

SHIRE OF YORK

NOTICE OF MEETING

Dear Councillors

I respectfully advise that the AUDIT AND RISK COMMITTEE MEETING will be held in Council Chambers, York Town Hall, York on Monday, 8 July 2019, commencing at 3.00pm.

MEETING AGENDA ATTACHED

Suzie Haslehurst

SUZIE HASLEHURST
A/CHIEF EXECUTIVE OFFICER
Date: 5 July 2019

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<p>MISSION STATEMENT <i>"Building on our history to create our future"</i></p>

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The York Shire Council acknowledges the traditional owners of the land on which this meeting will be held.

1 OPENING

1.1 Declaration of Opening

1.2 Disclaimer

The Shire President advises the following:

"I wish to draw attention to the Disclaimer Notice contained within the agenda document and advise members of the public that any decisions made at the meeting today, can be revoked, pursuant to the Local Government Act 1995.

Therefore members of the public should not rely on any decisions until formal notification in writing by Council has been received. Any plans or documents in agendas and minutes may be subject to copyright. The express permission of the copyright owner must be obtained before copying any copyright material."

1.3 Standing Orders

1.4 Announcement of Visitors

1.5 Declarations of Interest that Might Cause a Conflict

Councillors/Staff are reminded of the requirements of s5.65 of the Local Government Act 1995, to disclose any interest during the meeting when the matter is discussed and also of the requirement to disclose an interest affecting impartiality under the Shire of York's Code of Conduct.

Name	Item No & Title	Nature of Interest (and extent, where appropriate)

1.6 Declaration of Financial Interests

A declaration under this section requires that the nature of the interest must be disclosed. Consequently a member who has made a declaration must not preside, participate in, or be present during any discussion or decision making procedure relating to the matter the subject of the declaration.

Other members may allow participation of the declarant if the member further discloses the extent of the interest and the other members decide that the interest is trivial or insignificant or is common to a significant number of electors or ratepayers.

Name	Item No & Title	Nature of Interest (and extent, where appropriate)

1.7 Disclosure of Interests that may affect Impartiality

Councillors and staff are required (Code of Conduct), in addition to declaring any financial interest, to declare any interest that might cause a conflict. The member/employee is also encouraged to disclose the nature of the interest. The member/employee must consider the nature and extent of the interest and whether it will affect

their impartiality. If the member/employee declares that their impartiality will not be affected then they may participate in the decision making process.

Name	Item No & Title	Nature of Interest (and extent, where appropriate)

2 ATTENDANCE

2.1 Members

2.2 Staff

2.3 Apologies

2.4 Leave of Absence Previously Approved

3 APPLICATIONS FOR LEAVE OF ABSENCE

4 PRESENTATIONS

5 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

Minutes of the Audit and Risk Committee Meeting held 20 March 2019

Confirmation

“That the minutes of the Audit and Risk Committee Meeting held 20 March 2019 be confirmed as a correct record of proceedings.

6 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION

7 OFFICER'S REPORTS

7.1 OUTCOMES OF THE PROCUREMENT REVIEW 2019

File Number: FI.GEN.1

Author: Suzie Haslehurst, Executive Manager, Corporate & Community Services

Authoriser: Suzie Haslehurst, Executive Manager, Corporate & Community Services

Previously before Council: Not Applicable

Appendices:

1. Integrity in Procurement Self Assessment as at April 2019
2. Action List Progress
3. F1.2 Procurement - Amended
4. F1.6 Purchasing & Credit Card Policy - Amended
5. Statement of Business Ethics
6. Procurement Manual

NATURE OF COUNCIL'S ROLE IN THE MATTER

This report presents the outcomes of the Procurement Review (the Review) undertaken by officers for recommendation to Council.

PURPOSE OF REPORT

Executive

Review

BACKGROUND

In December 2018, a report was presented to the Audit & Risk Committee and subsequently Council providing the outcomes of a review of Tender 01-16/17 – Capital Works Program. The report also referenced the focus audit undertaken by the Auditor-General in 2018 relating to Local Government Procurement which recommended the following:

All LGs, including those not sampled in this audit, should review their policies, processes and controls against the focus areas of our audit in Appendix 1.

Each LG we audited should provide an action plan to address this recommendation, table it with their Council, and make it available on their website, as per the Local Government Act 1995.

Council resolved at the December 2018 OCM;

"That Council:

Requests the CEO review the Shire's procurement policies, practices and procedures in accordance with the recommendation made by the Auditor General and present a report to a future meeting of the Audit and Risk Committee for consideration of any recommended improvements to be made".

A project management plan was developed and approved in January then an internal project management group (PMG) was established in consisting of:

Chief Executive Officer	Project Sponsor
Executive Manager, Corporate & Community Services	Project Manager/Management Group Member – meeting convener, reporting, staff training

Administration & Governance Coordinator	Project Administrator/Management Group Member - administrative support, review of documents, compliance monitoring
Executive Manager, Infrastructure & Development Services	Project Management Group Member – practical application Capital & Infrastructure projects
Finance Manager	Project Management Group Member – financial & compliance monitoring
Finance Officer – Creditors	Project Management Group Member – practical application Finance
Depot Administration Officer	Project Management Group Member – practical application Depot
Technical Services Officer	Project Management Group Member – practical application Infrastructure & Development Services

The PMG has met regularly since February and the outcomes of the Review are now presented for Council's consideration.

COMMENTS AND DETAILS

Objectives

The objectives of the Review were to:

- Review policies, procedures, internal controls, relevant to purchasing activities, making payments and contract management, as well as practices for recruitment, induction and training of employees involved in procurement.
- Develop recommendations for improvement and an action plan and timeline.
- Report Outcomes / Actions to Audit Committee and Council.

Focus Areas

The Review focused on the following specific areas as outlined in the Auditor-General's Local Government Procurement focus audit;

- Policy
 - Relevance
 - Thresholds
 - Authorised persons
- Training
 - Frequency and content
- Sourcing
 - Seeking quotes
 - Tendering
 - Conflict of interest
 - Purchase orders and approvals
 - Segregation of duties
 - Reviewing invoices and payments

Methodology

First, the PMG reviewed the following documents:

- Shire of York Audit Regulation 17 Report and Risk Improvement Plan (2017)
- Shire of York Financial Management Review Report (2017)
- The Shire's procurement practices (using the WALGA – *Integrity in Procurement* audit tool)

- Policies, procedures and templates from other local governments
- Office of the Auditor-General focus audit report – *Local Government Procurement*
- Creditor purchase totals for the past three year period

By completing the WALGA *Integrity in Procurement* self-assessment, a number of areas were identified where improvements could be made. An action plan was generated from the self-assessment and used as a living document to track progress while the review was continuing.

Findings

The completed self-assessment and proposed actions is attached at Appendix 1 and is a snapshot of the Shire of York as at April 2019. This document outlines in detail the findings in relation to each of the focus areas described above.

The review identified that the main areas requiring attention were formalising internal controls and procedures, and the processes used for tendering and requests for quotations. In addition, it is common practice now to adopt a Statement of Business Ethics that outlines not only the Shire's principles in relation to purchasing but also what is expected of suppliers and what suppliers can expect from the Shire.

Nonetheless, following the Audit Regulation 17 Review undertaken in 2017, it is clear that risks relating to fraud and misconduct have been substantially mitigated via improved processes and procedures, policy development and staff training.

The following table provides an outline of the actions completed as part of the Review. A detailed Action List is attached at Appendix 2. While this document contains several actions yet to be completed, it is considered to be a 'living' document and as such, will be updated as tasks are completed.

Item	Action Taken
F1.2 Procurement Policy	Reviewed WALGA template and sample policies from other local governments with consideration for the capacity and size of the Shire of York. Amendments proposed relate to Principles, Thresholds, Panels, Exemptions, Sustainable Procurement and the consequences of Non-Compliance. (Appendix 3)
F1.6 Credit Card Policy	Reviewed WALGA template and sample policies from other local governments with consideration for the capacity and size of the Shire of York and advice from the Office of the Auditor-General. Amendments proposed relate to the inclusion of purchasing cards such as Fuel cards, Custodianship, Conditions of Use and Procedures. (Appendix 4)
Statement of Business Ethics	Reviewed WALGA template and samples from other local governments and developed a Statement of Business Ethics for adoption by Council. (Appendix 5)
Procurement Manual	Based on the WALGA Toolkit, a comprehensive Procurement Manual has been developed for use by staff engaged in purchasing activities for the Shire (Appendix 6). The Manual will be provided during induction of new employees and at refresher training sessions.
HR Policy – Training and Development	Internal policy developed to ensure annual refresher training is held for all staff that includes (among other things) purchasing and procurement.
Templates and checklists	Standardised templates have been developed for the following: <ul style="list-style-type: none"> • Procurement Process Checklist • Procurement Plan Template (for larger, more complex procurement activities)

	<ul style="list-style-type: none"> • Request for Tender – General Goods and Services • Request for Tender – Minor Building and Construction • Request for Quotation • Request for Quotation – Consultancy under \$50,000 • Evaluation Rating Scale • Evaluation Workbook including Conflict of Interest Declarations • Contract templates
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Points of Note

The following provides further explanatory notes related to specific areas/issues for Council's information.

- *Exemptions*

Regulation 11(2) of the *Local Government (Functions and General) Regulations 1996* provides a list of exemptions from having to invite tenders. These have been included in the proposed amended Procurement Policy to ensure the absence of doubt for staff engaged in procurement activities.

- *Panels of Pre-Qualified Suppliers*

The PMG reviewed the purchasing history of several suppliers to the Shire and noted that some suppliers (particularly trades such as plumbing, electrical etc.) may reach the tender threshold within a certain period of time. However, the Department of Local Government (DLGSC) advise that there are a number of variables to consider when determining the threshold amount such as the period during which the purchases were made, the type of purchases and whether the purchases could reasonably be considered separate contracts.

The Shire may choose to establish a panel of Pre-Qualified Suppliers in accordance with Part 4 – Division 3 of the *Local Government (Functions and General) Regulations 1996*. However, it is proposed that a separate policy is developed to govern the use of Pre-Qualified Suppliers and ensure compliance with legislation.

- *Obtain versus Seek Quotations*

One of the challenges identified in the review is that the current Procurement Policy requires officers to 'obtain' a set number of quotations depending on the threshold amount. Officers have often reported difficulty in getting three suppliers to quote for goods or services, particularly at the lower end of the threshold scale. Advice was sought from both the DLGSC and WALGA regarding this issue.

WALGA's template policy uses the term 'seek' however, almost all of the other local government policies reviewed use the term 'obtain'. Regulation 11A of the *Local Government (Functions and General) Regulations 1996* states:

- (3) 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.

The DLGSC advises that the regulation is intended to provide a broad overview to enable local governments to adjust their policies to suit their requirements in terms of size and capacity. Therefore, the policy could refer to the minimum number of quotes to be a) sought and b)

obtained. Officers are recommending this approach for purchasing up to \$50,000 with at least one quotation obtained for amounts between \$2,001 and \$20,000, two quotations obtained for amounts between 20,001 and \$50,000 and three quotations obtained for amounts over \$50,000 but under the tender threshold.

- *Thresholds*

For the past three years, only the CEO (unlimited authority) and Executive Manager (authority up to \$50,000) have been authorised to approve purchases with purchase orders to be signed by these officer prior to goods or services being purchased.

- *WALGA and LGIS*

Officers are recommending that reference is made in the Shire's policy to the fact that only one quotation is required for services procured from WALGA or LGIS. Both suppliers provide significant member benefits to local governments across the State.

- *Probity*

The Procurement Manual contains detailed information that outlines the Shire's requirements regarding probity including but not limited to;

- Principles
- Procurement probity risks
- Delegations
- Conflicts of interest
- Privacy
- Gifts and hospitality

The Procurement Manual will be used as part of the induction of new staff who will be engaged in purchasing activities and as part of the annual refresher training undertaken with all staff.

- *Separation of Roles*

WALGA's Integrity in Procurement Self-Assessment Tool asks:

Has the CEO documented procedures that ensure the separation of purchasing duties?

And goes on to state:

For example; an employee cannot be responsible for more than one of the following activities:

- *Initiating and approving purchases*
- *Receiving goods*
- *Approving invoices for payment*
- *Review and reconciliation of transactions*
- *Inventory*

The PMG discussed this matter and agreed that current and new procedures being implanted are robust enough to address the above in most cases. However, it is recognised that the size and capacity of a local government must have a bearing on the extent to which this issue can be managed.

In accordance with the proposed Procurement policy, four people will be authorised to approve purchases by signing purchase orders initiated by another officer. However, these authorisers will also approve invoices for payment once satisfied that the goods/services have been received in good order.

- *Corporate Credit Cards*

The Shire currently has two credit card accounts but only the Chief Executive Officer's credit card account is in use. It was determined by the Executive Management Group in 2016 that only one card was needed. The second account remained open in case a situation arose where a second card was required.

Officers considered closing the second credit card account as part of the Procurement Review. However, advice from Bendigo Bank is that the process to open a new account can be quite lengthy.

In view of the recent resignation of the Chief Executive Officer, it is proposed that the Corporate Purchasing and Credit Cards policy references a second credit card account but marks it “inactive”. Should the situation arise where the second account needs to be activated, a report will be put to Council to amend the policy.

In Summary

The PMG has undertaken a comprehensive review of the Shire Procurement Practices and is satisfied that the proposed policies and accompanying documents represent a significant improvement in the way the Shire of York will carry out procurement activities.

However, it is recognised that a process of continuous improvement is applied, and that processes and procedures will continue to evolve. The PMG recommends that procurement risks are considered by the Shire’s Risk Working Group and added to the Shire’s Risk Register for reporting to the Audit and Risk Committee on a six-monthly basis.

Also recommended is that officers develop a program of internal audits that are carried out by an independent assessor and that an allocation is made in future annual budgets to support this program. Given the size and capacity of the organisation it is not realistic to undertake these audits in-house and achieve the appropriate separation of roles and probity.

OPTIONS

The Committee could choose not to present the outcomes of the Review to Council at this time or to amend the recommendations to Council.

IMPLICATIONS TO CONSIDER

Consultative

Office of the Auditor-General

WA Local Government Association (WALGA)

WA Department of Local Government, Sport and Cultural Industries (DLGSC)

York & District Community Bank Branch of Bendigo Bank

Strategic

Strong and Effective Leadership

5.4 Open and accountable systems

Policy Related

F1.2 Procurement

F1.6 Corporate Purchasing and Credit Cards

G3.2 Fraud, Corruption and Misconduct Prevention

G4.7 Internal Control

G4.8 Legislative Compliance

Financial

Should an external party be engaged to undertake internal auditing process, an appropriate budget allocation will need to be made.

Legal and Statutory

The Review was undertaken have regard for the following:

- *Local Government Act 1995*
- *Local Government (Audit) Regulations 1996*
- *Local Government (Financial Management) Regulations 1996*
- *Local Government (Functions & General) Regulations 1996*
- *WALGA – Integrity in Procurement – Self Audit Template*

Risk Related

The aim of the Review was to improve the Shire's policies and procedures to mitigate the risks associated with procurement.

Workforce

The Review was carried out in-house and included officers from across the organisation.

VOTING REQUIREMENTS

Not applicable.

RECOMMENDATION

That the Audit and Risk Committee recommends that Council:

1. Receives the outcomes of the Procurement Review undertaken by the Project Management Group as outlined in this report including;
 - (a) the Integrity in Audit Self-Assessment attached at Appendix 1 to this report; and
 - (b) the Action List attached at Appendix 2; and notes the progress made to date.
2. Adopts the following documents as attached to this report;
 - (a) Policy F1.2 Procurement as amended (Appendix 3);
 - (b) F1.6 Credit Card Policy as amended (Appendix 4);
 - (c) Statement of Business Ethics for the Shire of York (Appendix 5).
3. Requests the Chief Executive Officer to:
 - (a) Refer procurement to the Shire's Risk Register to be reported on bi-annually;
 - (b) Consider the development of a policy to govern the creation of Panels of Per-Qualified Suppliers;
 - (c) Develop a program of internal audits and include an allocation in future budgets to support these activities.
4. Notes the following operational documents have been developed to guide the Shire's procurement activities;
 - (a) Shire of York Procurement Manual (Appendix 6)
 - (b) HR Policy – Training and Development to ensure refresher training in procurement is undertaken;
 - (c) Standardised templates and procedures for use by staff engaged in procurement activities.



Integrity in Procurement Self Audit Tool

Shire of York
As at April 2019



Integrity in Procurement Self-Audit Tool

1.0 Policy Framework

A robust Policy Framework is the foundation for good governance in procurement activity. It links legislation and operational activity and prescribes the applicable integrity and accountability measures.

The Policies are an outward statement to community and suppliers and an internal statement for Councillors and employees for how procurement activity will be undertaken by the Local Government.

This section of the Self Audit examines the Purchasing Policy mandated by the *Local Government (Functions and General) Regulations 1996* as well as policies for the control of Credit / Purchasing Card activities and a Statement of Business Ethics. Local Governments may have other policies which influence procurement activity and it is recommended that these policies are also included in your Audit to ensure they align with principles for managing risk of fraud and misconduct.

Section 1 – Policy Framework		YES	NO	Comment / Improvement Opportunities
Purchasing Policy				
<i>Functions and General Regulation 11A requires Local Governments to adopt and implement a purchasing policy.</i>				
Does the Purchasing Policy comply with the requirements of Regulation 11A of the <i>Local Government (Functions and General) Regulations 1996</i> ?	Y			Statement about State Records Act to be incorporated into the Purchasing Policy. eg City of Bunbury
Has the Purchasing Policy been reviewed within the last 4-years (i.e. did the review consider identified risks and audit outcomes)? [FM r.5(1)(e)]	Y			October 2016
Does the Purchasing Policy contain principles for the oversight and prevention of fraud or misconduct in procurement, purchasing and payment functions?			N	Update the Purchasing Policy to include principles for the oversight and prevention of fraud or misconduct in procurement, purchasing and payment functions
Does the Purchasing Policy detail the Local Government's commitment to ethical behaviours and integrity in procurement activities?	Y			Included in the Principles
Does the Purchasing Policy reference the Local Government's "Statement of Business Ethics" and its application to the Local Government and its			N	Develop and implement a Statement of Business Ethics – See below



Integrity in Procurement Self-Audit Tool

Section 1 – Policy Framework			
	YES	NO	Comment / Improvement Opportunities
contractors and suppliers when undertaking procurement activities?			
Does the Purchasing Policy describe consequences for non-compliance with the Policy?		N	Update the Purchasing Policy to include consequences for non-compliance with the Policy

Section 1 – Policy Framework			
	YES	NO	Comment / Improvement Opportunities
Credit / Purchasing Card Policy <i>Regulatory reports and the Department of Local Government Operational Guideline No.11 recommend the adoption of a policy that sets the governance principles for purchasing by use of Credit and Purchasing Cards. This policy should extend to all Transaction Cards including fuel cards, store card and any card facility which takes the place of a cash transaction.</i>			
Does the Local Government have a Credit / Purchasing Card Policy? [FM r.5(1)(e)]	Y		F1.6 Corporate Credit Card Policy
Has the Credit / Purchasing Card Policy been reviewed within the last 4-years (i.e. did the review consider risks and audit outcomes)? [FM r.5(2)(c)]	Y		October 2016
Does the Credit / Purchasing Card Policy describe acquittal obligations for Card Holders?	Y		Update the Credit / Purchasing Card Policy to reflect the use of only one card.
Does the Credit / Purchasing Card Policy describe consequences for misuse or non-compliance with the Policy?		N	Update the Credit / Purchasing Card Policy to include consequences for misuse or non-compliance with the Policy
Does the Credit / Purchasing Card Policy include a requirement for acquitted transaction statements to be included in the Monthly Financial Reporting to Council? [FM r.13]		N	Current practice but not formalised in policy. Policy to be amended to include reference to acquitted statements being included in monthly Financial Reporting to Council.



Integrity in Procurement Self-Audit Tool

Section 1 – Policy Framework		YES	NO	Comment / Improvement Opportunities
Statement of Business Ethics				
<i>The 2013 CCC Report into IT procurement practices, recommended that the Department of Local Government and Communities formulate a "Statement of Business Ethics" and "Guide for Local Government IT Procurement". The DLGC advises that this work has not yet commenced. Local Governments are however able to adopt policy to meet their needs and address the gap.</i>				
Does the Local Government have a "Statement of Business Ethics", to which its contractors and suppliers are required to adhere? [FM r.5(1)(e)]		N		Investigate sample Statements for review by the PMG. Build payment terms into Statement of Business Ethics for distribution to suppliers / contractors
Does the "Statement of Business Ethics" include principles for the performance of the Local Government when dealing with contractors and suppliers?		N		Statement of Business Ethics to include principles for the performance of the Shire when dealing with contractors and suppliers
Does the "Statement of Business Ethics" include principles for the performance of contractors and suppliers when dealing with the Local Government?		N		Statement of Business Ethics to include principles for the performance of contractors and suppliers when dealing with the Shire.
Do the Local Government's contracts require contractors and suppliers to be open for potential audits of compliance with the "Statement of Business Ethics"?		N		Contracts to require contractors and suppliers to be open for potential audits of compliance with the Statement of Business Ethics
Does the Auditor review the Local Government's and Supplier compliance with the principles of the "Statement of Business Ethics"?		N		Request the Auditor to review the Shire's and Supplier compliance with the principles of the Statement of Business Ethics
Have contractors and / or suppliers been audited for compliance with the "Statement of Business Ethics" within the past 2-years?		N		Develop and implement a procedure to ensure contractors and / or suppliers are audited for compliance with the "Statement of Business Ethics" at least biennially
Has the "Statement of Business Ethics" been reviewed within the past 4- years? [FM r.5(2)(c)]		N		Develop and implement a procedure to ensure the Statement of Business Ethics is reviewed at least every 4 years



Integrity in Procurement Self-Audit Tool

2.0 Internal Controls and Procedures

The Local Government's financial management internal controls and operational procedures are also a vital part of a good governance framework for prevention of fraud and misconduct in procurement.

The Local Government's internal controls, including its integrity and accountability measures will be implemented via operational procedures, which specify the sequence of activity, steps, tasks or actions required by employees when doing their work in order to comply with legislation and policy requirements.

Procedures will also explain the process for managing policy or procedure breaches and how potential fraud or misconduct will be investigated and reported. Documenting breach procedures operate as a visible deterrent and supports the CEO in meeting their obligations for reporting misconduct under the *Public Sector Management Act 1994* and the *Corruption, Crime and Misconduct Act 2003*.

Section 2 – Internal Controls and Procedures			
	YES	NO	Comment / Improvement Opportunities
Misconduct & Fraud Prevention			
Has the Local Government undertaken a misconduct and fraud risk assessment of its procurement activities within the past 2-years?	Y		Audit Reg 17 and FMR undertaken in 2017.
Were the findings of the procurement misconduct and fraud risk assessment reported to the Local Government's Audit Committee? [Audit r.17(3)]	Y		
Were the findings of the procurement misconduct and fraud risk assessment used to inform the Audit Scope of internal and / or external audits? [Audit r.7(b)]	Y		Findings used to inform scope of this Procurement Review.
Were the findings of the procurement misconduct and fraud risk assessment used to assess the appropriateness of the Local Government's purchasing and payment policies and procedures?	Y		
Are reports prepared that detail procurement / purchasing activity level of compliance / non-compliance with legislation, policy and procedures, and are the reports provided to the CEO / Executive for review?	Y		Annual audit process, FMY and Audit Reg 17 Review. Procurement Review



Integrity in Procurement Self-Audit Tool

Section 2 – Internal Controls and Procedures			
	YES	NO	Comment / Improvement Opportunities
Has the CEO, within the past 2-years, reviewed the appropriateness and effectiveness of systems and procedures for; risk management, internal controls and legislative compliance? [Audit r.17(1) & (2)]	Y		Audit Reg 17 Review undertaken 2017. Regulations have now changed to require review every three years.
Were the findings of the CEO's review reported to the Local Government's Audit Committee? [Audit r.17(3)]	Y		
Do procedures require employees to disclose and record whether or not they have any actual or perceived conflicts of interest prior to participating in a purchasing, quotation or tender process?		N	Procedures to be updated to require employees to disclose and record whether or not they have any actual or perceived conflicts of interest prior to participating in a purchasing, quotation or tender process.
Does the Local Government regularly review the Gift Register to identify patterns and risk profiles for employees who have responsibilities in purchasing or contract management processes?		N	Formalise a process to ensure the CEO reviews the Gift Register to identify patterns and risk profiles for employees who have responsibilities in purchasing or contract management processes each year.

Section 2 – Internal Controls and Procedures			
	YES	NO	Comment / Improvement Opportunities
Incurring Liabilities <i>Section 6.5 of the Local Government Act and Financial Management Regulation 5(1)(e) prescribe the CEO's duty to establish systems and procedures that ensure proper authorisation and records for incurring liabilities. Regulation 5(2) requires the CEO to review the effectiveness of financial management systems and procedures at least once every four years. Regulation 11 requires the Local Government to develop procedures for the approval of accounts for payment. These requirements form an integrated system as the approval of an account for payment will rely on evidence that the expense was properly incurred in accordance with legislation and the Local Government's policy and procedures.</i>			
Has the CEO documented procedures that control the process and authorise employees to incur liabilities? [FM r.5(1)(e)] For example: procedures which support compliance with legislation and purchasing policy prior to a requisition or purchase order being issued	Y		Develop and implement a procedure that requires random sampling of purchasing transactions to determine compliance and report any non-compliance to the CEO.



Integrity in Procurement Self-Audit Tool

Section 2 – Internal Controls and Procedures			
	YES	NO	Comment / Improvement Opportunities
Do procedures detail the employees or position titles which are authorised to incur liabilities, including limits and conditions specific to individual or classes of employees? [FM r.5(1)(e)] <i>For example: the classes or position titles of employees who are able to issue requisitions or purchase orders up to specified \$values.</i>	Y		Purchasing Policy and delegations
Have procedures for incurring liabilities been reviewed within the past 4-years and did the review consider risks and previous audit outcomes? [FM r.5(2)(c)]	Y		Undertaken during and following the Financial Management Review in 2017.
Does the Local Government's financial management software prevent a purchase order being issued, where compliance with the Purchasing Policy has not been evidenced?		N	Investigate whether Synergysoft can prevent a purchase order being issued, where compliance with the Purchasing Policy has not been evidenced.
Do the procedures require purchase order values to be checked for consistency with an accepted; tender, schedule of rates or quotations, as appropriate?	Y		Informal process in place at present. Formalise procedure to ensure purchase order values to be checked for consistency with an accepted; tender, schedule of rates or quotations, as appropriate.
Does the Local Government routinely undertake sample audits of purchase orders to monitor the level of compliance with Purchasing Policy and procedures?		N	Informal process by Creditors officer and Executive Manager. Include sample audits of purchase orders to monitor the level of compliance with Purchasing Policy and procedures as part of quarterly FACR process.
Do procedures detail employee obligations for maintaining confidentiality of quotation and tender submissions? <i>For example: one supplier's information / submission is not to be distributed / provided to another supplier?</i>		N	Covered under Code of Conduct. Procedures to be developed and implemented that detail employee obligations for maintaining confidentiality of quotation and tender submissions as part of suite of Procurement documentation.



Integrity in Procurement Self-Audit Tool

Section 2 – Internal Controls and Procedures			
	YES	NO	Comment / Improvement Opportunities
Do the procedures specify requirements for evaluating specifications prior to seeking, quotations, RFQs and Tenders to ensure the scope is sufficient and to minimise risks of scope creep and cost escalations? <i>For example: contracts most at risk may include - consultancies, management service providers, design and construct contracts.</i>		N	Procedures to be developed that specify requirements for evaluating specifications prior to seeking, quotations, RFQs and Tenders to ensure the scope is sufficient and to minimise risks of scope creep and cost escalations as part of suite of Procurement documentation.
Has the CEO documented procedures to control the use of Credit / Purchasing Cards, including Fuel Card and any other card facility which replaces cash transactions? [FM r.5(1)(e)]	Y		Check and update procedures to control the use of Credit / Purchasing Cards, including Fuel Card and any other card facility which replaces cash transactions. Provide training on the use of purchasing cards.
Do the procedures for Credit / Purchasing Cards include expense limitations and conditions for incurring expenses and acquittal of statements?			Update procedure for purchasing cards to include expense limitations and conditions for incurring expenses and acquittal of statements.
Have the Credit / Purchasing Card procedures been reviewed within the past 4-years and did the review consider risks and audit outcomes? [FM r.5(2)(c)]	Y		Undertaken during and following the Financial Management Review in 2017.
Do the Credit / Purchasing Card procedures describe how compliance with policy and procedure will be monitored and how non-compliance will be investigated and disciplinary consequences applied where appropriate?		N	Covered in Code of Conduct Check and update purchasing card procedures to describe how compliance with policy and procedure will be monitored and how non-compliance will be investigated and disciplinary consequences applied where appropriate. Provide training on the use of purchasing cards and consequences of non-compliance.



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Section 2 –**Internal Controls and Procedures**

YES

NO

Comment / Improvement Opportunities

Separation of Roles

The CEO has a duty to review the appropriate and effectiveness of Internal Controls that contribute to minimising the risk of fraud and misconduct in accordance with Audit Regulation 17.

Has the CEO documented procedures that ensure the separation of purchasing duties? For example; an employee cannot be responsible for more than one of the following activities: <ul style="list-style-type: none"> • Initiating and approving purchases • Receiving goods • Approving invoices for payment • Review and reconciliation of transactions • Inventory 	Y		Review procedures to ensure an employee cannot be responsible for more than one of the following activities: <ul style="list-style-type: none"> • Initiating and approving purchases • Receiving goods • Approving invoices for payment • Review and reconciliation of transactions • Inventory and incorporate a process to ensure officers are familiar with authorisers' signatures.
Has the CEO ensured that an employee who is responsible for the day-to-day accounting or financial management operations of the Local Government, is not also responsible for conducting internal audits or for supervising the person responsible for internal audits or for reviewing the outcome of internal audits? [Audit r.6]		N	Internal audit procedure to be developed and adopted to ensure that an employee who is responsible for the day-to-day accounting or financial management operations of the Local Government, is not also responsible for conducting internal audits or for supervising the person responsible for internal audits or for reviewing the outcome of internal audits.

Section 2 –**Internal Controls and Procedures**

YES

NO

Comment / Improvement Opportunities

Expressions of Interest (EOI) and Tenders

Has the CEO documented procedures for undertaking expressions of interest and tenders? [FM r.5(1)(e)]		N	Procedures to be developed for EOIs and Tenders as part of suite of Procurement documentation.
Have the EOI and tender procedures been reviewed within the past 4-years and did the review consider risks and previous audit outcomes? [FM r.5(2)(c)]	Y		Audit Reg 17 Review 2017.
Do the procedures require the use of standardised templates used for requests for quotes, EOIs and tenders,		N	Procedures to be developed to require the use of standardised templates used for requests for



Integrity in Procurement Self-Audit Tool

Section 2 – Internal Controls and Procedures			
	YES	NO	Comment / Improvement Opportunities
specifications, reports and contracts, to ensure consistent decision making by Council or under delegated authority?			quotes, EOI and tenders, specifications, reports and contracts, to ensure consistent decision making by Council or under delegated authority.
Prior to going to market, are EOI and Tender specifications reviewed by the subject matter expert and the evaluation team, using a risk assessment to ensure that specifications are accurate, sufficiently scoped and fit for the purposes of the procurement?		N	Procedures to be developed to require EOI and Tender specifications to be reviewed by the subject matter expert and the evaluation team, using a risk assessment to ensure that specifications are accurate, sufficiently scoped and fit for the purposes of the procurement.
Do the EOI / Tender procedures require an independent probity advisor to be engaged to oversee high risk / high value EOI / Tender activities?		N	Procedures to be developed to require an independent probity advisor to be engaged to oversee high risk / high value EOI / Tender activities.
Do the procedures implement standardised processes for EOI and Tender evaluations, which take account of selection criteria and also the risk profile of the supply?		N	Procedures to be developed that implement standardised processes for EOI and Tender evaluations, which take account of selection criteria and also the risk profile of the supply.
Do the EOI / Tender evaluation procedures require a minimum of two employees for a low value supply and three employees for a high value supply, to independently evaluate EOI / Tender submissions, before meeting to determine a consensus assessment?		N	Procedures to be developed to require a minimum of two employees for a low value supply and three employees for a high value supply, to independently evaluate EOI / Tender submissions, before meeting to determine a consensus assessment.
Do the EOI / Tender procedures specify record keeping requirements sufficient to evidence the evaluation process and outcomes and the rationale for the recommendation?		N	Procedures to be developed that specify record keeping requirements sufficient to evidence the evaluation process and outcomes and the rationale for the recommendation.
Do the procedures require checks of company registration, ABN (if applicable), financial sustainability information and referee checks for each prospective supplier as part of the assessment process?	Y		New creditor checks including ABN, company registration and banks details undertaken prior to purchase orders being raised.



Integrity in Procurement Self-Audit Tool

Section 2 – Internal Controls and Procedures			
	YES	NO	Comment / Improvement Opportunities
Has Council adopted a policy and delegated authority to the CEO, which defines the limits and conditions for determining <u>minor</u> variations in the goods or services required before a contract is formed? [F&G r.20]	Y		Delegated authority for tenders (DE5-3). Policy F1.2 Procurement (CI 12.5). Consider consistency between delegation and policy for authorisation of minor variations.

Section 2 – Internal Controls and Procedures			
	YES	NO	Comment / Improvement Opportunities
Making Payments			
<i>The Local Government and the CEO have separate duties for the review the appropriateness and effectiveness of Internal Controls that contribute to the minimising the risk of fraud and misconduct in accordance with Financial Management Regulation 11 and Audit Regulation 17.</i>			
Has Council delegated its authority for making payments from the Municipal and Trust Fund? [FM r.12(1)(a)]	Y		DE3-1
Has the CEO documented procedures for authorising the making of payments? [FM r.5(1)(e) and r.11]	Y		
Have the procedures for authorising payments been reviewed within the past 4-years and did the review consider risks and previous audit outcomes? [FM r.5(2)(c) and r.11(2)]	Y		Reviewed during and following the Financial Management Review.
Do the procedures require that before a decision is made to pay an account, that the debt is validated as having been incurred by a person who was properly authorised to do so? [FM r.11(2)]	Y		Check procedures to ensure that before a decision is made to pay an account, that the debt is validated as having been incurred by a person who was properly authorised to do so.
Do the procedures require that goods and services received, are checked to ensure they are acceptable and in accordance with the relevant contract, purchase order and invoice information, and that a record of this check is retained?		N	Update procedures to ensure goods and services received are checked to ensure they are acceptable and in accordance with the relevant contract, purchase order and invoice and information, and that a record of this check is retained.
Do the procedures require that prior to approval for payment, invoices are		N	Procedures to be finalised to ensure that prior to approval for



Integrity in Procurement Self-Audit Tool

Section 2 – Internal Controls and Procedures			
	YES	NO	Comment / Improvement Opportunities
checked for consistency with the purchase order, contract, schedule of rates, and goods / services received records?			payment, invoices are checked for consistency with the purchase order, contract, schedule of rates, and goods / services received records
Does the Local Government's delegated authority for making payments from the Municipal or Trust Fund require each payment to be independently verified and authorised by at least two employees?	Y		
Do the documented procedures require the outcome of the checks and verification processes to be evidenced in the Local Government's records?	Y		Check procedures to ensure that the outcome of the checks and verification processes are to evidenced in the Shire's records.

Section 2 - Internal Controls and Procedures			
	YES	NO	Comment / Improvement Opportunities
Contract Management <i>Local Government systems and procedures for effective management and oversight of contracts has been identified in multiple CCC reports as a fraud and misconduct risk. Recognising that the payments made under a contract are a result of incurring an expense, the procedures which control Local Government contract management are a CEO duty under the Financial Management Regulations.</i>			
Has Council adopted a policy and delegated authority to the CEO, which defines the limits and conditions for determining variations to a contract? [F&G r.21A]			For minor variations to a contract the CEO has delegated authority. Anything not considered minor is presented to Council.
Does the Local Government maintain a register of all current contracts, including (as a minimum) details essential for effective accountability and financial management and accurate reporting, including for each contract: <ul style="list-style-type: none"> Contractor name, ABN, address, contact names and contact information, Milestone dates and deliverables; 		N	Develop and maintain a register of all current contracts including (as a minimum) details essential for effective accountability and financial management and accurate reporting, including for each contract: <ul style="list-style-type: none"> Contractor name, ABN, address, contact names and contact information, Milestone dates and deliverables;



Integrity in Procurement Self-Audit Tool

Section 2 - Internal Controls and Procedures		YES	NO	Comment / Improvement Opportunities
<ul style="list-style-type: none"> Contract values as approved by Council / delegated authority decisions Contract expenditure monitoring Expiry date Contract extension options Contract variation, \$values and decision dates / references for each agreed variation. 				<ul style="list-style-type: none"> Contract values as approved by Council / delegated authority decisions Contract expenditure monitoring Expiry date Contract extension options Contract variation, \$values and decision dates / references for each agreed variation.
Does the Local Government maintain contract management files, which evidence all contract transactions and correspondence and are the contract files periodically audited for completeness?			N	<p>Develop and maintain contract management files, which evidence all contract transactions and correspondence.</p> <p>Carry out periodic audit of completeness.</p>
Does the Local Government prepare Contract Management Plans which include risk assessments and risk management plan, that include how fraud and misconduct risks arising from the contract will be managed?			N	Develop and implement procedures that require preparation of Contract Management Plans which include risk assessments and risk management plan, that include how fraud and misconduct risks arising from the contract will be managed for contracts with a value over \$20,000
Do procedures require Contractor Performance reviews to be undertaken at key milestones throughout the contract or randomly, or both?			N	Develop and implement procedures that require Contractor Performance reviews to be undertaken at key milestones throughout the contract or randomly, or both.
Do procedures require contract / contractor performance indicators to be assessed and remedial action taken where necessary?			N	Develop and implement procedures that require contract / contractor performance indicators to be assessed and remedial action taken where necessary.
Do Contractor Performance reviews include measurement of how the Contractor meets the requirements of the Statement of Business Ethics?				Develop and implement procedures that require Contractor Performance reviews to include measurement of how the Contractor meets the requirements of the Statement of Business Ethics



Integrity in Procurement Self-Audit Tool

Section 2 - Internal Controls and Procedures			
	YES	NO	Comment / Improvement Opportunities
Are results from Contractor Performance reviews recorded in the contract management file and used to manage the contract and ensure compliance?		N	Develop and implement procedures that require results from Contractor Performance reviews to be recorded in the contract management file and used to manage the contract and ensure compliance.
Does the Local Government monitor and provide regular management reports on Contract breaches: a. by the contractor? b. by the Local Government?		N	Develop and implement procedures that require the Shire to monitor and provide regular management reports on Contract breaches: a. by the contractor and b. by the Shire.
Are reports regularly prepared and reviewed by management, that detail the value of expenditure by category of supply in order to identify where a tender is required? <i>For example: total expenditure on plumbing services regardless of the supplier.</i>		N	Develop and implement procedures that require reports to be regularly prepared and reviewed by management, that detail the value of expenditure by category of supply in order to identify where a tender is required.



3.0 Recruitment, Induction and Training

A Local Government's approach to employee recruitment, induction and training is another component of a good governance framework.

Recruitment practices for positions which have purchasing responsibilities should be designed to attract individuals who are not only technically experienced in procurement / purchasing, but who also understand integrity requirements and do not present misconduct risks. Recruitment advertising, position descriptions and interview practices for purchasing and procurement positions, should ensure potential employees understand the requirements of the role, the compliance obligations and the integrity and probity obligations.

Induction and training practices ensure effective implementation of policy, internal controls and procedures. Participation in induction and training ensures employees are aware and accountable for compliance with legislation and the Local Government's policy and procedures.

Employees who are well trained will more easily identify and avoid breaches. It is therefore also important for Training to address the process for reporting breaches and potential fraud and misconduct, as this too is a mitigation strategy for reducing risks.

Section 3 – Recruitment, Induction and Training			
	YES	NO	Comment / Improvement Opportunities
Do position descriptions for roles with procurement or payment responsibilities, include requirements for compliance with legislation, the Code of Conduct, ethical standards and the Local Government's policies and procedures?	Y		Standard template for position descriptions
When interviewing employees for roles with procurement or payment responsibilities, are candidates questioned on ethical work practices and integrity scenarios?		N	Include questions in the Interview templates regarding ethical work practices and integrity scenarios for roles with procurement or payment responsibilities.
Are employees with procurement or payment responsibilities provided with induction and regular refresher training on the Code of Conduct, ethical work practices and policies and procedures relevant to purchasing and payment functions?	Y		
Does the induction and regular refresher training, provide specific training for managing conflicts of interest, gifts, travel contributions and disclosure obligations?	Y		



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Section 3 – Recruitment, Induction and Training			
	YES	NO	Comment / Improvement Opportunities
Does the induction and regular refresher training, provide guidance on recognising and reporting misconduct and fraud?		N	Update the induction and regular refresher training to provide guidance on recognising and reporting misconduct and fraud.
Does the induction and regular refresher training, address requirements for impartial and unbiased fulfilment of responsibilities and decision making?	Y		Code of Conduct
Are records retained of participation in induction and refresher training? <i>Note: these records support the Local Government in managing employee accountability.</i>	Y		
Do procedures describe the different requirements for managing and reporting an employee who has committed a minor breach or a serious breach of legislation, policy or procedures?	Y		
Are temporary and short term contract personnel restricted as to the extent of their financial authority so as to minimise the Local Government's exposure to misconduct and fraud risks?	Y		

SHIRE OF YORK PROCUREMENT REVIEW 2019 - Action List

The actions below were identified by the Project Management Group using WALGA's Integrity in Procurement Self-Audit Tool

Item	Actions	Responsible Officer	Date Completed	Comment
POLICY FRAMEWORK				
1.0 Purchasing Policy				
1.1	Statement about State Records Act to be incorporated into the Purchasing Policy. eg City of Bunbury	EMCCS	9/04/2019	Updated policy presented to PMG 10/4/19. Amendments made
1.2	Update the Purchasing Policy to include principles for the oversight and prevention of fraud or misconduct in procurement, purchasing and payment	EMCCS	9/04/2019	Updated policy presented to PMG 10/4/19. Amendments made
1.4	Update the Purchasing Policy to include consequences for non-compliance with the Policy	EMCCS	9/04/2019	Updated policy presented to PMG 10/4/19. Amendments made
2.0 Credit / Purchasing Card Policy				
2.1	Update the Credit / Purchasing Card Policy to reflect the use of only one card.	FM	19/06/2019	Updated policy presented to PMG 19/6/19. Amendments made
2.2	Update the Credit / Purchasing Card Policy to include consequences for misuse or non-compliance with the Policy	FM	19/06/2019	Included in Draft policy
2.3	Policy to be amended to include reference to acquitted statements being included in monthly Financial Reporting to Council.	FM	19/06/2019	Included in Draft policy
3.0 Statement of Business Ethics				
3.1	Investigate sample Statements for review by the PMG. Build payment terms into Statement of Business Ethics for distribution to suppliers /	AGC	26/03/2019	Statement of Business Ethics presented to PMG 27/03/19
3.2	Statement of Business Ethics to include principles for the performance of the Shire when dealing with contractors and suppliers	AGC	26/03/2019	Statement of Business Ethics presented to PMG 27/03/19
3.3	Statement of Business Ethics to include principles for the performance of contractors and suppliers when dealing with the Shire.	AGC	26/03/2019	Statement of Business Ethics presented to PMG 27/03/19
3.4	Contracts to require contractors and suppliers to be open for potential audits of compliance with the Statement of Business Ethics	TSO		Sharla to add a clause to every standard contract
3.5	Request the Auditor to review the Shire's and Supplier compliance with the principles of the Statement of Business Ethics	FM		Kristy to refer to Statement of Business Ethics on purchase order statement. Kerry to place into the Contractors Review Document.
3.6	Develop and implement a procedure to ensure contractors and / or suppliers are audited for compliance with the "Statement of Business Ethics" at least biennially	TSO / AGC		TBC
3.7	Develop and implement a procedure to ensure the Statement of Business Ethics is reviewed at least every 4 years	AGC	10/05/2019	Completed 10/5/19 - N13864
INTERNAL CONTROLS AND PROCEDURES				
4.0 Misconduct & Fraud Prevention				
4.1	Procedures to be updated to require employees to disclose and record whether or not they have any actual or perceived conflicts of interest prior to participating in a purchasing, quotation or tender process.	FO		To be included as part of the Procurement (Framework) Manual
4.2	Formalise a process to ensure the CEO reviews the Gift Register to identify patterns and risk profiles for employees who have responsibilities in purchasing or contract management processes each year.	AGC	24/05/2019	Completed 24/5/19 - N13915
5.0 Incurring Liabilities				
5.1	Develop and implement a procedure that requires random sampling of purchasing transactions to determine compliance and report any non-compliance to the CEO.	FM	19/06/2019	Advice sought from OAG. Calculator available.
5.2	Investigate whether Synergysoft can prevent a purchase order being issued, where compliance with the Purchasing Policy has not been evidenced.	FM	5/06/2019	No way for Synergy to include the requirement of seeking 3 quotes however if we move to Altus there is an electronic authorisation process whereby Execs can request quotes or further information prior to approval of P/Os. To be reviewed once Altus is installed.
5.3	Formalise procedure to ensure purchase order values to be checked for consistency with an accepted; tender, schedule of rates or quotations, as appropriate.	FO	22/05/2019	Included in Accounts Payable Flowchart procedure
5.4	Include sample audits of purchase orders to monitor the level of compliance with Purchasing Policy and procedures as part of quarterly FACR process.	FM	N/A	Remove as part of the quarterly FACR process. (Included in Item 5.1)

SHIRE OF YORK PROCUREMENT REVIEW 2019 - Action List

Item	Actions	Responsible Officer	Date Completed	Comment
5.5	Procedures to be developed and implemented that detail employee obligations for maintaining confidentiality of quotation and tender submissions as part of suite of Procurement documentation.	EMCCS	4/07/2019	Included in the Procurement Manual
5.6	Procedures to be developed that specify requirements for evaluating specifications prior to seeking, quotations, RFQs and Tenders to ensure the scope is sufficient and to minimise risks of scope creep and cost escalations as part of suite of Procurement documentation.	EMCCS	4/07/2019	Included in the Procurement Manual
5.7	Check and update procedures to control the use of Credit / Purchasing Cards, including Fuel Card and any other card facility which replaces cash transactions.	FO	DRAFT	Draft procedure updated on authority form.
5.8	Update procedure for purchasing cards to include expense limitations and conditions for incurring expenses and acquittal of statements.	FO		IGA account card - N10801
5.9	Check and update purchasing card procedures to describe how compliance with policy and procedure will be monitored and how non-compliance will be investigated and disciplinary consequences applied where appropriate.	FO		Add Statement - in accordance with Shire's Purchasing Policy
5.1	Provide training on the use of purchasing cards and consequences of non-compliance.	EMCCS	Bi-annual	Part of annual refresher training for all staff
5.11	Update Credit / Purchasing Card procedure require a card holder to enter into a formal agreement as to their use of the Card.	FM		No agreement for fuel & IGA cards. FO to prepare agreements.
6.0 Separation of Roles				
6.1	Review procedures to ensure an employee cannot be responsible for more than one of the following activities: <ul style="list-style-type: none"> Initiating and approving purchases Receiving goods Approving invoices for payment Review and reconciliation of transactions Inventory and incorporate a process to ensure officers are familiar with authorisers' signatures.	FM	4/07/2019	Included in the Procurement Manual
		FM		
		FM		
		FM		
		FM		
		FM		
		FM	28/06/2019	Signatures captured and registered. Procedure developed.
6.2	Internal audit procedure to be developed and adopted to ensure that an employee who is responsible for the day-to-day accounting or financial management operations of the Local Government, is not also responsible for conducting internal audits or for supervising the person responsible for internal audits or for reviewing the outcome of internal audits.	EMCCS	8/07/2019	Recommendation for an internal audit to be done by an external auditor.
7.0 Expressions of Interest and Tenders				
7.1	Procedures to be developed for EOIs and Tenders as part of suite of Procurement documentation.	TSO	4/07/2019	Included in the Procurement Manual
7.2	Procedures to be developed to require the use of standardised templates used for requests for quotes, EOIs and tenders, specifications, reports and contracts, to ensure consistent decision making by Council or under delegated authority.	TSO	4/07/2019	Included in the Procurement Manual
7.3	Procedures to be developed to require EOI and Tender specifications to be reviewed by the subject matter expert and the evaluation team, using a risk assessment to ensure that specifications are accurate, sufficiently scoped and fit for the purposes of the procurement.	TSO	4/07/2019	Included in the Procurement Manual
7.4	Procedures to be developed to require an independent probity advisor to be engaged to oversee high risk / high value EOI / Tender activities.	TSO / AGC	TBC	Refer to WALGA Toolkit and tweak to fit our needs
7.5	Procedures to be developed that implement standardised processes for EOI and Tender evaluations, which take account of selection criteria and also the risk profile of the supply.	TSO	4/07/2019	Included in the Procurement Manual and procedures
7.6	Procedures to be developed to require a minimum of two employees for a low value supply and three employees for a high value supply, to independently evaluate EOI / Tender submissions, before meeting to determine a consensus assessment.	TSO	4/07/2019	Included in the Procurement Manual and procedures
7.7	Procedures to be developed that specify record keeping requirements sufficient to evidence the evaluation process and outcomes and the rationale for the recommendation.	TSO	4/07/2019	Included in the Procurement Manual and procedures
7.8	Procedures to be developed that require checks of company registration, ABN (if applicable), financial sustainability information and referee checks for each prospective supplier as part of the assessment process.	FO	4/07/2019	Procedures developed.

SHIRE OF YORK PROCUREMENT REVIEW 2019 - Action List

Item	Actions	Responsible Officer	Date Completed	Comment
7.9	Consider consistency between delegation and policy for authorisation of minor variations.	EMCCS	4/07/2019	Policy v Delegation. If it is a policy then it has Council approval
8.0 Making Payments				
8.1	Check procedures to ensure that before a decision is made to pay an account, that the debt is validated as having been incurred by a person who was properly authorised to do so.	FO	4/07/2019	Included in the Revised Policy, Procurement Manual and procedures
8.2	Update procedures to ensure goods and services received are checked to ensure they are acceptable and in accordance with the relevant contract, purchase order and invoice and information, and that a record of this check is retained.	FO	4/07/2019	Included in APO flowchart - goods received stamped to be updated according with Audit requirements as soon as advised
8.3	Procedures to be finalised to ensure that prior to approval for payment, invoices are checked for consistency with the purchase order, contract, schedule of rates, and goods / services received records	FO	4/07/2019	Included in APO flowchart
8.4	Check procedures to ensure that the outcome of the checks and verification processes are to evidenced in the Shire's records.	FO	4/07/2019	Procedures developed.
9.0 Contract Management				
9.1	Develop and maintain a register of all current contracts including (as a minimum) details essential for effective accountability and financial management and accurate reporting, including for each contract: - Contractor name, ABN, address, contact names and contact information, - Milestone dates and deliverables; - Contract values as approved by Council / delegated authority decisions - Contract expenditure monitoring - Expiry date - Contract extension options - Contract variation, \$values and decision dates / references for each agreed variation.	TSO / DAO	28/06/2019	Included in Reg 17 audit report. Discussed supplier contracts, goods & services. Ongoing over 12 months. Looking at a value \$ over \$50,000. Ways to maintain a register - Synergy, Excel Spreadsheet. Spreadsheet developed.
9.2	Develop and maintain contract management files, which evidence all contract transactions and correspondence.	TSO / DAO		Discussion with Records Officer and procedure agreed.
9.3	Carry out periodic audit of completeness.	AGC		
9.4	Develop and implement procedures that require preparation of Contract Management Plans which include risk assessments and risk management plan, that include how fraud and misconduct risks arising from the contract will be managed for contracts with a value over \$20,000	TSO / EMIDS		Change value to over \$50,000
9.5	Develop and implement procedures that require Contractor Performance reviews to be undertaken at key milestones throughout the contract or	TSO / EMIDS	5/06/2019	Covered in the Contractor Performance Procedure - 9.5 to 9.8
9.6	Develop and implement procedures that require contract / contractor performance indicators to be assessed and remedial action taken where	TSO / EMIDS	5/06/2019	Covered in the Contractor Performance Procedure - 9.5 to 9.8
9.7	Develop and implement procedures that require Contractor Performance reviews to include measurement of how the Contractor meets the requirements of the Statement of Business Ethics	TSO / EMIDS	5/06/2019	Covered in the Contractor Performance Procedure - 9.5 to 9.8
9.8	Develop and implement procedures that require results from Contractor Performance reviews to be recorded in the contract management file and used to manage the contract and ensure compliance.	TSO / DAO	5/06/2019	Covered in the Contractor Performance Procedure - 9.5 to 9.8
9.9	Develop and implement procedures that require the Shire to monitor and provide regular management reports on Contract breaches: a. by the contractor and b. by the Shire.	TSO / DAO		
9.10	Develop and implement procedures that require reports to be regularly prepared and reviewed by management, that detail the value of expenditure by category of supply in order to identify where a tender is required.	FM	19/06/2019	Annual Planning Day to identify projects that will require a tender process. Refer to Risk Working Group for bi-annual review.
RECRUITMENT, INDUCTION AND TRAINING				
10.1	Include questions in the interview templates regarding ethical work practices and integrity scenarios for roles with procurement or payment responsibilities.	EMCCS	5/06/2019	Has been included in Training Procedures & Induction Manual
10.2	Update the induction and regular refresher training to provide guidance on recognising and reporting misconduct and fraud.	EMCCS	5/06/2019	Has been included in Training Procedures & Induction Manual

Project Management Group

EMCCS - Suzie Haslehurst, EMIDS - Darren Wallace, FM - Tabitha Bateman, AGC - Natasha Brennan,
TSO - Sharla Simunov, DAO - Kerry Blyde, FO - Kristy Livingstone



F 1.2 PROCUREMENT

Policy Objective:

To provide a clear approach for the procurement of all goods and services to ensure practices are efficient, transparent, ethical, provide value for money and meet all legislative requirements.

Policy Scope:

This Policy applies to all purchasing activities undertaken by the Shire's officers and makes provision for regional price preference.

Policy Statement:

Introduction

The Shire procures a considerable number of products and services and it is essential that it is done in a way that achieves value for money, is transparent, accountable, without bias or preference and effective. 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.

This policy was created to ensure appropriate procurement of all goods and services and therefore good governance. A full review of relevant legislation and industry best practice was undertaken in the process of preparing this policy and the following is in accordance with the *Shire of York's Statement of Business Ethics*.

Principles

- a) Procurement undertaken by the Shire is carried out in a consistent, efficient, effective and transparent manner.
- b) Retaining the integrity of the procurement process by maintaining fair and ethical practices and adherence to statutory obligations is a fundamental requirement.
- c) Value for money will be sought in a way that achieves the most advantageous outcomes for the Shire.
- d) Where appropriate local suppliers and/ or suppliers using significant local resources to be given preferential consideration in order to support the local economy.
- e) Wherever possible, other sustainable benefits such as environmental and social factors will be considered in the overall value for money assessment.
- f) There should be no conflicts of interest which might compromise equity, probity and integrity and the avoidance of bias in the procurement process.
- g) Procurement records will be maintained in accordance with the *State Records Act* and the *Shire's Recordkeeping Plan*.

- h) Confidentiality protocols that protect commercial-in-confidence information are applied with information released only where appropriately approved.
- i) Risks related to the procurement process are identified and managed within the Shire's Risk Management Framework.

Provisions

1. Ethics and Integrity

- 1.1 All Officers and employees of the Shire 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 Council.
- 1.2 The following principles, standards and behaviour, must be observed and enforced through all stages of the purchasing process, to ensure the fair and equitable treatment of all parties.
 - (i) 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.
 - (ii) All purchasing practices shall comply with the *Local Government Act 1995, Local Government (Functions and General) Regulations 1996* and requirements consistent with the Shire's Policies, Procedures and Code of Conduct.
 - (iii) Purchasing is to be undertaken on a competitive basis, in which all potential suppliers are treated impartially, honestly and consistently.
 - (iv) All processes, evaluations and decisions shall be transparent, free from bias and fully documented in accordance with applicable procedures and audit requirements.
 - (v) Any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed.

2. Value for Money

- 2.1 Value for money is an important principle governing purchasing, that allows the best possible outcome to be achieved for the Shire. 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.
- 2.2 An assessment of the best value for money outcome for any purchasing should consider:
 - (i) All relevant whole of life costs, benefits of 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.
 - (ii) The technical merits of the goods or services offered in terms of compliance with specifications, contractual terms and conditions, and any relevant methods of assuring quality.
 - (iii) 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).

- (iv) 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.
 - (v) The safety requirements and standards associated with both the product design and the specification offered by suppliers and the evaluation of risk arising from its supply, operation and maintenance.
- 2.3 Where a higher priced, conforming offer is recommended, there should be clear and demonstrable benefits over and above the lowest total priced, conforming offer.

3. Purchasing Thresholds and Practices:

- 3.1 The Shire of York must comply with all requirements, including purchasing thresholds and processes, as prescribed within legislation, this Policy and associated procedures in effect at the Shire of York.
- 3.2 The following table outlines the purchasing value thresholds and applicable practices relating to purchasing activities.
- 3.2.1 Purchasing value for the purposes of this policy is exclusive of GST.
- 3.2.2 Where no contract exists, the purchasing value will be the estimated total expenditure for a minimum three year period.

Amount of Purchase	Process to be followed
Up to \$2,000	Direct purchase from suppliers. No quotation required. Market testing is strongly encouraged.
\$2,000 to \$5,000	Seek at least two verbal or written quotations from suitable suppliers (may include print outs from reputable suppliers' catalogues or websites), recommendation to purchase, include on quotation form reason for choosing selected supplier, official order for the goods and services to be countersigned by the Officers designated in this Policy. At least one quotation must be obtained
\$5,001 to \$20,000	Seek at least three verbal or written quotations from suitable suppliers, recommendation to purchase, include on quotation form reason for choosing selected supplier, official order for the goods and services to be countersigned by the Officers designated in this Policy At least one quotation must be obtained
\$20,001 to \$50,000	Seek at least three written quotations from suitable suppliers after outlining in writing the requirements of the supply, recommendation to purchase, include on quotation form reason for choosing selected supplier, and that the official order for the goods and services be countersigned by the Officers designated in this Policy. At least two quotations must be obtained.
\$50,001 to \$150,000	Obtain at least three written quotations (using the Shire of York's Request for Quotation template) containing price and specification of goods and services, recommendations to purchase to be accompanied by a written evaluation against pre-determined criteria, and approved by the Chief Executive Officer.
\$150,001 and above	Conduct a public tender process, as prescribed under the <i>Local Government (Functions and General) Regulations 1996</i> .
WALGA Services (excluding Preferred Supplier Program)	For the purchasing of WALGA services, a minimum of one written quotation is to be sought and recorded.
LGIS Services	For the purchasing of LGIS services, a minimum of one written quotation is to be sought and recorded.

See also Clause 11.

- 3.3 Where it is considered beneficial, tenders may be called in lieu of seeking quotations for purchases with a value under the \$150,000 threshold. In this case, a Request for Tender Process must be followed.
- 3.4 *Western Australian Local Government Association (WALGA)/State Government Common Use Arrangement (CUA)*
 - 3.5.1 Where the intended purchase is within the \$150,000 threshold, the above quotation process still applies with respect to obtaining quotations from either WALGA preferred suppliers or non-WALGA suppliers.
 - 3.5.2 Where the intended purchase is over \$150,000 and the Shire wishes to use the Council Purchasing Service of WALGA without going through the tender process, the Shire must still follow the process of obtaining quotations from the WALGA panel.
- 3.5 Emergency purchases not included in the adopted budget must be authorised in advance by the Shire President in accordance with s6.8 of the *Local Government Act 1995*.
- 3.6 *Purchasing Procedures*

The Shire has developed a comprehensive Procurement Manual and procedures relating to all aspects of procurement which must be adhered to at all times.
- 4. **Insufficient Suppliers**
 - 4.1 It is recognised that in some cases, it may not be possible to obtain three quotations in accordance with the above. In this case, officers must attach a file note to the purchase order outlining the details of the companies contacted (date, method, contact details) and their response. This option is not permitted for purchase values above \$50,000.
- 5. **Sole Source of Supply**
 - 5.1 The procurement of goods and/or services available from only one private sector source of supply is permitted without the need to call for competitive quotation provided that there is genuinely only one source of supply. Written information regarding endeavours to find other sources must be included on the purchased order.
- 6. **Panels of Pre-Qualified Suppliers**
 - 6.1 The Shire may consider creating a Panel of Pre-qualified Suppliers ("Panel") when a range of similar goods and services are required to be purchased on a continuing and regular basis.
 - 6.2 If the Shire chooses to do so, a separate written policy with respect to panels of pre-qualified suppliers will be developed and adopted in accordance with Division 3 Part 4 of the *Local Government (Functions and General) Regulations 1996*.
- 7. **Anti-Avoidance**
 - 7.1 Shire Officers are not to enter into two (2) or more contracts for the purchase of goods and services in order to avoid the requirements of the above monetary thresholds.
- 8. **Exemptions**
 - 7.1 Notwithstanding that the principles of ethics and integrity as outlined in Section 1 apply at all times, in addition to the regulatory Tender exemptions for purchasing as set out in Regulation 11(2) of the Regulations, certain circumstances may arise where it is not reasonably practicable to adhere to the purchasing thresholds outlined in Section 3.
 - 7.2 The following purchases are exempt from the requirement to undertake a competitive purchasing process as outlined in Section 3, where the total value of the purchase is within the Shire's approved annual budget, does not exceed \$50,000 in value, and where the overall business risk has been assessed as low to medium:

- Emergency reactive building maintenance purchases under \$5,000
- Advance/Prior Payment of Services (accommodation, travel services, seminars, training courses)
- Annual memberships/subscriptions
- Annual license/software maintenance/support fees
- Conferences
- Purchases of consumables, defined as items which are able to be consumed and liable to be used up or depleted over a short period of time
- Purchases of goods or services supplied by or obtained through the Western Australian State government or the Commonwealth or any of its agencies, or by a local government or a regional local government
- Purchase of legal services where that service is obtained from a pre-qualified supplier under the WALGA Preferred Supplier Arrangement
- Reimbursements (TAFE, training course fees, accommodation/meal costs, telephone and internet)
- Procurement of performing arts, defined as forms of creative activity that are performed in front of an audience, such as drama, music or dance
- Provision of utility services (where only sole provider)
- Where the contract is for petrol, oil or other liquid or gas used for internal combustion engines
- Purchases from Original Equipment Manufacturer (OEM's), or a sole agent thereof, where warranty provisions may otherwise be void
- Purchases of goods, services or works where there is genuinely only one private sector source of supply (manufacturer, supplier or agency) in line with Section 5 of this Policy
- Emergency purchases in line with Section 3.5 of this Policy
- Sponsorships and donations made in accordance with Policy C1.3 *Community Funding: Grants and Sponsorship* or Policy C1.4 *Sponsorship of Tourism Events*.

9. Record Keeping

All purchasing activity, communications and transactions must be evidenced and retained as local government records in accordance with the *State Records Act 2000* and the Shire's Record Keeping Plan.

10. Creation of New Suppliers

- 10.1 A background check of all new suppliers should be undertaken prior to the supplier being created in the system.
- 10.2 Checks serve as an anti-fraud control measure and should be stored against the completed new creditor documents.

11. Authorisation for the Signing of Official Orders and Certification of Invoices

- 11.1 At all times, an order must be raised, with full supporting quotation documentation, prior to the official engagement of a supplier. The signing of official orders and certification of invoices for the supply of goods and services can only be exercised by those Officers indicated in the following schedule, and only to the extent indicated.

Chief Executive Officer	Unlimited
Executive Manager Corporate and Community Services	To a maximum of \$50,000 in any one transaction within the approved Budget Allocations
Executive Manager Infrastructure and Development Services	To a maximum of \$50,000 in any one transaction within the approved Budget Allocations
Works Supervisor	To a maximum of \$2,000 in any one transaction within the approved Budget Allocations

12. Officers in acting capacity

12.1 Officers in acting capacity may sign official orders and authorise an invoice for payment of goods and services, as detailed within this Policy.

12.2 Acting capacity is defined when the Chief Executive Officer and/or the Officer for the time being appointed as Acting Chief Executive Officer is absent, on annual leave, long service leave, sick leave, conferences, meetings or absent from office during the course of business.

13. All official orders for goods and services must be countersigned as follows:

13.1 All Purchases up to the designated value for public tenders to be called (being \$150,000) shall be countersigned by the officers designated in table 11.1.

13.2 Purchases above \$150,001 (excluding GST), conduct a public tender with a report to Council to award the contract.

14. Sustainable Procurement

14.1 Local Economic Benefit

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

To this extent, a qualitative weighting will be included in the evaluation criteria for quotes and Tenders where suppliers are located within the boundaries of the Shire, or substantially demonstrate a benefit or contribution to the local economy. These criteria will relate to local economic benefits that result from Tender processes.

14.2 Local Price Preference

A preference will be applicable to all locally based contractors and suppliers with a permanent office and staff located within the Shire of York. This also applies to

contractors based outside the Shire of York who use goods, materials or services which are sourced from within the Shire.

(a) Goods and Services

- (i) A 10% price preference, to a maximum of \$5,000, applies to goods and services, sourced and used in the Shire of York.
- (ii) A 5% price preference to a maximum of \$2,500 applies to goods and services sourced within the Avon Valley.

(b) Construction

- (i) A 5% price preference, to a maximum of \$5,000, applies to all construction conducted by businesses/contractors based within the Shire of York.
- (ii) A 2.5% price preference, to a maximum of \$2,500, applies to all construction conducted by business/contractors based within the Avon Valley.

14.3 Purchasing from Australian Disability Enterprises

Where possible and appropriate, Australian Disability Enterprises (ADEs) are to be invited to quote to supply goods, services or works under the tender threshold.

For purchases above the tender threshold, an ADE may be contracted without the need to undertake a public Tender process. The ADE will still need to be issued a request for quotation document, and a value for money assessment of the ADE's offer must be made to demonstrate benefits for the Shire's achievement of its strategic and operational objectives.

14.4 Purchasing from Aboriginal Businesses

A business registered in the current Aboriginal Business Directory WA (produced by the Small Business Development Corporation) may be contracted directly without the need to comply with the Threshold and Purchasing Practices requirements of this Policy, only where:

- the contract value is or is worth \$250,000 or less, and
- a best and sustainable value assessment demonstrates benefits for the Shire's achievement of its strategic and operational objectives.

A qualitative weighting will be used in the evaluation of quotes and tenders to provide advantages to businesses registered in the current Aboriginal Business Directory WA, in instances where not directly contracted.

15. Non-Compliance

15.1 Purchasing Activities are subject to financial and performance audits, which review compliance with legislative requirements and also compliance with the Shire's policies and procedures.

15.2 A failure to comply with the requirements of this policy will be subject to investigation, with findings to be considered in context of the responsible person's training, experience, seniority and reasonable expectations for performance of their role.

15.3 Where a breach is substantiated it may be treated as:

- an opportunity for additional training to be provided;
- a disciplinary matter, which may or may not be subject to reporting requirements under the *Public Sector Management Act 1994*;
- misconduct in accordance with the *Corruption, Crime and Misconduct Act 2003*.

Policy Administration

Responsible Directorate/Division:	Corporate and Community Services
Contact Officer Position:	Executive Manager, Corporate & Community Services
Relevant Legislation:	<i>Local Government Act 1995 – Section 3.57</i> <i>Local Government Act 1995 – Section 6.10</i> <i>Local Government (Financial Management) Regulations 1996 – Regulation 11</i> <i>Local Government (Functions and General) Regulations 1996 - Parts 4 and 4A</i> <i>Local Government (Audit) Regulations 1996</i>
Relevant Delegation:	DE3-1 Authority to make payments from Trust and Municipal accounts DE5-2 Tender Evaluation Criteria DE5-3 Minor Variation for Goods and Services DE5-4 Expressions of Interest DE5-5 Tenders to be invited for Certain Contracts
Other Relevant Documents:	G1.1 Code of Conduct F1.5 Authority to Make Payments from Trust and Municipal Funds F1.6 Corporate Credit Card Policy <i>Department of Local Government Guideline No 11 – Use of Corporate Credit Cards</i>
Date Adopted:	28 January 2016
Reviews/Amendments	24 October 2016 18 September 2017 29 July 2019



F 1.6 CORPORATE PURCHASING AND CREDIT CARDS

Policy Objective

The objective of this policy is to:

- Provide guidance in the issue and use of corporate purchasing and credit cards in order to ensure good governance
- Reduce the risk of fraud and misuse of corporate purchasing and credit cards and minimise the Shire's financial and reputational risk.
- Fulfil all statutory requirements of the Local Government Act with respect to the use of corporate purchasing and credit cards .
- Adopt best practice in developing a clear and comprehensive policy on the use of corporate purchasing and credit cards .

Policy Scope

The requirements of this policy covers all Shire employees that are issued with and/or use the corporate purchasing and/or credit card cards.

This policy does not extend to Elected Members, as the Local Government Act does not make any provision for Elected Members to be issued with a Corporate Credit Card. A Local Government can only pay allowances or reimburse expenses to a Councillor.

Policy Statement

Introduction

The Shire will operate a corporate purchasing and credit cards system which permits an appropriate level of cards to be issued within the organisation. The number of cards issued has been reviewed in accordance with the review of this policy to ensure the appropriateness of the number of cards being used and the reason for which the card was issued.

Corporate purchasing and credit cards can serve as an effective way for the Shire to make payment for goods and services. The risks associated with corporate purchasing and credit card use can be minimised through the implementation of effective controls and administration processes. This policy must be understood by the employee/card holder prior to the issuing of corporate purchasing and credit cards .

This policy was created to ensure controlled use of corporate purchasing and credit cards and therefore good governance. Consultation of relevant legislation and industry best practice was undertaken. This policy was reviewed with consideration for the Department of Local Government's Operational Guidelines and WALGA's template policy suite.

Principles

- a) There are always adequate controls in place surrounding the issuing and use of corporate purchasing and credit cards .
- b) There are effective acquittal practices in place surrounding the use of corporate purchasing and credit cards .
- c) Purchases made on corporate purchasing and credit cards adhere to the Procurement Policy.
- d) Purchases made on corporate purchasing and credit cards are as transparent as those processed through the Accounts Payable process.

Provisions**1. Advantages of Corporate Credit Card Use**

The use of corporate purchasing and credit cards shall only be approved if there is a demonstrated need and advantage to the Shire. These include:

- a. eliminating or reducing time spent on paper-based ordering and payments;
- b. reduction of administrative costs;
- c. reducing the number of payments per month;
- d. provision of a useful resource in an emergency situation; and
- e. reducing the need to carry cash on the premises

2. Custodianship and Conditions of Use

- 2.1 The Shire of York will hold one (1) credit card, the custodian of which shall be the Chief Executive Officer. All applications for a corporate credit card shall be approved by the Council.
- 2.2 The corporate credit card may only be used under the direction of the approved custodian.
- 2.3 All credit card expenditure will be reported to Council with the monthly financial report.
- 2.4 The requirement for corporate fuel cards will be determined on a case-by-case basis and approved by the Chief Executive Officer.
- 2.5 Fuel cards will only be used for purchasing fuel for the Shire vehicle (or hire vehicle where appropriate) to which the application relates.
- 2.6 All fuel card expenditure will be reported to Council within the list of monthly creditors payments.
- 2.7 Custodians and account limits are as follows:

Card Type	Custodian	Limit
Credit Card	Chief Executive Officer	\$5,000
Credit Card (inactive)	Executive Manager, Corporate & Community Services	\$5,000
Fuel Cards	Various employees as approved by the CEO	\$4,000 collective limit

3. Register

- 3.1 A register shall be maintained by the Executive Manager Corporate and Community Services of all Corporate Credit Cards and Fuel Cards issued and kept in a secure location. The register shall include:
- a. Date of approval by Chief Executive Officer;
 - b. Name of card holder;
 - c. Card number and expiry date;
 - d. Conditions of use of the card; and
 - e. A review date for continuing use of the card, not exceeding 24 months.

4. Policies and Procedures Governing the Use of Corporate Cards

- 4.1 The following shall be complied with for controlling the use of Corporate Credit Cards:
- a. An agreement shall be signed by the cardholder which sets out the cardholder's responsibilities and legal obligations when using the **corporate purchasing and credit cards**;
 - b. A secure register managed by the Executive Manager Corporate and Community Services of all current cardholders should be kept which includes card number, expiry date of the card and credit limit. Details of goods and services the cardholder has authority to purchase are outlined in the cardholder agreement;
 - c. All new and existing cardholders shall be provided with a copy of the policies and procedures relating to the use of **corporate purchasing and credit cards** and shall formally sign the register to acknowledge that they have read and understood the requirements of the policy;
 - d. When an employee misplaces their **corporate purchasing or credit card**, they shall promptly report the matter to the Executive Manager Corporate and Community Services who shall immediately cancel the card.
 - e. Credit Cards shall not be transferred to other users;
 - f. Use of the reward schemes, such as Fly Buys and Frequent Flyers, will not be permitted for personal gain;
 - g. All surrendered Credit Cards shall be destroyed by the Executive Manager Corporate and Community Services in the presence of another employee;
 - h. In the event that a cardholder fails to comply with the policy's requirements, the Chief Executive Officer shall withdraw the use of the **corporate purchasing or credit card** and take appropriate disciplinary action. All criminal/illegal acts of alleged misuse shall be reported to the Police and other relevant authorities; and
 - i. The use of **corporate purchasing and credit cards** for any personal use whatsoever is strictly prohibited.

- j. Use of the corporate credit cards for purchases over the internet should be restricted to trusted secure sites.
- k. The cardholder will be personally liable for expenditure that cannot be shown to be related to the business of the Shire of York.

5. Purchasing

- 5.1 **Corporate purchasing and credit cards** shall only be used for purchasing goods and services on behalf of the Shire and in circumstances when the issue of a Purchase Order Number from the Shire is not accepted, appropriate or convenient;
- 5.2 Fuel Cards will be issued to employees where applicable and must only be used when purchasing fuel for Shire vehicles.
- 5.3 Personal expenditure is strictly prohibited.
- 5.4 A Credit Card shall not be used for cash withdrawals;
- 5.5 Purchases by facsimile, telephone or over the internet shall be authorised by the person and all paperwork shall be kept and verified;
- 5.6 The nominated fuel card should be used in preference to a credit card when purchasing fuel unless it is not accepted by the retailer and then the vehicle odometer reading and fuel receipt are to be recorded at the time of purchase;
- 5.7 Credit card purchases are to comply with the Procurement Policy for acquiring of goods and services.
- 5.8 The use of the Corporate Credit Card for purchase of library books can only be exercised by the person responsible for the library collection acquisitions function.
- 5.9 The purchase of meals in York with the Corporate Credit Card is limited to hosting visiting dignitaries and others authorised in advance by the Shire President.
- 5.10 Meals purchased while away from York are to comply with the limit value approved from year to year by Council during the budget process.

6. Payments and Acquittals

- 6.1 The cardholder will be responsible for providing appropriate and sufficient documentary evidence of all charges, as required, on a monthly basis. Information should include a copy of the GST invoice, account number for costing purposes and an explanation as to why the expense was incurred. Full information requirements are outlined in the **Corporate Purchasing and Credit Cards** Acquittal and Reporting Procedure.
- 6.2 Time frames for all payment of accounts shall be monitored by the Executive Manager Corporate and Community Services to ensure that credit charges are minimised and accounts are paid so as not incur a penalty or interest;
- 6.3 Cardholders cannot approve expenditure incurred on their own cards – these will be referred to the Chief Executive Officer for approval – the Chief Executive Officer shall refer any such instances to the Executive Manager Corporate and Community Services.

- 6.4 All transactions requested by officers other than the cardholder must complete the Credit Card Authority Form (attached).
- 6.5 The signed corporate credit card statement and all supporting documentation are to be given to the Chief Executive Officer for certification. The Chief Executive Officer's signed corporate credit card statement and all supporting documentation will be provided to the Mayor for certification.
- 6.6 All transactions on Corporate Credit Cards are to be listed and form part of the monthly financial reports to Council *in accordance with the requirements of Local Government (Financial Management) Regulation 13.*

Key Terms/Definitions

Not Applicable

Policy Administration

Responsible Directorate/Division: *Corporate & Community Services/Finance*

Author/Contact Officer Position: *Finance Manager*

Relevant Delegation: Not Applicable

Relevant Legislation: *Local Government Act 1995 – Section 2.7 (2)(a) and (b)*
Local Government Act 1995 – Section 6.5(a)
Local Government (Financial Management) Regulations 1996 – 11
Local Government (Financial Management) Regulations 1996 - 13

In addition to the above legislation, the Department of Local Government and Communities (Government of Western Australia) issued 'Operational Guideline Number 11' for the 'Use of Corporate Credit Cards'.

Relevant Documents: Staff Code of Conduct
F1.2 Procurement Policy
 Corporate Credit Card Approval Process and Acquittal
Shire of York Procurement Manual

Date Adopted: 28 January 2016

Reviews/Amendments 24 October 2016
29 July 2019



GOVERNANCE PROCEDURES

Statement of Business Ethics

OBJECTIVE:

To ensure that the Statement of Business Ethics is reviewed every four (4) years.

The Statement of Business Ethics forms part of the Shire of York's Procurement Policy and is intended to provide guidance for all sectors of the community when doing business with the York Shire Council.

SCOPE

The Shire of York has the right to renew, vary or revoke this procedure which will be reviewed periodically and at a minimum every four (4) years to ensure it is relevant and appropriate.

PROCEDURE

The review of the Statement of Business Ethics will be placed into the Shire's Compliance Calendar so that it is captured for when it becomes due.

RESPONSIBILITY

The review will be undertaken by the Administration and Governance Coordinator, in conjunction with the Project Management Group.

Authorised –

Executive Manager Corporate & Community Services

10/5/19

Date

Date Authorised: 10/5/19

Date Reviewed:



Shire of York

Statement of Business Ethics

Overview

This Statement of Business Ethics provides guidance for all sectors of the community when conducting business with the Shire of York (Shire). It outlines the Shire's ethical standards and our expectation that goods and service providers will comply with these standards in all their dealings with the Shire. This Statement also outlines what goods and service providers can expect of the Shire.

Our Key Business Principles

- **Ethics and integrity**

The Shire and its employees shall observe the highest standards of ethics and integrity in undertaking purchasing activities and act in an honest and professional manner. All parties will be treated equitably, consistently, impartially and fairly.

- **Best value for money**

The Shire will procure goods and services that offer the best value for money. Best value for money does not automatically mean the lowest price. Rather the Shire will balance all relevant factors including initial cost, whole-of-life cost, quality, reliability and timeliness in determining true value for money.

- **Transparency and accountability**

All purchasing activities shall comply with relevant legislation, regulations and the Shire's policies and be free from bias. Full documentation and accountability will be taken for purchasing decisions to ensure the efficient, effective and proper expenditure of public monies.

- **Sustainability**

The Shire is committed to sustainable procurement and where appropriate shall endeavour to design tenders and quotations to provide an advantage to goods, services and/or processes that minimise environmental and negative social impacts. Sustainable considerations will be balanced against best value for money outcomes.

What you can expect from the Shire

The Shire will ensure that all its policies, procedures and practices relating to tendering, contracting and the purchase of goods and services are consistent with industry leading practice and the highest standards of ethical conduct.

Our employees are bound by the Shire's Code of Conduct. When doing business with the private sector, Shire employees are accountable for their actions and are expected to:

- Use public resources effectively and efficiently.
- Deal with all individuals and organisations in a fair, honest and ethical manner.
- Avoid any conflicts of interests (whether real, perceived or potential)
- Never seek gifts or other personal benefits

In addition, all Shire procurement activities are guided by the following core business principles:

- All suppliers (whether invited to make a submission through tender or through direct quotation process) will be treated with impartiality and fairness and given equal access to information to assist with quotations, tendering or supply.
- All procurement activities and decisions will be fully and clearly documented by the Shire to provide an efficient audit trail and to allow for an effective performance review of contracts.
- All contracts that involve services to the public will be undertaken in a manner consistent with the Shire's Disability Access and Inclusions Plan (DAIP) 2018-2023.
- Energy-efficient equipment, products containing recycled materials and environmentally friendly products will be purchased wherever reasonably possible taking into account best value for money considerations.
- Tenders will not be called unless the Shire has a firm commitment to proceed to contract although the Council reserves the right not to proceed with any tender or quotation so advertised.
- The Shire will not disclose confidential or proprietary information.

What we ask of you

The Shire requires all private sector providers of goods and services to observe the following principles when doing business with the Shire:

- Comply with all Australian Laws.
- Gain an understanding of the Shire's policies, guidelines and procedures relating to purchasing, including an understanding of this Statement (all available on the Shire's website).
- Provide accurate and reliable advice and information when invited or required.
- Declare actual, perceived or potential conflicts of interests as soon as you or your employees become aware of the conflict.
- Act ethically, fairly and honestly in all your dealings with the Shire.
- Take all reasonable measures to prevent the disclosure of confidential Shire information.
- Do not engage in any form of collusive practice, including offering Shire employees or Elected Members inducements or incentives designed to improperly influence the conduct of their duties.
- Do not discuss Shire business or information in the media.
- Assist the Shire to prevent unethical practices in business relationships by reporting such practices.

Why is compliance important?

By complying with the Shire's Statement of Business Ethics, you will be able to advance your business objectives and interests in a fair and ethical manner. As all Shire suppliers of goods and services are required to comply with this Statement, compliance will not disadvantage you in any way.

You should also be aware of the consequences of not complying with the Shire's ethical requirements when doing business with the Shire. Improper or unethical conduct could lead to termination of contracts or loss of future work with the Shire. Overall any business reputation can also be detrimentally effected if corrupt and criminal behaviour is made public.

Complying with the Shire's business principles will also prepare your business for dealing with the ethical requirements of other local governments and public sector agencies should you choose to do business with them.

Guidance Notes

Incentives, gifts and benefits

The Shire's employees and Elected Members do not expect to receive, or be the recipients of gifts, benefits or incentives as a result of our business relationship with goods or service providers. Goods and service providers are requested to refrain from offering such incentives, gifts or benefits to employees or Elected Members. The Shire's Code of Conduct provides for the type of incentives, gifts and benefits that can be received by Elected Members and employees. If wanting to give a gift, please check with the proposed recipient as to whether a gift can be accepted, or alternatively view the Shire's Code of Conduct.

Conflicts of interest

All Shire employees and Elected Members are required to disclose any real or potential conflicts of interest. The Shire extends this requirement to all Shire business partners, contractors and suppliers.

Confidentiality

All Shire information must be treated as confidential unless otherwise indicated. The Shire will maintain appropriate confidentiality and not disclose propriety information unless legally obligated to do so.

Safety

The Shire of York strives for continuous improvement while creating a strong safety and health culture within all aspects of Shire activities. This commitment to safety is the Shire's highest priority and will not be compromised. All employees, including volunteers and contractors, are required to take all reasonable care to ensure their own safety and that of others in the workplace.

Communications between parties

All communications should be clear, direct and accountable to minimise the risk of perception of inappropriate influence being brought to bear on the business relationship. Canvassing of Elected Members during a tender process will disqualify bids from further consideration and contact with Elected Members during work for the Shire is prohibited unless expressly authorised by the Shire.

Use of Shire equipment, resources and information

All Shire equipment, resources and information should only be used for its proper official purpose.

Contracting employees

All contracted and sub-contracted employees are expected to comply with this Statement. If you employ sub-contractors in your work for the Shire, you must make them aware of this Statement. All contractors and sub-contractors will be required to undertake an annual induction process prior to commencing business with the Shire.

Secondary Employment

Employees are not permitted to engage in private work with any person that has an interest in a proposed or current contract with the Shire.

Intellectual property rights

In business relationships with the Shire, parties respect each other's intellectual property rights and will formally negotiate any access, license or use of intellectual property.

Who to contact?

If you have any questions regarding this Statement or to provide information about suspected corrupt conduct, please contact the Shire via the details below.

Chief Executive Officer

Shire of York
PO Box 22
York WA 6302

Phone: (08) 9641 2233

Fax: (08) 9641 2202

Email: records@york.wa.gov.au

Website: www.york.wa.gov.au

Persons reporting corrupt behavior or misconduct are protected by the Corruption and Crime Commission Act 2003 and other "Whistleblower" protection laws such as the Public Interest Disclosure Act 2003. These laws protect persons disclosing corruption related matters from reprisal or detrimental action and ensure disclosures are properly investigated and dealt with.

Adopted by Council xxxxxxx



SHIRE OF YORK

PROCUREMENT MANUAL

Based on WALGA Framework as at April 2019

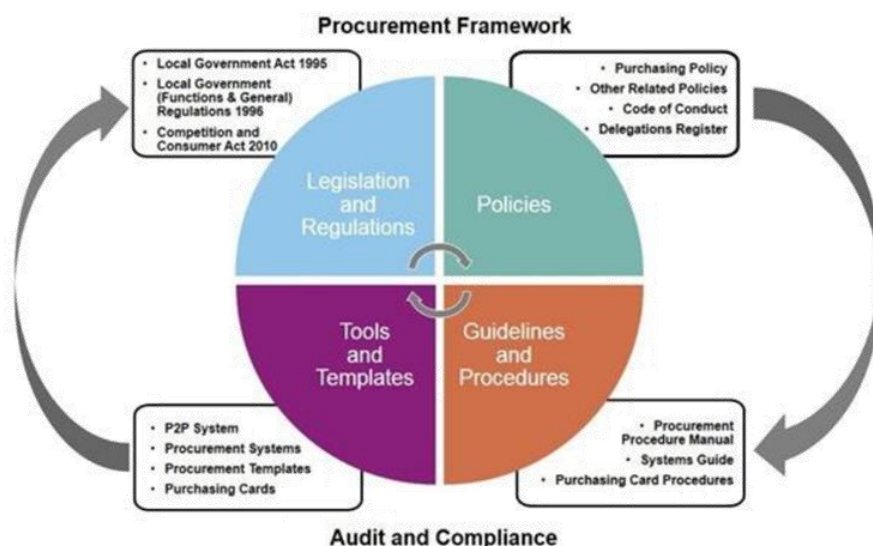
1. Procurement Framework

All purchasing by the Shire of York will be in accordance with the *Local Government Act 1995*, *Local Government (Functions and General) Regulations 1996*, the Shire's policy *F1.2 Procurement* and this Procurement Manual which is based on the Procurement Toolkit and Templates developed and provided by the WA Local Government Association.

Features of a good practice procurement framework include:

- **Legislation and Regulations, Governance, Policies** – implemented, roles and responsibilities are clear, independent internal review, regular reporting to executive
- **Financial and Non-Financial Delegations**
- **Procurement Strategy** – supports business needs, buy-in from business managers
- **Procurement Planning** – defining the need (business case and funding approval), meets Local Governments requirements
- **Procurement and Contract Risk Management**
- **Procurement Process** – planning, adequate market testing, supplier selection, contract management, process review, demonstrated value for money
- **Organisation and Capability** – skills and resources assessed and applied
- **Procurement Tools and Systems** – assist in managing and documenting the process
- **Information Management and Reporting** – transparent and accountable
- **Best practice guidance** (i.e. WALGA Procurement Guide)
- **Staff and Councillor Codes of Conduct**
- **Other Relevant Policies** (eg. *Internal Control*, *Legislative Compliance*,)
- **Audit & Compliance Programs**

Figure 1: Procurement Framework



2. Statutory Environment

2.1 Relevant Legislation

Local Government procurement of goods and services is bound by:

- Section 3.57 of the *Local Government Act 1995* ('the Act')
- Part 4 of the *Local Government (Functions and General) Regulations 1996* ('the Regulations')
- *State Records Act 2000* and
- *The Competition and Consumer Act 2010*.

2.2 Purchasing Regulations

If the value of a purchase is or is expected to be greater than \$150,000 (exclusive of GST), public tenders must be called in accordance with the Regulations unless the Shire seeks to buy goods and services from a tender exempt arrangement such as a WALGA Preferred Supplier Arrangement. This procurement practice guide has been aligned to the Regulations.

Purchases of \$150,000 or less do not require a public tender, however it may be deemed beneficial to do so by officers in which case, Regulation 13 states the rules governing public tenders must be followed.

However, purchases of \$150,000 or less are governed by the Shire's Purchasing Policy.

2.3 Purchasing Policy

The Regulations do not provide the requirements for purchases that are \$150,000 or less.

Therefore, Local Governments must, under Section 11A of the Regulations (as amended) have a written Purchasing Policy when the consideration is \$150,000 or less that covers:

- The entering of contracts referred to in Sub-Regulation (1)
- The form of quotations acceptable, and
- The recording and retention of written information, or documents, in respect of:
 - All quotations received, and
 - All purchases made.

The Shire's policy F1.2 Procurement can be found at **Appendix 1** to this document.

2.4 Disposing of property

Before disposing of property, Section 3.58 of the *Local Government Act 1995 - Disposing of Property* must be considered. It should be noted that a business plan must be prepared (as per s3.59) before;

- commencing a major trading undertaking; or entering into a major land transaction; or
- entering into a land transaction that is preparatory to entry into a major land transaction.

2.5 Other Specific Obligations

Local Governments are dependent upon the quality of their employees' advice when making important commercial decisions such as awarding contracts. Section 5.41 of the Act places a responsibility on the Shire's CEO to provide appropriate advice.

3. Best Practice Procurement

3.1 Overarching principles

The following should be applied to every procurement by the Shire of York regardless of complexity and spend:

- Value for money (VFM) - optimum combination of cost and non-cost factors
- Open & fair competition
- Accountability
- Good governance and probity transparency
- Risk management, and
- Sustainability.

3.2 Guiding principles

When conducting a procurement activity, the highest standards of ethics should be used. Refer to the Shire's internal policies, Code of Conduct and Statement of Business Ethics (**Appendix 2**). Guidance for procurement practices include (but are not limited to):

- Procurement is conducted honestly and is fair to ALL parties
- Compliance with all legislation
- Costs of tendering for all parties can be high so should only be carried out where no tender exempt arrangement exists such as a WALGA Preferred Supplier Arrangement
- No tendering without commitment
- All parties treated equally
- Sufficient time given to all parties
- Respect for confidentiality, and
- Declare all conflicts of interest.

3.3 Ethical Behaviour

Ethical behaviour is inextricably linked to the fiduciary duty of elected members and employees, more so where expenditure of public funds is exercised. Therefore, ethical behaviour in procurement practices must be demonstrated by all persons involved in purchasing activities.

3.4 Sustainability

In section 1.3 (3) of the *Local Government Act 1995* (which defines its content and intent), it urges that:

...in carrying out its functions a Local Government is to use its best endeavours to meet the needs of current and future generations through an integration of environmental protection, social advancement and economic prosperity.

The Shire's Procurement Policy includes the following with regards to sustainable procurement:

- Local economic benefit
- Local Price Preference
- Purchasing from Australian Disability Enterprises
- Purchasing from Aboriginal Businesses

In addition, value for money is an overarching principle of the Shire's procurement activities. Availability,

resources and capacity can impact on the ability to practice sustainable procurement. However, officers are encouraged to consider sustainability as a principle of best practice procurement. To demonstrate this concept, the following table provides an example of sustainable and unsustainable procurement in the case of the purchase of an ink-based printer:

Economic factors	Product A	Product B
Purchase price	\$60	\$200
Consumables	\$400 ink costs/yr = \$1200	\$150 ink refillable
Maintenance & renewal	Renewal x 2 = \$120	\$100
Disposal	\$30 x 2 = \$60	
Whole of Life cost	\$1440	\$750
Social and Environmental factors		
Environmental	Ink cartridges need to be thrown out and more purchased	In cartridges can be refilled with long life ink
Social	Ink cartridges add toxic mercury contamination to landfill and affects local health	Vegetable based dyes in ink have no effect on local health when eventually disposed of
Result	Unsustainable	Sustainable

Although cheaper initially, Product A ended up costing double the price, contributed to health problems and had a greater impact on the environment.

3.5 Record Keeping and Storage

All records associated with a tender process or a direct purchase process must be recorded and retained. For a tender process, this may include (but is not limited to):

- Tender documentation
- Tender evaluation plans Probit plans
- Risk assessments
- Internal documentation including agendas and minutes
- Evaluation documentation including consensus score and comments. Please note: it is not advisable to retain individual scores and comments – these should be deleted prior to the evaluation panel decision being announced
- Clarification and response documentation Debrief meeting notes, and
- Notification and award documentation.

For a direct purchasing process, this may include (but is not limited to):

- Quotation documentation
- Drawings or plans
- Internal documentation, and
- Order forms and requisitions.

Record retention must be in accordance with the minimum requirements of the *State Records Act 2000* (WA), the Shire's Recordkeeping Plan and associated policies.

4. Probity Management

4.1 What is Probity?

Probity is defined as the demonstration of the strict adherence to a code of ethics based on strong moral principles, ethics, honesty and decency.

Whether procurement projects are straightforward or complex, Shire officers must behave ethically. Securing value for money and confidence in the outcome is dependent upon the proper conduct of the procurement. The Shire's reputation can be affected by its approach to procurement and providing assurance to all stakeholders requires an understanding of, and commitment to, ethical and probity-driven values.

The following principles have been identified as providing the foundation for integrating probity considerations in procurement:

- Compliance with the legal and policy framework applying to procurement decisions
- Use of an appropriately competitive process
- Fairness and impartiality
- Consistency and transparency of process
- Identification and management of conflicts of interest, and
- Appropriate security and confidentiality arrangements.

Irrespective of the value of a procurement, probity principles should guide officers in all aspects of the purchase. Probity management during procurement is concerned with ensuring that appropriate processes and systems are in place so that the integrity of the eventual procurement decision can be defended.

4.2 Procurement Probity Risks

The procurement process is a high-risk process given the level of impact procurement decisions can have on core areas of Local Government business including:

- Financial Management
- Safety and Environmental Management
- Reputation Management

Reports of failures of government procurement regularly revolve around breaches of probity. Common probity risks that are relevant are listed below:

- Fraud, Theft and Misappropriation - Officers have the ability to commit expenditure and as such probity risks need to be managed
- Breach/Non-Compliance (legislation, policies, process) - Procurement operates under an intricate legislative and regulatory framework. Deliberate non-compliance with this framework is also a probity risk to be monitored and managed
- Nepotism - Procurement decision-making needs to be fair, open and transparent with a focus on enabling competition. Suppliers must not be selected based on their relationship with officers or Councillors
- Conflicts of officer and Councillor Interests - Procurement decisions need to be free from the influence of any potential or perceived benefit to officers, Councillors or any other persons to whom they are related
- Unauthorised release of Commercial-In-Confidence information - To maintain fairness and competition in procurement processes information that is of a commercial nature must remain in

confidence

- Inappropriate dealings with suppliers - Officers must maintain professional relationships with suppliers that enable effective business outcomes and deliver on the terms of the Contract. Interactions with suppliers that could be seen as influencing decision must be avoided. Long-term relationships between staff and suppliers are to be managed as such as to limit the ability for undue bias to occur with existing suppliers. Canvassing of officials and staff at any stage of the procurement process, especially during the selection phase is to be prohibited
- In-house bids - Local Governments have the ability to submit in-house bids for services to test its competitiveness and viability with the market. In these instances, the Local Government must structure its procurement in such a manner as to prevent any bias or influence that may be presented.

4.4 Who does probity?

In all cases, 'Probity' is the responsibility of the senior officer responsible for the procurement. The engagement of external probity advisors and/or auditors does not transfer this responsibility for probity to them and away from the Local Government.

4.5 Financial Delegations

Procurement decision making involves the commitment of Shire funds. Officers can only decide to commit funds where a budget for the activity exists under a system of financial delegations.

The Council delegates authority to the CEO to commit expenditure up to a certain expenditure threshold. The CEO can then further delegate the ability to commit expenditure to officers. This results in a hierarchy of delegations that are designed to enable low risk high frequency purchasing while managing high value, high risk procurement appropriately.

4.6 Conflicts of Interest

Councillors and officers alike are bound by the Shire's Code of Conduct.

All people in these roles are expected to declare their interests as soon as they become aware of a potential conflict. This includes any personal interests as well as interests of people and parties that they have a relationship with.

4.7 Information Privacy

Councillors and officers are likely to come across information of a commercial nature when participating in the procurement process. This information is to be kept commercial-in-confidence and should not be made accessible to anyone internally or externally who is not involved in the procurement process nor should it be shared with competing tenderers/suppliers. (See Tendering for more detail).

4.8 Gifts and Hospitality

The acceptance of gifts and hospitality from suppliers can be perceived as having an influencing or coercive effect on Local Government decision making. Officers involved in the procurement process need to ensure that gifts and hospitality requirements of the Code of Conduct are strictly observed. The refusal of any gifts or hospitality will mitigate the inherent associated risks.

4.9 Separation of Roles

Separation of duties enables an organisation to mitigate the risk of fraud and misappropriation (committing Local Government funds to purchase items of a non-business nature). The principle of separation of duties is to ensure that no individual can both commit funds and approve payments within any given procurement activity.

However, it is recognised that the size and capacity of the local government needs to be considered. Wherever possible, an employee should not be responsible for more than one of the following activities:

- Initiating and approving purchases

- Receiving goods
- Approving invoices for payment
- Review and reconciliation of transactions
- Inventory

In reality, given the small number of people authorised to sign purchase orders, it is likely there is some overlap. However, it is the intention that systems and processes are in place to identify or mitigate any risk of fraudulent behaviour. Regular and random auditing of any exemptions is undertaken to ensure that probity is being upheld.

5. Procurement Process

5.1 Procurement as part of the Business Cycle

Although the Procurement Process is outlined as a standalone process in this Manual, it is important to consider the role of procurement in relation to the broader business objectives of the Shire.

- **Project Development**

Consideration of the role of external suppliers in the delivery of any given project will have an impact on the project design. Opportunities to bundle similar activities into procurement packages can also lead to increased efficiency and lower costs. Including procurement considerations is therefore integral to the successful development of projects.

- **Budget**

Procurement can assist identifying potential costs to acquire goods and services that should be considered when applying for funding via the Budgeting process.

- **Contract Management**

Procurement strategies put in place the necessary structures and governance arrangements to enable effective Contract Management and delivery of services to the community.

- **Knowledge Management**

Lessons learned should always be captured as knowledge that can be accessed and referred to when the Shire approaches any similar projects and procurement activities in the future.

Figure 2: Procurement as a part of the Broader Business Cycle



5.2 Basic Procurement Steps

Figure 3 provides an outline of the basic procurement steps to be followed. A strategy is required for anything that requires a Request for Quotation or Request for Tender process (RFx). For direct purchasing, the Shire's purchasing policies and procedures should be followed.

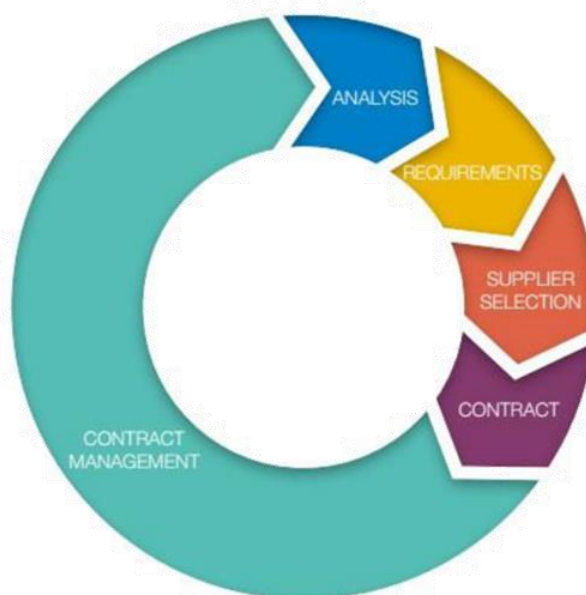
Figure 3: Basic Procurement Steps



5.3 The Procurement Lifecycle

As shown in Figure 4, the basic procurement steps are not of equal length. The sourcing process, from analysis to contract award, may only be a few months whereas; the contract management process will last for the duration of the contract. The benefits of a sourcing activity may be lost without effective contract management, so procurement efforts should be allocated accordingly to ensure that the objectives of sourcing activities are achieved.

Figure 4: Procurement Lifecycle



5.4 Procurement Thresholds

Figure 5 below, articulates the Shire of York's purchasing thresholds in accordance with Policy *F1.2 Procurement*.

Amount of Purchase	Process to be followed
Up to \$2,000	Direct purchase from suppliers. No quotation required. Market testing is strongly encouraged.
\$2,000 to \$5,000	Seek at least two verbal or written quotations from suitable suppliers (may include print outs from reputable suppliers' catalogues or websites), recommendation to purchase, include on quotation form reason for choosing selected supplier, official order for the goods and services to be countersigned by the Officers designated in this Policy. At least one quotation must be obtained
\$5,001 to \$20,000	Seek at least three verbal or written quotations from suitable suppliers, recommendation to purchase, include on quotation form reason for choosing selected supplier, official order for the goods and services to be countersigned by the Officers designated in this Policy. At least one quotation must be obtained.
\$20,001 to \$50,000	Seek at least three written quotations from suitable suppliers after outlining in writing the requirements of the supply, recommendation to purchase, include on quotation form reason for choosing selected supplier, and that the official order for the goods and services be countersigned by the Officers designated in this Policy. At least two quotations must be obtained.
\$50,001 to \$150,000	Obtain at least three written quotations (using the Shire of York's Request for Quotation template) containing price and specification of goods and services, recommendations to purchase to be accompanied by a written evaluation against pre-determined criteria, and approved by the Chief Executive Officer.
\$150,001 and above	Conduct a public tender process, as prescribed under the <i>Local Government (Functions and General) Regulations 1996</i> .
WALGA Services (excluding Preferred Supplier Program)	For the purchasing of WALGA services, a minimum of one written quotation is to be sought and recorded.
LGIS Services	For the purchasing of LGIS services, a minimum of one written quotation is to be sought and recorded.

5.5 Authorisation

The signing of purchase orders and certification of invoices for the supply of goods and services can only be exercised by those Officers indicated in the following schedule, and only to the extent indicated in accordance with Policy *F1.2 Procurement*.

OFFICER	THRESHOLD
Chief Executive Officer	Unlimited
Executive Manager Corporate and Community Services	To a maximum of \$50,000 in any one transaction within the approved Budget Allocations
Executive Manager Infrastructure and Development Services	To a maximum of \$50,000 in any one transaction within the approved Budget Allocations
Works Co-ordinator	To a maximum of \$2,000 in anyone transaction within the approved Budget Allocations

6. Tenders

6.1 When are Tenders Required?

Purchasing that exceeds \$150,000 in total value (excluding GST) must be put to public tender unless a regulatory tender exemption is utilised by the Local Government.

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

- The actual or expected value of a contract over the full contract period (including all options to extend), or
- The extent to which it could be reasonably expected that the Local Government 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.

6.2 Tender Exemptions

Under Regulation 12, a Local Government cannot avoid the requirement to invite public tenders **unless** a tender exemption exists.

A Local Government is exempted from the requirement to call public tenders if:

- The expenditure has been authorised in an emergency under section 6.8(1)(c) of the Act
- The goods or services are obtained from a tender exempt organisation such as WALGA (Preferred Supplier Arrangement or Business Service), the State or the Commonwealth or any of its agencies (i.e. Department of Finance Common Use Arrangements which are permitted for Local Government use), Regional Council, or another Local Government
- Within the last 6 months the Shire publicly invited tenders or expressions of interest for the supply of the goods or services but no tender was submitted that was thought to meet the tender specifications or value for money assessment
- Within the last 6 months the Shire has, under regulation 21(1), sought expressions of interest for the goods or services but there were no acceptable tenderers
- The contract is to be entered into by auction after being expressly authorised by a resolution of Council
- The goods or services are supplied by or obtained through the Government of the State or the Commonwealth or any of its agencies, or by a Local Government or a regional Local Government
- The goods or services are to be supplied:
 - In respect of an area of land that has been incorporated in a district as a result of an order made under section 2.1 of the Act changing the boundaries of the district, and
 - By a person who, on the commencement of the order referred to in subparagraph (i), has a
 - contract to supply the same kind of goods or services to the Local Government of the district referred to in that subparagraph
- The Local Government has good reason to believe that, due to the unique nature of the goods or services required or for any other reason, it is unlikely that there is more than one potential supplier – and it can demonstrate its justification if required
- The goods or services are for \$250,000 or less, are to be supplied by a person registered on the Aboriginal Business Directory WA published by the Small Business Development Corporation and are assessed as representing value for money
- The goods or services are to be supplied by an Australian Disability Enterprise, and

- The goods to be supplied under the contract are:
 - Petrol or oil, or
 - Any other liquid, or any gas, used for internal combustion engines.

When utilising a tender exemption, the Shire of York must comply with Council's adopted Purchasing Policy (F1.1 Purchasing), including obtaining quotations to ensure value for money for the Shire and delivering the most advantageous outcome possible.

6.3 Public Notices Advertising Tenders

- Tenders must be advertised via public notice. The notice must include:
 - Statewide public notice (not just the local paper)
 - A description of goods/services
 - person to contact for more information, and
 - Lodgement instructions.
- Evaluation criteria and weightings must be developed and approved in writing before inviting tenders, and

6.4 Lodgement of Tenders

- Tenderers must have at least 14 days from when the tender notice was first published to respond to the Request for Tender.

6.5 Opening Tenders

When tenders are opened:

- Responses must not be opened unless the request period has closed
- At least two Shire employees authorised by the CEO must attend the opening, and
- Details of the tenders (other than the consideration sought in the tender) are to be immediately recorded in the Tender Register.

6.6 Rejecting and Accepting Tenders

- A tender must be rejected unless it is submitted at a place and within the time, specified in the invitation for tenders
- A tender that is submitted at a place, and within the time, specified in the invitation for tenders but fails to comply with any other requirement specified in the invitation may be rejected without considering the merits of the tender
- If the CEO has prepared a list of acceptable tenderers (as allowable under the *Local Government (Functions and General) Regulations 1996*) for the supply of goods or services, a tender submitted by a person who is not listed must be rejected
- To assist the Shire in deciding which tender would be the most advantageous to accept, a tenderer may be requested to clarify the information provided in the tender
- The Shire should accept the tender, that having regard to all information, appears to be the most advantageous
- The Shire may decline to accept any tender
- Clarifications must be carefully managed and recorded.

6.7 Managing the Tendering Process

- A Tender Register must be kept and made available for public inspection

- All tenderers are to be treated equally and fairly
- Tenders must be kept confidential. It is the responsibility of the evaluating panel members to protect the security and confidentiality of all tenders and tender information in their possession and ensure all documents are recorded and filed correctly
- The following guidelines apply for tender processes relating to consultancy services, capital works, general goods and services contracts and for staff involved in calling, assessing or otherwise handling tender information:
 - During tender evaluation, tenders should be secured and not accessible when the tender evaluating officers are not at their desks or workstations. For example, tenders should be locked in a drawer or cupboard or the work place should be restricted only to authorised staff
 - When a tender evaluation is completed, unsuccessful tenders should be placed on a file marked 'Commercial-in-Confidence - Restricted' and secured for access by authorised staff
 - The tenders may not be opened until after the tender closing date/time
 - Members of the public are entitled to be present at the tender opening process
 - Fair and appropriate processes must be followed and reasons given to justify decisions made on the awarding of tenderers
 - The Shire may limit who can tender by making a preliminary selection from amongst prospective suppliers by seeking Expressions of Interest publicly first (EOI)
 - The time to be given to respond to public tenders and EOIs must be a minimum of 14 days from the first date the notice is published in the newspaper
 - Tenderers and respondents to EOIs must be advised in writing by the CEO of the outcome of any tender
 - The CEO has administrative responsibility for compliance with the regulations, and
 - The Shire may decline to accept any tender.
- Non-compliance with the legislation or conditions of tendering may render a contract void and unenforceable and potentially puts the Shire at risk.

6.8 Regional Price Preference

The Shire of York's Procurement Policy contains a Regional Price preference clause which must be observed for all quotations and tenders.

6.9 Tendering and the Process Contract

The tendering process is one that should demonstrate the highest levels of openness, transparency, fairness and competition. As such, probity risks are managed more specifically when it relates to a tender.

- Tendering processes should be designed to eliminate subjectivity and enable an objective and systematic assessment of tenderer responses against a defined set of criteria.
- Conditions of tendering outline the requirements to be met by both the tenderers and the buyer to ensure the integrity of the tendering process (Process contract).
- Some of the key components of the tender process that involve probity management are described below:
 - (i) Evaluation Criteria
 - Need to be set prior to advertising the tender
 - Evaluation panel to sign off on evaluation plan prior to advertising tender Criteria cannot be altered once the tender has been advertised, and

- Need to be clear, unambiguous so as not to create a bias to favour a contractor or group of contractors and must be aligned with the objectives of the project.
- (ii) Communication with tenderers
 - Ensure that information relevant to the tender process is provided to all tenderers
 - Register any communications between tenderers and the Local Government during the tender process, and
 - Evaluation panel members (internal and external) sign off Privacy/confidentiality and Conflict of Interest declarations prior to tender advertisement.
- (iii) Forming Evaluation Panels
 - Declarations of conflict of interest are signed by both internal and external panel members prior to the evaluation taking place
 - Panel members are appropriately knowledgeable in the subject matter
 - Panel members demonstrate competencies in the procurement procedures Consideration of the requirement of a probity adviser prior to evaluation taking place
 - Regular review of the make-up of evaluation panels to identify and respond to potential instances of group-think (Rotation of roles)
 - Clarify evaluation panel member roles (Chair, Subject Matter Experts, External advisers). Also clarify who is a voting member of a panel, and who is a technical expert (non-voting).
- (iv) Evaluating
 - A detailed Tender Evaluation plan should be developed that demonstrates how tenders are to be evaluated. Considerations should include:
 - Training of panel members
 - How qualitative criteria will be scored How scoring will be averaged / used
 - That pricing will be considered as a separate step post qualitative evaluation
 - How Clarifications will be requested and received.
- (v) Scoring
 - Review and agree to follow the scoring methodology (consensus, average) using the Shire's Evaluation Rating Scale
 - Use words in the scoring system that match to the scoring matrix to support objective analysis
 - Query significant differences in scores between panel members,
 - Ensure comments match the scores and the scoring matrix; and
 - Mandate to the panel that comments must accompany the evaluation of each criterion to provide reasoning for the score given by each panel member.
- (vi) Evaluation Report
 - Ensure that all panel members sign the final evaluation report
 - The evaluation report should include enough detail to outline the reasoning behind the selection of the preferred tenderer, and
 - Use the Shire's standard format/template for evaluation reports.

6.10 Contract Management

Ongoing management of contractors also creates an environment where probity risks exist. Many of the

decisions contract managers make also need to be conducted within robust frameworks to manage probity.

6.11 Variations

- If the Shire has entered into a contract for the supply of goods or services with a successful tenderer, the contract must not be varied unless:
 - the variation is necessary in order for the goods or services to be supplied and does not change the scope of the contract; or
 - the variation is a renewal or extension of the term of the contract as described in regulation 11(2)(j).
- It is important for this reason that where the Shire anticipates that the contract may be subject to variations, the circumstances that this may occur must be referenced within the contract.

6.12 Incentives

Contract managers may have the authority to approve performance incentives under the contract.

- This process should incorporate the principles of separation of duties to ensure that incentive payments are made based on an objective assessment of the contractor's performance against the performance targets defined in the contract.
- Incentives should also not be withheld if the contractor has met all of the performance targets.
- Performance incentives must be predefined under the contract and recording of measurement of performance targets must be adequate to ensure its legitimacy.

6.13 Tender Checklist and Templates

Officers should complete a tender checklist to ensure all required processes have been completed. This and other templates relating to the Shire's procurement processes can be found here. (H:Common Share/Procurement/Templates and Checklists)

7. Request for Quotation

7.1 When is a written Request for Quotation process required?

There are two situations where a written request for quotation is required:

1. Where the actual or expected value of a purchase is over \$20,000 and up to \$50,000, at least three written quotations are required after outlining in writing the requirements of the supply. This may be done via email or hard copy and quotations are to be attached to the duly authorised purchase order with an explanation for the selection of the chosen supplier.
2. Where the actual or expected value of a purchase is over \$50,000 (and under the tender threshold), a formal Request for Quotation document must be prepared using the Shire of York's Request for Quotation template. This process is described below.

7.2 The Formal Request for Quotation (RFQ) Process

- Use the Shire's RFQ Templates to develop the scope of works, specification, milestones and evaluation criteria.
- Determine who will evaluate the quotations. The Shire requires at least two people to evaluate formal RFQs.
- For larger, or more complex projects, a panel of people with the appropriate skills and knowledge must be established to evaluate the quotations. The panel will include the project manager, their Executive Manager and an independent officer to oversee probity. In some cases, an outside consultant or community member with the relevant skills may be asked to join the panel. This must be discussed with the Executive Management Group prior to establishing the panel.
- Determine who the request will be sent to by searching the WALGA Preferred Supplier Directory, the web or by contacting other local governments for suppliers for specialised goods or services.
- Ask the evaluation panel to review the RFQ document and provide feedback then agree on the suppliers to whom the RFQ will be sent. In order to ensure the required number of quotations are received, it is advisable to send the RFQ to at least five, if not more suppliers.
- Have the RFQ approved by a member of the Executive Management Group.
- Send the RFQ to the agreed suppliers with a covering email. All suppliers must receive the same information. If questions are asked or clarifications sought, responses must be sent to all suppliers.
- As soon as possible after the closing date, each member of the panel should evaluate each RFQ received and complete the Evaluation Workbook using the Shire's Evaluation Rating Scale and provide comments to support their scores.
- The Project Manager will then arrange a meeting of the panel to discuss the evaluations and come to an agreed score for each supplier. The Project Manager must attach the evaluation report to the office copy of purchase order raised.

7.3 Contract Management

- Ongoing management of contractors under the RFQ process also creates an environment where probity risks exist. Many of the decisions contract managers make also need to be conducted within robust frameworks to manage probity.
- Where a formal RFQ process has been undertaken, a formal contract should be entered into for the supply of the goods or services.

7.4 Variations

- If the Shire has entered into a contract for the supply of goods or services with a successful supplier, the contract must not be varied unless:

- the variation is necessary in order for the goods or services to be supplied and does not change the scope of the contract; or
 - the variation is a renewal or extension of the term of the contract as described in regulation 11(2)(j).
- It is important for this reason that where the Shire anticipates that the contract may be subject to variations, the circumstances that this may occur must be referenced within the contract.

7.5 Regional Price Preference

The Shire of York's Procurement Policy contains a Regional Price preference clause which must be observed for all quotations and tenders.

7.6 Probity

Like the tendering process, the RFQ process must also demonstrate the highest levels of openness, transparency, fairness and competition.

7.7 RFQ Checklist and Templates

Officers should complete a checklist to ensure all required processes have been completed. This and other templates relating to the procurement processes can be found here. (H:Common Share/Procurement/Templates and Checklists)

8. Other Purchasing

All other purchasing must still be done in accordance with the Shire's policy, business ethics and the principles contained in this Procurement Manual.

8.1 Regional Price Preference

- A preference will be applicable to all locally based contractors and suppliers with a permanent office and staff located within the Shire of York. This also applies to contractors based outside the Shire of York who use goods, materials or services which are sourced from within the Shire.

Goods and Services

- A 10% price preference, to a maximum of \$5,000, applies to goods and services, sourced and used in the Shire of York.
- A 5% price preference to a maximum of \$2,500 applies to goods and services sourced within the Avon Valley.

Construction

- A 5% price preference, to a maximum of \$5,000, applies to all construction conducted by businesses/contractors based within the Shire of York.
- A 2.5% price preference, to a maximum of \$2,500, applies to all construction conducted by business/contractors based within the Avon Valley.

8.2 Issuing an official order to the supplier

- Authorised 'Supplier Copy' of purchase order shall be forwarded to Supplier.
- Authorised 'Office Copy' of purchase order to be given to Accounts Payable with all relevant quotes, supporting documentation as per compliance with Procurement Policy F1.2. Written comments for quotation required section to be completed by Officer

8.3 Variation to Purchase Orders

It is recognised that in some cases, a variation to an original order may occur. Variations must comply with the adopted current financial year budget. A variation may include the following:

- Monetary value
- Description of approved purchases of goods or services
- Scope of works (minor variations only)

Process for Identified Variation to original order

- Identify variation to original order.
- Purchasing officer to complete a 'Variation to Purchase Order' form. This must be authorised by relevant management in accordance with Procurement Policy F1.2 monetary signing threshold.
- Attach supporting variation to purchase order documentation
- Executive Manager to authorise variation. Where the variation is outside signing monetary threshold, the Chief Executive Officer must countersign variation.
- Approved authorised variation to purchase order to be forwarded to Supplier/ Contractor
- Variation to Purchase Order form and all supporting documentation to be given to Accounts Payable and attached to original order
- Accounts Payable Officer to scan and record all documentation in Synergy.
- Synergy reference to be recorded on variation to purchase order document

8.4 Receival of Goods and Services

- Invoice must be date stamped upon receival in order to process payments in accordance with the Shire of York payment terms
- Match purchase order to invoice along with all obtained quotations and supporting documentation.
- Officer to stamp invoice with Goods Received stamp.
- Accounts Payable Officer to review and check invoice details with Synergy
- Invoice forwarded to relevant responsible officer for signing. Officer must check invoice and sign. A receival date of good received must be completed.
- Responsible Officer to return invoices to Accounts Payable. In the case and invoice needs to be countersigned, this will be forwarded to relevant officer then returned to Accounts Payable

8.5 Transaction Processing

Invoice transaction batches to be processed in Synergy. Batch reports printed, checked and updated.

8.6 Payment Processing

Accounts Payable to process payment batch in Synergy. Print cheques and EFT reports. Attach to payment batches. Forward payment batches to Management for review and upload of payment to be processed through the bank.

8.7 Payment Cycle

- An invoice can be received in several ways; either by email, post, or delivered in person. Hard copies should be date stamped upon receipt and given to Accounts Payable as soon as possible. Invoices are matched to their respective purchase order/s and sent to the responsible officers for authorisation of payment. Invoices must be returned to Accounts Payable with all supporting documentation within 5 days of the relevant payment run.
- Payment runs will occur on the 14th day and 30th day of each month, or if this day falls on a weekend or public holiday, the next working day.

8.8 Payment Channels

The Shire of York maintain multiple payment methods as part of its commitment to efficiently pay for goods and or services provided.

These methods are;

- Electronic Funds Transfer – to be used wherever possible as this is the most popular and efficient method of payment.
- Cheque – can be produced when required however is usually restricted in most cases to utilities and licenses.
- Credit Card – The Shire has one credit card which is held by the Chief Executive Officer. Payments will be made by credit card only when other methods of payment are unavailable. Use of the credit card is generally restricted to online purchases, parking fees, and creditors who do not issue accounts.
- Direct Debit – This payment method is used for bank fees, superannuation and lease payments.

8.9 Payment exceptions

There are times when payment of an invoice is outside the Shire's standard procedures. This can be attributed to the following reasons;

- Invoices with errors are put on hold until the issues are resolved. Accounts payable coordinates with the relevant staff members to resolve these exceptions to enable payment of invoices on hold.
- Invoices from Creditors providing discount may be processed outside the normal timeframes.

- Payment can be made on an ad hoc basis when required however, staff are encouraged to adhere to the Shire of York default payment term

8.9 Remit payment advice

Supplier must supply an email address to remit payment advice electronically.

9. Purchasing and Credit Cards

Corporate purchasing and credit cards can deliver significant benefits to local governments through improved administrative practices and more effective cash management. However, they can also expose the Shire to significant risks if not properly controlled.

The risks associated with purchasing and credit cards can be minimised by implementing policies to control their use.

The Shire operates a corporate purchasing credit card system which permits an appropriate level of cards to be issued within the organisation.

9.1 Benefits of Corporate Purchasing and Credit Cards

When used correctly, a purchasing or credit card can –

- eliminate or reduce time spent on paper-based ordering and payments;
- reduce administrative costs;
- reduce the number of payments made per month;
- provide a useful resource in remote and emergency situations;
- reduce the need to carry cash on the premises; and
- provide an effective audit trail of expenditures.

9.2 Custodianship and Conditions of Use

- The Shire of York will hold one (1) credit card, the custodian of which shall be the Chief Executive Officer. All applications for a Corporate Credit Card shall be approved by the Council.
- The Corporate Credit card may only be used under the direction of the approved custodian.
- All credit card expenditure will be reported to Council with the monthly financial report.
- The requirement for Corporate Fuel cards will be determined on a case-by-case basis and approved by the Chief Executive Officer.
- Fuel cards will only be used for purchasing fuel for the Shire vehicle (or hire vehicle where appropriate) to which the application relates.
- All fuel card expenditure will be reported to Council within the list of monthly creditors payments.
- Officers must provide receipts to Finance at the end of each month for reconciliation to the statement.

9.2 Policies and Procedures Governing the Use of Corporate Purchasing and Credit Cards

The following shall be complied with for controlling the use of Corporate purchasing and credit cards [Card(s)]:

- An agreement shall be signed by the cardholder which sets out the cardholder's responsibilities and legal obligations when using the Card;
- A secure register managed by the Executive Manager Corporate and Community Services of all current cardholders will be kept which includes card number, expiry date of the Credit Card and credit limit. Details of goods and services the cardholder has authority to purchase are outlined in the cardholder agreement;
- All new and existing cardholders shall be provided with a copy of the policies and procedures relating to the use of Corporate Cards and shall formally sign the register to acknowledge that they have read and understood the requirements of the policy;

- When an employee misplaces their Corporate Card, they shall promptly report the matter to the Executive Manager Corporate and Community Services who shall immediately cancel the card.
- Credit Cards shall not be transferred to other users;
- Use of the reward schemes, such as Fly Buys and Frequent Flyers, will not be permitted for personal gain;
- All surrendered Cards shall be destroyed by the Executive Manager Corporate and Community Services in the presence of another employee;
- In the event that a cardholder fails to comply with the policy's requirements, the Chief Executive Officer shall withdraw the use of the Corporate Card and take appropriate disciplinary action. All criminal/illegal acts of alleged misuse shall be reported to the Police and other relevant authorities; and
- The use of Corporate Cards for any personal use whatsoever is strictly prohibited.
- Use of the corporate credit cards for purchases over the internet should be restricted to trusted secure sites.
- The cardholder will be personally liable for expenditure that cannot be shown to be related to the business of the Shire of York.

7.2 FINANCE AND COSTING REVIEW 2018/19 - QUARTER 3**File Number:** FI.FRP**Author:** Tabitha Bateman, Finance Manager**Authoriser:** Suzie Haslehurst, Executive Manager, Corporate & Community Services**Previously before Council:** Not Applicable

Appendices:

1. Projected Statement of Financial Activity for the period ending 31 March 2019
2. Financial and Costing Review Summary - Quarter 3

NATURE OF COUNCIL'S ROLE IN THE MATTER

Review

PURPOSE OF REPORT

This report presents the results of the third quarter Finance and Costing Review for the period ending 31 March 2019 for the Audit Committee's information.

BACKGROUND

On a quarterly basis, officers undertake a Finance and Costing Review (FACR), the results of which are presented to the Audit Committee. This process was implemented to ensure regular monitoring of income and expenditure in accordance with the adopted budget and to improve accountability, transparency and knowledge of officers who are responsible for accounts within the budget.

The first formal quarterly review was undertaken for the period ending 30 September 2018 and was presented to the Audit Committee in December 2018. The second quarter review was used to inform the comprehensive mid-year budget review.

The early adoption of the 2019/20 annual budget meant that the third quarter review was superseded by the budget process. The outcome is now presented to Council in accordance with the Shire's procedure for Finance and Costing Reviews.

COMMENTS AND DETAILS

As part of the annual budget preparation, officers across the organisation are assigned projects and accounts within the budget for which they are responsible to monitor and manage. During April and May following the close of the third quarter, responsible officers met with the Executive Management Group to analyse budgets. They considered any variations to the adopted budget incorporating year to date amendments considered through the first and second quarter financial reviews.

As a result of the review, officers prepared a summary of the known material variances which is attached to this report. The following table provides a summary of the anticipated year end position incorporating the proposed amendments with an estimated year end surplus of \$433,608 expected:

ITEM	2018/19 ANNUAL BUDGET	2018/19 FACR QTR 3	VAR TO CURRENT BUDGET \$	VAR TO CURRENT BUDGET %
OPERATING REVENUE	10,272,306	10,353,058	80,753	1%
OPERATING EXPENDITURE	- 10,082,385	- 10,290,645	- 208,260	2%
OPERATING SUB-TOTAL	189,921	62,413	- 127,508	-6%

<i>NON-CASH ITEMS ADDED BACK</i>	3,506,786	3,274,786	- 232,000	-7%
<i>CAPITAL PROGRAMME</i>	- 4,303,231	- 3,421,736	881,495	-20%
<i>BORROWINGS</i>	- 873,922	- 873,922	-	0%
<i>RESERVES</i>	- 613,752	- 358,092	255,660	-42%
<i>OPENING FUNDS</i>	2,094,198	1,750,159	-344,039	-16%
<i>NET SURPLUS/(DEFICIT)</i>	0	433,608	433,608	

The above table is provided in more detail at Appendix 1. – Projected Financial Activity Statement.

The estimated year end surplus reported within the projected financial activity statement is made up predominantly of projects to be carried forward and comprises the following notable variances;

• OPERATING REVENUE AND EXPENDITURE

Revenues – net increase \$80,753

Since reporting a net increase to revenues of \$440,000 in the first and second quarter reviews due to changes to road grants, Bushfire Risk Mitigation funding and funding for the Town Hall upgrades, officers are proposing to carry forward the Avon Park income and expenditure due to the timing of the project. This sole item represents the reduction of \$360,000 in anticipated income since the mid-year budget review and has been re-budgeted for 2019/20.

Expenses – net increase of \$208,261

The increase to expenditure previously reported was \$258,261 which was mainly due to the Bushfire Risk Mitigation project expenditure of \$257,200. This amount was offset in full by the contribution from Department of Fire and Emergency Services. Any other increases to expenditure were generally offset by savings throughout the budget. During the third quarter review, officers identified other areas of savings to include;

➤ Forrest Oval Recreation and Convention Centre

A reduction of \$10,000 to the operating costs of the YRCC building is expected. This can likely be attributed to reduced usage considering the budgets for restaurant and bar were also reduced during the second quarter FACR.

➤ Building Control Expenses

The 2018/19 budget included an allocation of \$85,000 for a consultant building surveyor. During the year, the Shire undertook a recruitment process to employ the Development Services Coordinator in accordance with the adopted organisational structure. It is expected that overall savings in this area will equate to around \$41,000.

• CAPITAL PROGRAMME

Notable variances to the capital programme include;

➤ Avon Park Upgrades

The 2018/19 budget includes \$615,000 offset by grant funding of \$360,000 for upgrades to Avon Park. Late in April 2019, the Shire received notification that funding would also be made available in the 2019/20 year for the construction of a skate park totalling \$350,000. It is expected the income and expenditure budgeted for the Avon Park Upgrades will be carried forward to 2019/20 in its entirety incorporating the skate park construction. The Shire has engaged a project manager and expects the design to be finalised in the coming month.

➤ Grey Street Park Capital

The 2018/19 budget includes an allocation of \$10,000 for the construction of toilet amenities at the Grey Street arboretum. Following discussions with York Wildflower Society it is unlikely that plans will be finalised prior to 30 June 2019 and the project will be carried forward to 2019/20.

Following the third quarter review, officers presented the draft budget for Council's consideration at a Special Council meeting held 3 July 2019. The budget was developed to include the above-mentioned projects however the carried forward surplus was estimated at \$2.27M.

The most significant carry over projects included;

- Road construction projects including footpaths \$633,000
- Avon Park upgrades – Stage 1 \$615,672

In addition to the above the Shire received and advance payment of 2019/20 Financial Assistance Grants of \$776,011.

Due to the early adoption of the 2019/20 Budget and the difficulty in estimating the actual surplus carried forward, it is anticipated that any adjustments to the net carried forward surplus will be identified during the first quarter Financial Review and presented to the Audit Committee for recommendation to Council.

OPTIONS

Not applicable

IMPLICATIONS TO CONSIDER

Consultative

Office of the Auditor-General

Moore Stephens

Department of Local Government

Strategic

Strong and Effective Leadership

5.3 A financially sustainable Shire

Policy Related

Policy F1.3 *Significant Accounting Policies*

Policy G4.3 *Financial Planning and Sustainability*

Financial

The financial impact of the Finance and Costing Review for the quarter ending 31 March 2019 is outlined within Attachment 1. A year end surplus of \$433,608 was anticipated following the third quarter review.

Legal and Statutory

Local Government Act 1995

Section 6.2 *Local government to prepare annual budget*

Section 6.10 *Financial management regulations*

Local Government (Financial Management) Regulations 1996

Part 2. Reg 5(g) CEO's duties as to financial management

Part 3. Reg 33A Review of budget

Risk Related

Failure to monitor and financially manage budgeted projects exposes Shire officers and Councillors to significant risk. This report helps to mitigate this risk.

Workforce

Not applicable

VOTING REQUIREMENTS

Not applicable.

RECOMMENDATION

That the Audit Committee recommends that Council:

1. Accepts the Finance and Costing Review Summary for the period ending 31 March 2019 as attached to this report at Appendix 2.
2. Notes the following carried forward projects identified during the third quarter review included in the 2019/20 Annual Budget;
 - a. Avon Park Upgrades \$615,672
 - b. Grey Street Park Amenities \$10,000




SHIRE OF YORK
PROJECTED FINANCIAL ACTIVITY STATEMENT
 FOR THE PERIOD ENDED 31 MARCH 2019

	2018/19 ANNUAL BUDGET	2018/19 CURRENT BUDGET	2018/19 YTD ACTUAL	2018/19 EST YEAR END FACR QTR 3	VAR TO ADOPTED BUDGET	VAR TO ADOPTED BUDGET
OPERATING REVENUE					\$	%
General Purpose Funding	6,707,509	6,760,670	6,448,004	6,760,670	53,161	1%
Governance	8,400	8,400	5,031	8,400	-	0%
Law, Order Public Safety	93,611	330,811	170,001	330,811	237,200	253%
Health	17,800	17,800	19,129	17,800	-	0%
Education and Welfare	35,287	35,287	29,983	35,287	-	0%
Community Amenities	710,938	715,938	685,285	715,938	5,000	1%
Recreation and Culture	1,119,024	1,169,160	651,236	809,160	(309,864)	-28%
Transport	1,425,786	1,518,042	596,552	1,518,042	92,256	6%
Economic Services	129,050	129,050	74,996	129,050	-	0%
Other Property and Services	24,900	27,900	30,485	27,900	3,000	12%
	10,272,306	10,713,058	8,710,702	10,353,058	80,753	1%
LESS OPERATING EXPENDITURE						
General Purpose Funding	(318,766)	(318,766)	(246,676)	(318,766)	-	0%
Governance	(724,104)	(747,104)	(494,123)	(722,105)	2,000	0%
Law, Order, Public Safety	(472,888)	(733,088)	(449,957)	(753,288)	(280,400)	59%
Health	(243,087)	(233,087)	(147,071)	(233,087)	10,000	-4%
Education and Welfare	(138,589)	(138,589)	(80,769)	(138,589)	-	0%
Community Amenities	(1,158,384)	(1,174,847)	(735,070)	(1,175,847)	(17,462)	2%
Recreation and Culture	(3,434,525)	(3,366,525)	(2,041,845)	(3,356,525)	78,000	-2%
Transport	(2,498,661)	(2,546,528)	(1,729,441)	(2,551,528)	(52,867)	2%
Economic Services	(974,239)	(949,375)	(574,039)	(908,374)	65,864	-7%
Other Property & Services	(119,141)	(132,537)	(159,419)	(132,537)	(13,395)	11%
	(10,082,385)	(10,340,446)	(6,658,410)	(10,290,645)	(208,261)	2%
Increase/(Decrease)	189,921	372,613	2,052,292	62,413	(127,508)	-67%
ADD						
Profit/Loss on sale of assets	(416,011)	(394,584)	-	(394,584)	21,427	-5%
Net Change in LSL Reserve	-	-	5,432	-	-	
Depreciation Written Back	2,441,786	2,441,786	1,458,821	2,441,786	-	0%
Sold Assets Written Back	1,481,011	1,227,584	81,364	1,227,584	(253,427)	-17%
	3,506,786	3,274,786	1,545,617	3,274,786	(232,000)	-7%
Sub Total	3,696,707	3,647,399	3,597,909	3,337,199	(359,508)	-10%



SHIRE OF YORK
PROJECTED FINANCIAL ACTIVITY STATEMENT
 FOR THE PERIOD ENDED 31 MARCH 2019

	2018/19 ANNUAL BUDGET	2018/19 CURRENT BUDGET	2018/19 YTD ACTUAL	2018/19 EST YEAR END FACR QTR 3	VAR TO ADOPTED BUDGET	VAR TO ADOPTED BUDGET
LESS CAPITAL PROGRAMME						
Purchase Tools						
Purchase Land & Buildings	(876,330)	(987,626)	(135,068)	(243,818)	632,512	-72%
Infrastructure Assets - Roads	(2,562,901)	(2,334,054)	(750,737)	(2,334,054)	228,847	-9%
Infrastructure Assets - Recreation	(350,000)	(314,000)	(247,797)	(314,000)	36,000	-10%
Infrastructure Assets - Other	(25,000)	(60,000)	(11,782)	(60,000)	(35,000)	140%
Purchase Plant and Equipment	(410,000)	(400,000)	(145,811)	(400,000)	10,000	-2%
Purchase Furniture and Equipment	(79,000)	(69,864)	(8,998)	(69,864)	9,136	-12%
Repayment of Debt - Loan Principal	(873,922)	(873,922)	(156,181)	(873,922)	-	0%
Transfer to Reserves	(638,752)	(399,752)	(31,092)	(399,752)	239,000	-37%
	(5,815,905)	(5,439,218)	(1,487,465)	(4,695,410)	1,120,495	-19%
Sub Total	(2,119,198)	(1,791,819)	2,110,444	(1,358,211)	760,987	-36%
LESS FUNDING FROM	(613,752)			(358,092)	255,660	-42%
Reserves	25,000	41,660	-	41,660	16,660	67%
Rates paid in advance	-	-	12,529	-	-	
Opening Funds	2,094,198	1,750,159	1,750,159	1,750,159	(344,039)	-16%
Closing Funds	-	-	-	-	-	
	2,119,198	1,791,819	1,762,689	1,791,819	(327,379)	-15%
NET SURPLUS/(DEFICIT)	0	(0)	3,873,132	433,608	433,608	

 FINANCE AND COSTING REVIEW SUMMARY 2018/19 - Quarter 3					
Description	COA	Current Budget	FACR Impact Quarter 3	Forecasted Year End	Comments/Justification for Request
Drainage Planning	105105	5,000	(5,000)	0	Further planning to be undertaken for Avon River water testing. Funds originally budgeted under GL 105105 can be reallocated to Road Maintenance GL 125129.
Road Maintenance General	125129	686,649	5,000	691,649	Reallocate funds originally budgeted under GL 105105 to Road Maintenance GL 125129.
Town Hall Building Capital	113029	184,136	(118,136)	66,000	Additional grant funds received in January 2019 for Stage 2 of the Town Hall upgrades as reported in the second quarter FACR. Due to timing of receipt of funds, this project will carry over into the 2019/20 FY and be budgeted for accordingly.
Grey Street Park Capital	113325	10,000	(10,000)	0	Further discussions to be held with York Wildflower Society regarding installation of toilet facilities at the Grey St Aboretum. It is unlikely that plans will be finalised prior to 30 June 2019 and the project will be carried forward to 2019/20.
Planning - Legal Expenses	106187	24,000	6,000	30,000	Unexpected compliance issues requiring further legal advice and court attendance have arisen late in the quarter requiring additional funds in GL 106187.
Fire Control Expenses	51105	10,438	11,500	21,938	Increased expenses due to busy fire season including St Ronan's fire. Costs relate mainly to shire staff & plant use. These funds can not be recovered through DFES funding.
Other Goods and Services - ESL Exp	51129	4,000	8,700	12,700	Increased expenses due to busy fire season including St Ronan's fire. Additional costs relate mainly to welfare expenses which can be recovered through DFES funding.
Building Control Expenses - Other	133192	103,201	(63,000)	40,201	The 2018/19 budget included \$85,000 for Building Surveying services. This consultancy ended when the Development Services Coordinator was recruited. A budget reallocation of \$22,000 is required to Building Salaries and overall savings of \$41,000 expected.
Building Salaries	133160	38,987	22,000	60,987	See above. Budget no longer required for Consultant Building Surveyor due to successful recruitment of Development Services Coordinator. Funds have been reallocated from GL 133192 to GL 133160
Admin Consultants	42169	89,431	(25,000)	64,431	Due to changes to FM Reg 17, review now required to be undertaken every three years instead of every two. The \$15,000 allocated for the review will be saved and re-budgeted in 2019/20. Additionally, \$10,000 will be carried forward to 2019/20 for Inside Staff EBA negotiations.
Avon Park Capital	113306	615,672	(615,672)	0	Avon Park upgrades expected to be carried forward to 2019/20 due to timing of project. Project Manager engaged and design to be finalised.
Recreation Grants	113229	(360,000)	360,000	0	As above, funding for Avon Park upgrades expected to be carried forward to 2019/20 due to timing of project.
Forrest Oval Convention Centre Maintenance	113141	121,417	(10,000)	111,417	Savings expected on overall running costs for YRCC building. Budgets for Restaurant and Bar expenditure were also reduced at the second quarter FACR.
Net Impact - Quarter 1			(433,608)		

- 8 QUESTIONS FROM MEMBERS WITHOUT NOTICE**
- 9 BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF THE MEETING**
- 10 CLOSURE**