



PERFORMANCE AUDIT

17 DECEMBER 2020

Procurement management in Local Government

NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

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GPO Box 12
Sydney NSW 2001

The Legislative Assembly
Parliament House
Sydney NSW 2000

The Legislative Council
Parliament House
Sydney NSW 2000

In accordance with section 421D of the *Local Government Act 1993*, I present a report titled '**Procurement management in Local Government**'.

A handwritten signature in black ink, appearing to read 'Margaret Crawford'.

Margaret Crawford

Auditor-General
17 December 2020

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Section one

Procurement management in Local Government

Executive summary

Effective procurement is important in ensuring councils achieve their objectives, demonstrate value for money and deliver benefits to the community when purchasing goods and services. Procurement also comes with risks and challenges in ensuring the purchased goods and services deliver to expectations. The risks of fraud and conflicts of interest also need to be mitigated.

The legislative requirements related to procurement in the Local Government sector are focused on sourcing and assessing tender offers. These requirements are included in the *Local Government Act 1993* (the Act), the *Local Government Amendment Act 2019* (the Amendment), the *Local Government (General) Regulation 2005* (the Regulation), the *Tendering Guidelines for NSW Local Government 2009* (the Tendering Guidelines), the *Government Information (Public Access) Act 2009* (the GIPA Act) and the *State Records Act 1998*.

General requirements and guidance relevant to councils are also available in the *Model Code of Conduct for Local Councils in NSW 2018* (the Model Code), the *NSW Government Procurement Policy Framework 2019* and in publications by the Independent Commission Against Corruption (ICAC).¹

Individual councils have developed their own procurement policies and procedures to expand on the legislative requirements. Understandably, these vary to reflect each council's location, size and procurement needs. Nevertheless, the general principles of effective procurement management (such as transparency and accountability) and risk-mitigating practices (such as segregation of duties and the provision of training) are relevant to all councils.

The Audit Office of New South Wales [Report on Local Government 2018](#) provided a sector-wide summary of aspects of procurement management in Local Government (see Section 2.1 of this report). This audit builds on this state-wide view by examining in detail the effectiveness of procurement management practices in six councils. This report also provides insights on opportunities to strengthen procurement management in the sector.

The selected councils for this audit were Cumberland City Council, Georges River Council, Lockhart Shire Council, Tweed Shire Council, Waverley Council and Wollongong City Council. They were selected to provide a mix of councils of different geographical classifications, sizes, priorities and levels of resourcing.

Conclusion

All six councils had procurement management policies and procedures that were consistent with the legislative requirements for sourcing and assessing tender offers. Their policies and procedures also extended beyond the legislative requirements to cover key aspects of procurement, from planning to completion. In terms of how these policies were applied in practice, the six councils were mostly compliant with legislative requirements and their own policies and procedures, but we found some gaps in compliance in some councils and made specific recommendations on closing these gaps.

There were also opportunities for councils to improve procurement management to mitigate risks to transparency, accountability and value for money. Common gaps in the councils' procurement management approaches included not requiring procurement needs to be documented at the planning stage, not providing adequate staff training on procurement, not requiring procurement outcomes to be evaluated, and having discrepancies in contract values between contract registers and annual reports. These gaps expose risks to councils' ability to demonstrate their procurements are justified, well managed, delivering to expectations, and achieving value for money. Chapter three of this report provides insights for the audited councils and the Local Government sector on ways to address these risks.

¹ The relevant ICAC publications include: *Corruption Risks in NSW Government Procurement – The Management Challenge* (2011), *Corruption Risks in NSW Government Procurement – Suppliers' Perception of Corruption* (2011) and *Corruption Risks in NSW Government Procurement – Recommendations to Government* (2011).

Recommendations

1. By June 2022, the Department of Planning, Industry and Environment should:
 - publish comprehensive and updated guidance on effective procurement practices – including electronic tender submissions and procurements below the tender threshold
 - review and update the *Local Government (General) Regulation 2005* to reflect the increasing use of electronic tender submissions rather than paper copies.
2. By December 2021, the six audited councils should consider the opportunities to improve procurement management in line with the improvement areas outlined in chapter three of this report.
3. Cumberland City Council should immediately:
 - ensure contract values are consistent between the contract register and the annual report
 - introduce procedures to ensure supplier performance reviews are conducted as per the council's policy.
4. Georges River Council should immediately:
 - ensure contract values are consistent between the contract register and the annual report
 - introduce procedures to ensure all the steps up to the awarding of a contract are documented as per the council's policy
 - introduce procedures to ensure outcome evaluations are conducted as per the council's policy.
5. Lockhart Shire Council should immediately:
 - include additional information in the council's contract register to ensure compliance with Section 29(b), (f), (g), (h) and (i) of the GIPA Act
 - ensure contract values are consistent between the contract register and the annual report.
6. Waverley Council should immediately ensure contracts are disclosed in the annual report as per Section 217(1)(a2) of the Regulation.

1. Introduction

1.1 Background

Like any government entity, councils use a range of procurement approaches to buy the goods and services they need to fulfil their key functions. Effective procurement is important in ensuring councils achieve their objectives, secure value for money and deliver intended benefits to the community.

Procurement also comes with risks, such as the potential for waste, fraud and conflicts of interest. In a series of publications on 'Corruption Risks in NSW Government Procurement' (2011), the Independent Commission Against Corruption (ICAC) identified procurement as a major risk area for corruption and reported that around 30 per cent of its public inquiries made findings of corrupt conduct related to government procurement activities. A related ICAC survey also found that two-fifths of suppliers to state and local governments perceived corruption in public sector procurement to be at least a 'moderate problem'. Since 2012, the ICAC has published over ten investigations related to corruption risks arising from procurement activities.

As a broad process, procurement involves planning (identifying business needs and analysing the market), sourcing (tendering and negotiating contracts) and managing (contract management and evaluating outcomes). Existing legislation and guidelines provide baseline requirements that councils can build upon to address each of these elements in response to their specific needs and circumstances. Detailed guidance specifically for councils only addresses the sourcing stage of procurement.

In assessing compliance with the law, this audit had regard to the *Local Government Act 1993* (the Act), the *Local Government Amendment Act 2019* (the Amendment), the *Local Government (General) Regulation 2005* (the Regulation), the *Tendering Guidelines for NSW Local Government 2009* (the Tendering Guidelines), the *Government Information (Public Access) Act 2009* (the GIPA Act) and the *State Records Act 1998*.

In addition, the audit considered relevant requirements and guidance set out in the *Model Code of Conduct for Local Councils in NSW 2018* (the Model Code), the *NSW Government Procurement Policy Framework 2019*, and relevant ICAC publications.

1.2 Legislative requirements for procurement

The requirements that specifically relate to procurement in Local Government are detailed in:

- Section 55 of the Act
- the Amendment
- Part 7 and Section 217(1)(a2) of the Regulation
- the Tendering Guidelines
- Part 3, Division 5 of the GIPA Act.

These legislative requirements relate to how councils should conduct tenders and publish their contract registers. There are no specific legislative requirements for other aspects of planning and managing procurement, or for non-tendered procurements.

Requirements for tenders

Section 55 of the Act details the requirements for tendering. This includes specifying the types of contracts for which tenders are required such as contracts for the provision of goods and services and contracts for the disposal of property. Contracts of a certain value or more, and otherwise not exempt under the Act, must follow the tendering requirements. This amount is referred to as the 'tender threshold' in this report, and it was \$150,000 until 24 June 2019 but increased to \$250,000 with the introduction of the Amendment.

Part 7 of the Regulation applies to all contracts for which a council is required by Section 55 of the Act to invite tenders. The Regulation specifies the requirements for the three different tendering methods (open tendering, selective tendering by which invitations to tender are made after public advertisement for expressions of interest, or selective tendering by which recognised contractors listed by the council are invited to tender). This includes what the advertisement must cover and the minimum timeframe for advertising the tender. The Regulation also specifies what tender documents must cover (for example, details of the work to be carried out and the tender assessment criteria), the means of tender submission, the handling of tenders after receipt, and the acceptance of tenders.

The Tendering Guidelines were prepared under Section 23A of the Act and councils are required to take the guidelines into consideration when exercising their functions. The Tendering Guidelines cover the tendering process in detail. This includes steps such as identifying and defining tender requirements, developing evaluation criteria, selecting the tendering method, developing tender documents, communication with tenderers, and tender negotiation.

Requirements for publication of contract registers

The GIPA Act requires that all government agencies (including councils) publish a contract register. Part 3, Division 5, Sections 29 to 31 specify the mandatory information to be entered in this register. As a minimum, for contracts with a value of \$150,000 or more, this includes:

- a) the name and business address of the contractor
- b) the particulars of any related body corporate or private sector entity in which the contractor has an interest, that will be involved in carrying out any of the contractor's obligations or will receive a benefit under the contract
- c) the date on which the contract became effective and the duration of the contract
- d) the particulars of the project to be undertaken, goods or services to be provided or the real property to be leased or transferred under the contract
- e) the estimated amount payable to the contractor
- f) a description of any provision under which the amount payable may be varied
- g) a description of any provision regarding renegotiation of the contract
- h) if the contract arose from a tender process, the method of tendering and a summary of the assessment criteria
- i) a description of any provisions under which it is agreed that the contractor is to receive payment for providing operational or maintenance services.

Section 217(1)(a2) of the Regulation also requires councils to include in their annual report details of each contract awarded by the council during the year, whether as a result of tender or not. This applies to contracts valued at \$150,000 or more, excluding employment contracts. The required information includes:

- name of the contractor
- nature of the goods or services supplied by the contractor
- total amount payable to the contractor under the contract.

Other relevant legislative requirements

Councils are required to ensure that their policies and procedures are consistent with the general requirements contained in the Act, the Regulation, the Model Code and the *State Records Act 1998*.

Under Section 8A of the Act, councils are required to act in the interests of the local community and to achieve both their desired outcomes and continuous improvements. Section 8B of the Act requires councils to have policies and processes for performance management and reporting, funding decisions and risk management. Further, Section 209(b) of the Regulation requires councils to secure the effective, efficient and economical management of financial operations within each division of the council's administration.

The Model Code was made under the Act (Section 440) and the Regulation. It sets the minimum standards of conduct for council officials. Each council's code of conduct must incorporate, and be consistent with, the provisions of the Model Code.

Councils in New South Wales must also comply with the *State Records Act 1998*. Section 12(2) of this Act states that each public office must establish and maintain a records management program in conformity with the standards and codes of best practice. The 'Standard on Records Management' also sets out the minimum compliance requirements and recommends a records management policy as one way to ensure that these requirements are met.

1.3 Other sources of guidance on procurement for councils

The *NSW Government Procurement Policy Framework* sets out mandatory requirements and guidance for NSW Government agencies in undertaking procurement. Its principles and processes are also relevant to the Local Government sector. It divides procurement processes into three distinct stages (planning, sourcing and managing) and specifies the core activities at each stage (from analysing business needs to contract renewals) as shown in Exhibit 1.

Exhibit 1: The procurement process



Source: NSW Government Procurement Policy Framework.

The series of ICAC publications on 'Corruption Risks in NSW Government Procurement' (2011) also provide insights into effective procurement management. For example:

- Effective control of procurement depends on the competence of staff undertaking procurement activities as well as the competence of their managers. Lack of competence has been identified as an issue for new staff and staff who do not regularly conduct procurement activities.
- A survey found that both public authorities and suppliers ranked direct negotiations and non-tendered quotations as more vulnerable to corruption risks than tendering. Such perceptions held by suppliers create great challenges for effective and efficient procurement, as suppliers may decline to make a bid, which could eventually decrease the competitiveness of government procurement.
- Clear responsibilities, accountabilities and procurement reporting lines in the organisational structure helps to avoid signature shopping and order splitting.
- Segregating duties helps to control risks associated with individuals having discretion over the procurement process.
- Accurate identification of needs, price determination and verification of delivery can improve value for money and manage the risk of misconduct.
- Reviews and audits can help in detecting and learning from mistakes.
- Record keeping facilitates accountability and evaluation.

1.4 Audited councils

The councils selected for this audit were: Cumberland City Council, Georges River Council, Lockhart Shire Council, Tweed Shire Council, Waverley Council and Wollongong City Council.

We selected these councils to include a mixture of councils in metropolitan, regional and rural areas as well as councils of different sizes, structures, priorities and levels of resourcing. The selected councils also all reported at least ten tenders in their 2017–18 annual reports. The relevant characteristics of each of the audited councils are summarised in Exhibit 2.

Exhibit 2: Characteristics of the audited councils

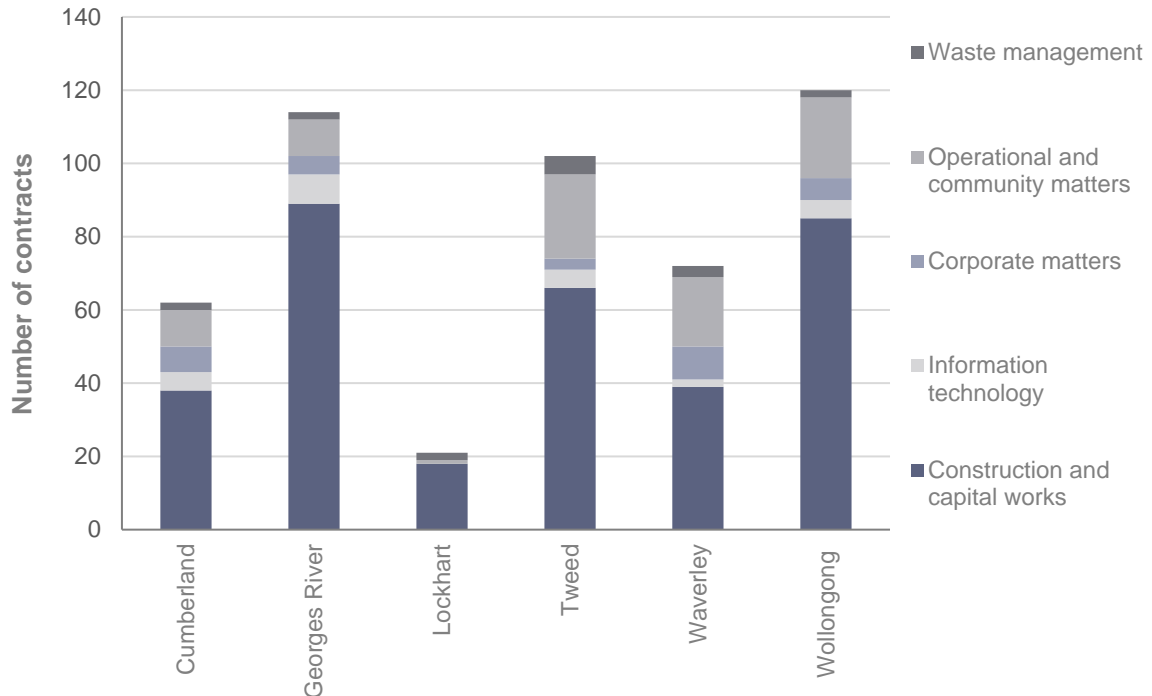
Council	Population	Area (km ²)	Audit Office classification	Amalgamated in 2016?	Number of full-time equivalent (FTE) staff
Cumberland City Council	236,893	71.6	Metropolitan	Yes	926
Georges River Council	158,411	38.3	Metropolitan	Yes	567
Lockhart Shire Council	3,295	2,895.8	Rural	No	51
Tweed Shire Council	96,108	1,307.7	Regional	No	705
Waverley Council	74,114	9.4	Metropolitan	No	605
Wollongong City Council	216,071	684.0	Regional	No	1,210

Source: Council data for 2018–19 from the Office of Local Government 'Your council' website (<https://yourcouncil.nsw.gov.au/>) accessed 14 September 2020.

Council classifications from the Audit Office of New South Wales [Report on Local Government 2018](#).

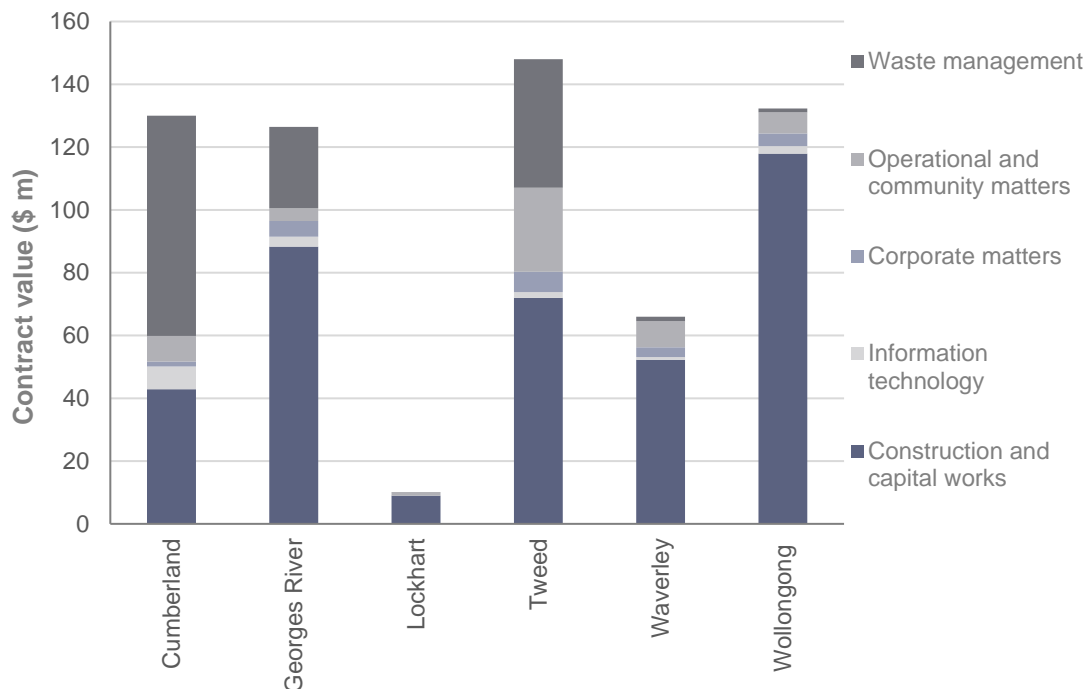
Exhibits 3 and 4 show the number and total value of contracts awarded by the audited councils and included in their publicly available contract registers for the audited period (1 July 2016 to 30 June 2019). The number and value of contracts awarded by each council individually are shown in Appendix two.

Exhibit 3: Number of contracts for 2016–17 to 2018–19



Source: Audit Office classifications. Data on the number of contracts are from councils' annual reports for 2016–17, 2017–18 and 2018–19 respectively. Cumberland City Council provided numbers from their GIPA register, as there is no annual report for 2016–17 available. The GIPA Act requires councils to publicly report all contracts over \$150,000, which was also the tender threshold during the audited period.

Exhibit 4: Total value of contracts for 2016–17 to 2018–19



Source: Audit Office classification. Data on the value of contracts are from councils' annual reports for 2016–17, 2017–18 and 2018–19 respectively. Wollongong City Council reported its contract values excluding goods and services tax (GST). Cumberland City Council provided numbers from their GIPA register, as there is no annual report for 2016–17 available. The GIPA Act requires councils to publicly report all contracts over \$150,000, which was also the tender threshold during the audited period.

1.5 About the audit

This audit assessed how effectively procurement is managed in six councils. The audit covered the period 1 July 2016 to 30 June 2019 and assessed whether councils had effective policies and procedures for procurement. This included an assessment of whether:

- councils had policies and procedures for procurement, including tendering, that were consistent with:
 - *Local Government Act 1993*
 - *Local Government (General) Regulation 2005*
 - *Local Government Amendment Act 2019*
 - *Tendering Guidelines for NSW Local Government 2009*
 - *Model Code of Conduct for Local Councils in NSW 2018*
- councils reviewed policies and procedures regularly, or as needed, to ensure they are up-to-date and reflect any legislative changes
- councils' policies and procedures were comprehensive and covered all procurement activities
- councils effectively ensured that their practices were compliant with their policies and procedures for procurement
- councils assessed outcomes and ensured value for money was achieved through procurement.

This audit did not identify any fraud or misconduct in the sample of procurements we examined in the audited councils. However, this report does not fully exclude the possibility that procurement-related fraud or misconduct has occurred in any of the audited councils. More information about this audit is provided in Appendix three.

2. Procurement management in six councils

2.1 Overview of procurement management in the Local Government sector

The Audit Office of New South Wales [Report on Local Government 2018](#) provided a sector-level summary of procurement management in Local Government, including for tendering and contract management. The key findings are shown in Exhibit 5.

Exhibit 5: Procurement management in Local Government 2017–18

	%
Local Government procurement	
Councils with a procurement policy	96
Councils with a documented procurement manual	69
Councils provided training to staff with procurement responsibilities	78
Local Government tendering	
Panel members had incomplete conflict of interest declarations	33
No evidence recorded on file to support the tender process	7
Contract management	
Councils did not have a contract management plan	67
Councils with a centralised contract register	78
Contract performance evaluation not performed	63
No risk assessment performed before entering into significant contracts	53
No key performance indicators to measure the contract performance	32

Source: Audit Office of New South Wales [Report on Local Government 2018](#).

This sector-wide snapshot highlights that most councils had some form of procurement policy, and a majority had documented guidance in the form of a manual. However, gaps existed in relation to some key steps and controls in procurement processes. A third of councils reported they were not using key performance indicators to measure contract performance and almost two-thirds reported they were not conducting contract performance evaluations. Almost 70 per cent of councils reported not having contract management plans, and one-third of councils had tender assessment panel members with incomplete conflict of interest declarations.

These gaps in policy and practice expose risks that councils may not achieve value for money and expected benefits from their procurements. Gaps relating to consistent use of conflict of interest declarations also expose the risk that procurement processes may not be conducted objectively and with integrity.



This audit examined six councils' policies and practices in detail to assess their compliance with the legislative requirements and their own policies, and generate insights on opportunities to mitigate procurement-related risks.

2.2 Councils' compliance with legislative requirements for procurement

This audit assessed the six councils' policies and procedures against the legislative requirements discussed in Section 1.2. The audit then sampled six procurements undertaken during the audited period from each of the councils to examine whether their practices aligned with their policies and procedures. These procurements were of different types, values and duration, and for a range of different purposes. Details on the selected procurements are provided in Appendix two.

The audit found that the six councils' procurement policies were consistent with the legislative requirements. That said, gaps existed in four of these councils' documented procedures, which entailed non-compliance with some specific legislative requirements in practice. Exhibit 6 presents our assessment of the six councils' procurement management practices against legislative requirements. As these requirements are related only to tendering and contract registers, Exhibit 6 is based on our sample of procurements above the tender and reporting thresholds.

Exhibit 6: Councils' compliance with legislative requirements for selected procurements

Legislative requirement	Cumberland City Council	Georges River Council	Lockhart Shire Council	Tweed Shire Council	Waverley Council	Wollongong City Council
Section 55 of the Act	✓	✓	✓	✓	✓	✓
Part 7 of the Regulation	!	✓	✓	✓	✓	✓
Section 217(1)(a2) of the Regulation	!	✓	✓	✓	!	✓
Tendering Guidelines	✓	✓	✓	✓	✓	✓
GIPA Act	✓	!	!	✓	✓	✓
Number of procurements above the tender and reporting thresholds	4	6	4	5	6	4
Key	 Compliant with legislative requirement		 Non-compliance identified			

Source: Audit Office of New South Wales analysis of selected procurements.

Based on examination of the selected procurements, two of the six councils (Tweed Shire Council and Wollongong City Council) complied with the legislative requirements in practice. The remaining four councils had the following gaps in compliance:

- Georges River Council did not comply with Section 29(a) of the GIPA Act during the audited period, as its contract register did not include supplier addresses for multiple contracts. The council has since rectified this issue.
- Lockhart Shire Council did not comply with Section 29(b), (c), (f), (g), (h) and (i) of the GIPA Act, as its contract register did not include information such as the effective date and duration of the contract, method of tendering and assessment criteria. The Council has since started addressing Section 29(c) by recording the effective date and duration of contracts starting from the financial year 2019–20.
- Waverley Council did not disclose the following two contracts in its annual reports, which was a breach of Section 217(1)(a2) of the Regulation:
 - the contract with a recruitment company that received over \$5.0 million from the council during the audited period
 - a contract valued at \$174,895 in the financial year 2018–19.
- Cumberland City Council, in its 2018–19 annual report, misquoted the contract reporting threshold specified in Section 217(1)(a2) of the Regulation. The council cited the threshold as \$250,000 instead of \$150,000. Consequently, the audit identified the omission of a contract worth \$217,656 from the list of contracts reported in the council's annual report (see Appendix two for details of this contract).
- Cumberland City Council did not have a tender box for the submission of hard copy tenders during the audited period. This breached both Section 174(1)(a) of the Regulation, which requires all councils to provide a secure tender box for the personal delivery of tender documentation, and Section 174(2), which stipulates that the tender box must be easily accessible whenever the council offices are open for business. Following discussions with the Audit Office, the council has reinstated the tender box. We have also recommended to the Department of Planning, Industry and Environment that this requirement be updated – reflecting the now widespread use of paperless procurement processes.

In addition to the above instances of non-compliance, the audit found that three councils (Cumberland City Council, Georges River Council and Lockhart Shire Council) had discrepancies in contract values between their contract registers and annual reports (see Appendix two for details). Accurate reporting of contract values is important for transparency to the public and effective contract management. Of the six procurements selected from each council:

- Cumberland City Council had one discrepancy where a contract recorded as \$24,570,611 in the contract register was reported as \$22,336,919 in the annual report. The council advised that the discrepancy was due to a clerical error and provided evidence that the correct amount was disclosed in the annual report.
- Georges River Council had two instances of discrepancy. One contract was recorded as \$88,966,155 in the contract register but \$17,793,231 in the annual report, while another contract was recorded as \$199,095 in the contract register but \$184,095 in the annual report.
- Lockhart Shire Council had three instances of discrepancy. One contract was recorded as \$3,355,300 in the contract register but \$1,070,782 in the annual report, while another contract was recorded as \$469,095 in the contract register but \$457,510 in the annual report. The audit also found that a single contract recorded as \$635,000 in the contract register was reported as two separate contracts in the annual report, with values of \$180,997 and \$730,079 respectively. The council advised that it inadvertently disclosed only tasks completed or payments made in the specific financial year instead of the total contract values.

2.3 Councils' policies and procedures for procurement

Key elements of selected councils' procurement frameworks

All six councils had policies and procedures that could be applied to all types of procurement, including procurement below the tender threshold. Five of the six councils had a dedicated procurement team to ensure compliance with policies and procedures, especially for tenders. These five councils also used tender assessment panels.

Lockhart Shire Council, due to its small size, had practices that differed from the other five councils. All procurements were centrally managed by one senior staff member with the support of other council officers when needed. It did not use a panel to assess tender offers. Instead, all tenders were reviewed by the Executive Leadership Team.

Key risks exposed by gaps in councils' procurement policy and practice

While variation in procurement management practices is expected—reflecting councils' different operating contexts and needs—there are some common gaps in processes and controls that may expose risks to the councils' ability to demonstrate their procurements are justified, well managed, delivering to expectation and achieving value for money. During the audited period:

- None of the six councils consistently documented justification for their procurement needs. This exposes the risk that some procurements are not responding to identified business needs, nor delivering outcomes for the community that relate to councils' strategic and operational plans.
- Two of the six councils (Tweed Shire Council and Waverley Council) did not enforce segregation of duties when approving procurements, which means that one staff member could have end-to-end control of a procurement. Segregation of duties should be considered a fundamental aspect of effective procurement management, and its absence from policy and practice limits transparency and exposes risks of fraud. Tweed Shire Council has since amended its system setup to ensure supervisor approval is required.
- All six councils monitored progress on capital works contracts and for externally funded projects as per their funding conditions. This is positive as capital works made up the bulk of procurements in all audited councils (in terms of volume). However, none of the six councils consistently assessed supplier performance for other types of procurement to ensure goods and services were delivered as agreed. In the absence of explicit requirements or guidelines, the completion of supplier performance assessment was at the discretion of staff undertaking the procurement. In some cases, such assessments were not conducted, and in other cases, results were not documented or shared within the council. This exposes the risk that contracts with underperforming suppliers could be renewed without scrutiny—limiting value for money.
- While all six councils maintained a centralised contract register for procurements above the reporting threshold as per requirements under the GIPA Act, three (Cumberland City Council, Lockhart Shire Councils and Waverley Council) did not require contracts below the reporting threshold to be centrally registered. The reporting threshold is set at a relatively high benchmark (\$150,000) and a lack of central monitoring of any contracts below this threshold exposes risks to transparency and effective contract management. For example, without a central register it is more difficult to identify if procurements are likely to be duplicative of existing contracts, or to ensure that underperforming suppliers are not being re-contracted. Cumberland City Council has since adopted the practice of registering all new contracts valued at \$20,000 or more.

- Only one council (Wollongong City Council) had a training program dedicated to procurement management. It ensured staff members had undertaken the relevant training prior to participating in procurement activities. There were gaps in the provision of training in the other five councils. For example, procurement training was not organised for staff (Georges River Council and Lockhart Shire Council); procurement training was not compulsory even for staff with core procurement responsibilities (Cumberland City Council); and the procurement training on offer did not cover the council's policies (Tweed Shire Council and Waverley Council). The lack of timely and appropriate training exposes the risk that staff may not have the necessary knowledge and skills to undertake or monitor procurements. Georges River Council and Tweed Shire Council have since implemented procurement training for staff.

Exhibit 7 provides a summary of our assessment of the six councils' procurement policy and procedures during the audited period. It focuses on processes and controls that help mitigate procurement-related risks, drawing on the Audit Office of New South Wales [Report on Local Government 2018](#) and guidance from sources such as ICAC and the *NSW Government Procurement Policy Framework*.

Exhibit 7: Summary of audited councils' procurement policy and procedures

Process/ Control	Cumberland City Council	Georges River Council	Lockhart Shire Council	Tweed Shire Council	Waverley Council	Wollongong City Council
Procurement policy and procedures in place	✓	✓	✓	✓	✓	✓
Contract management policy in place	✓	✓	✓	✓	—	✓
Centralised contract register	—	✓	—	✓	—	✓
Documented justification of procurement needs	—	—	—	—	—	—
Segregation of duties	✓	✓	✓	—	—	✓
Involvement of procurement team	✓	✓	N/A	✓	✓	✓
Procurement training	—	—	—	—	—	✓
Managing conflicts of interest	✓	✓	✓	✓	✓	✓
Established approach to tender assessment	✓	✓	✓	✓	✓	✓
Assessment of supplier performance	—	—	—	—	—	—
Evaluation of community outcomes and value for money	—	✓	—	—	—	—
Key	✓	Covered	—	Partly covered	—	Not covered

Source: Audit Office of New South Wales analysis of councils' procurement policies and procedures.

Council's compliance with their own procurement policies

In the selected procurements we examined for the audit, all six councils broadly complied with their own policies and procedures. Instances of non-compliance identified during the audit are described below:

- Cumberland City Council did not comply with the requirement to conduct supplier performance reviews for any of the selected procurements examined.
- Georges River Council did not document all the steps up to the awarding of a contract for any of the selected procurements examined.
- Georges River Council did not conduct an outcome evaluation for any of the selected procurements examined.

3. Addressing common risks: opportunities to improve procurement management

While all six councils had procurement policies in place and were generally compliant with legislative requirements, this report has identified common gaps in processes and practices that expose risks to transparency, accountability and value for money.

This section discusses how councils can mitigate risks and ensure the best outcomes are achieved from their procurements.

Documented justification of procurement needs

The ICAC notes that determining what goods and services an agency requires is the first step of procurement, and the scope for corruption in how need is determined is significant. Without documenting how procurement needs have been justified, councils cannot demonstrate that they fulfill business needs, nor how the procurements may link to the councils' strategic plans to deliver to the community.

This audit found that none of the six councils' policies required them to document justification of procurement needs, and none did so consistently in practice. Councils can address this gap by building into their procurement planning process a requirement for staff to document the justification of procurement needs. For higher value procurements, this could be extended to include analysis of options, an assessment of risks and defining intended outcomes. Similarly, clearly establishing and documenting how relevant procurements relate to a council's community strategic plans or operational plans helps ensure transparency.

Although a formal business case may not be required for many procurements (for example, low-value procurements or routine replacements), some form of documented justification for the expenditure should still be kept on record to demonstrate that the procurement relates to business purposes and is needed.

Segregation of duties

Segregation of duties is an effective control for reducing risks of error, fraud and corruption in procurement. It works on the principle that one person should not have end-to-end control of a procurement. Effective segregation of duties also often involves managerial or independent oversight that is built into the process. Four of the audited councils (Cumberland City Council, Georges River Council, Lockhart Shire Council and Wollongong City Council) appropriately addressed segregation of duties in their procurement frameworks. For example:

- All procurements in Cumberland City Council required a delegated officer's approval before commencing, and the requisitioning department is responsible for ensuring the completion of the goods, works or services associated with each contract. For contracts over \$50,000, a specific 'Authority to Procure' form had to be completed by the requesting staff, signed by an approver and then forwarded to the procurement team.
- Reflecting its small size, all procurements in Lockhart Shire Council were managed by one senior staff member. Nevertheless, this staff member had to bring contract management plans to the rest of the Executive Leadership Team for review and discussion, with large contracts such as those above the tender threshold referred to Council for approval.

The ICAC notes that segregation of duties helps to control discretion, which has particular risk implications for some types of procurement.² This includes those involving low-value and high-volume transactions, restricted tenders, long-standing procurements and 'pet projects' (projects advocated by individual staff members). In cases where corruption risks are low, ICAC notes that monitoring staff's involvement in procurement may be a cost-effective alternative to total segregation of duties.

Assessment of supplier performance

Councils need to monitor and assess supplier performance to ensure suppliers deliver the goods and services as agreed. The audit found that all six councils consistently monitored progress in capital works and for externally funded projects. Contract monitoring in these cases included ensuring timelines, funding, and legislative requirements were met. This is positive, as capital works made up the bulk of procurements (in terms of volume) in all of the audited councils.

That said, in all six councils, the level of scrutiny was lower for other types of procurements, and there is scope for improvement. For instance, the approach to monitoring capital works or externally funded projects could be replicated across other procurements of a similar nature and value. Conducting assessments and keeping records of supplier performance on all procurements does not need to be onerous, but instead provides useful information to inform future decision-making—including by helping ensure supplier pricing remains competitive, and avoiding re-engaging underperforming suppliers.

The *NSW Government Procurement Policy Framework* requires that NSW Government agencies establish systems and processes jointly with the suppliers to ensure compliance with contract terms and performance requirements. It also advises that agencies should drive continuous improvement and encourage innovation in coordination with suppliers and key stakeholders.

Centralised contract register

Centrally registering a contract provides improved transparency of procurement activities and facilitates monitoring and compliance checks. While councils are already required to maintain a contract register for all contracts above the reporting threshold (as per the GIPA Act), given the threshold is set at a relatively high benchmark (\$150,000), there is merit in councils extending the practice to procurements below the reporting threshold. A central and comprehensive register of contracts helps avoid duplication of procurements and re-contracting of underperforming suppliers.

² ICAC (2011) *Corruption Risks in NSW Government Procurement – The Management Challenge*.

Three of the audited councils (Georges River Council, Tweed Shire Council and Wollongong City Council) had contract register policies that applied to procurements below the reporting threshold during the audited period. For example, Georges River Council required contracts valued at \$10,000 or above to be registered with the procurement team, and Tweed Shire Council had a threshold of \$50,000.

Evaluation of community outcomes and value for money

Councils may be progressing procurements to fulfill their strategic and business plans, or using them to fulfill commitments to the community. In these instances, outcomes evaluation is an important way to demonstrate to the community that the intended benefits and value for money have been delivered.

Five of the six audited councils did not require evaluations of community outcomes and value for money. While Georges River Council required contracts valued at \$50,000 or more to be monitored, evaluated and reported on at least annually throughout the contract and also at its conclusion, in the procurements we examined the only 'outcome evaluations' that the council had conducted were community surveys that did not refer to individual procurements. Councils can miss opportunities to understand the impact of their work on the local community if evaluations of procurement outcomes are not completed. Evaluation findings are also valuable in guiding future resource allocation decisions.

Value for money in the procurement of goods and services is more than just having the specified goods delivered or services carried out. The *NSW Government Procurement Policy Framework* requires that state government agencies track and report benefits to demonstrate how value for money is being delivered. The framework notes that value for money is not necessarily the lowest price, nor the highest quality good or service, but requires a balanced assessment of a range of financial and non-financial factors, such as: quality, cost, fitness for purpose, capability, capacity, risk, total cost of ownership or other relevant factors.

Procurement training

Effective procurement management relies on the capability of staff involved in various stages of the process. Guidance can be provided through training, which is an important element of any procurement management framework. It ensures that staff members are aware of the councils' policies and procedures. If structured appropriately and provided in a timely manner, training can help to standardise practices, ensure compliance, reduce chances of error, and mitigate risks of fraud or corruption.

The ICAC notes that effective procurement management depends on the competence of staff undertaking procurements and the competence of those who oversee procurement activities. As the public sector is characterised by varying levels of procurement expertise, the ICAC notes that the sector would benefit from a structured approach to training and the application of minimum standards.³

At the time of this audit, only Wollongong City Council addressed staff training requirements in its procurement management framework. Exhibit 8 details its approach.

Exhibit 8: Wollongong City Council's approach to training

- Wollongong City Council has a suite of procurement training available for staff, administered by a dedicated staff member who also monitors attendance and training needs.
- Staff must complete training before they can take part in a procurement or be a member of a tender assessment panel, and the council keeps a list of all accredited staff members.
- Staff cannot access procurement files on the council's electronic records management system until they have received training and have been approved for access by the trainer.
- Staff must be trained before they can receive a financial delegation.

Source: Audit Office of New South Wales analysis of Wollongong City Council's procurement policies and procedures 2020.

³ ICAC (2011) *Corruption Risks in NSW Government Procurement – Recommendations to Government*.

Two of the audited councils have now also introduced procurement training:

- Georges River Council implemented online training, which is mandatory for new staff and serves as refresher training for existing staff. The council also provides in-person training for selected staff (covering contract management, contract specification writing and contractor relationship management) and has developed quick reference cards for all staff to increase awareness of the council's procurement processes.
- Tweed Shire Council implemented mandatory online training for all staff members. The training covers the council's procurement policy and protocol as well as relevant legislation. It is linked to relevant council documents such as the Procurement Toolkit on the council's intranet, and includes a quiz for which training participants must score at least 80 per cent to have the training marked as completed.

Section two

Appendices

Appendix one – Responses from councils and the Department of Planning, Industry and Environment

Response from the Department of Planning, Industry and Environment



Office of
Local Government

50 Keefe Avenue NOWRA NSW 2541
Locked Bag 3015 NOWRA NSW 2541

Our Reference: A752284
Your Reference: D2027726/PA6645
Contact: Council Governance
Phone: 02 4428 4100

Ms Margaret Crawford
Auditor-General for New South Wales
GPO Box 12
SYDNEY NSW 2001

By email: mail@audit.nsw.gov.au

9 December 2020

Dear Ms Crawford

Thank you for your letter of 30 November 2020 to the Secretary, Department of Planning, Industry and Environment (DPIE), Mr Jim Betts, providing a copy of the performance audit report on procurement management in local government. Mr Betts has asked me to respond on his behalf.

DPIE appreciates the opportunity to respond and notes the findings and recommendations that have been made. DPIE has particularly noted the recommendations that it review and update the *Local Government (General) Regulation 2005* (the Regulation) to reflect the increasing use of electronic tender submissions and to publish comprehensive and updated guidance for councils on effective procurement practices.

DPIE agrees that the tendering provisions of the Regulation need to be updated to make them more technology neutral and that councils would benefit from updated and more comprehensive guidance on procurement practices.

I am pleased to advise that a review of the tendering provisions of the Regulation has been programmed in the Office of Local Government's (OLG) 2020/21 operational plan. The review will be undertaken in consultation with the local government sector. As previously foreshadowed, it will be a matter for the Minister for Local Government whether to approve any amendments to the Regulation arising from OLG's review.

As part of that project, OLG also intends to withdraw the existing *Tendering Guidelines for NSW Local Government* and to replace them with a more comprehensive document that covers tendering and procurement below the tendering threshold and all steps in the procurement process, including contract management and evaluation. The guidelines will also cover the use of different technologies in tendering including electronic tender submissions. I would note that much of this guidance does not currently exist and will need to be developed in consultation with the local government sector and expert procurement practitioners.

While the review of the tendering provisions of the Regulation and the development of new guidelines is a significant project, DPIE anticipates that it will be able to deliver the project by June 2022 as recommended by the Audit Office.

T 02 4428 4100 F 02 4428 4199 TTY 02 4428 4200
E olg@olg.nsw.gov.au W www.olg.nsw.gov.au ABN 20 770 707 468



I would like to acknowledge the Audit Office's work in undertaking this review and DPIE looks forward to supporting councils in their procurement practices through the implementation of the recommendations.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Tim Hurst', is positioned above the printed name.

Tim Hurst
Deputy Secretary
Local Government, Planning and Policy

Response from Cumberland City Council



11 December 2020

Our Reference 8562612
Contact Charlie Ayoub
Telephone 8757 9150

Margaret Crawford
Auditor-General for New South Wales
Audit Office of New South Wales
GPO Box 12
SYDNEY NSW 2001

Dear Ms Crawford

CUMBERLAND CITY COUNCIL RESPONSE TO AUDIT OFFICE OF NSW PERFORMANCE AUDIT INTO PROCUREMENT – FINAL REPORT – (REF: D2027727 / PA6645)

I thank you for providing the final report for the Audit Office of NSW – Performance Audit into Procurement, of which Cumberland City Council was included. Council agrees with the findings of the report, and I was pleased to have read in the report a number of key areas where Cumberland City Council is performing strongly.

Cumberland City Council has strived, since the Council amalgamation process in 2016, to provide an effective and valued procurement service to the organisation. The amalgamation period brought with it significant challenges across all elements of Council, particularly with regard to Council having to deliver the harmonisation of corporate systems, staff culture, practices and policies. As part of that process, Council was required to standardise and make consistent the overall procurement approaches of the former Councils, which were significantly smaller in size than the newly formed Council.

December 2020 has marked Council's first full year with one consolidated corporate system and confirmed that Council is at a level of organisational maturity where it can now further drive strategic outcomes and continuous improvement across the organisation. Whilst Council is already delivering significant positive initiatives and outcomes for the Cumberland City community, having one corporate system embedded throughout the organisation now affirms that Council has a strong platform to progress and succeed well into the future.

The Performance Audit fieldwork and report findings by the Audit Office of NSW has been an invaluable process which has been welcomed by Council. The Performance Audit has helped ensure that Council's Procurement Framework and initiatives are appropriate, accountable, and seek value for money outcomes, whilst also effectively managing risk and demonstrating good probity and governance. The Performance Audit has also provided Council with a strong level of confidence that Council's Procurement and Contract Management Frameworks are designed effectively, and that Council's efforts with respect to Procurement are well considered and are heading in the right strategic direction.

Through high standards of service, Council's continuous improvement procurement approach continues to deliver positive outcomes through best practice principles that are fair,

16 Memorial Avenue, PO Box 42, Merrylands NSW 2160
T 02 8757 9000 E council@cumberland.nsw.gov.au W cumberland.nsw.gov.au
ABN 22 798 563 329

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honest, equitable, transparent and demonstrate the highest level of integrity consistent with the public interest. Given fieldwork for the Performance Audit was completed in late 2019, Council's Procurement framework, systems and approach have continued to improve markedly since this fieldwork was completed, with a large number of projects within the procurement framework having been delivered and implemented since the Performance Audit was undertaken. Council has digitised the majority of its procurement framework to date, including all forms, its contracts register, purchasing and quotation process, and new custom reporting dashboards have been delivered for greater oversight.

This has provided stronger governance and accountability outcomes, as all procurement activity including approval points are now digitised and are completely auditable. This exercise has provided greater transparency and visibility to Management and Council's Audit, Risk and Improvement Committee with respect to the management of contracts and suppliers, tendering process, purchasing compliance, category spend, local supplier spend, and much more.

In response to receiving the final audit report, Council has also immediately proceeded to incorporate the findings and recommendations into our procurement procedures, systems and practices. The refinement and enhancements of Council's procurement framework will continue to progress until all the recommendations and insights provided as part of this audit are met.

Further, Council's Audit, Risk and Improvement Committee Chairperson has been provided a copy of the final report, and the report will be tabled at Council's next Committee meeting with a detailed response and action plan to be reported by Management. Building upon findings already documented in the report, Council's Project Management Framework is Council's consistent corporate mechanism to identify and link the organisational and community needs of Council with respect to procurement. Greater guidance will be provided within the framework for all activities, and a higher level of project detail, including risk analysis and project deliverables will be required for all high value, or, complex procurement.

Further, these requirements will require clear and defined project justification which identifies the purpose, risks, deliverables, benefits sought of the procurement being undertaken, whilst ensuring alignment is made Council's strategic, corporate and community objectives. All projects will be required to demonstrate a clear link to Council's community strategic plan and identify budget and project outcomes sought prior to procurement commencing. This will ensure that Council is able to undertake a benefits realisation assessment of the project and procurement being undertaken, and ensure that Council can project and forward plan all procurement activities. Council's Procurement and Contract Operational Procedures will likewise be updated to clearly align with this more robust framework. Procurement strategies and management business plans will be directed by defined intent and be measured to assess how value for money outcomes are being received.

With respect to the recommendations regarding the more robust management of supplier performance, Council Management this year reported to its Audit, Risk and Improvement Committee a robust Contract Management Framework including a new *Contract Operational Procedure*, detailing a new process around the management of supplier performance, and digitised supplier assessments required to be undertaken for all contracts, a copy of which will go to the supplier to inform a supplier performance assessment meeting. A copy of this

16 Memorial Avenue, PO Box 42, Merrylands NSW 2160
T 02 8757 9000 E council@cumberland.nsw.gov.au W cumberland.nsw.gov.au
ABN 22 798 563 329

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document was provided to the NSW Audit Office Auditors upon receipt of the Draft Final Performance Audit Report.

Following endorsement of this framework by the Executive Team and Audit, Risk and Improvement Committee, Council's Management team were presented the Framework and explained their responsibilities with respect to Supplier Performance and Contract Management in November 2020. Commencing in early 2021, Council's *Contract Operational Procedure* will be implemented to all levels of Management and contract management officers throughout Council, with its requirements being effective from that point. This will be implemented throughout the organisation to monitor, support and manage performance of Council's contracts.

Part of the *Contract Operational Procedure* is the requirement for contract managers to complete a final supplier performance assessment. Compliance of this final performance assessment will be monitored by a dedicated procurement officer and will also be automated via a contract management system.

In accordance with the contract management plans, supplier performance will be formally measured against contract key performance indicators and communicated between all parties. The corresponding amendment to Council's Project Management Framework will ensure that project outcomes are delivered against predefined strategic and community outcomes.

These changes are expected to progress further and embed into Council's processes and staff culture throughout next year. As the revised frameworks mature, our aim is to advance the operational efficiencies of Council through the planned, measured and transparent project and procurement functions. Council's Procurement and Contract Management Frameworks have the universal endorsement of Council's Executive team, who are highly invested in its oversight and success.


I am confident that the actions outlined in this letter will adequately respond to the recommendations of the Performance Audit undertaken.

A copy of the final Performance Audit Report has also been circulated to the Mayor and elected Councillors for their information.

Once again, I would like to thank the Audit Office of NSW for undertaking this performance Audit at Cumberland City Council, and I look forward to any future performance audits to which Cumberland City Council is requested to participate.

Should you have any further queries with respect to Council's response, please feel free to contact Council's Executive Manager Corporate Services, Charlie Ayoub on (02) 8757 9150.

Yours faithfully


Hamish McNulty
GENERAL MANAGER

16 Memorial Avenue, PO Box 42, Merrylands NSW 2160
T 02 8757 9000 E council@cumberland.nsw.gov.au W cumberland.nsw.gov.au
ABN 22 798 563 329

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3

Response from Georges River Council



www.georgesriver.nsw.gov.au



GeorgesRiverCouncil



@Georges_River

OFFICE OF THE GENERAL MANAGER

Executive Assistant: Sue Matthew
Direct Telephone: (02) 9330 6256
File Reference: D20/292826, D20/300898

10 December 2020

Ms Margaret Crawford
Auditor-General for New South Wales
Email: mail@audit.nsw.gov.au
cc: Ms Sherman Chan, Performance Audit Leader - Performance Audit
Email: sherman.chan@audit.nsw.gov.au

Dear Ms Crawford,

Re: NSW Audit Office Performance Audit – Procurement Management in Local Government – Final Report 30 November 2020

I acknowledge the NSW Audit Office final report dated 30 November 2020 and as requested in your letter accompanying the final report provide the following response from Georges River Council that is specific to each of the identified items of recommendation to Council to be incorporated in the published report.

Council has taken a proactive approach to procurement and contract management since amalgamation. In 2018 Council identified these functions as requiring review as part of the risk-based Audit Program. A triage of self-initiated internal audits was scheduled over a three (3) year Audit Program. The audits and their status include:

- Procurement: completed in April 2019. Implementation of recommendations completed in June 2020.
- Contract Management: completed in June 2020. Implementation of recommendations has commenced.
- Project Management Governance: scheduled for March 2021.

Items identified in the final report; are also identified in Council's self-initiated internal audits with implementation either completed or in progress - refer to Council's response in Table 1 below.

Georges River Civic Centre Corner MacMahon and Dora Streets, Hurstville
Kogarah Library and Service Centre Kogarah Town Square, Belgrave Street, Kogarah
Phone: 9330 6400 | Email: mail@georgesriver.nsw.gov.au | Postal address: PO Box 205, Hurstville NSW 1481



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Page 1 of 3

Table 1: NSW Audit Office final report - Recommendations

Item	NSW Audit Office - Description	Georges River Council Response
General Recommendations to be considered by all councils – NSW Audit Office Recommendation 1		
1	Department of Planning Industry and Environment Sector wide guidance on effective procurement practices from the Department of Planning Industry and Environment (DPIE) by June 2022.	AGREED: Council would support and welcomes consultation by the DPIE in the development of sector wide resources to improve procurement practices as recommended by the NSW Audit Office, including guidance in the areas specifically identified in Chapter 3
General Recommendations to be considered by all councils – NSW Audit Office Recommendation 2		
2	Good Procurement Practices - six (6) items recommended to be considered by all councils By December 2021, the six (6) audited councils should consider opportunities to improve procurement management as recommended in Chapter 3 of the NSW Audit Office final report.	AGREED: Three (3) of the six (6) items are currently in place and recognised by the NSW Audit Office in the report with no additional action required. The remaining three (3) items will be considered and actioned accordingly as outlined in Table 2 below.
Georges River Council - NSW Audit Office Recommendation 4		
3	Contract Values Ensure contract values are consistent between the contract register and the annual report	AGREED – an assessment to be done and then, as necessary, a plan developed
4	Contract Process Steps Introduce procedures to ensure all the steps up to the awarding of a contract are documented as per the council's policy	AGREED – this item was identified by Council's Internal Audit on Contract Management in June 2020 with implementation of recommendations underway
5	Outcome Evaluations Introduce procedures to ensure outcome evaluations are conducted as per the council's policy	AGREED – plan to be developed

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Kogarah Library and Service Centre Kogarah Town Square, Belgrave Street, Kogarah
Phone: 9330 6400 | Email: mail@georgesriver.nsw.gov.au | Postal address: PO Box 205, Hurstville NSW 1481



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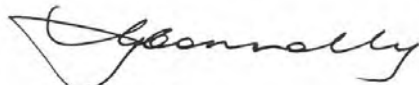
Page 2 of 3

Table 2: NSW Audit Office final report (Recommendation 2) – General Recommendations to be considered by all councils outlined in Chapter 3

General Recommendations – addressing common risks: opportunities to improve procurement management, the following six (6) items identified in the NSW Audit Office final report to be considered by all councils			
Improvement Area		NSW Audit Office - Description	Georges River Council Response
1	Procurement Plan	Documented justification of procurement needs	AGREED – to be considered
2	Segregation	Segregation of duties	In place already. Recognised by NSW Audit Office in the final report - page 17. No additional action required
3	Supplier Performance	Assessment of supplier performance	AGREED – to be considered
4	Contract Register	Centralised contract register	In place already. Recognised by NSW Audit Office in the final report - page 18. No additional action required
5	Outcome Evaluations	Evaluation of community outcomes and value for money	AGREED – plan to be developed
6	Training	Procurement training	In place already. Recognised by NSW Audit Office in the final report - pages 13 and 19. No additional action required

Should you have any further questions please contact Popy Mourgelas Manager Governance and Risk Management on 02 9330 6177.

Yours sincerely



Gail Connolly
General Manager

Georges River Civic Centre Corner MacMahon and Dora Streets, Hurstville
Kogarah Library and Service Centre Kogarah Town Square, Belgrave Street, Kogarah
Phone: 9330 6400 | Email: mail@georgesriver.nsw.gov.au | Postal address: PO Box 205, Hurstville NSW 1481

Page 3 of 3



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Response from Lockhart Shire Council



File Ref: PV: SJ: 20/4615

Lockhart Shire Council

3 December 2020

Margaret Crawford
Auditor-General for NSW
GPO Box 12
SYDNEY NSW 2001

Dear Ms Crawford

Performance Audit – Procurement Management in Local Government

Thank you for the opportunity to comment on the Report of the Performance Audit on Procurement Management in Local Government.

Council acknowledges that audit activities, including performance audits, contribute to a process of continuous improvement. Accordingly, Council accepts the recommendations contained in the Report relating specifically to Lockhart Shire Council and undertakes to implement the necessary changes.

In this regard, Council is taking steps to include additional information not currently provided in its Contracts Register but otherwise required by section 29 of the Government Information (Public Access) Act 2009. Inconsistencies in reporting identified between the Contracts Register and Council's Annual Report have been addressed in Council's 2019-20 Annual Report recently published on Council's website.

Council also acknowledges the Report's findings and broader commentary relevant to Lockhart Shire Council. With respect to the importance of procurement training for staff, Council is reviewing its 2020-21 training plan and will also review other aspects of its procurement practices and procedures.

The work undertaken by the Audit Office of NSW in undertaking the Performance Audit and identifying opportunities for Council to improve its procurement practices is appreciated.

Yours sincerely

A handwritten signature in black ink, appearing to read "Peter Veneris", is written over a light blue horizontal line.

Peter Veneris
GENERAL MANAGER

All communications to be addressed to: THE GENERAL MANAGER
65 Green Street, PO Box 21, Lockhart NSW 2656
Telephone: (02) 6920 5305 Facsimile: (02) 6920 5247 Email: mail@lockhart.nsw.gov.au
www.lockhart.nsw.gov.au

Response from Tweed Shire Council



8 December 2020

Customer Service | 1300 292 872 | (02) 6570 2400

Ms Margaret Crawford
Auditor-General for New South Wales
Audit Office of New South Wales
GPO Box 12
SYDNEY NSW 2001

mail@audit.nsw.gov.au

iso@tweed.nsw.gov.au

www.tweed.nsw.gov.au



PO Box 816

Murwillumbah NSW 2484

Please address all communications
to the General Manager

ABN 10 179 731 406

Dear Auditor-General

Performance Audit – Procurement management in Local Government

We refer to your letter dated 30 November inviting Tweed Shire Council (TSC) to provide a formal response to the final report on Performance Audit – Procurement management in Local Government. I understand the formal response will be incorporated into the report to be tabled in Parliament on 17 December 2020.

TSC thanks you for an opportunity to provide a formal response.

TSC has reviewed the report and accepts the recommendations.

In relation to the following findings specific to TSC, we make the following comments:

- Segregation of duties – system rectification has occurred since the audit, as acknowledged in the report; and
- Training – mandatory training with a test requiring 80% pass rate has been rolled out to all staff since the audit, as acknowledged in the report.

In relation to the following findings specific to TSC, we recognise the suggestions made to approve procurement practices for the organisation. In particular we note:

- Documented justification of procurement needs – TSC will take a risk based approach to introducing additional measures to document justification of procurement needs to make the most cost effective and appropriate allocation of resources available. In this regard, Council looks forward to implementation of Recommendation 1 - sector-wide guidance on effective procurement practices.
- Evaluation of community outcomes and value for money - TSC will take a risk based approach to introducing additional measures for evaluating community outcomes to make the most cost effective and appropriate allocation of resources available.

In regard to the above points, TSC welcomes and looks forward to implementation of Recommendation 1 (page 2) - sector-wide guidance on effective procurement



practices and reform of the Local Government (General) Regulation 2005 to reflect the increasing use of electronic tender submissions.

TSC acknowledges the suggestions concerning the management of supplier performance. Historically, TSC has found that the rating of suppliers in isolation by individual Councils, while useful to ensure poor performers are not re-engaged by Council itself, provide little incentive for suppliers to improve their practices due the small market share in the region. There is no sector-wide mechanism to prohibit poor performing contractors moving between Councils.

A sector-wide approach should be considered to centrally register contractor performance assessments by councils. This could for example, be similar to the contractor and supplier performance register previously managed by Procurement NSW and prior to that by NSW PWA.

TSC acknowledges and thanks the Audit Office and its representatives for working collaboratively during the audit process.

Yours faithfully



Troy Green
Dec 8 2020 4:43 PM

cosign

Troy Green PSM
GENERAL MANAGER

cc: Sherman Chan
Performance Audit Leader - Performance Audit
Sherman.chan@audit.nsw.gov.au

Response from Waverley Council



Waverley Council
PO Box 9, Bondi Junction NSW 1355
DX 12006, Bondi Junction
Customer Service Centre
55 Spring Street, Bondi Junction NSW 2022
ABN: 12 502 583 608

Ms. Margaret Crawford
Auditor-General for New South Wales
Level 19, Darling Park Tower 2
201 Sussex Street, Sydney NSW 2000

Our ref: D2020/116420

10 December 2020

Re: Performance Audit – Procurement Management in Local Government

Dear Ms. Crawford,

Thank you for providing Waverley Council with the final report in relation to the above audit.

I would like to take this opportunity to thank you and the Audit Office of NSW team for conducting such an extensive analysis of certain aspects of our Procurement operations for the period between 1/7/2016 and 30/6/2019.

Whilst there is an acknowledgement from the Audit Office that all six of the Councils audited (including Waverley) were mostly compliant with legislative requirements and their own policies and procedures, we agree that there is always room for improvement. We appreciate the detailed specific recommendations that the Audit Office has provided in order to help Councils address the performance gaps that have been identified.

Since the completion of the audit, Waverley Council has undertaken the following steps to improve the effectiveness of the Procurement function;

1. Established the new role of Executive Manager – Procurement (from January 2020), to lead the procurement function and work closely with key stakeholders across Waverley Council that are involved in procurement activities.
2. In conjunction with item 1, facilitated a movement away from a 'decentralised' procurement model to a 'centre-lead' procurement model. This has provided a pathway for key stakeholders to seek procurement advice to ensure that procurement activities are conducted in accordance with legislation, policies and spend thresholds.

Addressing Common Risks: Opportunities to Improve Procurement Management

The Audit Office has provided a comprehensive list of areas which provide opportunities for improvement in procurement management, which Waverley Council has addressed / will address over the course of 2021. A table summarising our comments and actions is attached for your reference as Appendix A.

Should you wish to discuss any of the items referred to in this letter, please contact me directly on (02) 9083 8036, or Vince Tari, Executive Manager - Procurement on (02) 9083 8506.

Again, I would like to thank you and your team for completing this audit and for highlighting the specific areas which represent opportunities for improvement.

Best regards,

A handwritten signature in black ink, appearing to read "R. McLeod", written over a light blue horizontal line.

Ross McLeod
General Manager, Waverley Council

cc. Ms. Claudia Migotto, Assistant Auditor-General, Performance Audit, Audit Office of NSW
cc. Ms. Sherman Chan, Performance Audit Leader, Performance Audit, Audit Office of NSW

Contact us
Phone: 9083 8000 Fax: 9387 1820
Email: info@waverley.nsw.gov.au
Web: www.waverley.nsw.gov.au

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Appendix A

Audit Office Recommendation	Waverley Council – Comments
Provide a documented justification of procurement needs	Procurement requirements are driven by Council's Operational Plan and divisional forward procurement plans, which outline projects that are to be completed in line with Council approved budgeted funds.
Ensure segregation of duties is in place when approving documents	<ul style="list-style-type: none"> Waverley Council's Purchase Order (PO) system within TechOne requires the purchase requester to workflow the PO for approval by the relevant Manager with sufficient financial delegation authority to approve. The originator of the PO is unable to approve their own PO. For RFTs / RFQs / EOLs, an approval document is signed by the respective Manager separate to from the Project Manager, prior to commencing the approach to market process.
Improve the assessment of supplier performance	<ul style="list-style-type: none"> Once the procurement process has been finalised and a Contract has been signed by both parties, suppliers work closely with Council's Project Managers to ensure that their contractual obligations are carried out in accordance with the terms and conditions of the contract. Any performance issues that arise during the contractual period are discussed between Council's Project Managers and the supplier. Procurement is called upon if / when – <ul style="list-style-type: none"> a contract variation is required eg. due change in scope or unexpected circumstances such as COVID a contract extension is required, where the contract end date needs to be amended eg. construction delays caused by adverse weather conditions
Ensure that a Centralised Contract Register is maintained	<ul style="list-style-type: none"> All contracts are now uploaded into Contracts Monitor. Having a centralised Contract Register enables; <ul style="list-style-type: none"> Contract management processes such as variations and extensions to be carried out accurately and efficiently. Disclosure of contract details where value exceeds \$150k to comply with GIPA legislation.
Undertake an Evaluation of Contract Outcomes and Value for Money	<ul style="list-style-type: none"> Procurement is currently not involved in evaluating contract outcomes. The potential for engaging a dedicated Contract Management resource (including assessing Benefits Realisation on a project by project basis) has been discussed as a component of Council's Procurement Strategy. Additionally, the implementation of Contract Management software is being considered to enhance the reporting and transparency of supplier performance

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Appendix A

Audit Office Recommendation	Waverley Council – Comments
Procurement Training	<ul style="list-style-type: none"> There will be a roll out of targeted procurement training in 2021. This will be delivered in both face to face and online formats. Council's Procurement team now provides support for all RFQs/RFTs/EOLs. Procurement enquiries are currently received via a dedicated Procurement email address, from which a Procurement team member responds with the necessary assistance / guidance. Support may be limited to advice only for low risk / low value procurement, through to end-to-end management / facilitation of the Tender process for high value procurement.
Selected procurement findings	Waverley Council – Comments
Business relationship and arrangements with Hays Specialist Recruitment (Australia)	<ul style="list-style-type: none"> Noted – Individual contracts with Hays with a combined value of over \$5m were not disclosed in the Annual Report as required under Section 217(1)(a2) of the Local Government (General) Regulation 2005.
Business relationship and arrangements with Stateline Asphalt Pty Ltd	<ul style="list-style-type: none"> Noted – Individual contracts with Stateline Asphalt Pty Ltd with a combined value of \$174,895 were not disclosed in the 2018-19 Annual Report as required under Section 217(1)(a2) of the Local Government (General) Regulation 2005. Procurement will work closely with Finance to ensure that all contracts in excess of \$150k are identified and disclosed in the Annual Report. This will include reports from the Contract Register and TechOne Financial System.

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Response from Wollongong City Council



WOLLONGONG CITY COUNCIL

Address 41 Burelli Street Wollongong • Post Locked Bag 8821 Wollongong DC NSW 2500
Phone (02) 4227 7111 • Fax (02) 4227 7277 • Email council@wollongong.nsw.gov.au
Web www.wollongong.nsw.gov.au • ABN 53 119 525 539 • GST Registered

Ms Margaret Crawford
Auditor-General for NSW
GPO Box 12
SYDNEY NSW 2001

Your Ref: D2027733/PA6645
Our Ref: Z20/270901
File: GCS-50.04.245
Date: 10 December 2020

Dear Ms Crawford

PERFORMANCE AUDIT – PROCUREMENT MANAGEMENT IN LOCAL GOVERNMENT

Thank you for your letter dated 30 November 2020 providing a copy of the Performance Audit Report on Procurement Management in Local Government.

Wollongong City Council appreciates the opportunity to respond to the final report. Council notes the findings and recommendations of the report and acknowledges the valuable contribution that the work of your agency provides to the local government sector in the conduct of such performance audits. Council sees continuous improvement as a key factor in our ability to meet the ever-changing needs of our community, noting that this must be accompanied by stringent standards of corporate governance in the business processes we implement to meet those community needs.

As such, Council is very pleased the report has noted that Council's Procurement Framework, and the individually reviewed procurements, were all compliant with relevant Legislation. Council was also pleased to note that our approach to procurement training was highlighted as an area of good practice, noting that effective procurement management relies on the capability of staff involved in the process.

The audit identified some opportunities for improvement to our documented procurement policy and procedures in relation to documented justification of procurement needs, assessment of supplier performance and value for money. We note through our conversations with the Audit team that Council has some processes in place, but a documented approach would further improve our focus in these areas. Council notes these findings and will consider ways to document our approach for these items.

Thank you again for undertaking the performance audit and for providing an opportunity to comment on the findings. Should you have any further enquiries regarding this matter please contact Council's Manager Governance and Customer Service, Todd Hopwood on (02) 4227-7684.

Yours faithfully

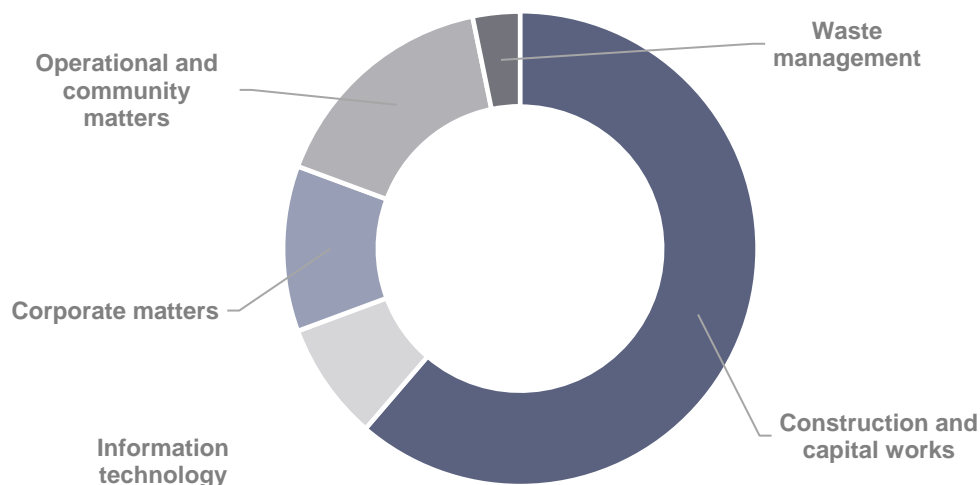
Greg Doyle
General Manager
Wollongong City Council
Telephone: (02) 4227 711

Appendix two – Councils' procurement contracts

This section provides an overview of procurements valued at \$150,000 or more, as reported in the councils' publicly available annual reports for the financial years 2016–17 to 2018–19. This section also provides information on the procurements selected for in-depth examination. This includes the financial year in which the contract was executed, contract title or description, name of the supplier, and value of the contract as recorded in the contract registers. Contracts that were not reported in the councils' annual reports are marked in the list below as 'not disclosed in annual report'. Wollongong City Council excluded the goods and services tax (GST) when reporting contract values in its annual reports.

Cumberland City Council

Exhibit 9: Distribution of Cumberland City Council's number of contracts by category 1 July 2016 to 30 June 2019



Contract categories	Number of contracts	% of total number	Value of contracts (\$ million)	% of total value
Construction and capital works contracts	38	61.29	42.89	32.99
Information technology	5	8.06	7.25	7.25
Corporate matter contracts	7	11.29	1.53	1.18
Operational and community matters	10	16.13	8.20	6.31
Waste management	2	3.23	70.14	53.95
Total	62	100.00	130.02	100.00

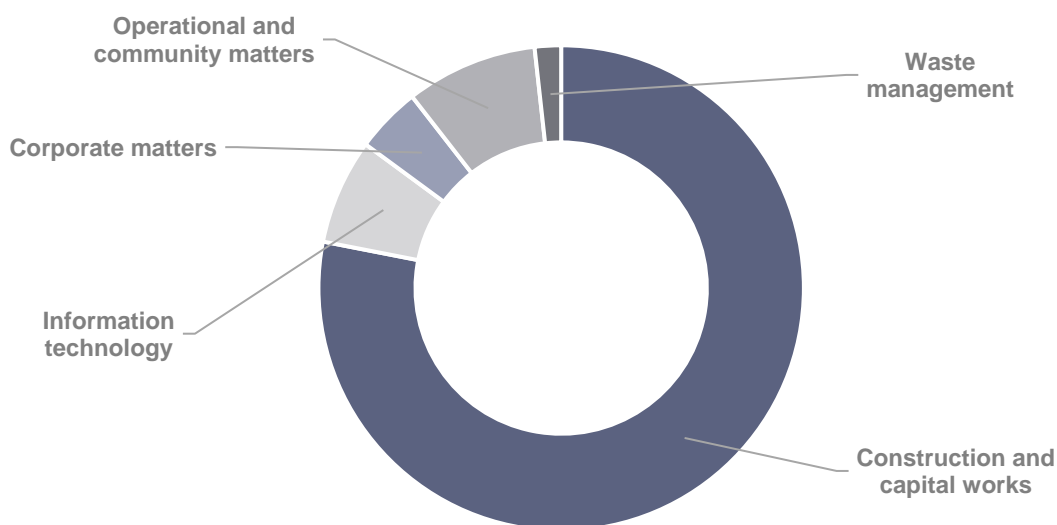
Source: Audit Office classification. Data on the contracts are from Cumberland City Council's GIPA register and annual reports for 2017–18 and 2018–19.

Selected procurements

- 2016–17 – T-2017-002 – 'Project Management Services for Capital Projects' (for the establishment of a panel of project management consultants) – LT Urban Engineering Pty Ltd (not disclosed in annual report)
- 2017–18 – T-2016-028 – 'Waste Management Services' – URM Environmental Services \$68,121,313
- 2017–18 – T-2018-018 – 'Cumberland New Core Switch Replacement' – Thomas Duryea Logicalis Pty Ltd \$217,656 (not disclosed in annual report – breach of Section 217(1)(a2) of the Regulation)
- 2018–19 – T-2018-059 – 'Granville Multipurpose Centre - construction' – Stephen Edwards Constructions Pty Ltd \$24,570,611 (reported as \$22,336,919 in the annual report)
- 2018–19 – T-2019-005 – 'Gipps Road Asbestos Remediation Project' – RMA Contracting Pty Ltd \$474,968
- 2018–19 – Q-2019-001 – 'Cumberland Local Housing Study Project' – Urbis Pty Ltd \$128,073 (not disclosed in annual report – below reporting threshold).

Georges River Council

**Exhibit 10: Distribution of Georges River Council's number of contracts by category
1 July 2016 to 30 June 2019**



Contract categories	Number of contracts	% of total number	Value of contracts (\$ million)	% of total value
Construction and capital works contracts	89	78.07	88.32	69.85
Information technology	8	7.02	3.15	2.49
Corporate matter contracts	5	4.39	4.97	3.93
Operational and community matters	10	8.77	4.11	3.25
Waste management	2	1.75	25.89	20.48
Total	114	100.00	126.44	100.00

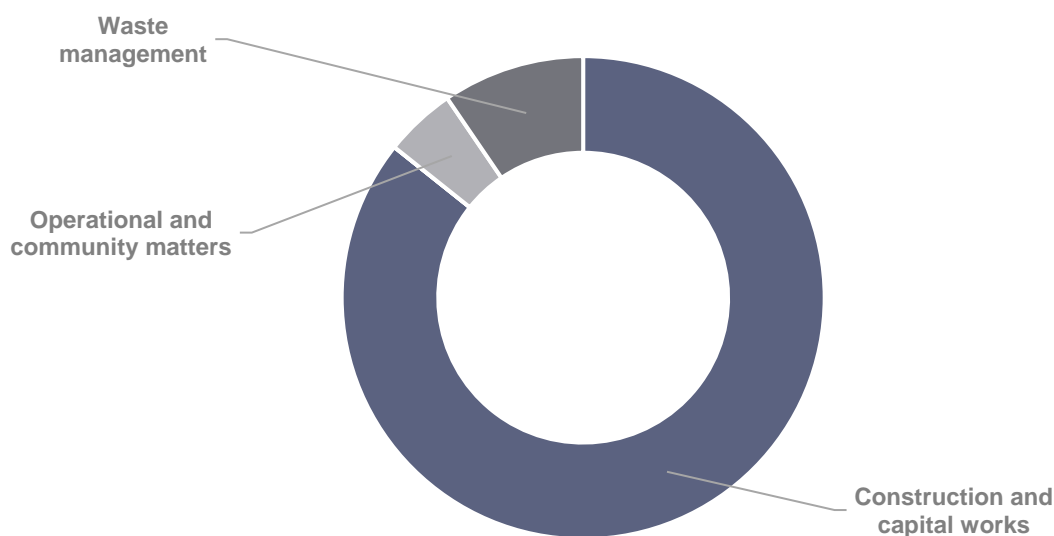
Source: Audit Office classification. Data on the contracts are from Georges River Council's annual reports for 2016–17, 2017–18 and 2018–19.

Selected procurements

- 2016–17 - T16/029 – 'Library Services Integrated Library Management System' – Civica Pty Ltd \$396,523
- 2016–17 - T16/027 – 'Architectural Services - Hurstville Central Plaza' – Architectural Consultancy Services – Group GSA Pty Ltd \$199,095 (reported as \$184,095 in the annual report)
- 2018–19 – T18/015 (A) & T18/015 (B), T10/805, T2017-09 – 'Waste Services' – Suez Veolia TIC (Soft landing) \$88,966,155 (reported as \$17,793,231 in the annual report)
- 2018–19 – T18/016 – 'Forest Road Hurstville - Footpath Upgrade - Stage 2' – KK Consultants Pty Ltd (trading as KK Civil Engineering) \$988,873
- 2018–19 – T18/024 – 'Manufacture and Installation of Georges River Council Branded Signage' – Cunneen Signs \$273,427
- 2018–19 – T18/017 – 'Georges River Council - Stormwater Pipe Relining Works' – Insituform Pacific Pty Ltd \$217,801.

Lockhart Shire Council

Exhibit 11: Distribution of Lockhart Shire Council's number of contracts by category
1 July 2016 to 30 June 2019



Contract categories	Number of contracts	% of total number	Value of contracts (\$ million)	% of total value
Construction and capital works contracts	18	85.71	8.96	88.99
Information technology	--	--	--	--
Corporate matter contracts	--	--	--	--
Operational and community matters	1	4.76	0.93	0.93
Waste management	2	9.52	0.17	1.73
Total	21	100.00	10.07	100.00

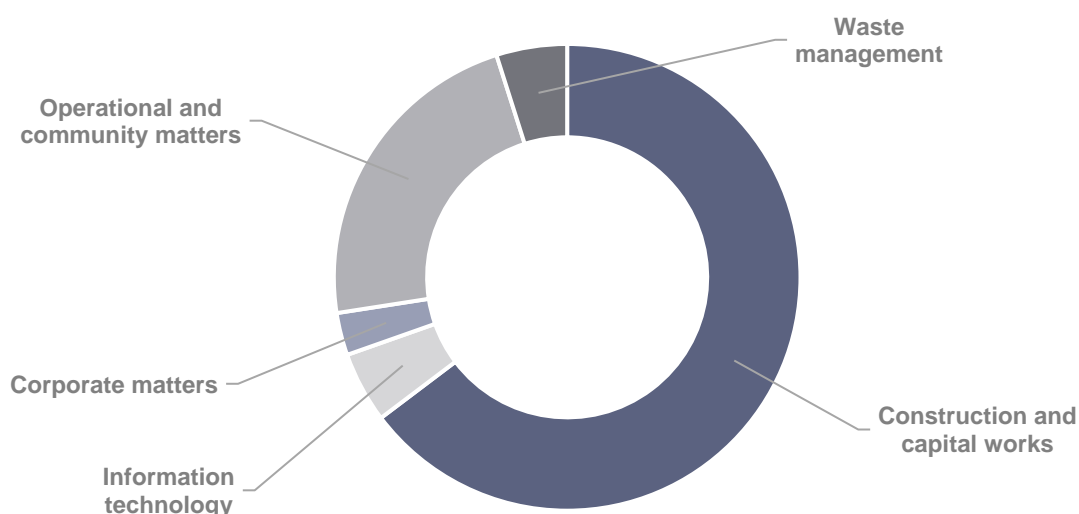
Source: Audit Office classification. Data on the contracts are from Lockhart Shire Council's annual reports for 2016–17, 2017–18 and 2018–19.

Selected procurements

- 2016–17 – 'Spray Sealing & Emulsion' – State Asphalt Services \$1,114,139
- 2017–18 – 'Replacement of The Rock and Lockhart swimming pools' – Total Creations and Solutions \$3,355,300 excluding GST (reported as \$1,070,782 in the annual report)
- 2017–18 – 'Lockhart Flood Mitigation Works - Government Dam Upgrade and Levee Construction' - Scott Newbery Earthmoving Pty Ltd \$469,095 (reported as \$457,510 in the annual report)
- 2018–19 – T20-005 251/18 – 'Spray sealing contract for 2018–19' – Downer EDI Ltd \$635,000 (reported as two separate contracts valued at \$180,997 and \$730,079 respectively in the annual report)
- 2018–19 – S/I13-005 252/18 – 'Supply of the asset management system software AssetFinda' – AssetFinda \$56,000 (not disclosed in annual report – below reporting threshold)
- 2018–19 – LD2-A 201/17 – 'Management of the Lockhart Swimming Pool for the 2017–18 and 2018–19 swimming seasons' – Tammy Lenon \$22,000 (not disclosed in annual report – below reporting threshold).

Tweed Shire Council

Exhibit 12: Distribution of Tweed Shire Council's number of contracts by category
1 July 2016 to 30 June 2019



Contract categories	Number of contracts	% of total number	Value of contracts (\$ million)	% of total value
Construction and capital works contracts	66	64.71	71.98	48.63
Information technology	5	4.90	1.86	1.26
Corporate matter contracts	3	2.94	6.43	4.35
Operational and community matters	23	22.55	26.78	18.09
Waste management	5	4.90	40.95	27.66
Total	102	100.00	148.02	100.00

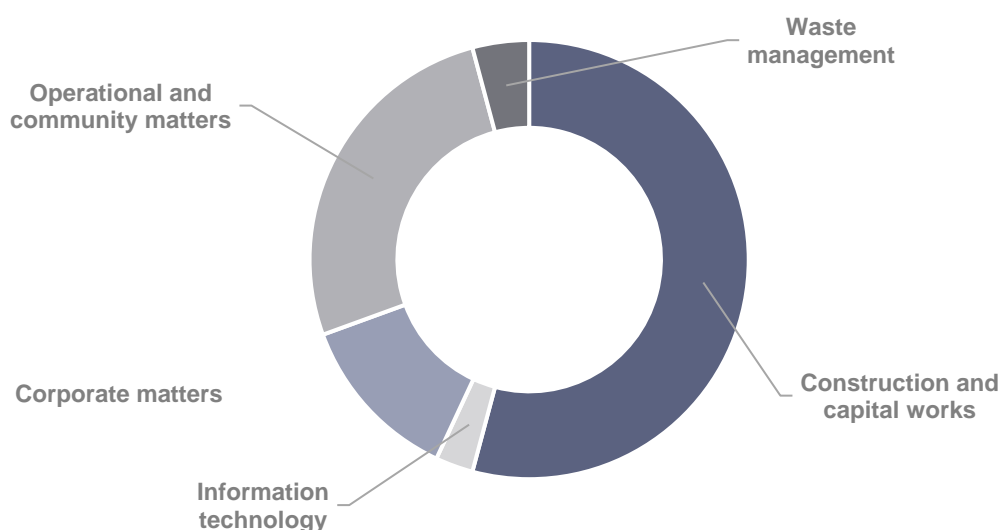
Source: Audit Office classification. Data on the contracts are from Tweed Shire Council's annual reports for 2016–17, 2017–18 and 2018–19.

Selected procurements

- 2018–19 - RFO2019065 – 'Supply of Water Treatment Chemicals' - Ixom Operations Pty Ltd, Chemprod Nominees Pty Ltd (trading as Omega Chemicals), Innovative Water Care, Grenof, BTX Group Pty Ltd \$5,000,000
- 2018–19 - RFO2019033 – '2018–19 Asphalt Resurfacing Programme' - East Coast Asphalt and Concrete Edging \$1,763,367
- 2018–19 - RFO2019062 – 'Gallery Cafe Lease Tender' – All offers rejected
- 2019–20 - RFO2019087 – 'New Automated Parking Compliance Technology' – Duncan Solutions Australia \$360,864 (the 2019–20 annual report has not been published when this report is finalised)
- 2019–20 - RFO2019041 – 'Supply of Leadership Training Services' – SWC Group Pty Ltd (trading as Great Managers) \$250,000 (the 2019–20 annual report has not been published when this report is finalised)
- Business relationship and arrangements with JHA Recruitment & Staff @ Work P/L – 12,416 purchases (with individual amounts up to \$229,249) during 1 July 2016 to 30 June 2019 (reported as \$3,000,000 with Spinifex Recruiting in the annual report).

Waverley Council

Exhibit 13: Distribution of Waverley Council's number of contracts by category 1 July 2016 to 30 June 2019



Contract categories	Number of contracts	% of total number	Value of contracts (\$ million)	% of total value
Construction and capital works contracts	39	54.17	52.28	79.26
Information technology	2	2.78	0.86	1.30
Corporate matter contracts	9	12.50	3.11	4.71
Operational and community matters	19	26.39	8.30	12.59
Waste management	3	4.17	1.41	2.14
Total	72	100.00	65.96	100.00

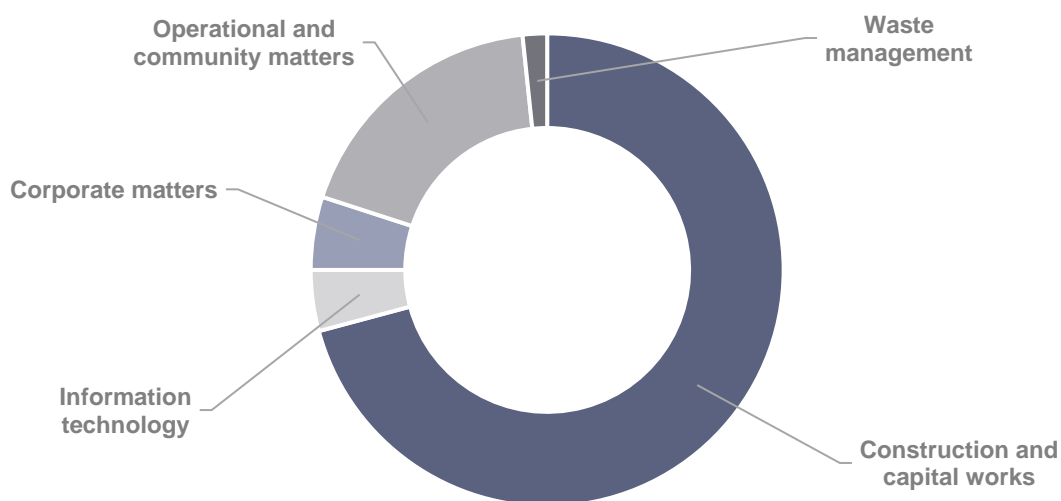
Source: Audit Office classification. Data on the contracts are from Waverley Council's annual reports for 2016–17, 2017–18 and 2018–19.

Selected procurements

- 2018–19 – D19/50343 – 'Bondi Junction Cycleway Construction Services' - Ford Civil Contracting Pty Ltd \$26,046,151
- 2018–19 - D18/90268 – 'Supply & Delivery of Tipper Trucks (Maintenance & Construction)' – Hino Motor Sales Australia Pty Ltd \$291,479
- 2018–19 – D18/86458 – 'Open Space and Recreation Strategy Consultancy Services' – Arup Pty Ltd \$199,980
- 2018–19 – D18/75497 – 'Tipper Trucks (Parks)' - Hino Motor Sales Australia Pty Ltd \$186,851
- Business relationship and arrangements with Hays Specialist Recruitment (Australia) – 3,793 purchase orders (with individual amounts up to \$12,100) during 1 July 2016 to 30 June 2019 (not disclosed in annual report – breach of Section 217(1)(a2) of the Regulation)
- Business relationship and arrangements with Stateline Asphalt Pty Ltd – five purchase orders (with individual amounts up to \$174,895) during 1 July 2016 to 30 June 2019 (not disclosed in annual report – breach of Section 217(1)(a2) of the Regulation).

Wollongong City Council

Exhibit 14: Distribution of Wollongong City Council's number of contracts by category
1 July 2016 to 30 June 2019



Contract categories	Number of contracts	% of total number	Value of contracts (\$ million)	% of total value
Construction and capital works contracts	85	70.83	117.92	89.14
Information technology	5	4.17	2.41	1.82
Corporate matter contracts	6	5	4.00	3.03
Operational and community matters	22	18.33	6.74	5.10
Waste management	2	1.67	1.22	0.92
Total	120	100.00	132.29	100.00

Source: Audit Office classification. Data on the contracts are from Wollongong City Council's annual reports for 2016–17, 2017–18 and 2018–19. The reported contract values exclude goods and services tax (GST).

Selected procurements

- 2015–16 – E4581 – 'Purchase of Waste Compactor Truck' – Bucher Municipal Pty Ltd \$265,732
- 2016–17 – T17/04 – 'Coalcliff Rock Pool Refurbishment' – Dynamic Civil Pty Ltd \$778,705
- 2016–17 – E4907 – 'Investigation & Concept Design of Ursula Road Scheme' – SMEC Australia \$145,057 (not disclosed in annual report – below reporting threshold)
- 2018–19 – T17/65 – 'West Dapto Access - Fowlers Road to Fairwater Drive – Stages 2 and 3 – Construction of bridge, road and intersection works including service relocation' – Abergeldie Contractors Pty Ltd \$39,907,718
- 2018–19 - NC0011 – 'Community Transport' – Ledale Pty Ltd (trading as Canty's Bus Rentals) \$180,000
- 2018–19 – T18/31 – 'Hill 60 Conservation Management Plan and Aboriginal Cultural Heritage Assessment Report Consultancy' – Niche Environment and Heritage Pty Ltd \$101,701 (not disclosed in annual report – below reporting threshold).

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 our 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.

Appendix four – Performance auditing

What are performance audits?

Performance audits determine whether state or local government entities carry out their activities effectively, and do so economically and efficiently and in compliance with all relevant laws.

The activities examined by a performance audit may include a government program, all or part of an audited entity, or more than one entity. They can also consider particular issues which affect the whole public sector and/or the whole local government sector. They cannot question the merits of government policy objectives.

The Auditor-General's mandate to undertake performance audits is set out in section 38B of the *Public Finance and Audit Act 1983* for state government entities, and in section 421D of the *Local Government Act 1993* for local government entities.

Why do we conduct performance audits?

Performance audits provide independent assurance to the NSW Parliament and the public.

Through their recommendations, performance audits seek to improve the value for money the community receives from government services.

Performance audits are selected at the discretion of the Auditor-General who seeks input from parliamentarians, state and local government entities, other interested stakeholders and Audit Office research.

How are performance audits selected?

When selecting and scoping topics, we aim to choose topics that reflect the interests of parliament in holding the government to account. Performance audits are selected at the discretion of the Auditor-General based on our own research, suggestions from the public, and consultation with parliamentarians, agency heads and key government stakeholders. Our three-year performance audit program is published on the website and is reviewed annually to ensure it continues to address significant issues of interest to parliament, aligns with government priorities, and reflects contemporary thinking on public sector management. Our program is sufficiently flexible to allow us to respond readily to any emerging issues.

What happens during the phases of a performance audit?

Performance audits have three key phases: planning, fieldwork and report writing.

During the planning phase, the audit team develops an understanding of the audit topic and responsible entities and defines the objective and scope of the audit.

The planning phase also identifies the audit criteria. These are standards of performance against which the audited entity, program or activities are assessed. Criteria may be based on relevant legislation, internal policies and procedures, industry standards, best practice, government targets, benchmarks or published guidelines.

At the completion of fieldwork, the audit team meets with management representatives to discuss all significant matters arising out of the audit. Following this, a draft performance audit report is prepared.

The audit team then meets with management representatives to check that facts presented in the draft report are accurate and to seek input in developing practical recommendations on areas of improvement.

A final report is then provided to the head of the audited entity who is invited to formally respond to the report. The report presented to the NSW Parliament includes any response from the head of the audited entity. The relevant minister and the Treasurer are also provided with a copy of the final report. In performance audits that involve multiple entities, there may be responses from more than one audited entity or from a nominated coordinating entity.

Who checks to see if recommendations have been implemented?

After the report is presented to the NSW Parliament, it is usual for the entity's audit committee to monitor progress with the implementation of recommendations.

In addition, it is the practice of Parliament's Public Accounts Committee to conduct reviews or hold inquiries into matters raised in performance audit reports. The reviews and inquiries are usually held 12 months after the report received by the NSW Parliament. These reports are available on the NSW Parliament website.

Who audits the auditors?

Our performance audits are subject to internal and external quality reviews against relevant Australian and international standards.

The Public Accounts Committee appoints an independent reviewer to report on compliance with auditing practices and standards every four years. The reviewer's report is presented to the NSW Parliament and available on its website.

Periodic peer reviews by other Audit Offices test our activities against relevant standards and better practice.

Each audit is subject to internal review prior to its release.

Who pays for performance audits?

No fee is charged for performance audits. Our performance audit services are funded by the NSW Parliament.

Further information and copies of reports

For further information, including copies of performance audit reports and a list of audits currently in-progress, please see our website www.audit.nsw.gov.au or contact us on 9275 7100.

OUR VISION

Our insights inform and challenge government to improve outcomes for citizens.

OUR PURPOSE

To help parliament hold government accountable for its use of public resources.

OUR VALUES

Pride in purpose
Curious and open-minded
Valuing people
Contagious integrity
Courage (even when it's uncomfortable)

Level 19, Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000 Australia

PHONE +61 2 9275 7100

FAX +61 2 9275 7200

mail@audit.nsw.gov.au

Office hours: 8.30am-5.00pm
Monday to Friday.