

**TOWN OF BASSENDEAN**  
**NOTICE OF THE MEETING OF THE**  
**AUDIT AND GOVERNANCE COMMITTEE**

Dear Committee Member

The meeting of the Town of Bassendean's Audit and Governance Committee will be held in the Council Chamber, 48 Old Perth Road, Bassendean, on Wednesday 8 August 2018, commencing at 5.30pm.



Mr Michael Costarella  
**A/CHIEF EXECUTIVE OFFICER**

3 August 2018

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**AGENDA**

**1.0**                    **DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS**

**Acknowledgement of Traditional Owners**

The Town of Bassendean acknowledges the past and present traditional owners of the land on which we gather to conduct this meeting, and pays its respects to their Elders, both past and present.

**2.0**                    **ATTENDANCES, APOLOGIES AND APPLICATIONS FOR LEAVE OF ABSENCE**

**3.0**                    **DEPUTATIONS**

**4.0 CONFIRMATION OF MINUTES**

**4.1 Audit and Governance Meeting held on 20 June 2018**

**OFFICER RECOMMENDATION – ITEM 4.1**

That the minutes of the Audit and Governance Committee meeting held 20 June 2018, be confirmed as a true record.

**5.0 ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION**

**6.0 DECLARATIONS OF INTEREST**

**7.0 BUSINESS DEFERRED FROM PREVIOUS MEETING**

## **8.0**                    **REPORTS**

### **8.1**            **Review of Purchasing Policy 6.14 (Ref: GOVR/POLCY/1-Mike Costarella, A/Chief Executive Officer and Manager of Corporate Services, Mr Ken Lapham)**

#### **APPLICATION**

The Audit and Governance Committee is requested to recommend Council adopts the revised Purchasing Policy following:

1. A Notice of motion - Cr Brown: incentive for local business; and
2. A review the Purchasing Policy in order to comply with the requirements of the Local Government (Functions & General) Regulations.

#### **ATTACHMENT**

##### **Attachment No. 1**

Current Purchasing Policy 6.14  
Draft Purchasing Policy 6.14 (*with Track Changes*)

#### **BACKGROUND**

Council resolved (OCM-32/11/17-November 2017):

*“That the Town of Bassendean provide a report to council outlining the feasibility of providing incentive for local business in the provision of goods and services to the town. Furthermore, the report is to include how best to provide incentive for businesses owned by or who employ indigenous peoples, and or actively recruit local youth”*

The Local Government (Functions and General) Regulations 11 A (3) requires that the Purchasing Policy states:

*A purchasing policy must make provision in respect of —*

- (a) the form of quotations acceptable; and*
- (ba) the minimum number of oral quotations and written quotations that must be obtained; and*
- (b) the recording and retention of written information, or documents, in respect of —*
  - (i) all quotations received; and*

(ii) *all purchases made.*

### COMMENT

Council revised all its Governance Policies in April 2017 and since that time, there have been a number of changes to the Procurement Procedures that are used in the purchasing of goods and services.

### Local Government (Functions and General) Regulations

An amendment was made to the Local Government (Functions and General Regulations) that requires Council to include purchasing thresholds and explanations to the thresholds that should be included into the Purchasing Policy. In addition to this, it is a requirement to include how the recording and retention of written information, or documents, in respect of all quotations received.

### OCM-32/11/17 - Notice Of Motion - Cr Brown: Incentive For Local Business

In addressing the Notice of Motion, Staff sought advice from the City of Canning and they provided the following statement:

*“Under our Policy we include clauses for the support of both corporate social responsibility and supporting of local businesses. These are applied as separate criteria, each with a maximum weighting of 20%.*

*These criteria can be applied to all Request processes (Quotation and Tender).*

*Support Local Business allows organisations both within and without the City to demonstrate a benefit to the City through being, or use of, a local business.*

*Corporate Social Responsibility is aimed at organisations who use WA Disability Enterprises or Aboriginal Owned Businesses, or employ disabled or indigenous people. It further captures those actively reducing their environmental impact or demonstrating innovation in sustainability.”*

The Town assesses each Request for Quote (over \$60,000) and Request for Tender (over \$150,000) on the following basis:

- Methodology;
- Skills and Experience;

- Risk Management; and
- Price.

The issue of Local Purchasing is addressed within the assessment of the RFQ and RFT and as part of the Skills and Experience as well as methodology, however, there is currently insufficient suppliers within the Town. of many of goods and services the Town procures.

Staff have included a statement within the Procurement Procedures that acknowledges the importance of local economic benefit, viz

### **Local Economic Benefit**

*The Town encourages the development of competitive local businesses within its boundary first, and second within its broader region. As much as practicable, the Town will:*

- *Where appropriate, consider buying practices, procedures and specifications that do not unfairly disadvantage local businesses;*
- *Consider indirect benefits that have flow on benefits for local suppliers (i.e. servicing and support);*
- *Ensure that procurement plans address local business capability and local content;*
- *Explore the capability of local businesses to meet requirements and ensure that Requests for Quotation and Tenders are designed to accommodate the capabilities of local businesses;*
- *Avoid bias in the design and specifications for Requests for Quotation and Tenders – all Requests must be structured to encourage local businesses to bid; and*
- *Provide adequate and consistent information to local suppliers.*

The matters relating to the employment of young people and indigenous peoples is a matter for each business and the Policy cannot not be restricted to only deal with those businesses.

### **STATUTORY REQUIREMENTS**

Local Government Act 1995

### **FINANCIAL CONSIDERATIONS**

Nil.

### OFFICER RECOMMENDATION - ITEM 8.1

That the Audit and Governance recommends to Council that it adopts the draft Policy 6.14 - Purchasing as included in the Audit and Governance Agenda of 8 August 2018.

**Voting requirement: Absolute majority**

### 9.0 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

*At the June 2018 Audit & Governance Committee, this motion was deferred to this meeting.*

#### **9.1 Notice of Motion – Cr Hamilton: Contractors**

Cr Hamilton has advised that she wishes to move the following motion at this meeting:

*“That the Audit and Governance Committee requests staff to prepare a report for the next Committee meeting that outlines the following:*

- 1. The processes utilised to review the quality of goods and services delivered by contractors, service providers and consultants engaged by the Town of Bassendean;*
- 2. Provision of a list of contractors, service providers and consultants utilised by the Town of Bassendean for a period in excess of seven years to the current financial year; and*
- 3. The process that guides the frequency and manner of reviewing the pricing structure of any such long term supplier in comparison to other suppliers and consultants;*
- 4. Identify any cumulative expenditure with a single supplier which, over three financial years exceeds or is expected to exceed \$150,000 (excluding GST) on the purchase of goods and services; and/or \$200,000 (excluding GST) on the carrying out of works.”*

## Strategic Priority 5: Good Governance

5.1 Enhance organisational accountability

5.1.2 Ensure financial sustainability

5.1.3 Strengthen governance, risk management and compliance

### Background – Cr Hamilton

Regular and timely reviews of procedures should be undertaken to ensure Council receives goods, services or works to the required standards of quality and quantity, and that Council Staff use commercially robust contracts to describe Council's intention and administer each contract competently. This is achieved in part by:

- Monitoring supplier performance;
- Measuring the implementation of the procurement process against budget parameters
- Ensuring defects or variances to procurement objectives are identified and prompt remedial action is taken;
- Implementing strategies that avoid unnecessary consumption and drive improvement in procurement to eliminate waste and inefficiencies across key spend categories;
- Strengthening Council's identification of potential risk factors and the management of underperforming suppliers by providing a means for the early recognition of issues and performance problems.

In respect to Cumulative Spend:

Many Councils monitor cumulative spend with suppliers at least annually. If expenditure with a single supplier or a number of suppliers providing similar goods, services or works is ongoing in nature and the cumulative spend is likely to exceed the legislated threshold over a three year period, then Council may consider reviewing the opportunity to pursue a contract for such goods, services or works through a competitive process.

Regular reviews and assessments of long term suppliers is desirable.

The City of Perth Procurement Policy: Purchasing Thresholds, Item 4.2 states:

*In determining the purchasing value, the following considerations are to be taken into account:*

*The extent to which it could reasonably be expected that the City will continue to purchase a particular category of goods, services or works and what total value is or could be reasonably expected to be purchased; and*

*Where the value is expected to be in the vicinity of \$150,000 over a three year period, a tender process must be undertaken. The determination of the commencement of a tender process shall be in collaboration with the relevant business unit and the Finance Unit.*

Use of Spend Map by some Councils:

The accounts payable data in a council "Spend Map" is grouped according to the category of goods and services being purchased. Expenditure is mapped against procurement categories to complement the traditional departmental budget format. This spend map enables the consistent analysis of the total spend on common goods and services used across multiple departments.

Within each category, spend is further categorised by suppliers to allow the identification of common suppliers across multiple council departments.

I would suggest that it would be advantageous for the Audit and Governance Committee to be provided with such a Spend Map on a quarterly basis.

Town of Bassendean Purchasing Policy 6.14

[http://www.bassendean.wa.gov.au/Profiles/bassendean/Assets/ClientData/Document-Centre/Policies/Leadership and Governance.pdf](http://www.bassendean.wa.gov.au/Profiles/bassendean/Assets/ClientData/Document-Centre/Policies/Leadership%20and%20Governance.pdf)

#### OFFICER COMMENT

The Town has a procurement procedure that is reviewed on an annual basis. This document is linked to the Council Purchasing policy and is an operational document that is used by all Staff within the Town that have authority to purchase goods and services.

The document is used by Internal and External Auditors to audit the processes that are in place and particularly to ensure that ( not limited to):

1. The correct number of quotes are obtained;
2. Whether an RFQ needs to be advertised;
3. Whether WALGA preferred suppliers can be used; or

4. Whether there is a requirement to advertise for tenders for projects that exceed \$150,000.

Staff do use a report (also used by the ATO) to ensure that supplier spend, complies with the requires of the Tender Regulations and the Local Government Act.

The Notice of motion requires that this report be provide on a quarterly basis, however, there is little value in the report being provided to the Committee as this is an operational report and monitored by qualified Staff and Auditors.

Any matters that are raised by the Auditor are then referred to the Audit & Governance Committee.

Note: Councillors are entitled to documents that would assist in their responsibilities and for the good governance of the district. Council also set the policies for the Town, The CEO is responsible for the financial management (Clause 6.10 of the Local Government Act). Therefore, it is difficult to understand exactly how providing these documents to the Audit and Governance Committee would be considered "good governance" of the district given that procurement procedures are very well monitored by qualified Staff and Auditors.

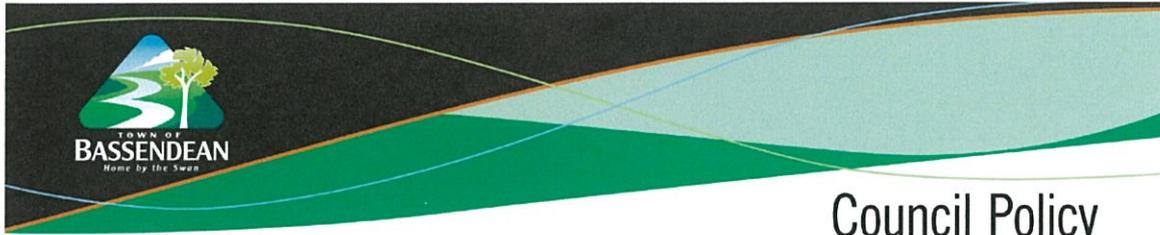
Accordingly, Staff believe the Notice of motion is not required.

**10.0** **ANNOUNCEMENTS OF NOTICES OF MOTION FOR THE NEXT MEETING**

**11.0** **CONFIDENTIAL BUSINESS**

**12.0** **CLOSURE**

The next meeting is to be held on Wednesday, 10 October 2018, commencing at 5.30pm.



## Council Policy

**DRAFT**

3 August 2018

### 6.14 Purchasing Policy

#### Objective

This policy:

1. Ensures compliance with ~~Meets the requirements of the *Local Government Act 1995* and the Local Government (Functions and General) Regulations 1996 to establish a framework of operational standards for contracts to purchase goods and services;~~
2. Provides guidance ~~Sets out the requirements to all Council employees on all levels of procurement for acceptable forms of quotation, and the recording of documents and information, for contracts to purchase goods and services; to ensure ethical behavior, ensure probity, and transparency;~~
3. Is designed to ensure that the Town receives value for money as a result of its purchasing activities;
4. Aims to deliver a high level of accountability whilst providing a flexible, efficient and effective and transparent procurement framework;
5. Ensure that the Town considers the environmental and sustainability implications of the procurement process across the life cycle of goods and services; and
6. Ensures that all purchasing transactions are recorded in compliance with the State Records Act 2000 and associated records management practices and procedures of the Town.

#### Strategy

The Town is committed to sustainable procurement practices. The Town will advertise and assess quotes and tenders to secure supply arrangements that contribute to achieving the Town's strategic goals and objectives in line with the following principles:

- Enhance our natural and built environment, by purchasing products and services that demonstrate environmental best practice, and will reduce negative impacts
- Enhance our Economic environment by ensuring value for money in all contracting and purchasing
- Ensure Good Governance by maintaining transparency in contracting and purchasing, minimising the risk to the Town of Bassendean through the application of a robust risk management mechanism's ensuring that the products and services it purchases are in line with the Town's objectives

- Where appropriate, the Town shall endeavour to provide an advantage to suppliers demonstrating that they minimise environmental and negative social impacts and embrace sustainable business practices.

~~Staff have developed a procurement manual that provides an effective 'how to' framework for Town of Bassendean contracting for goods and services. Understanding and adhering to the procedures within the manual, will help ensure good purchasing outcomes.~~

~~The Manual and associated Council policies provide a purchasing and contracting framework that reflects the principles and arrangements fundamental to efficient and effective purchasing and contracting.~~

~~These procedures apply to all methods of procurement, including e-commerce methods.~~

~~In undertaking any procurement activity, authorized Council purchasing officers, and any private sector organisations purchasing on the Town's behalf, must understand and comply with the policy requirements outlined in Council policies.~~

~~In the event of any inconsistency between these Procedures and Council policies, compliance with the policies takes precedence.~~

~~Key outcomes that Council wishes to achieve are:~~

- ~~• ensuring value for money in Town of Bassendean contracting and purchasing;~~
- ~~• ensuring there is transparency in Town of Bassendean contracting and purchasing;~~
- ~~• minimising the risk to the Town of Bassendean from purchasing and contracting through the application of a robust risk management mechanism ensuring that the products and services it purchases are in line with the Town's objectives for a sustainable future and that can support markets for environmentally preferred products and services, support products with minimum packaging and contribute to improved environmental quality and progress towards sustainability~~
- ~~• Ensure that the purchasing framework promotes the sustainable use of resources and reduce negative impacts.~~
- ~~• Buying Local – Where possible suppliers operating within the Town of Bassendean are to be given the opportunity to quote for goods & services required by the town. However it is recognised that not every category of goods and services required by the Town will lend itself to supply by local businesses.~~
- ~~• To efficiently manage the replacement of the Town of Bassendean's vehicle fleet~~

### **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; and
- Notification and award documentation.

For a direct purchasing process this includes:

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

Record retention shall be in accordance with the minimum requirements of the State Records Act, and the Town of Bassendean's internal records management procedures.

### **Sustainable Procurement**

The Town is committed to implementing sustainable procurement by providing a preference to suppliers that demonstrate sustainable business practices (social advancement, environmental protection and local economic benefits).

The Town will embrace Sustainable Procurement by applying the value for money assessment to ensure that wherever possible our suppliers demonstrate outcomes which contribute to improved environmental, social and local economic outcomes. Sustainable Procurement can be demonstrated as being internally focussed (i.e. operational environmental efficiencies or employment opportunities and benefits relating to special needs), or externally focussed (i.e. initiatives such as corporate philanthropy).

Requests for Quotation and Tenders will include a request for information from Suppliers regarding their sustainable practices and/or demonstrate that their product or service offers enhanced sustainable benefits.

### **Local Economic Benefit**

The Town encourages the development of competitive local businesses within its boundary first, and second within its broader region. As much as practicable, the Town will:

- Where appropriate, consider buying practices, procedures and specifications that do not unfairly disadvantage local businesses;
- Consider indirect benefits that have flow on benefits for local suppliers (i.e. servicing and support);
- Ensure that procurement plans address local business capability and local content;
- Explore the capability of local businesses to meet requirements and ensure that Requests for Quotation and Tenders are designed to accommodate the capabilities of local businesses;
- Avoid bias in the design and specifications for Requests for Quotation and Tenders – all Requests must be structured to encourage local businesses to bid; and

- Provide adequate and consistent information to local suppliers.

## Purchasing Threshold

The Town will maintain a principle period of 3 years for all procurement of goods or services for the Town, for purchases valued over \$20,000, where the value of procurement and contract (excluding GST), is, or is expected to be:

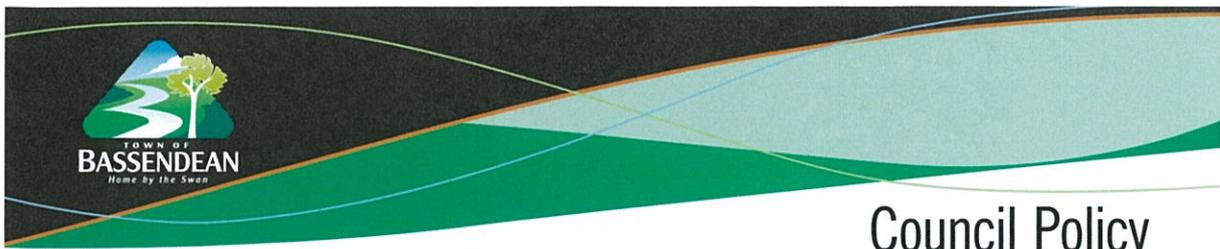
Monetary Threshold (excluding GST)	Purchasing Method Required
Up to \$1,999 Annually - For Irregular and Non-Recurrent Purchases  3 year period for Recurring Purchases	<p><u>Irregular and Non-Recurrent Purchases</u> - For irregular and non-recurrent goods and services valued up to \$1,999 per year, no competitive process is required, although <b>one</b> verbal quote must be obtained prior to purchasing. An exception is where goods are purchased by Corporate Credit Card.</p> <p><u>Recurring Purchases</u> - Recurring goods and services valued up to \$1,999 per year, require a projected spend over 3 year period. Use Contract Procurement Checklist Appendix 4.</p>
\$2,000 to \$ 4,999 Annually - For Irregular and Non-Recurrent Purchases	<p><u>Irregular and Non-Recurrent Purchases</u> - For Irregular and Non-Recurrent Purchases goods and services valued between \$2,000 and \$4,999 per year, no competitive process is required, although <b>one written</b> quote must be obtained prior to purchasing.</p>
\$5,000 - \$19,999 Annually - For Irregular and Non-Recurrent Purchases  3 year period for Recurring Purchases	<p><u>Irregular and Non-Recurrent Purchases</u> - For goods and services valued between \$5,000 and \$19,999 a purchase, <b>2 x Written quotations</b> are required. Where rates are reasonable and consistent with similar products, officers must occasionally undertake market testing to ensure best value for money is obtained. Record of Written Quotes \$2,000 to \$59,999 is attached in Appendix 3.</p> <p><u>Recurring Purchases</u> - Recurring goods and services valued between \$5,000 and \$19,999 per year require projected spend over 3 year period. Use Contract Procurement Checklist Appendix 4.</p>
\$20,000 - \$59,999 <b>(over 3 years)</b>	<p><b>Minimum 3 written quotations are requested and Manager or Director approval required.</b> Informal evaluations could include OHS requirements, financial viability, experience and referees. Record of Written Quotes \$2,000 to \$59,999 is attached in Appendix 3 together with evaluation form.</p>
\$60,000 - 149,999 Formal RFQ required	<p>Formal Request For Quotation (RFQ) is required to be issued by Contract Support Officer. Contract Owner/Manager is to complete the Contract Procurement Checklist (Appendix 4), have Manager of Service and Director approve then forward to Contract Support Officer. A sufficient number of written quotations are to be sought (minimum of three 3 written quotations.) A quote must be sought from either:</p> <ul style="list-style-type: none"> <li>• The open market; or</li> <li>• A supplier included in the relevant WALGA Preferred Supplier Arrangement (link on Intranet). All suppliers of those particular services registered on the WALGA Portal must be given the opportunity to provide a response to our quote, unless Director has approved otherwise; or</li> </ul>

	<ul style="list-style-type: none"> <li>Other suppliers that are accessible under another tender exempt arrangement (WA Disability Enterprise or an Aboriginal Owned Business).</li> </ul> <p>Responses are to be evaluated on both price considerations and appropriate weighted qualitative criteria, by the Contract Supervisor/Manager and Evaluation Panel to evaluate the submission/s and recommend a supplier. The Successful Supplier must be approved by the Manager of Service and Director.</p>
\$150,000 and above RFT Required	<p>Request for Tender (RFT) to be called by Contract Support Officer. Request for Tender is to be issued in accordance with the Local Government Act 1995 (Section 3.57) unless expressly exempted under clause 11 (2) of the Regulation.</p> <p>Contract Owner/Manager is to complete the Contract Procurement Checklist (Appendix 4), have Manager of Service and Director approve then forward to Contract Support Officer, who will then complete (Director and CEO Procurement Authority Appendix 6) to proceed with Tender process.</p> <p>Request for Tender must be sought from either:</p> <ul style="list-style-type: none"> <li>The open market (must be publicly advertised State-wide); or</li> <li>A supplier included in the relevant WALGA Preferred Supplier Arrangement (link on Intranet). All suppliers of those particular services registered on the WALGA Portal must be given the opportunity to provide a response to our request, unless Director has approved otherwise; or</li> <li>Other suppliers that are accessible under another tender exempt arrangement (WA Disability Enterprise or an Aboriginal Owned Business) and State or Commonwealth Government Contracts.</li> </ul> <p>Responses are to be assessed by the Evaluation Panel on appropriate weighted qualitative criteria, who will recommend a successful supplier. The Procurement Decision (successful supplier) is to be reported to the next Ordinary Council Meeting, to be approved by Council.</p>

## Application

Responsibility for the implementation of this policy rests with the Mayor, Councillors and Chief Executive Officer. The Policy is to be reviewed every three years.

<b>Policy Type:</b> Strategic Policy	<b>Responsible Officer:</b> Chief Executive Officer
<b>Link to Strategic Community Plan:</b> Leadership and Governance	<b>Last Review Date:</b> September 2017 August 2018 <b>Version 3</b>
	<b>Next Review due by:</b> May 2021



## Council Policy

### 6.14 Purchasing Policy

#### Objective

This policy:

1. Meets the requirements of the *Local Government Act 1995* and the Local Government (Functions and General) Regulations 1996 to establish a framework of operational standards for contracts to purchase goods and services;
2. Sets out the requirements for acceptable forms of quotation, and the recording of documents and information, for contracts to purchase goods and services;
3. Is designed to ensure that the Town receives value for money as a result of its purchasing activities; and
4. Aims to deliver a high level of accountability whilst providing a flexible, efficient and effective and transparent procurement framework.

#### Strategy

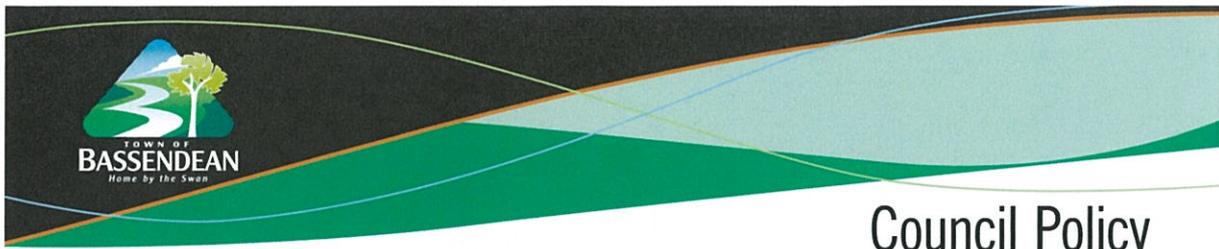
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These procedures apply to all methods of procurement, including e-commerce methods.

In undertaking any procurement activity, authorized Council purchasing officers, and any private sector organisations purchasing on the Town's behalf, must understand and comply with the policy requirements outlined in Council policies.

In the event of any inconsistency between these Procedures and Council policies, compliance with the policies takes precedence.



## Council Policy

Key outcomes that Council wishes to achieve are:

- ensuring value for money in Town of Bassendean contracting and purchasing;
- ensuring there is transparency in Town of Bassendean contracting and purchasing;
- minimising the risk to the Town of Bassendean from purchasing and contracting through the application of a robust risk management mechanism ensuring that the products and services it purchases are in line with the Town's objectives for a sustainable future and that can support markets for environmentally preferred products and services, support products with minimum packaging and contribute to improved environmental quality and progress towards sustainability
- Ensure that the purchasing framework promotes the sustainable use of resources and reduce negative impacts.
- To efficiently manage the replacement of the Town of Bassendean's vehicle fleet

### Application

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<p><b>Policy Type:</b> Strategic Policy</p>	<p><b>Responsible Officer:</b> Chief Executive Officer</p>
<p><b>Link to Strategic Community Plan:</b> Leadership and Governance</p>	<p><b>Last Review Date:</b> September 2017  <b>Version 2</b></p> <p><b>Next Review due by:</b> May 2020</p>