



**FINANCE, AUDIT AND
REVIEW COMMITTEE
MEETING**

WEDNESDAY, 10 JUNE 2020

AGENDA

SHIRE OF WONGAN-BALLIDU



SHIRE OF WONGAN-BALLIDU

NOTICE OF MEETING

FINANCE, AUDIT AND REVIEW COMMITTEE

NOTICE OF A FINANCE, AUDIT AND REVIEW COMMITTEE MEETING

Dear Committee Member

The next meeting of the Shire of Wongan-Ballidu Finance, Audit and Review Committee will be held on Wednesday, 10 June 2020, in the Council Chambers, Cnr Elphin Crescent and Quinlan Street, Wongan Hills, commencing at 5.00pm.

Stuart Taylor
CHIEF EXECUTIVE OFFICER

DISCLAIMER

THE RECOMMENDATIONS CONTAINED IN THE AGENDA ARE SUBJECT TO CONFIRMATION BY COUNCIL. THE SHIRE OF WONGAN-BALLIDU WARNS THAT ANY PERSON(S) WHO HAS AN APPLICATION LODGED WITH COUNCIL, SHOULD RELY ONLY ON WRITTEN CONFIRMATION OF THE DECISION MADE AT THE COUNCIL MEETING. NO RESPONSIBILITY WHATSOEVER IS IMPLIED OR ACCEPTED BY THE SHIRE OF WONGAN-BALLIDU FOR ANY ACT, OMISSION, STATEMENT OR INTIMATION TAKING PLACE DURING A COUNCIL MEETING.

INDEX

1.	DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS:.....	1
2.	ATTENDANCE AND APOLOGIES:.....	1
3.	CONFIRMATION OF MINUTES OF PREVIOUS MEETING:.....	1
3.1	CONFIRMATION OF MINUTES OF AUDIT COMMITTEE MEETING HELD 12 FEBRUARY 2020	1
4.	STAFF REPORTS:	2
4.1	NEW POLICY: 'Policy 4.9 – Purchasing and Procurement'	
5.	MEETING CLOSURE.....	4



AUDIT COMMITTEE MEETING AGENDA

To be held in the Council Chambers,
Cnr Elphin Crescent & Quinlan Street, Wangan Hills,
on Wednesday, 10 June 2020
commencing at 5.00pm

1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS:

2. ATTENDANCE AND APOLOGIES:

3. CONFIRMATION OF MINUTES OF PREVIOUS MEETING:

3.1 CONFIRMATION OF AUDIT COMMITTEE MEETING HELD ON 12 FEBRUARY 2020

OFFICER RECOMMENDATION:

That the Minutes of the Audit Committee Meeting held on Wednesday, 12 February 2020 be confirmed as a true and correct record of the proceedings.

4. STAFF REPORTS:

4.1 POLICY REVIEW

FILE REFERENCE:	F1.9.2
REPORT DATE:	27 May 2020
APPLICANT/PROPONENT:	N/A
OFFICER DISCLOSURE OF INTEREST:	Nil
PREVIOUS MEETING REFERENCES:	Nil
AUTHOR:	Alan Hart- Deputy Chief Executive Officer
ATTACHMENTS:	Proposed Policy 4.9 Purchasing and Procurement

PURPOSE OF REPORT:

To consider and adopt the revised Council Policy 4.9 – Purchasing and Procurement.

BACKGROUND:

In 2007, Council adopted this policy and it is reviewed when circumstances require. A recent change to the Local Government (Functions and General) Regulations, increased the tender threshold to \$250,000. A review of the policy to incorporate this change is now required.

COMMENT:

The Local Government Act 1995 requires all Local Authorities to have a purchasing policy. This policy defines the criteria on how goods and services are acquired and any conditions that may be placed on the process of acquisition.

This policy review is to provide staff with the flexibility needed to ensure that goods and services can be acquired in a cost effective and efficient manner.

The key components of the review are as follows;

1. Review to threshold amounts;
2. Refine the conditions on each category of expenditure range;
3. Include a provision so that local community groups can be directly engaged to provide goods or services; and
4. Include a provision so that local businesses can be directly engaged to provide goods or services.

POLICY REQUIREMENTS:

Council Policy 4.9- Purchasing and Procurement.

LEGISLATIVE REQUIREMENTS:

Local Government Act 1995, Section 6.5
Local Government (Functions and General) Regulations, Regulation 11A

STRATEGIC IMPLICATIONS:

There are no strategic implications in relation to this item.

SUSTAINABILITY IMPLICATIONS:

- **Environment**
There are no known environmental impacts associated with this proposal.
- **Economic**
There are no known economic impacts associated with this proposal.
- **Social**
There are no known social implications associated with this proposal.
- **Financial Implications**
There are no financial implications in relation to this item.

VOTING REQUIREMENTS:

ABSOLUTE MAJORITY REQUIRED: Yes

OFFICER RECOMMENDATION:

That the Committee ADOPT Policy 4.9 - Purchasing and Procurement Policy (Review Date May 2020) as presented.

ABSOLUTE MAJORITY REQUIRED

4.9 Purchasing and Procurement

Policy Owner: Finance, Audit & Review Committee
Person Responsible: Deputy Chief Executive Officer
Date of Adoption: Draft May 2020
Adoption Resolution:
Date of Last Amendment: **May 2019**

OBJECTIVE

- To provide compliance with the Local Government Act, 1995 and the Local Government Act (Functions and General) Regulations, 1996 (as amended in September 2015).
- To deliver a best practice approach and procedures to internal purchasing for the Local Government.
- To ensure consistency for all purchasing activities that integrates within all the Local Government operational areas.

POLICY

Refer Below.

NB: This policy also needs to be cross referenced to “Regional Purchasing Policy”.

RESPONSIBILITY FOR IMPLEMENTATION

The Deputy Chief Executive Officer and all designated purchasing officers are responsible for ensuring that this policy is carried out.

Shire of Wongan-Ballidu Purchasing and Tender Purchasing Policy

OBJECTIVES

- To provide compliance with the Local Government Act, 1995 and the Local Government Act (Functions and General) Regulations, 1996 (as amended in September 2015).
- To deliver a best practice approach and procedures to internal purchasing for the Local Government.
- To ensure consistency for all purchasing activities that integrates within all the Local Government operational areas.
- To mitigate probity risk, by establishing consistent and demonstrated processes that promotes openness, transparency, fairness and equity to all potential suppliers.

CROSS REFERENCE TO EXISTING POLICIES

- Officers please note the existence of the Councils adopted 'Regional Purchasing Policy' in applying this policy.

WHY DO WE NEED A PURCHASING POLICY?

The Local Government is committed to setting up efficient, effective, economical and sustainable procedures in all purchasing activities. This policy:

- Provides the Local Government with a more effective way of purchasing goods and services.
- Ensures that purchasing transactions are carried out in a fair and equitable manner.
- Strengthens integrity and confidence in the purchasing system.
- Ensures that the Local Government receives value for money in its purchasing.
- Ensures that the Local Government considers the environmental impact of the procurement process across the life cycle of goods and services.
- Ensures the Local Government is compliant with all regulatory obligations.
- Promotes effective governance and definition of roles and responsibilities.
- Uphold respect from the public and industry for the Local Government's purchasing practices that withstands probity.

ETHICS & INTEGRITY

All officers and employees of the Local Government must have regard for the Code of Conduct and shall observe the highest standards of ethics and integrity in undertaking purchasing activity and act in an honest and professional manner that supports the standing of the Local Government.

The following principles, standards and behaviours must be observed and enforced through all stages of the purchasing process to ensure the fair and equitable treatment of all parties:

- full accountability shall be taken for all purchasing decisions and the efficient, effective and proper expenditure of public monies based on achieving value for money;
- all purchasing practices shall comply with relevant legislation, regulations, and requirements consistent with the Local Government policies and code of conduct;

- purchasing is to be undertaken on a competitive basis in which all potential suppliers are treated impartially, honestly and consistently;
- all processes, evaluations and decisions shall be transparent, free from bias and fully documented in accordance with applicable policies and audit requirements;
- any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed; and
- any information provided to the Local Government by a supplier shall be treated as commercial-in-confidence and should not be released unless authorised by the supplier or relevant legislation.

VALUE FOR MONEY

Value for money is an overarching principle governing purchasing that allows the best possible outcome to be achieved for the Local Government. It is important to note that compliance with the specification is more important than obtaining the lowest price, particularly taking into account user requirements, quality standards, sustainability, life cycle costing, and service benchmarks.

An assessment of the best value for money outcome for any purchasing should consider:

- all relevant whole-of-life costs and benefits whole of life cycle costs (for goods) and whole of contract life costs (for services) including transaction costs associated with acquisition, delivery, distribution, as well as other costs such as but not limited to holding costs, consumables, deployment, maintenance and disposal.
- the technical merits of the goods or services being offered in terms of compliance with specifications, contractual terms and conditions and any relevant methods of assuring quality;
- financial viability and capacity to supply without risk of default. (Competency of the prospective suppliers in terms of managerial and technical capabilities and compliance history);
- a strong element of competition in the allocation of orders or the awarding of contracts. This is achieved by obtaining a sufficient number of competitive quotations wherever practicable.

Where a higher priced conforming offer is recommended, there should be clear and demonstrable benefits over and above the lowest total priced, conforming offer.

SUSTAINABLE PROCUREMENT

Sustainable Procurement is defined as the procurement of goods and services that have less environmental and social impacts than competing products and services.

Local Government is committed to sustainable procurement and where appropriate shall endeavour to design quotations and tenders to provide an advantage to goods, services and/or processes that minimise environmental and negative social impacts. Sustainable considerations must be balanced against value for money outcomes in accordance with the Local Government's sustainability objectives.

Practically, sustainable procurement means the Local Government shall endeavour at all times to identify and procure products and services that:

- Have been determined as necessary;

- Demonstrate environmental best practice in energy efficiency / and or consumption which can be demonstrated through suitable rating systems and eco-labelling.
- Demonstrate environmental best practice in water efficiency.
- Are environmentally sound in manufacture, use, and disposal with a specific preference for products made using the minimum amount of raw materials from a sustainable resource, that are free of toxic or polluting materials and that consume minimal energy during the production stage;
- Products that can be refurbished, reused, recycled or reclaimed shall be given priority, and those that are designed for ease of recycling, re-manufacture or otherwise to minimise waste.
- For motor vehicles – select vehicles featuring the highest fuel efficiency available, based on vehicle type and within the designated price range;
- For new buildings and refurbishments – where available use renewable energy and technologies.

PURCHASING VALUE DEFINITION

Determining purchasing value is to be based on the following considerations:

1. Exclusive of Goods and Services Tax (GST);
2. The actual or expected value of the contract over the full contract period, including all options to extend, or the extent to which it could be reasonable expected that the Shire of Wongan-Ballidu will continue to purchase a particular category of good, services or works and what total value is or could be reasonably expected to be purchased. A best practice suggestion is that if a purchasing threshold is reached within three years for a particular category of goods, services or works, then the purchasing requirement under the relevant threshold (including the tender threshold) must apply.
3. Must incorporate any variation to the scope of the purchase and be limited to a **25%** tolerance of the original purchasing value.

PURCHASING VALUE DEFINITION

Where the Shire of Wongan-Ballidu has an existing contract in place, it must ensure that goods and services required are purchased under these contracts to the extent that the scope of the contract allows. When planning the purchase, the Shire of Wongan-Ballidu must consult its Contracts Register in the first instance before seeking to obtain quotes and tenders on its own accord.

PURCHASING THRESHOLDS

Where the value of procurement (excluding GST) for the value of the contract over the full contract period (including options to extend) is, or is expected to be:-

Amount of Purchase (Exc GST)	Purchasing Requirement
Up to \$10,000	<p><u>Direct purchase from suppliers, requires at least one (1) oral or written quotation from a suitable supplier.</u></p> <p>Where the value of procurement of goods or services does not exceed \$10,000, one (1) oral or written quotation is permitted, from;</p> <ul style="list-style-type: none"> • the open market.

	<p>It is recommended to use professional discretion and occasionally undertake market testing with a greater number or more formal forms of quotation to ensure best value is maintained.</p> <p>Record keeping requirements must be maintained in accordance with record keeping policies. The Local Government Purchasing and Tender Guide contains a sample form for recording verbal quotations</p>
<p>\$10,001 - \$50,000</p>	<p><u>Obtain at least two (2) verbal or written quotations from suppliers following a brief outlining the specified requirements, from;</u></p> <ul style="list-style-type: none"> • the open market. <p>Record keeping requirements must be maintained in accordance with record keeping policies. The Local Government Purchasing and Tender Guide contains sample forms for recording verbal and written quotations.</p> <p>Where two (2) written or verbal quotes have been requested and less than two (2) have been received by the specified time, then it is deemed that two (2) written or verbal quotes have been received.</p>
<p>\$50,001 - \$100,000</p>	<p><u>Obtain at least two (3) written quotations from suppliers following a brief outlining the specified requirements, from;</u></p> <ul style="list-style-type: none"> • the open market. <p>Record keeping requirements must be maintained in accordance with record keeping policies. The Local Government Purchasing and Tender Guide contains sample forms for recording verbal and written quotations.</p> <p>Where three (3) written have been requested and less than three (3) have been received by the specified time, then it is deemed that three (3) written or verbal quotes have been received.</p>
<p>\$100,001 - \$149,999<u>249,999</u></p>	<p><u>Obtain at least three (3) written quotations containing price and specification of goods and services (with procurement decision based on all value for money considerations), from;</u></p> <ul style="list-style-type: none"> • the open market. <p>NOTES: The general principles relating to written quotations are;</p>

	<ul style="list-style-type: none"> • An appropriately detailed specification should communicate requirement(s) in a clear, concise and logical fashion. • The request for written quotation should include as a minimum: <ul style="list-style-type: none"> ○ Written Specification ○ Selection Criteria to be applied ○ Price Schedule ○ Conditions of responding ○ Validity period of offer • Invitations to quote should be issued simultaneously to ensure that all parties receive an equal opportunity to respond. • Offer to all prospective suppliers at the same time any new information that is likely to change the requirements. • Responses should be assessed for compliance, then against the selection criteria, and then value for money and all evaluations documented. • Respondents should be advised as soon as possible after the final determination is made and approved. <p>The Local Government Purchasing and Tender Guide has a series of forms including a Request for Quotation Template which can assist with recording details. Record keeping requirements must be maintained in accordance with record keeping policies.</p> <p>For this procurement range, the selection should not be based on price alone, and it is strongly recommended to consider some of the qualitative factors such as quality, stock availability, accreditation, time for completion or delivery, warranty conditions, technology, maintenance requirements, organisation’s capability, previous relevant experience and any other relevant factors as part of the assessment of the quote.</p>
<p>\$150,000 <u>250,000</u> and above</p>	<p>Conduct a public tender process per the Local Government Act 1995.</p>

Where it is considered beneficial, tenders may be called in lieu of seeking quotations for purchases under the \$~~150,000~~ 250,000 threshold (excluding GST). If a decision is made to seek public tenders for Contracts of less than \$~~150,000~~ 250,000, a Request for Tender process that entails all the procedures for tendering outlined in this policy must be followed in full.

The above model confines thresholds are determined purely on dollar values, however the regulations also allow quotation criteria to be set for different types of goods or services, suppliers, contracts or any other thing that the Local Government considers appropriate.

Community Groups

Where a Community Group within the Shire, in the opinion of the Chief Executive Officer, is capable of undertaking works for the Shire, then the Chief Executive Officer, subject to the tender threshold, is able to engage the Community Group to undertake the supply of Goods or Services.

Local Supply

Where the supply of goods or services can be undertaken by a business that has a registered address in the Shire of Wongan-Ballidu or in an adjoining district and it is for the supply where in the opinion of the Chief Executive Officer that is not practical to obtain the required quotations as outlined above, The Chief Executive Officer may approve the purchase.

REGULATORY COMPLIANCE

Tender/Purchasing Threshold Exemption

In the following instances public tenders or quotation procedures are not required (regardless of the value of expenditure):

- An emergency situation as defined by the Local Government Act 1995;
- The purchase is under a contract of WALGA (Preferred Supplier Arrangements), Department of Treasury and Finance (permitted Common Use Arrangements), Regional Council, or another Local Government;
- The purchase is under auction which has been authorised by Council;
- The contract is for petrol, oil, or other liquid or gas used for internal combustion engines;
- Any of the other exclusions under Regulation 11 of the Functions and General Regulations apply.

Sole Source of Supply (Monopoly Suppliers)

The procurement of goods and/or services available from only one private sector source of supply, (i.e. manufacturer, supplier or agency) is permitted without the need to call competitive quotations provided that there must genuinely be only one source of supply. Every endeavour to find alternative sources must be made. Written confirmation of this must be kept on file for later audit.

Note: The application of provision "sole source of supply" should only occur in limited cases and procurement experience indicates that generally more than one supplier is able to provide the requirements.

Anti-Avoidance

The Local Government shall not enter two or more contracts of a similar nature for the purpose of splitting the value of the contracts to take the value of consideration below the level of \$150,000, thereby avoiding the need to publicly tender.

Tender Criteria

The Local Government shall, before tenders are publicly invited, determine in writing the criteria for deciding which tender should be accepted.

The evaluation panel shall be established prior to the advertising of a tender and include a mix of skills and experience relevant to the nature of the purchase.

For Requests with a total estimated (Ex GST) price of:

- Between \$50,001 and \$~~149,999~~ 249,999, the panel must contain a minimum of 2 members; and
- \$~~150,000~~ 250,000 and above, the panel must contain a minimum of 3 members.

Advertising Tenders

Tenders are to be advertised in a state wide publication e.g. "The West Australian" newspaper, Local Government Tenders section, preferably on a Wednesday or Saturday.

The tender must remain open for at least 14 days after the date the tender is advertised. Care must be taken to ensure that 14 full days are provided as a minimum.

The notice must include;

- a brief description of the goods or services required;
- information as to where and how tenders may be submitted;
- the date and time after which tenders cannot be submitted;
- particulars identifying a person from who more detailed information as to tendering may be obtained;
- detailed information shall include;
- such information as the local government decides should be disclosed to those interested in submitting a tender;
- detailed specifications of the goods or services required;
 - the criteria for deciding which tender should be accepted;
 - whether or not the local government has decided to submit a tender; and
 - whether or not tenders can be submitted by facsimile or other electronic means, and if so, how tenders may so be submitted.

Issuing Tender Documentation

Tenders will not be made available (counter, mail, internet, referral, or other means) without a robust process to ensure the recording of details of all parties who acquire the documentation.

This is essential as if clarifications, addendums or further communication is required prior to the close of tenders, all potential tenderers must have equal access to this information in order for the Local Government not to compromise its Duty to be Fair.

Tender Deadline

A tender that is not received in full in the required format by the advertised Tender Deadline shall be rejected.

Opening of Tenders

No tenders are to be removed from the tender box, or opened (read or evaluated) prior to the Tender Deadline.

Tenders are to be opened in the presence of the Chief Executive Officer's delegated nominee and preferably at least one other Council Officer. The details of all tenders received and opened shall be recorded in the Tenders Register.

Tenders are to be opened in accordance with the advertised time and place. There is no obligation to disclose or record tendered prices at the tender opening, and price information should be regarded as commercial-in-confidence to the Local Government. Members of the public are entitled to be present.

The Tenderer's Offer form, Price Schedule and other appropriate pages from each tender shall be date stamped and initialled by at least two Local Government Officers present at the opening of tenders.

No Tenders Received

Where the Local Government has invited tenders, however no compliant submissions have been received, direct purchases can be arranged on the basis of the following:

- a sufficient number of quotations are obtained;
- the process follows the guidelines for seeking quotations between \$50,001 & \$[149,999](#) & \$[249,999](#) (listed above);
- the specification for goods and/or services remains unchanged;
- purchasing is arranged within 6 months of the closing date of the lapsed tender.

Tender Evaluation

Tenders that have not been rejected shall be assessed by the Local Government by means of a written evaluation against the pre-determined criteria. The tender evaluation panel shall assess each tender that has not been rejected to determine which tender is most advantageous.

Addendum to Tender

If, after the tender has been publicly advertised, any changes, variations or adjustments to the tender document and/or the conditions of tender are required, the Local Government may vary the initial information by taking reasonable steps to give each person who has sought copies of the tender documents notice of the variation.

Minor Variation

If after the tender has been publicly advertised and a successful tenderer has been chosen but before the Local Government and tenderer have entered into a Contract, a minor variation may be made by the Local Government.

A minor variation will not alter the nature of the goods and/or services procured, nor will it materially alter the specification or structure provided for by the initial tender.

Notification of Outcome

Each tenderer shall be notified of the outcome of the tender following Council resolution. Notification shall include:

- The name of the successful tenderer
- The total value of consideration of the winning offer

The details and total value of consideration for the winning offer must also be entered into the Tenders Register at the conclusion of the tender process.

Records Management

All records associated with the tender process or a direct purchase process must be recorded and retained. For a tender process this includes:

- Tender documentation;
- Internal documentation;
- Evaluation documentation;
- Enquiry and response documentation;
- Notification and award documentation.

For a direct purchasing process this includes:

- Quotation documentation;
- Internal documentation;
- Order forms and requisitions.

Record retention shall be in accordance with the minimum requirements of the State Records Act, and the Local Government's

5. MEETING CLOSURE