



# **TENDERING CONDITIONS AND STATEMENT OF REQUIREMENTS**

**RFT 06/2023 – External audit of the University of  
Newcastle and its controlled entities**

Tender Issue Date: 05/05/2023

Closing Date: 05/06/2023

Closing Time: 5:00pm AEDT

## Contact Officer

Tenderers should refer requests for information or advice regarding this RFT to:

CONTACT NAME	Peter Coulogeorgiou, Executive Director Finance and Performance
CONTACT POSTAL ADDRESS	The Audit Office of NSW, GPO Box 12, SYDNEY NSW 2000
CONTACT PHONE	02 9275 7260
CONTACT EMAIL ADDRESS	procurement@audit.nsw.gov.au

Any information given to a tenderer to clarify any aspect of this RFT will also be given to all other tenders if in the opinion of the Audit Office of NSW it would be unfair not to do so.

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# RFT OVERVIEW

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## 1. Scope of RFT

### 1.1 Purpose

- 1.1.1 This Request for Tender seeks tenders from audit firms capable of delivering high quality external audit services to the Auditor-General for NSW (Auditor-General) for the Auditees listed in Schedule 1, and as described in the Statement of Requirements in the Tendering Conditions.

### 1.2 Contract and Duration

- 1.2.1 The Auditor-General (the Principal) will enter into a contract in the form of the 'Agreement to Provide Auditing Services' (the Head Agreement) with the successful tenderer to provide external audit services to the Principal.
- 1.2.2 The contract will cover the audits of the financial years ending 31 December 2023 to 31 December 2025 with an option to extend for the 31 December 2026 and 31 December 2027 financial years.

### 1.3 Payment for auditing services

- 1.3.1 Tenderers will be required to provide a fixed price for the external audit of the Auditee for the year ending 31 December 2023. Such amount is exclusive of direct reimbursable expenses which are capped. The method of escalation after the first year will be based on the lower of the Consumer Price Index - All Group Sydney (ABS Catalogue 6401.0) or 2.5 per cent.
- 1.3.2 It is not envisaged the price for the audit services will deviate from the agreed prices over the life of the contract, unless the scope of the audits change and the Principal agrees to the changes.

### 1.4 NSW Government requirements

- 1.4.1 The successful tenderer must comply with applicable NSW Government policies, guidelines, and Standards, as listed in the Head Agreement including the NSW Government Procurement Policy Framework.

## 2. RFT Structure

### 2.1 Tendering Conditions and Statement of Requirements

- 2.1.1 This provides the terms, conditions and processes governing the tender phase of the RFT. The Statement of Requirements is a detailed description of the external audit services to be provided by the successful tenderer including technical specification, service levels and performance framework. Taken together with the accepted parts of the tenderer's response, this will form part of the Head Agreement.

### 2.2 Tender Response

- 2.2.1 This is the response prepared by the tenderer to enable the Principal to evaluate the tenderer's offers. The tenderer must also complete Attachment A 'Supplementary Tender Response', Attachment B 'Audit hours and fees' and an online Third Party Information Security self-assessment.

## **2.3 Head Agreement**

- 2.3.1 This is the 'Agreement to Provide Auditing Services' which is available as a specimen version on the Audit Office of NSW (the Audit Office) website at <https://www.audit.nsw.gov.au/audit-service-providers>. Tenderers should note the Audit Office is currently reviewing the current agreement and there may be some minor changes to the terms and conditions. This includes the addition of standard clauses relating to managing the risk of modern slavery in the supply chain. Once the agreement is updated, the Audit Office will inform tenderers.

It contains the terms and conditions of the contractual arrangement proposed to be made between the successful tenderer and the Principal to enable the supply of the external audit services.

## **3. Performance Framework**

The Principal is committed to engaging audit firms who are able and willing to continually improve their performance during the term of the proposed Head Agreement.

# TENDERING CONDITIONS

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## 4. Tender Preparation

### 4.1 Tenderer to inform itself

4.1.1 Before submitting its tender, a tenderer must:

- a) examine all information relevant to the risks and contingencies and other circumstances having an effect on its tender
- b) satisfy itself:
  - a) that the tender, including the price offered is correct
  - b) that it is financially and practically viable for it to enter into and perform the proposed Head Agreement.

4.1.2 Tenderers must not contact the auditee before the close of tenders without the approval of the Audit Office.

### 4.2 Assumptions made by Tenderer

4.2.1 Where a tenderer has made assumptions in preparing its tender, such assumptions must be set out in a supporting statement and submitted with the tender.

### 4.3 Information Supplied

4.3.1 The information contained in the Statement of Requirements has been provided with due care and is intended only for the tenderer's guidance, but is not guaranteed as being accurate for future needs.

## 5. Eligibility to Tender

### 5.1 Legal Entity of Tenderer

5.1.1 Tenders must be submitted by a legal entity with the capacity to contract. The Principal will only enter into a Head Agreement with such legal entity.

5.1.2 The Principal may ask a tenderer to provide evidence of its legal status or capacity to contract. If tenders from entities propose to contract in their capacity as trustees, such evidence may include copies of the relevant trust deeds. Any evidence requested is to be provided within 3 working days of the request.

### 5.2 Financial Capacity of Tenderer

5.2.1 The Principal reserves the right to reject any tender if the Principal judges the tenderer not to have appropriate financial capacity. The financial capacity of a tenderer includes, but is not limited to, the following factors in relation to the tenderer, its parent or associated entities:

- a) Significant events, matters or circumstances affecting the operations of the tenderer
- b) Mergers or acquisitions occurring within the past twelve months
- c) Bankruptcy actions against a director within the past five years
- d) De-registration actions
- e) Other factors that impacts on the financial capacity of the tenderer.

5.2.2 Where the Principal forms the view that the tenderer does not have the appropriate financial capacity, the Principal reserves the right to make acceptance of any tender conditional upon the tenderer entering into a bank, parent company or personal guarantee, or an unconditional performance bond in a form satisfactory to the Principal.

### 5.3 ABN Requirements

- 5.3.1 The Principal will not enter into an Agreement with a local audit firm that does not have an Australian Business Number and is not registered for GST. Tenderers are to provide their GST and ABN details in their tender.

### 5.4 Pricing

- 5.4.1 Fixed pricing of the external audit services for each auditee for financial year ending 31 December 2023 must be provided:

- a) by hours and hourly rates for each resource level
- b) by each phase of the audit.

This is to be done by completing Attachment B 'Audit hours and fees'.

Such amount is exclusive of direct reimbursable expenses which are capped. Disbursements will be reimbursed based on actual costs incurred up to the capped amount. The method of escalation after the first year will be based the lower of Consumer Price Index - All Group Sydney (ABS Catalogue 6401.0) or 2.5 per cent

- 5.4.2 When pricing travel-related disbursements, tenderers should take into account how they can utilise technology to complete some audit procedures remotely and minimise travel costs.
- 5.4.3 Tenderers must disclose its engagement resourcing and pricing information separately from the main tender response and in the same format (Microsoft Excel) as provided in the Attachment B document. The Tender Evaluation Committee will evaluate the tender against the technical criteria in Schedule 2 before opening and considering the audit hours and price.
- 5.4.4 Pricing for the external audit services will need to incorporate any expected expenses such as bank confirmations, transport, airfares, accommodation and per diem.

### 5.5 Completion of Third Party Security Assessment

- 5.5.1 It is a mandatory requirement to complete a Third Party Information Security self-assessment. Tenderers are to provide the contact details of the person who will complete the self-assessment on behalf of their organisation and we will send out the online questionnaire. Please forward the contact details to [procurement@audit.nsw.gov.au](mailto:procurement@audit.nsw.gov.au). The self-assessment only needs to be completed once by a tenderer, even if tendering for multiple requests for tenders.
- 5.5.2 The need to complete a Third-Party Security Assessment may be waived if a tenderer has previously completed it in the last 12 months. This is at the sole discretion of the Principal. Tenderers will be advised when they send through their contact details.

## 6. Tender Process

### 6.1 Provisional RFT Program

- 6.1.1 Below is the Principal's provisional RFT program. The Principal may, at its absolute discretion, amend the provisional RFT program.

Milestone	(dd/mm/yyyy)
RFT issued	05/05/2023
Information pack available from (upon receipt of signed NDA)	09/05/2023
Virtual tender briefing session	Friday 19/05/2023 9:00am-100:00am
Deadline for tenderers to seek further information	25/05/2023
RFT Close Date	05/06/2023
Tender evaluation committee meetings and presentation by short-listed tenderers (if required)	06/06/2023 to 20/06/203
Execution of Agreement (estimated)	By 06/07/2023

### 6.2 Conformity of Tenders

The Principal seeks Conforming Tenders. Non-Conforming Tenders may be excluded from the tender process without further consideration at the Principal's discretion.

### 6.3 Alternative Tenders

- 6.3.1 Tenderers may, if they choose, submit an Alternative Tender. Alternative Tenders will only be considered if submitted in conjunction with a Conforming Tender. An Alternative Tender must be clearly marked 'Alternative Tender'.

### 6.4 Tender Lodgement

- 6.4.1 Tenders (including all supporting information, if any) must be received by the Closing Date and Closing Time. Tenderers must also complete Attachment A 'Supplementary Tender Response' and Attachment B 'Audit hours and fees' as part of their response and not amend any of the questions provided. Tenderers must also complete the online Third Party Information Security self-assessment. Prices, responses and other information provided in the tender must be in writing and in English. The tender price must be in Australian dollars.
- 6.4.2 The Tender must be submitted electronically to the electronic tender box for this RFT via the tenders website at: [www.tenders.nsw.gov.au](http://www.tenders.nsw.gov.au) (Login in as a system user, locate the web page for this RFT, and follow the on screen instructions to lodge the tender). The lodgement can only be made by a registered system user of the NSW Government eTendering system.
- 6.4.3 Tenderers should notify the Contact Officer in writing on or before the Closing Date and Time if they find any discrepancy, error or omission in this RFT.

### 6.5 Electronic Tenders

- 6.5.1 A tender submitted electronically will be treated in accordance with the *Electronic Transactions Act 2000* (NSW), and given no lesser level of confidentiality, probity and attention than tenders lodged by other means.
- 6.5.2 A tenderer, by electronically lodging a tender, is taken to have accepted conditions shown in the Conditions and rules on the tenders website at [www.tenders.nsw.gov.au](http://www.tenders.nsw.gov.au)
- 6.5.3 Electronically submitted tenders may be made corrupt or incomplete, for example by computer viruses. The Principal may decline to consider for acceptance a tender that cannot be effectively evaluated because it is incomplete or corrupt.



- 6.5.4 To reduce the likelihood of viruses, a tenderer must not include any macros, applets, or executable code or files in a tender response.
- 6.5.5 A tenderer should ensure that electronically submitted files are free from viruses by checking the files with an up to date virus-checking program before submission.
- 6.5.6 The Principal will not be responsible in any way for any loss, damage or corruption of electronically submitted tenders.

## **6.6 Tender Validity Period**

- 6.6.1 The Tender will remain open for acceptance by the Principal for a period of three months from the Closing Date and Closing Time for tenders.

## **6.7 Late Tenders**

- 6.7.1 Late tenders will not be considered, except where the Principal is satisfied that the integrity and competitiveness of the tendering process has not been compromised. The Principal will not penalise any supplier whose tender is received late if the delay is due solely to mishandling by the Principal.

## **6.8 Extension of Closing Date and Closing Time**

- 6.8.1 The Principal may, at its discretion, extend the Closing Date and Closing Time.

## **6.9 Corruption or Unethical Conduct**

- 6.9.1 Tenderers must comply with the requirements in the Audit Office's Statement of Business Ethics and must disclose any conflicts of interests in the Tender Response.
- 6.9.2 If a tenderer, or any of its officers, employees, agents or sub-contractors is found to have:
  - a) offered any inducement or reward to any public servant or employee, agent or subcontractor of the Principal, or the auditee in connection with this RFT or the submitted Tender
  - b) committed corrupt conduct in the meaning of the *Independent Commission Against Corruption Act 1988*
  - c) a record or alleged record of unethical behaviour; or not complied with the requirements of the Audit Office's Business Ethics Statement
 this may result in the tender not receiving further consideration.
- 6.9.3 The Principal may, at its discretion, invite a relevant tenderer to provide written comments within a specified time before the Principal excludes the tenderer on this basis.
- 6.9.4 If the Principal becomes aware of any improper conflict of interests by a successful tenderer after an Agreement has been executed, then the Principal reserves the right to terminate the Head Agreement.

## **6.10 Addenda to RFT**

- 6.10.1 If, for any reason the Principal, at its sole discretion, requires the RFT to be amended before the Closing Date and Time, an Addendum will be issued. In each case, an Addendum becomes part of the RFT. The Principal, during the tender period may issue Addenda altering the RFT. In such cases, it is the obligation of the tenderer to verify if any Addenda were issued prior to the Closing Date, even if a tender has already been submitted.
- 6.10.2 Only tenderers who have signed and returned the confidentiality and non-disclosure agreement will receive any Addendums.

## **6.11 Costs of Tenderer participating in the RFT**

- 6.11.1 The tenderer acknowledges that the Principal will not be liable to it for any expenses or costs incurred by it as a result of its participation in this RFT, including where the RFT is discontinued.

## 6.12 Ownership of Tenders

- 6.12.1 All tenders become the property of the Principal on submission. The Principal may make copies of the tenders for any purpose related to this RFT.

## 6.13 Discontinuance of Tender Process

- 6.13.1 Where the Principal determines that awarding a contract would not be in the public interest, the Principal reserves the right to discontinue the tender process at any point, without making a determination regarding acceptance or rejection of tenders.

## 6.14 Variations to Tenders

- 6.14.1 At any time after the Closing Date of tenders and before the Principal accepts any tender received in response to this RFT, a tenderer may, subject to 6.14.2, vary its tender:

- a) by providing the Principal with further information by way of explanation or clarification
- b) by correcting a mistake or anomaly, or
- c) by documenting agreed changes negotiated.

- 6.14.2 Such a variation may be made either:

- a) at the request of the Principal, or
- b) with the consent of the Principal at the request of the tenderer; but only if:
  - a) in the case of variation requested by the tenderer under clause 6.14.1 a)-b), it appears to the Principal reasonable in the circumstances to allow the tenderer to provide the information or correct the mistake or anomaly
  - b) in the case of variation 6.14.1 c), the Principal has confirmed that the draft-documented changes reflect what has been agreed.

- 6.14.3 If a tender is varied in accordance with 6.14.1 a) or 6.14.1 b), the Principal will provide all other tenderers whose tenders have similar characteristics with the opportunity of varying their tenders in a similar way.

- 6.14.4 A variation of a tender under clause 6.14.1 will not be permitted if in the Principal's view:

- a) it would substantially alter the original tender
- b) in the case of variation under 6.14.1 a) or 6.14.1 b), it would result in the revising or expanding of a tender in a way that would give a tenderer an unfair advantage over other tenderers.

## 6.15 Tender Briefing Session

- 6.15.1 All Tenderers are encouraged to attend the virtual tender briefing session as this will provide an opportunity to obtain a better understanding of the standards and expectations of the Principal. It is also an opportunity to ask the Auditee questions relevant to conducting the financial audit.
- 6.15.2 To receive an invitation to the virtual tender briefing session, prospective tenderers must pre-register by returning the successfully completed Non-Disclosure and Confidentiality Agreement to the Tender Contact Person **before 10am Thursday 11 May 2023**.

## 6.16 Evaluation Process

- 6.16.1 Tenders will be assessed against the evaluation criteria listed in Schedule 2. Tenders will be assessed against the technical specifications before the tender evaluation committee opens and considers the audit hours and pricing information. Information supplied by the tenderer in the Tender Response will contribute to the assessment against each criterion.
- 6.16.2 Tenderers are advised to respond clearly to all the evaluation criteria listed in this RFT by providing information as requested in Attachment A. Tenders:

- a) that do not comply with Section 4 General Compliance of Attachment A
- b) that do not contain sufficient information to permit a proper evaluation to be conducted
- c) that cannot be effectively evaluated because the electronic file has become corrupt  
may be excluded from further consideration at the Principal's discretion.

6.16.3 The Principal may assess an Alternative Tender against the evaluation criteria where submitted with a Conforming Tender.

## **6.17 Evaluation Criteria**

6.17.1 The evaluation criteria for this RFT is set out in Schedule 2.

## **6.18 Risk Assessment**

6.18.1 Following the weighted scoring, the Principal will undertake, at a minimum, the following overarching risk assessment as part of the evaluation process:

- a) conduct reference checks by approaching referees nominated by tenderers
- b) consider past performance for those tenderers that have previously worked with the Audit Office
- c) consider the tenderer's capacity to deliver the audit services
- d) consider the tenderer's dependency on the Audit Office for its audit fee revenue
- e) assess perceived and actual conflicts of interest risk.

6.18.2 The outcome of the risk assessment will be used to determine the overall suitability and value-for-money of the Tenders.

## **6.19 Presentations by Tenderer**

6.19.1 The Principal may at its discretion, and as part of the evaluation process, invite any or some of the tenderers to make a presentation regarding their tender. The tenderer shall make any presentations at its own cost. However, receiving a presentation by a tenderer in no way represents a commitment by the Principal to accept any aspect of the tender. All information obtained during the course of presentation may be taken into consideration in the evaluation of tenders.

## **6.20 Acceptance or Rejection of Tenders**

6.20.1 The Principal is not bound to accept the lowest priced tender.

6.20.2 The Principal expressly reserves the right to accept, at its discretion, either or both of the following:

- a) any Alternative Tender or part of an Alternative Tender, when submitted with a Conforming Tender
- b) any other Non-Conforming Tender or part of a Non-Conforming Tender (not, in either case, being an Alternative Tender or part of an Alternative Tender) that, in the Principal's opinion, is substantially a Conforming Tender.

## **6.21 Post Tender Negotiations**

6.21.1 Before making any determination as to acceptance or rejection of tenders the Principal may, at its discretion, elect to conduct limited negotiations with preferred tenderers, including those who have submitted Alternative Tenders or who have submitted Conforming Tenders, to mutually improve outcomes. The Principal will not enter into negotiations to amend the Head Agreement.

6.21.2 If the Principal considers that none of the tenders are fully acceptable either because of non-conformance or because they do not represent sufficient value for money, but considers that full conformity is achievable, negotiations may be conducted with the tenderer that submitted the most conforming tender based on the evaluation criteria. The purpose of the negotiations will be advised by the Principal and made clear to the participants before the commencement of negotiation.

- 6.21.3 The Principal may at its absolute discretion elect to conduct post tender negotiations under 6.21 with more than one tenderer in the event that it decides that the closeness of the tenders or timing constraints warrants doing so.

## **6.22 Exchange of Information between government agencies**

- 6.22.1 By lodging a tender, the tenderer will authorise the Principal to make information available, on request, to any NSW Government agency. This includes information dealing with the tenderer's performance on any prior contract that has been awarded. Such information may be used by the recipient NSW Government agency for assessment of the suitability of the tender for pre-qualification, selective tender lists, expressions of interest or the award of a contract.
- 6.22.2 The provision of the information by the Principal to any other NSW Government agency is agreed by the tenderer to be a communication falling within section 30 of the *Defamation Act 2005* (NSW), and the tenderer shall have no claim against the Principal and the State of New South Wales in respect of any matter arising out of the provision or receipt of such information, including any claim for loss to the tenderer arising out of the communication

## **6.23 Method of Acceptance**

- 6.23.1 Acceptance of a tender or part tender will be subject to the execution of a Head Agreement. Until the Principal and the successful tenderer(s) execute a formal Head Agreement, there will be no legally enforceable agreement concluded between them.

## **6.24 Disclosure Information**

- 6.24.1 Following the Principal's decision, all tenderers will be notified in writing of the outcome of their Tenders.
- 6.24.2 Details of this tender and the outcome of the tender process will be disclosed in accordance with the *Government Information (Public Access) Act (NSW) 2009*.

## **6.25 Complaints Procedure**

- 6.25.1 It is the Audit Office of NSW's objective to ensure that tenderers are given every opportunity to win tenders. Should any tenderer feel that it has been unfairly excluded from tendering or unfairly disadvantaged by the Head Agreement or the Statement of Requirements, it is invited to write to:

Executive Director, Professional Services  
 Audit Office of NSW  
 Level 19, 201 Sussex Street  
 SYDNEY NSW 2000  
 Email: [complaints@audit.nsw.gov.au](mailto:complaints@audit.nsw.gov.au)

# STATEMENT OF REQUIREMENTS

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## 7. Background and Auditing in the Public Sector

- 7.1. The Auditor-General for NSW (the Auditor-General) is an important pillar of the accountability framework for the public sector in New South Wales. The Auditor-General is accountable to the NSW Parliament and is responsible for audits and related services.
- 7.2. The Auditor-General conducts financial and performance audits, principally under the *Government Sector Audit Act 1983* (GSA Act) and the *Local Government Act 1993* (LG Act), and examines allegations of serious and substantial waste of public money under the *Public Interest Disclosures Act 1994*. The Auditor-General is supported by the Audit Office, a statutory authority established under the GSA Act.
- 7.3. The Auditor-General must act in the public interest without fear or favour to maintain public and Parliamentary confidence. The powers and duties of the Auditor-General are primarily set out in the GSA Act. However, other Acts, such as the LG Act and the Corporations Act may also give rise to powers and duties.
- 7.4. The GSA Act provides that the Auditor-General is appointed by the Governor and may hold office for a period not exceeding eight years. The office of Auditor-General is an independent appointment, free from ministerial control.
- 7.5. The Auditor-General has the functions conferred or imposed on the Auditor-General by law. They include:
  - a) to audit the Consolidated State Financial Statements and any other financial reports that the Auditor-General is required or authorised to audit by law (for example local councils under the LG Act)
  - b) to provide any particular audit or audit-related service to Parliament at the joint request of both Houses of Parliament
  - c) to provide any particular audit or audit-related service to the Treasurer at the request of the Treasurer or to any other Minister at the request of that other Minister
  - d) to report to Parliament as required or authorised by law
  - e) to do anything that is incidental to the exercise of the Auditor-General's functions
  - f) to conduct an audit of all or any particular activities of an auditee to determine whether it is carrying out those activities effectively and doing so economically and efficiently and in compliance with all relevant laws.
  - g) to provide any audit-related service to a local or county council (council) or joint organisation at the request of the council / joint organisation or at the request of Minister for Local Government or the Secretary of the Department of Planning, Industry and Environment.
- 7.6. The Audit Office's vision is 'Our insights inform and challenge government to improve outcomes for citizens' and its purpose is 'To help parliament hold government accountable for its use of public resources'. More information about the Audit Office, its operating environment, its strategic risks and how it wants to operate can be found in the Corporate Plan at <https://www.audit.nsw.gov.au/about-us/our-corporate-plan>.
- 7.7. The successful tenderer will be appointed as an Audit Service Provider (ASP). More information about the role and responsibilities of an ASP are set out in the 'Agreement to Provide Auditing Services' (i.e. the Head Agreement) and the ASP Manual. These documents can be accessed at <https://www.audit.nsw.gov.au/audit-service-providers>. The Principal reserves the right to amend the ASP Manual at any time during the contract period to meet new or revised statutory obligations or central NSW Government policy directives.

- 7.8. The Audit Office's values are: pride in purpose; curious and open minded; valuing people; contagious integrity; and courage (even when it's uncomfortable). It is expected that ASPs live these values in the conduct of their audit work.
- 7.9. The external audit services provided by the successful tenderer will be subject to oversight by the Audit Office.
- 7.10. The Principal seeks to ensure contracts with ASPs are outcomes focused, and encourage rather than inhibit efficiency or innovation from internal or external providers. The Principal needs to demonstrate to New South Wales Parliament that all public sector financial audits:
- a) provide value for money to Parliament and the audited entity
  - b) are sensitive to risks and needs relevant to the sector
  - c) comply with professional standards and legal requirements.
- 7.11. The following information for each auditee will be available to tenderers from upon receipt of a signed non-disclosure agreement:
- a) schedule of accounting systems
  - b) details of any major events that may impact the 31 December 2023 audit
  - c) the anticipated 2023 financial reporting timetable.
- 7.12. To access the information listed above, tendering firms will be required to sign a confidentiality and non-disclosure agreement.
- 7.13. The tenders will be evaluated by a Tender Evaluation Committee (TEC) comprising representatives from the Audit Office. The auditees will be given the opportunity to provide feedback on price-redacted versions of each tender. Tenders will be assessed against the evaluation criteria listed in Schedule 2. Information supplied by the tenderer in the Tender Response will contribute to the assessment against each criterion.

## 8. Description of Services

- 8.1. The external audit services provided shall include an attest audit coverage which can be defined as the audit work necessary to enable an opinion to be expressed as to whether a financial report is presented fairly in accordance with the requirements of:
- a) the GSA Act and Regulation (where applicable)
  - b) other applicable statutory requirements
  - c) Australian Accounting Standards (including Australian accounting interpretations)
  - d) other mandatory professional reporting requirements forming part of the financial reporting framework.
- 8.2. The scope of external audit services also includes an audit of the Higher Education Research Data Collection (HERDC) return to form an opinion as to whether, in all material respects, it is prepared in accordance with the Higher Education Research Data Collection - Specifications issued by the Commonwealth Department of Education.
- 8.3. When forming an opinion on financial information, the ASP must consider the auditee's compliance with statutory and other requirements.
- 8.4. The external audit services include collating information for the preparation of the Auditor-General's Report to Parliament. Recent reports can be accessed at <https://www.audit.nsw.gov.au/our-work/reports>
- 8.5. As a general rule, the ASP is expected to attend audit and risk committee meetings held by the auditee throughout the year. This may be via physical presence at the meeting or through teleconference or video conference facilities.

- 8.6. In addition to the attest audit coverage, the services provided should also include reasonable services which a professional auditor would normally supply as part of an audit. These could include services such as evaluating the effectiveness and efficiency of internal control and accounting systems, reviewing management procedures, providing interpretations of relevant new or revised accounting standards, legislation, etc. The Auditing Services to be provided by the ASP may include such other services as agreed to in writing between the ASP and the Principal.
- 8.7. The Audit Office holds a privileged position as one of a small number of independent agencies that supports accountability and provides assurance that is integral to our system of government. The role of the Auditor-General in New South Wales has a proud history stretching back to 1824. Its core purpose, to scrutinise and hold government to account, has not wavered in all this time.
- 8.8. Public sector audits provide important checks and balances to our system of government. They ensure there is accountability, integrity and transparency in the management and use of public resources, which is fundamental in building community trust.
- 8.9. The broader mandate of a public-sector audit means balancing audit efficiency with audit effectiveness. Achieving the latter can mean investing more time on certain procedures, focusing on key areas or themes each year, and applying lower thresholds when determining the scope of our audits.
- 8.10. An ASP is required to:
- a) understand and apply the wider mandate of the Auditor-General, as outlined above
  - b) understand the additional reporting requirements to Parliament and those charged with the governance of auditees
  - c) audit the auditee's compliance with significant legislative requirements
  - d) develop an audit strategy that is both efficient and meets the needs of Parliament, and assesses the effectiveness of systems of internal control
  - e) focus on generating relevant and actionable insights and outcomes
  - f) move from an ethos of separation – separate teams, roles, contract auditors and stakeholders – to one of connection where ASP leads collaborate with the Audit Office's engagement team and are viewed as one audit team from the perspective of the auditee
  - g) be agile in how they work, promoting creativity, collaboration, flexibility and diversity of opinions.



- 8.11. The increased public scrutiny and the unique position of the Audit Office as the auditors of the state, university and local government sector has highlighted the need to address the 'public sector auditor' role. This role does not solely focus on opining on the financial statements, but also is required to call out (where relevant) an entity's decisions in relation to financial prudence, probity or waste, during the conduct of the audit. Auditing in the public sector also involves working with public sector entities to generate insights that inform and challenge government, with the ultimate goal of improving outcomes for citizens.
- 8.12. An ASP is expected to be alert to, and raise for discussion with the Principal, matters that give rise to public concern related to financial prudence, probity and waste – regardless of whether the matter results in a material misstatement. This includes an entity's internal control and governance processes such as (but not limited to):
- a) deficiencies in internal control, including but not limited to those related to business processes, information technology and security, governance, and to the prevention and detection of fraud
  - b) instances of actual or possible fraud, including management fraud
  - c) non-compliance with laws and regulations, such as intentional or legislative non-compliance, with a focus on laws and regulations key to the auditee's public and financial administration
  - d) appropriateness of the entity's delegations to support timely and effective decision making • processes/decision making around the use of public resources not demonstrating appropriate probity, and/or resulting in waste
  - e) issues identified during the conduct of the audit that are not material to the financial statements but pose a heightened strategic, operational, or reputational risk to the auditee
- 8.13. In providing the external audit services, the ASP shall:
- a) evaluate an auditee's system of internal control, which includes considering: the control environment; the risk management framework; control activities; the quality and effectiveness of information and communications; and monitoring of activities
  - b) test the design, implementation of relevant controls (including information technology controls) and where deemed appropriate the operating effectiveness of key internal controls implemented by an auditee to manage its risks
  - c) review the governance and practices of specific areas of focus each year, as determined by the Audit Office through its annual work plan e.g. project management, procurement practices, use of credit cards
  - d) assess compliance with key legislation and central agency policy directives
- 8.14. Where practical, the ASP shall implement innovative practices to achieve continuous improvements in the efficiency and effectiveness of each audit.
- 8.15. Audit innovation is considered to be changes to the way we work that improve efficiency and/or effectiveness. Audit innovation is not restricted to technology such as automation and machine learning. It can be the way audit teams are structured, how teams work and the way work is allocated and executed.
- 8.16. When setting planning materiality for each audit, the materiality level must not exceed the amount calculated under the Audit Office's methodology.
- 8.17. The ASP shall report only to the Audit Office. All reports and formal correspondence with management and those charged with governance of the auditee must be prepared using Audit Office templates. The Audit Office templates contain instructions on content, timing, recipients, addressees, and other guidance and background information. The ASP is responsible for:



- a) proposing the content of written auditee communications and discussing it with the Audit Office
- b) drafting the correspondence, while allowing sufficient time for review by the Audit Office. The Audit Office will send all formal written communications to the auditee. These communications will be signed by the Audit Office, not the partner or other staff member at the ASP.

8.18. The ASP shall provide to the Principal and the Audit Office:

- a) An ASP Representation Letter at the end of each engagement, recommending the form and content of the audit opinion to be expressed on the auditee's financial report
- b) reporting material which will be used by the Auditor-General in the Auditor-General's Annual Report to Parliament or other reports issued by the Auditor-General in accordance with legislative requirements
- c) a report on whether or not the auditee has complied in all material respects with the GSA Act, GSF Act or LG Act (as applicable) and, where appropriate, the *Corporations Act 2001*. Such a report is to contain details of inconsistencies in the Annual Report of the auditee in relation to the information contained in the audited financial reports
- d) a schedule of the auditee's corrected and uncorrected misstatements discovered during the course of the audit
- e) a report on weaknesses in the Auditee's internal controls discovered during the course of the audit
- f) suggestions to improve the operations of the auditee through the efficient and economic use of public resources.

## 9. Engagement team and working papers

- 9.1. No changes to Specified Personnel will be permitted unless prior written approval has been issued by the Principal. Where it may become necessary for the successful firm to replace Specified Personnel, the ASP will be required to notify the Principal in writing, provide relevant skills and qualifications, and give reasons for the proposed change. The Principal may accept or refuse nominated replacement personnel. The ASP will be responsible for handover and knowledge transfer to new Specified Personnel to minimise the disruption to the Principal and the auditee.
- 9.2. The Audit Service Provider must ensure the Audit Service Provider's Assistants have satisfactorily passed a National Police Check before carrying out the Auditing Services.
- 9.3. The working papers from the external audit services will be the property of the Principal and the Audit Office.
- 9.4. The ASP will need to provide the Principal and the Audit Office with timely access to its working papers at all times during the agreement period. Within 30 days after finalising the Independent Auditor's Report, the working papers will be delivered to the Audit Office in an electronic format for retention.

## 10. Quality Assessments

- 10.1. The ASP will co-operate fully with independent Quality Assessments of the performance of the External Audit by the Audit Office. This includes the monitoring program administered by the Audit Office's Quality Audit Review Committee (QARC).
- 10.2. The Audit Office QARC monitors audit quality. Where an audit is selected for review, the QARC will appoint a qualified professional auditor, independent of the engagement team to conduct the review. The quality reviewer will notify the ASP of any findings in writing at the conclusion of the review.

## 11. Expectations of Audit Service Providers

- 11.1. ASPs are expected to:

- a) recognise and promote the Auditor-General as the appointed auditor
- b) adhere with the principles set out in the [Audit Office's Statement of Business Ethics](#), available on the Audit Office's website
- c) adhere to the Audit Office's [Audit and Assurance and Governance policies](#)
- d) have quality assurance systems that comply with the suite of quality management standards ASQM 1 'Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements', ASQM 2 'Engagement Quality Reviews' and ASA 220 'Quality Management for an Audit of a Financial Report and Other Historical Financial Information and APES 320 'Quality Control for Firms'
- e) provide an annual attestation to the Auditor-General that their quality assurance systems comply with the suite of quality management standards
- f) use an audit methodology that complies with the requirements of Australian Auditing Standards and Australian Pronouncements of Ethical Standards
- g) observe ethical standards and professional independence requirements including APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)
- h) adhere to the requirements in the Agreement to Provide Auditing Services
- i) have the necessary skills, competence and experience to undertake a public sector audit as an agent of the Auditor-General
- j) ensure staff assigned to engagements have appropriate professional qualifications, skills, competence and experience
- k) resource the audit team sufficiently so it can perform the engagement within the agreed timetable
- l) communicate with, follow the instructions of, and report to the group Engagement Controller (EC) where the engagement is a component within a group
- m) immediately notify the EC about:
  - a matter that is material (either quantitatively or qualitatively)
  - the treatment of items that are material either individually or in aggregate
  - the treatment of a material item that is not the preferred treatment of the ASP
  - the sufficiency of audit scope where the total of corrected and uncorrected errors approaches or exceeds planning materiality
- n) consult with the Audit Office:
  - on difficult and contentious issues
  - on the form and content for all written communications with auditees using the Audit Office templates and stationery
  - at agreed stages of the audit and under agreed conditions
  - on any intention to subcontract, outsource or 'offshore' any component of a contracted audit.
  - on any proposed activity, interest or relationship with an auditee which may threaten or be perceived to threaten the independence of the Auditor-General or conflict with providing the auditing services to the Auditor-General
- o) obtain the Auditor-General's (or delegate's) written approval to provide any other service, including internal audit services, system implementations, and advice on accounting treatments and transactions to an auditee or a parent or related entity of the auditee, or an industry regulator, during the period of appointment comply with the Audit Office's [Gifts, Benefits and Hospitality policy](#). The ASP is required to notify the Auditor-General if an auditee offers the ASP a gift or benefit in excess of \$25
- p) comply with the Audit Office's [Third Party Security Policy](#).

## 12. Performance Measures

- 12.1. The ASP's performance will be regularly assessed during the course of the external audit services in accordance with the Head Agreement and the ASP Manual.
- 12.2. At the end of each financial audit, the Audit Office will assess the ASP's performance using the performance evaluation framework in the ASP Manual. The Audit Office will also seek formal feedback from auditees on the ASP's performance. The annual performance assessment will be used to identify areas of compliance, areas requiring further improvement and any disciplinary matters.

### **13. Professional Referees**

- 13.1. Tenderers to the RFT will be required to provide contact details of at least two professional referees where they have provided external audit services for similar organisations.

### **14. Staffing, Independence and additional services**

- 14.1. Tenderers to this RFT must specify the Specified Personnel and subcontractors who will provide the external audit services in Attachment A. The Specified Personnel are those individuals who will fulfil the roles of engagement partner and engagement quality control reviewer (where applicable).
- 14.2. Tenderers to this RFT must specify subcontractor arrangements in Attachment A.
- 14.3. The external audit services will be delivered in accordance with the Australian Auditing Standards, Australian Pronouncements of Ethical Standards, the Audit Office's audit and assurance policies as amended or updated from time to time, and where applicable the GSA Act and the LG Act and any other relevant professional requirements.
- 14.4. Tenderers should provide details of services they provided to the auditees over the last two financial years, including internal audit, accounting assistance and advice, contract staff and consulting. Tenderers should also explain why the previous services do not create a conflict of interest in the context of the requirements and principles in APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)'.
- 14.5. The successful audit firm will be allowed to provide additional services to each of the Auditees outside the approved external audit services contract, subject to the audit firm:
  - a) demonstrating that the additional work enables ongoing compliance with APES 110 'Code of Ethics for Professional Accountants'
  - b) obtaining the Principal's prior approval.
- 14.6. The Principal has a policy that Specified Personnel should generally not spend more than five years on any assurance engagement. Following rotation, a period of at least two years should elapse before the Specified Personnel is involved again on that engagement. This five year period includes any previous contract arrangements with the Principal immediately before this arrangement. The Audit Office's policy on staff rotation can be found at: <https://www.audit.nsw.gov.au/work-with-us/audit-service-providers/audit-and-assurance-policies>.
- 14.7. The Principal is prepared to grant an exemption regarding the tenure of Specified Personnel in exceptional circumstances. Where the audit firm is proposing to go beyond the five year period, they should outline in their tender the safeguards they will put in place to mitigate against the familiarity threat.
- 14.8. The Auditor-General is only mandated to perform audit or audit related services for auditees. However, ASPs engaged by the Audit Office are not constrained by our mandate and may undertake additional non-audit related services. The Auditor-General's (or their delegate's) written approval is required before commencing an engagement to provide:
  - a) other audit and audit related services
  - b) non-audit related services.

- 14.9. The Auditor-General's approval to provide any additional service is required, regardless of whether the work will be performed directly or indirectly, for the auditee or, in the case of a group audit, another component entity within the group.

## **15. Confidentiality and Conflict of Interest**

- 15.1. The ASP will be required to maintain the confidentiality of all information provided to perform the external audit services.
- 15.2. All Specified Personnel will sign a Conflict of Interest Statement prior to commencing work, and then a Conflict of Interest Statement each year thereafter.

## **16. Insurance and Indemnity**

- 16.1. The ASP shall effect and maintain during the currency of the Head Agreement, an indemnity insurance policy with a covering amount in accordance with the Regulations of Chartered Accountants Australia and New Zealand or CPA Australia's By-law.
- 16.2. The ASP be required to maintain insurances for the term of the contract of:
- a) Public Liability Insurance of \$20 million
  - b) Professional Indemnity Insurance with a covering amount in accordance with the Regulations of Chartered Accountants Australia New Zealand or CPA Australia's by Laws
  - c) Workers Compensation Insurance to the extent required by law.
- 16.3. The ASP's aggregate liability in relation to the performance of the external audit services, including any indemnity in the Head Agreement, shall be limited by the application of the Chartered Accountants Australia and New Zealand Professional Standards Scheme (NSW) approved under the Professional Standards Act (NSW) 1994 (PSL) or other such applicable scheme approved under the PSL.
- 16.4. Prior to commencement and each year thereafter, the ASP will be required to provide insurance Certificates of Currency to the Audit Office.
- 16.5. Under the Head Agreement, the ASP will indemnify the Principal, the Audit Office, its employees and agents against liability in respect of all claims, costs and expenses and for all loss, damage, injury or death to persons or property caused by the ASP in connection with the provision of the external audit services, except to the extent the Audit Office caused the relevant loss, damage or injury.
- 16.6. The ASP must, at its expense, make good the amount of all claims, loss, damage, costs and expenses the subject of the indemnity in section 16.3, and the Audit Office may deduct the amount, or any part of it, from any moneys due or becoming due to the ASP.

## **17. Payment Terms**

- 17.1. The Audit Office will pay ASP invoices when the ASP demonstrates completion of the relevant stages of the audit. Invoices will only be paid once the stage of work has been completed to the satisfaction of the Audit Office.

## **18. Information Security**

- 18.1. It is expected the ASP will comply with the Audit Office's Third Party Policy (<https://www.audit.nsw.gov.au/sites/default/files/auditoffice/Governance-and-Policies---Current/Third-Party-Security-Policy.pdf>). This policy governs the storing of information and infrastructure belonging to the Audit Office. As a general principle, tenderers must have appropriate controls and mitigation processes in place to minimise the risk associated with potential security breaches.
- 18.2. Tenderer must complete a Third Party Information Security risk assessment online prior to the closing date of the tender as per clause 5.5.

# SCHEDULE 1

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- The University of Newcastle
- Newcastle Australia Institute of Higher Education Pte Ltd<sup>1</sup>
- Newcastle University Sport
- NUservices Pty Ltd
- The University of Newcastle Research Associates Limited
- Higher Education Research Data Collection (HERDC) return

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<sup>1</sup> This entity is based in Singapore. Upon appointment of an Audit Service Provider, the University may seek to directly appoint the same firm to conduct the statutory audit required by the local jurisdiction.

## Evaluation criteria

Criteria	Proposed Weighting
<b>Working with the Auditor-General and the Audit Office:</b> <ul style="list-style-type: none"> <li>Understanding of the Auditor-General's role</li> <li>Proposed approach to working with the Auditor-General and Audit Office, including advocating the role of the Auditor-General and Audit Office and commitment to working as one team and promoting a single voice with auditees</li> <li>Cultural fit with the Audit Office, particularly embracing the Audit Office's values and strategic objectives</li> <li>Ability to contribute to the Audit Office's vision of 'Our insights inform and challenge government to improve outcomes for citizens'</li> <li>Audit firm quality practices and audit methodology – demonstrated compliance with APES 320 'Quality Control for Firms', Auditing Standards ASQM 1 'Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements', ASQM 2 'Engagement Quality Reviews' and ASA 220 'Quality Management for an Audit of a Financial Report and Other Historical Financial Information'</li> <li>Systems and process in place to identify and effectively manage conflicts of interest when on-boarding new clients and personnel.</li> </ul>	20
<b>Auditee knowledge and industry/engagement risk assessment</b> <ul style="list-style-type: none"> <li>Understanding of the auditee, their environment and key areas of business risk</li> <li>Identification of key areas of issues and audit risk, the relationship (if any) to business risks and how these will be addressed</li> <li>Proposed audit approach (mix between controls and substantive assurance) and financial statement line item risk assessment Identification of key areas of audit risk, the relationship (if any) to business risks and how these will be addressed.</li> </ul>	20
<b>Team resourcing and experience</b> <ul style="list-style-type: none"> <li>Engagement Partner and Engagement Manager audit experience</li> <li>Total hours allocated to the audits and the mix of hours between different staff levels</li> <li>Engagement Partner and Engagement Manager diversity</li> <li>Opportunities to create employment for Aboriginal people<sup>2</sup></li> </ul>	15
<b>Innovation and knowledge transfer</b> <ul style="list-style-type: none"> <li>Recent and planned future investment in financial audit technology and methodology, including data analytics capability.</li> <li>Proposed application of innovative audit practices, including data analytics and use of innovative tools.</li> <li>Culture of continuous improvement and innovation, particularly around audit quality improvement.</li> <li>Proposed approach to sharing innovative audit approaches, tools, resources and new ways of working with the Audit Office</li> </ul>	10
<b>Sub-Total</b>	<b>65</b>
<b>Price</b>	<b>35</b>
<b>Total</b>	<b>100</b>

<sup>2</sup> The NSW Government's Aboriginal Procurement Policy (updated December 2020) aims to create opportunities for Aboriginal owned businesses and encourages Aboriginal employment through the supply chain of NSW Government contracts.

