

# TOWN OF BASSENDEAN

## MINUTES

### AUDIT AND GOVERNANCE COMMITTEE

HELD IN THE COUNCIL CHAMBER, 48 OLD PERTH ROAD, BASSENDEAN  
ON WEDNESDAY 8 AUGUST 2018, AT 5.30PM

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#### 1.0 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Presiding Member opened the meeting, welcomed all those in attendance and conducted an Acknowledgement of Country.

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

##### Present

Cr Kathryn Hamilton, Presiding Member  
Cr Jai Wilson (until 6.45pm)  
Cr Melissa Mykytiuk (from 5.34pm)  
Ian Walters  
Tom Klaassen

##### Staff

Michael Costarella, Director Corporate Services  
Ken Lapham, Manager Corporate Services  
Amy Holmes, Minute Secretary  
Ron Back, Financial Advisor

#### 3.0 DEPUTATIONS

Nil

#### **4.0 CONFIRMATION OF MINUTES**

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

##### **COMMITTEE/OFFICER RECOMMENDATION – ITEM 4.1**

MOVED Tom Klaassen, Seconded Ian Walters, that the minutes of the Audit and Governance Committee meeting held 20 June 2018, be confirmed as a true record.

CARRIED UNANIMOUSLY 4/0

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

Nil

#### **6.0 DECLARATIONS OF INTEREST**

Nil

#### **7.0 BUSINESS DEFERRED FROM PREVIOUS MEETING**

Nil

#### **8.0 REPORTS**

*Cr Mykytiuk joined the meeting, the time being 5.34pm.*

##### **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 of 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

*The Committee discussed how the Town can facilitate purchasing through local businesses and community groups, such as grant funding.*

#### COMMITTEE/OFFICER RECOMMENDATION - ITEM 8.1

**AGC-1/08/18**

MOVED Cr Wilson, Seconded Ian Walters, that the Audit and Governance Committee recommends to Council that it adopts the draft Policy 6.14 – 'Purchasing Policy' as included in the Audit and Governance Committee Agenda of 8 August 2018.

CARRIED BY AN ABSOLUTE MAJORITY 5/0

**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 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;*
- 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.

#### 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.



*The Committee discussed how committees of Council should be in a position to define project expectations, have input on the setting of scope of works and set clear specifications, outcomes and objectives to ensure the satisfactory delivery of goods, services and works.*

*Cr Wilson left the meeting at 6.45pm and did not return.*

*Cr Hamilton withdrew her notice of motion and moved an alternation motion which was supported by the committee.*

#### **COMMITTEE RECOMMENDATION – ITEM 9.1**

**AGC-2/08/18**

MOVED Cr Hamilton, Seconded Tom Klaassen, that staff shall present the scope of works and deliverables for new projects or consultancies in excess of \$20,000 to the appropriate Committee and/or Council for consideration and approval prior to release to the market.

**CARRIED UNANIMOUSLY 4/0**

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

Nil

#### **11.0 CONFIDENTIAL BUSINESS**

Nil

#### **12.0 CLOSURE**

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

There being no further business, the Presiding Member closed the meeting at 6.47pm.