarrett; Director Corporate Services, Jade Ballantine; Director City Growth, Irene Adair; Manager Governance, Grant Jennings; Manager Finance and Lissette Symons; Executive Co-Ordinator – Corporate Services for Agenda Item 4.3 –Service Review and Internal Audit Services – Appointment of Provider.

The Committee considers that the requirement for the meeting to be conducted in a place open to the public has been outweighed in circumstances where the Committee will receive and consider a report containing information the disclosure of which could reasonably be expected to prejudice the commercial position of the Council and would, on balance, be contrary to the public interest.

PURPOSE

To seek the Audit and Risk Committee's recommendation to Council to engage BDO Services Pty Ltd for the provision of a Service Review and Internal Audit Services for the Whyalla City Council.

SUMMARY

In May 2023, the Audit and Risk Committee endorsed the issuing of a request for proposal (RFP) seeking Service Review and Internal Audit Services. An open RFP was subsequently issued via Tenders SA, closing on 16 June with six (6) proposals being received.

The six proposals were evaluated, resulting in BDO Services Pty Ltd being recommended as representing the best value based on their methodology, capability, capacity and experience in providing similar services across local government.

RECOMMENDATION

That the Audit and Risk Committee:

- 1. recommend to Council the engagement of BDO Services Pty Ltd as the provider Service Review and Internal Audit Services for the Whyalla City Council;**
- 2. having considered Agenda Item 4.3 – Service Review and Internal Audit Services – Appointment of Provider in confidence, under Sections 90(2) and (3)(b) of the Local Government Act 1999, the Committee pursuant to Section 91(7) of the Act, orders that this Report, any Annexures to this Report and the Minutes pertaining to this item, be kept confidential and not available for public inspection for a period of 7 years except insofar as is necessary to implement the Committee's decision on the basis that it contains commercial information the disclosure of which could reasonably be expected to prejudice the commercial position of the Council, notwithstanding that it will be reviewed annually in February of each year.**

4.3 Service Review and Internal Audit Services – Appointment of Provider– **CONFIDENTIAL**

BACKGROUND / DISCUSSION

In May 2023, the Audit and Risk Committee endorsed the issuing of a request for proposal (RFP) seeking Service Review and Internal Audit Services. An open RFP was subsequently issued via Tenders SA, closing on 16 June with six (6) proposals being received.

The RFP was open for the period of 22 May to 16 June 2023. An industry briefing was held via Teams on Thursday 1 June 2023.

The evaluation panel comprised the Director Corporate, Manager Governance and Manager Finance. The evaluation criteria were:

Selection Criteria	Weighting
Technical Project Approach/ Methodology Proposed Work Plan	35%
Capability Respondent’s relevant experience Qualifications/ Experience of proposed key staff	35%
Cost	30%

Rating Scale:

- 10 = Outstanding offer, greatly exceeds criterion
- 8 = Very good offer, exceeds criterion
- 6 = Good offer, no deficiencies, meets criterion
- 4 = Fair offer, few deficiencies, almost meets criterion
- 2 = Marginal offer, some deficiencies, partly meets criterion
- 0 = Inadequate offer, many deficiencies, does not meet criterion

The initial evaluation of the proposals produced the following results:

Respondent	Technical		Capability		Cost		Weighted Score			Rank
	SR	IA	SR	IA	SR	IA	SR	IA		
A	4	6	6	7	10	10	66.17	74.33	140.5	4
B	7	8	9	9	5	6	71	77.5	148.5	1
C	6	9	8	7	6	6	73.6	72.8	146.2	3
D	7	7	6	6	9	9	73.6	73.6	147.2	2
E	7		7		6		67			5
F	6		7		4		57.5			6

Based on the above evaluation Respondents B, C and D were shortlisted for presentation to the Evaluation Panel, the Chief Executive Officer and the Chair of the Audit and Risk Committee.

In relation to Respondents E and F, the evaluation committee considered that the breaking the service provision between Service Reviews and Internal Audit was not warranted given the ranking of the respective proposals.

During their presentation, the Respondents were asked to address the following questions:

1. From your perspective, what “value” do you think you can deliver Council from the service review program, and how would you demonstrate “value for money” to ratepayers from this program?
2. Council’s briefing made it clear that we have challenging circumstances, limited resources, and significant opportunities on our doorstep. (Given this) how will you implement the service review and internal audit programs without excessive impost on Council’s resources, whilst still meeting the goals of the program?
3. How do you see the delivery of service reviews for such a wide array of council services? In particular, how would you bring relevant skills to each service review assignment to ensure each review is fit for purpose?
4. Both the Service Review and Internal Audit programs will need to be scalable. How do you envisage developing the programs?
5. What key steps will you take to develop a relationship with Council’s External Auditor, and ensure there is no duplication of audit effort?
6. How will you go about developing a partnering relationship with Council?

Following the presentations, each of the attendees concurred that Respondent B, being BDO Services Pty Ltd represented the best value based on their methodology, capability and capacity to deliver the services.

There were several key factors that led to this position:

- BDO demonstrated significant local government experience in providing a range of services to SA Councils in business improvement, internal and external audit.
- BDO also presented a good reflection of the circumstances facing Whyalla, and it was felt that they will provide significant assistance in contributing to Whyalla’s future both in terms of Council’s financial position but also service delivery for Whyalla residents.
- BDO’s cost base is the 2nd highest of the proponents and whilst cost is an important factor, BDO demonstrated the scalability of their program to suit Council’s needs and budget.

Next Steps

Should the Committee recommend to Council the engagement of BDO Services for the provision of Service Review and Internal Audit Services, a report will be presented to Council at their meeting to be held on 17 July 2023. Note that in preparation for this meeting, a copy of this report has been included in the Council Agenda for this meeting. Should Council resolve to appoint BDO, a Service Agreement will be executed with the view to commencing services by early August 2023.

Financial Implications

The delivery and cost of BDO’s Service Review and Internal Audit Services are scalable, and accordingly will fit within Council’s current budget of approximately \$75,000 per annum.

Strategic Plan

Objective 1.1 Unearth community pride within the city

Objective 1.2 To create a vibrant, diverse, actively engaged community with a sense of belonging.

Objective 4.1 Instil community pride

Objective 4.2 To create an attractive city for the community, visitors, and potential investors.

Objective 1.1 – Unearth community pride within the city

Strategy 1.1.2 – Take a proactive, collaborative approach to the revitalisation of council services to ensure that they adopt to the changing needs and expectation of the community.

Legislation

The engagement of BDO and establishing a Service Review and Internal Audit program will ensure Council complies with the requirements of the Local Government Act 1999 (the Act).

As the Committee is aware, one of Council's roles as outlined in the Act is to keep the Council's resource allocation, expenditure and activities and the efficiency and effectiveness of its service delivery, under review.

This role contributes towards Council upholding the following principles in the performance of its roles and functions, also outlined in the Act:

- Effective and efficient provision of services, facilities and programs
- Balancing the provision of services, facilities and programs against the financial impact on customers/ratepayers
- Achieving and maintaining standards of good public administration
- Ensuring long term financial sustainability.

Council currently has several ways in which it discharges the above responsibilities including regular performance monitoring and reporting; customer/community feedback; risk management and financial reporting.

Council does not however have an internal audit or service review program, activities which have become well-established (and increasingly important) business practices across private, government and non-government organisations seeking to improve their operations, manage risks effectively, and comply with laws and regulations.

Officer Direct or Indirect Interest - Nil

Risk Assessment

Establishing a service review and internal audit program will contribute to Council's risk management strategies, including its work towards financial sustainability.

Social Considerations

Service reviews and internal audit will contribute to the delivery of public value.

Community Engagement – Nil for this report, noting however that community engagement will be undertaken as part of any future service reviews.

Environmental Implications – Nil

Communication - Nil.

Conclusion

The establishment of a service review and internal audit program will play a critical role in Council achieving and maintaining financial sustainability over the coming years by keeping Council's resource allocation and service delivery under review. It will provide numerous benefits including compliance with legislative and regulatory requirements, improved governance and risk management, enhanced efficiency and effectiveness, better decision-making, improved accountability and transparency and achieving good standards of public administration.

After conducting an RFP process to determine a suitable service provider, it is recommended that the Audit and Risk Committee recommend to Council the appointment of BDO Services.

19. Consideration of Confidential Items

19.1 Corporate

19.1.1 Service Review and Internal Audit Services – Appointment of Provider– *CONFIDENTIAL*

Moved Cr Campbell, seconded Cr Simpson

C4819-2023

Pursuant to Section 90(2) and (3)(b) of the Local Government Act 1999, the Council orders that the public be excluded from the meeting with the exception of Justin Commons; Chief Executive Officer, Kathy Jarrett; Director Corporate, Irene Adair; Manager Governance, Grant Jennings; Manager Finance, Sue King; Manager People and Culture, Gail Rostig; Manager City Activation, Robyn Nottle; Manager Assets and Planning, Steve Harrison; Consulting Chief Economic Advisor, Michelle Armstrong; Executive Co-ordinator – CEO and Mayor and Lisette Symons; Executive Co-ordinator – Corporate for Agenda Item 19.1.1 – Service Review and Internal Audit Services – Appointment of Provider.

The Council considers that the requirement for the meeting to be conducted in a place open to the public has been outweighed in circumstances where the Council will receive and consider a report containing information the disclosure of which could reasonably be expected to prejudice the commercial position of the Council and would, on balance, be contrary to the public interest.

Carried

Moved Cr Klobucar, seconded Cr Borda

C4820-2023

Council:

1. approves the engagement of BDO Services Pty Ltd as the provider Service Review and Internal Audit Services for the Whyalla City Council, for a term of three years; and
2. having considered Agenda Item 19.1.1 – Service Review and Internal Audit Services – Appointment of Provider in confidence, under Sections 90(2) and (3)(b) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Act, orders that this Report, any Annexures to this Report and the Minutes pertaining to this item, be kept confidential and not available for public inspection for a period of 7 years, except insofar as is necessary to implement the Council's decision on the basis that it contains commercial information the disclosure of which could reasonably be expected to prejudice the commercial position of the Council, notwithstanding that it will be reviewed annually in February of each year.

Carried