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# Appendix three – About the audit

## Audit objective

This audit assessed how effectively procurement is managed in six councils.

## Audit criteria

We addressed the audit objective with the following audit criteria

1. Does the council have effective policies and procedures for procurement?
  - Councils have policies and procedures for procurement, including tendering, that are consistent with:
    - *Local Government Act 1993*
    - Local Government (General) Regulation 2005
    - *Local Government Amendment Act 2019*
    - Tendering Guidelines for Local Government 2009
    - Model Code of Conduct for Local Councils in NSW 2018.
  - Councils review policies and procedures regularly, or as needed, to ensure they are up-to-date and reflect any legislative changes.
  - Council policies and procedures are comprehensive and cover all procurement activities.
2. Does the council effectively ensure its practices are compliant with its policies and procedures for procurement?
3. Does the council effectively assess outcomes and ensures value for money is achieved through procurement?

## Audit scope and focus

In assessing the criteria, we checked the following aspects:

1. all types of procurement, completed or ongoing
2. procurements above and below the tendering threshold
3. the entire process from the decision to procure to post-contract review and management
4. an in-depth assessment of councils' governance of procurement, including tendering, policies and procedures
5. a sample of procurements undertaken between 1 July 2016 and 30 June 2019.

## Audit exclusions

The audit did not:

- public-private partnerships (as defined in section 400B of the *Local Government Act 1993*)
- conduct and independent assessment of value for money
- review payment processes, e.g. how credit card use is managed
- verify outcomes reported
- question the merits of government policy objectives.

## Audit approach

Our procedures included:

1. Interviewing:
  - relevant council staff
  - other stakeholders including:
    - the Department of Planning, Industry and Environment
    - the Independent Commission Against Corruption (ICAC)
    - Local Government NSW (LGNSW).
2. Examine:
  - legislation, policies, guidelines and regulations relating to local government procurement and tendering
  - strategies, plans, policies, reports, and procedures for procurement and tendering
  - register of all contracts in excess of \$150,000 entered into by each council and details of all contracts below this value between 1 July 2016 and 30 June 2019
  - internal audit report and relevant Audit, Risk and Improvement Committee documentation
  - any relevant data pertaining to procurement and tendering
  - internal audits or reports produced by other bodies / councils on relevant topics.
3. Analysing:
  - data on all procurement projects from 1 July 2016 to 30 June 2019 in the audited councils.

The audit approach was complemented by quality assurance processes within the Audit Office to ensure compliance with professional standards.

## Audit methodology

Our performance audit methodology is designed to satisfy Australian Audit Standard ASAE 3500 Performance Engagements and other professional standards. The standards require the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. Our processes have also been designed to comply with requirements specified in the *Public Finance and Audit Act 1983* and the *Local Government Act 1993*.

## Acknowledgements

We gratefully acknowledge the co-operation and assistance provided by the audited councils. In particular, we wish to thank out liaison officers and staff who participated in interviews and provided material relevant to the audit.

## Audit cost

Including staff costs, travel and overheads, the estimated cost of the audit is \$430,000.