

10 July 2015

The Hon Paul Toole MP  
Minister for Local Government  
GPO Box 5341  
SYDNEY NSW 2001

**DATE RECEIVED**

**13 JUL 2015**

**OFFICE OF THE MINISTER  
FOR LOCAL GOVERNMENT**

Neale Redman

Dear Minister,

**Performance Improvement Order**

I refer to the Performance Improvement Order dated 24 July 2014 issued by you under Section 438A of the Local Government Act 1993 (the Act).

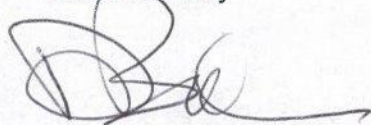
Pursuant to Section 438F of the Act please find attached the following:

Strathfield Council Compliance Report  
Attachment A - Final Revised Report – Sinc Solutions Review of Procurement Services,  
4 June 2014 Recommendations and Actions.  
Attachment B - Contact with IAB regarding Performance Improvement Order.  
Attachment C - Monthly Reports from Temporary Advisor, IAB  
Internal Audit Report Procurement Function by InConsult.

In accordance with Section 438H (2) of the Act, Council provided the temporary advisor, IAB, with a draft copy of the report on 4 June 2015. The comments received from IAB are included in Attachment C.

Should you require any further information please contact Council's Director of Corporate Services, Mr Neale Redman on 9748-9976 or [neale.redman@strathfield.nsw.gov.au](mailto:neale.redman@strathfield.nsw.gov.au).

Yours faithfully



**DAVID BACKHOUSE**  
**GENERAL MANAGER**



## Strathfield Council Compliance Report Pursuant to S438F of the Local Government Act 1993

Item No.	Order requirements	Corrective and Preventative Actions (What is to be done, how, what was completed, and what was checked)	Responsible Officer	Due Dates & Key Milestones	Current Status	Temporary Advisor Comments
1	Take immediate steps to implement internal controls to ensure that all procurement and expenditure on goods and services complies with all relevant statutory requirements and Council's policies, delegations and guidelines.	<ol style="list-style-type: none"> <li>1. SINC Solutions report recommendations currently being implemented.</li> <li>2. 100% (54) recommendations completed.</li> <li>3. Refer to Attachment A for detailed actions.</li> </ol>	Director Corporate Services	Refer to Attachment A.	Completed	Completed May 2015.
1a	Utilise the services of the temporary advisor to assist Council in assessing the adequacy or otherwise of the existing system of internal control.	<ol style="list-style-type: none"> <li>1. IAB appointed by Minister</li> <li>2. Regular meetings held with IAB.</li> <li>3. Information provided to IAB.</li> </ol>	General Manager	Refer to Attachment B	Completed	Completed June 2015.
1b	Have due regard to the advice of the temporary adviser as to changes that are required to ensure Council has an effective system of internal control.	Advice received from IAB incorporated into changes implemented.	IAB Director Corporate Services	Refer to Attachment C	Completed	Completed June 2015.
1c	Prepare an improvement plan (including milestones) with advice and direction provided by the temporary adviser requiring all required changes to be implemented within 12 months, or earlier if so advised by the temporary adviser.	This document serves as the Strathfield Council Improvement plan and details the required actions, what actions were undertaken, their verifications, responsibilities, milestones and dates. This item will only be complete once all items are complete with the Improvement Plan.	Director Corporate Services	Draft Performance Improvement Plan provided to IAB on 16 Sept 2014	Completed	Completed June 2015.



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1d	Require, for the next 12 months, the General Manager to report in writing to the monthly meeting of Council and each meeting of the Internal Audit Committee, on progress against the improvement plan.	Report to be submitted to each Council meeting and Audit Committee Meeting.	General Manager	<b>Council meetings:</b> 7 Oct 2014 4 Nov 2014 2 Dec 2014 3 Feb 2015 3 Mar 2015 7 Apr 2015 5 May 2015 2 Jun 2015  Audit Committee meetings 17 Nov 2014 9 Dec 2014 19 Feb 2015 12 May 2015	n/a	This report and Attachments constitutes the reporting requirements to Council.



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2	Establish and implement an effective internal audit function having due regard to the <i>Internal Audit Guidelines</i> issued by the Office of Local Government under section 23A of the <i>Local Government Act 1993</i> . In doing so, adopt an audit plan for the next two years.	<ol style="list-style-type: none"> <li>1. An internal audit function has been developed through the establishment of the Audit Committee (AC) and approval of the Audit Committee Charter.</li> <li>2. Audit Plans adopted for 2014/15 and 2015/16 by Audit Committee on 17 November 2014</li> <li>3. Internal Audit Services provider engaged.</li> </ol>	Director Corporate Services	30 Nov 2014	Completed	Completed. IAB reviewed this process during February 2015 in conjunction with 3 below.
3	Without delay, review the appointment of Council's Audit Committee to ensure that the appointment process gave consideration to the <i>Internal Audit Guidelines</i> issued by the Office of Local Government under Section 23A of the <i>Local Government Act 1993</i> and is in accordance with Council's Audit Committee Charter.	The appointment of the Audit Committee has been formally reviewed and a report submitted to the 5 August 2014 Council Meeting which approved the membership of the Committee and amendments to the Audit Committee Charter.	Director Corporate Services	5 August 2014	Completed	Completed August 2014.



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4	Engage a suitably qualified person approved by the temporary advisor to undertake a compliance review within 12 months to assess the implementation and effectiveness of Council's internal controls in ensuring that procurement and expenditure on goods and services complied with relevant statutory requirements and Council's policies, delegations and guidelines.	Appointment of provider to undertake Compliance Review approved. Review to be undertaken.	Group Manager Organisational Performance	March 2015	Completed	Completed June 2015.
5	Report the findings of the compliance review to a public Council meeting and the Office of Local Government.	Procurement Compliance Review carried out and report submitted to Council meeting 2 June 2015	General Manager	June 2015	Completed	Final report to Council July 2015
6	Ensure that the performance management process governing the employment of the General Manager, Directors and Council's responsible accounting officer is effective in ensuring that:		General Manager	30 November 2014	Completed	Completed. Refer comments below



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6a	Appropriate performance criteria pertaining to the establishment and maintenance of effective internal controls over procurement and expenditure are stipulated in contracts of employment and performance agreements.	A full review was undertaken of the senior staff performance appraisal system and relevant documentation, including Performance Agreements, Contracts of Employment, delegations, and associated completed documentation for performance appraisals to date. Council have implemented the following improvements: 1) Position Descriptions have been implemented for Senior staff which will more clearly define responsibilities for internal controls relating to procurement and expenditure; and 2) Position Descriptions and Delegations have been included into the formal performance appraisal system.	General Manager	30 Nov 2014	Completed	Completed. We have reviewed the relevant documentation during January 2015. Whilst the standard OLG Contracts of Employment for the General Manager, Senior Staff and the CFO utilised do not specifically refer to internal controls, the Performance Agreements do contain detail.



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6b	The persons holding these positions are capable of fulfilling their responsibilities in regard to Council's internal control system.	A review of Council performance appraisal records reflect that Council has actively demonstrated at a senior staff level, that staff are held to account by the General Manager, in relation to their individual responsibilities for the organisation. Further, Manager level staff are also held accountable in relation to their individual responsibilities for the organisation. Performance reviews for these staff are effectively completed and recorded in Council's 'eperform' system.	General Manager	30 Nov 2014	Completed	Completed. Section 7.5 of the performance agreements does requires at least an annual review and these have been carried out.  Refer to our January 2015 report for further detail.



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6c	Their performance in fulfilling these responsibilities is regularly and effectively assessed.	<p>Senior staff have undergone formal and regular performance appraisals. The previous two (2) formal review dates include:</p> <p>General Manager: 22/8/13 and 26/8/14</p> <p>Director Corporate Services: 26/11/13 and 4/9/14</p> <p>Director Operations: 26/11/13 and 28/8/14</p> <p>Director Technical Services: (commenced employment 21/8/13) 4/9/14</p> <p>Performance reviews for Senior staff also include a list of current projects and relevant actions of the annual Operational Plan which addresses the strategies as set out in the Community Strategic Plan.</p> <p>Informal reviews are also undertaken as required.</p> <p>All senior staff performance appraisals are overseen by an independent (external or internal) person.</p>	General Manager	30 Nov 2014	Completed	Completed. Refer comments and recommendations in our January 2015 report.



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6d	Timely and appropriate action is taken to address poor performance.	As noted above, a review of Council performance appraisal records reflect that Council has actively demonstrated that Directors are held to account by the General Manager with Manager level staff being held to account by Directors, in relation to their individual responsibilities for the organisation. This has been demonstrated through the performance management of both senior staff and Manager level staff due to performance issues.	General Manager	30 Nov 2014	Completed	Completed. Refer comments and recommendations in our January 2015 report.
6i	In doing so, Council is required to: have due regard to clauses 207 and 209 of the <i>Local Government (General) Regulation 2005</i> .	References to sections of relevant legislation have been included into the new Position Descriptions for all senior staff.	General Manager	30 Nov 2014	Completed	Completed. Refer comments and recommendations in our January 2015 report.



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6ii	In doing so, Council is required to: assess the adequacy of its current performance management process.	Council has undertaken a comprehensive review of its performance management process for both senior staff and non-contract staff, benchmarking the system against relevant industry recognised systems and documentation, and has implemented improvements as noted above.	General Manager	30 Nov 2014	Completed	Completed. Refer comments and recommendations in our January 2015 report.
6iii	In doing so, Council is required to: have due regard to the advice of the temporary adviser and/or other suitably qualified person.	Council to receive advice from IAB at completion of 6a-6d	General Manager IAB to advise Council	30 Nov 2014	Completed	Completed. Refer comments in our February 2015 report.
6iv	In doing so, Council is required to: prepare an improvement plan (including milestones) with advice and direction provided by the temporary adviser requiring all required changes to be implemented within 12 months or earlier if so advised by the temporary adviser.	An Improvement Plan relating to item 6 is not required.	General Manager	30 Nov 2014	Completed	Completed



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1. Other	Council is to provide the Office of Local Government with a monthly progress report detailing achievements against actions taken to improve performance using any template provided by the Office.	1. Template has not been supplied to Council by OLG or IAB. 2. Report to be supplied to OLG the Friday preceding Council Meeting (*Council does not meet in January however a report will be provided to OLG)	Director Corporate Services	3 Oct 2014 31 Oct 2014 20 Nov 2014 2 Jan 2015* 30 Jan 2015 27 Feb 2015 3 Apr 2015 1 May 2015 29 May 2015	Completed	
2. Other	Council is to give the temporary adviser an opportunity to review the proposed progress report at least 7 days before it is given to the Office and is to give the Office a copy of the temporary advisor's comments (if any) on the progress report.	Draft report to be supplied to IAB 3 weeks prior to Council meeting at which it is to be considered.	Director Corporate Services	16 Sep 2014 21 Oct 2014 18 Nov 2014 23 Dec 2014 20 Jan 2015 17 Feb 2015 24 Mar 2015 21 Apr 2015 19 May 2015	Completed	IAB received sufficient time to review this current progress report.
3. Other	A compliance report pursuant to section 438F of the Act is to be submitted to the Minister within 12 months from the service of this order on the Council. The report is to detail actions taken to comply with this order and the findings of the compliance review detailed in the order.	Information submitted to the Council meeting 7 July 2015 to be submitted to the Minister as the Compliance report	Director Corporate Services	July 2015	Completed	Report to be submitted to Council Meeting July 2015.



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4. Other	Documentary evidence is to be provided to substantiate actions taken and any improvements to Council's performance.	Relevant documentary evidence as required, is referenced within this document.	Director Corporate Services	n/a	Completed	IAB concurs with this assessment.



**Attachment A - FINAL REVISED REPORT - SINC SOLUTIONS REVIEW OF PROCUREMENT SERVICES 4 JUNE 2014**  
**RECOMMENDATIONS AND ACTIONS**

Item Number	Rating	Report Recommendation	Corrective and Preventative Actions (what is to be done, how, what was completed, and what was checked)	Responsible Officer	Due Dates and Key Milestones	Current Status	Temporary Advisor Comments
1	Low	That the new sub-delegations register should contain the specific clause number(s) of the each piece of legislation where relevant.	Council's sub delegation register currently includes the section/clause numbers of legislation for specific powers and functions. Delegations of general powers and functions refer to the legislation only.	Legal Officer	November 2014	Completed	
2	Low	That to reduce the risk of non-compliance with relevant delegation, a list of applicable delegations for an individual staff member should be available for each staff member to access and check, in addition to the Register of Delegations which contains all staff delegations. Council may wish to consider a database system of delegations where data can be downloaded as applicable at any time, or searches can be done, for example, on who has delegations for a particular piece of legislation.	All individual staff delegations are available. Staff are required to sign their individual delegation and are provided with a copy.	Legal Officer	July 2014	Completed	
3	Medium	That the 'Contracts Register' does not correspond to the tender register. The 'Contracts Register' should be checked against the 'Tender Register' on a regular basis for accuracy. The 'Contracts Register' could be updated as a formal step in the contract engagement process.	Contracts Register checked against Tender Register. All contracts updated. Legal Officer now responsible for reviewing Contracts Register and Tender Register on a monthly basis.	Legal Officer	July 2014	Completed	



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4	Low	That the Procurement Coordinator have a greater checking role in ensuring that all actions are complete, and physically sighted as complete, and noted accordingly in the checklist with applicable dates and notations. The review observed that the 'Tendering Checklist and Workbook' was used for most tenders reviewed but was not used as intended, or used to its full capacity and there are responsibilities and tasks listed for multiple staff. The Manager of the Tender should then sign the completed Tendering Checklist confirming that all actions have been completed.	Tendering Checklist and Workbook updated to require verification by Procurement Coordinator responsible for ensuring all processes are complied with and documentation completed.	Procurement Manager	July 2014	Completed	
5	Low	That the 'Tendering Checklist and Workbook' be reworded and formatted to allow quick checking off on processes to improve compliance and use of the 'Tendering Checklist and Workbook'. It is recommended that the wording be reduced in some areas and a tick box system be included. For example: "The Procurement Coordinator allocates a tender number and this is entered onto the tender register" <i>could read</i>	Tendering Checklist and Workbook reformatted to improve use and compliance.	Procurement Manager	July 2014	Completed	



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		<i>instead: Tender number allocated Tender register updated. It is noted that the checklist already has a responsibility column.</i>					
6	Medium	Expression of Interest procurement processes appear to be considered by Council as less compliant than tender processes, and does not always use the same procurement process as the tender system. Given that an Expression of Interest procurement process may result in a contract in excess of \$150,000, it is recommended that all Expression of Interests processes follow the established tender process and use the same documentation. This should be reviewed again in six (6) months time.	Purchasing and Tendering Guidelines amended to ensure consistency between EOI and Tendering processes. Refer to Part 8. Tendering Checklist and Workbook amended to include Expressions of Interest	Procurement Manager	July 2014  October 2014	Completed	



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7	Low	That the 'Request to Tender' template should be reviewed as follows: d) Page 28 – some guidance should be inserted for staff as to what "registration/licence number" information is applicable and to be specified. e) Page 29 – Referees – Council may wish to specify the number of referees to be included by the tenderer, and a comment that they may be contacted by Council. f) Page 30 – Financial Position – refer other comments within this report.	Request to Tender template updated to provide further information concerning registration/licensing requirements. Refer to Identity of Tenderer p17, Schedule p29, Organisational Profile p30, Subcontractors p31.  Information regarding Referees updated. Refer to p30	Procurement Manager	October 2014	Completed	
8	Medium	That the 'Procurement Policy' and the key requirements listed within should be disseminated to all staff on a regular basis. Council should consider regular procurement training or regular reminders in key compliance issues being sent to all Council staff involved in procurement.	Tendering training provided for all Directors and Managers in October/November 2013. Staff responsible for procurement have received training regarding Council policy and procedures. Reminders will be provided to staff on a regular basis.	Group Manager Organisational Performance	July 2014	Completed	
9	Low	That the 'Procurement Policy's' section on "Preferred Suppliers and Supply Contracts" should be reviewed following completion of the recent EOI process for preferred suppliers.	Policy reviewed and updated	Procurement Coordinator	November 2014	Completed	



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10	Low	That a regular audit be conducted on Council's use of suppliers listed as "Preferred Suppliers and Supply Contracts" to ensure compliance with the 'Procurement Policy' and contractual arrangements.	The use of Preferred Suppliers will be audited on a 6 monthly basis as part of Procurement auditing. Audit Work Plan endorsed by the Audit Committee.	Risk Management Coordinator	February 2015	Completed	
11	Medium	That the 'Purchasing and Tendering Guidelines', the 'Tendering Checklist, and Workbook' be reviewed in relation to the Financial Assessment process of the tenderers, and the contents of the Report to Council in relation to the Financial Assessment. Currently the guidelines (and tenders reviewed in practice) are unclear as to whether the financial assessment process refers to the assessment of the costs supplied by the tenderer to undertake the project, or the financial capacity of the tenderer to undertake the project. This may be better defined as two (2) distinct processes, as currently the review is unsure as to whether the financial capacity of the tenderer to undertake the project is adequately assessed.	Purchasing and Tendering Guidelines and Tender Checklist & Workbook amended to clarify assessment of price and financial capacity as separate processes. Refer to Section 11.4.3. Templates have been developed to separate the assessment of price and non price criteria.	Procurement Manager	July 2014	Completed	



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12	Medium	That the 'Purchasing and Tendering Guidelines' be reviewed in relation to the allocation of weighting of assessment criteria. It is recommended that more guidance be provided to staff, and/or examples provided.	Purchasing & Tendering Guideline reviewed to provide further guidance concerning the allocation of weighting of assessment criteria. Refer to Section 11.5.	Procurement Manager	July 2014	Completed	
13	Low	That there is no document available to list the nominated and authorised assessment Committee. For example, in tender 01/12, and this should be created and implemented.	A template has been created for the nomination and approval of Tender Evaluation Panels.	Procurement Manager	August 2014	Completed	
14	Low	That copies of emails related to tender process should be stored in easily accessible format, that is, not in "tmp" format. Recommendation 16 – low	Councils Document Management System captures emails in msg and htm file formats.	Procurement Manager	July 2014	Completed	
15	Low	That the title/position of each person should be included on the Conflict of Interests forms. For example, "Anthony Clarke" has signed a form for tender 01/12, but it is unknown who this person is (whether staff member or independent expert).	Conflict of Interest Form has been amended to require position and name to be completed.	Procurement Manager	July 2014	Completed	



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16	Low	That Conflict of Interests provisions should be revisited by the Tender Assessment Committee following the receipt of all submissions (after closing date), to capture any conflict of interests that arise with any tenderer and a written record retained on file.	Purchasing and Tendering Guidelines and Tendering Checklist and Workbook amended to require completion of Conflict of Interest Disclosure Form following receipt of tender submissions. Refer to Section 12.1.	Procurement Manager	August 2014	Completed	
17	Low	That it should be clearly documented when Tender Evaluation Committee members check for tenderer conformity.	Purchasing and Tendering Guidelines and Tendering Checklist and Workbook amended to clarify process relating to assessment of Tender conformity. Refer to Section 11.7.	Procurement Manager	October 2014	Completed	
18	Low	That any internal and external email correspondence regarding a tender, should include in the subject line of the email the relevant tender number	Purchasing and Tendering Guidelines amended to require reference to the Tender No in all correspondence. Refer to Section 13.3.	Procurement Manager	August 2014	Completed	
19	Low	That Council retain copies of the actual tender newspaper advertisement for example, on tender 02/13 and either retain the original or scan the documents into council's record keeping system.	Tendering Workbook and Checklist amended to require newspaper advertisement to be registered into Councils Document Management System.	Procurement Manager	August 2014	Completed	
20	Low	That non-price criteria and price criteria be separated when evaluating tenders and scoring	A new template has been developed concerning evaluation of price. Purchasing and Tendering Guidelines have been amended to separate evaluation of price and non price criteria. Refer to Section 11.4.3	Procurement Manager	August 2014	Completed	



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21	Low	That tender records must clearly indicate how pricing was assessed and scored. On the tenders reviewed it is unclear as to how pricing, including individual rates have been assessed and scored, that is whether individual pricing has been considered or just the lump sum value; or how additional cost-savings proposed by tenderers have been considered.	A new template has been developed for evaluation of price which provides guidance concerning assessment of pricing.	Procurement Manager	July 2014	Completed	
22	Low	That all tender documentation must be clear as to whether tender pricing is assessed including or excluding GST	Tender documentation updated to clarify all pricing is GST inclusive	Procurement Manager	July 2014	Completed	
23	Low	That guidelines be provided to members of Tender Evaluation Committees on how "price" is scored. The current 0-10 scoring criteria does not correspond to pricing for example, 0 = "does not meet requirements".	New template has been developed for evaluation of price which now ranks tenderers according to price.	Procurement Manager	July 2014	Completed	
24	Low	That price be either scored separately, or scored in exactly the same way to all other criteria (0-10) and this is to be addressed at the commencement of the tender evaluation process, prior to the closing of the tenders.	A new template has been developed concerning evaluation of price. Purchasing and Tendering Guidelines have been amended to separate evaluation of price and non price criteria. Refer to Section 11.4.3	Procurement Manager	August 2014	Completed	



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25	Low	That tenders were not always compliant with the Strathfield Council Purchasing and Tendering Guidelines which states at section 11.10 Tender Panels that "copies of all tender assessment matrixes completed by members of the tender assessment panel must be placed on the tender file with the names of the members noted on each". This should be checked for compliance by the Procurement Coordinator.	Tendering Workbook and Checklist amended to specify signed assessment matrixes to be registered on the tender file.	Procurement Manager	September 2014	Completed	
26	Low	That the tender assessment matrixes/score sheet be amended to include a provision for the tender Committee member's name, signature and date.	Tender assessment matrixes have been amended to clearly indicate that they must include the name and signature and date completed.	Procurement Manager	July 2014	Completed	
27	Low	That since there is no Tender Evaluation Report from the Tender Evaluation Committee, all members should sign the completed final Tender Evaluation sheet (which incorporates all scores) to reflect agreement on the final scores and ranking. It is recommended that a Tender Evaluation Report be implemented.	Tender Panel Evaluation Report template developed to document final scores and recommended tenderer. The report is signed by each Panel member.	Procurement Manager	September 2014	Completed	



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28	High	That both referee checks and a finance check should be conducted for all tender processes and for at least the highest ranked and/or preferred tenderer. At least two (2) referee checks should be conducted on referees as determined by the Tender Evaluation Committee, and in accordance with agreed questions. Results of the referee checks and finance checks should be documented and then circulated to all members of the Tender Evaluation Committee for their review and consideration. Agreement should be reached by the Tender Evaluation Committee as to the preferred tenderer following these checks, prior to completing the Report to Council recommending the tenderer. It is recommended that this agreement be a formal process which reflects the information available to each committee member and their agreement on the recommended tenderer in the absence of a Tender Evaluation Report.	Purchasing & Tendering Guidelines amended to require 2 reference checks and a financial check for the highest ranked/preferred tenderer with the result being provided to the Tender Evaluation Panel. Refer to Section 11.4.3. A reference check template has been developed. Tender Panel Evaluation report template developed which identifies highest ranked/preferred tenderer/s to enable reference/financial checks to be carried out. Results of reference/financial checks provided to Tender Evaluation Panel who then determine recommended tenderer.	Procurement Manager	July 2014	Completed	



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29	Low	That a standard minimum finance check be conducted for all tender processes to be determined by Strathfield Council. This could include a detailed financial check purchased through a broker. It is recommended that more detailed finance checks be undertaken for larger or higher value projects.	Purchasing and Tendering Guidelines amended to require that the Chief Financial Officer review the financial capacity of tenderers. Refer Section 11.4.3.	Procurement Manager	July 2014	Completed	
30	Low	That all procurement decision making should be formalised, signed and dated by the appropriate persons. There should be no handwritten notes from persons identified only by initials on council records.	Documentation has been amended to provide for name, signature and date to be completed.	Procurement Manager	August 2014	Completed	
31	Low	That the Report to Council for tender processes should also include: a) Tender number b) Details of referee checks results c) Details of financial checks results	Purchasing and Tendering Guidelines amended to require information to be included. Refer to Section 11.12. Council report template developed outlining information to be included.	Procurement Manager Governance Coordinator	October 2014	Completed	



**Attachment A - FINAL REVISED REPORT - SINC SOLUTIONS REVIEW OF PROCUREMENT SERVICES 4 JUNE 2014**  
**RECOMMENDATIONS AND ACTIONS**

Item Number	Rating	Report Recommendation	Corrective and Preventative Actions (what is to be done, how, what was completed, and what was checked)	Responsible Officer	Due Dates and Key Milestones	Current Status	Temporary Advisor Comments
32	Low	That the Tendering Checklist be reviewed to further break down the steps regarding the Tender Evaluation Committee. The Tendering Checklist currently has one step as: "Select Tender Evaluation Committee and arrange meeting to develop weighting criteria in order to assess tenders. Plan the date the Evaluation meeting will be held." This should be broken down into three (3) separate steps as they are significant to the entire process: 1) Select the Tender Evaluation Committee members, ensuring any conflict of interests are identified and managed; 2) Tender Evaluation Committee meet to develop weighting criteria prior to the closing of the tender; and 3) Tender Evaluation Committee set Evaluation meeting date/s.	Tendering Checklist and Workbook has been amended to clearly identify action to be taken.	Procurement Manager	July 2014	Completed	
33	Low	That the names of the Tender Evaluation Committee selected should be also included into the checklist as they are currently not recorded in any documentation.	Tendering Checklist and Workbook has been amended to include names of Tender Evaluation Panel members.	Procurement Manager	July 2014	Completed	



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34	Low	That the assessment criteria weightings should be determined at a formal meeting and records kept of the final weightings and authorisation by each member of the Tender Evaluation Team. There is currently no formal documented process for the Tender Evaluation Team to establish and determine the weightings for the tender assessment criteria.	Purchasing and Tendering Guidelines and Tendering Workbook and Checklist amended to require Tender Panel to formally approve weighting of criteria. Refer to Section 11.5.	Procurement Manager	July 2014	Completed	
35	Low	That the actual weightings be excluded from the public and retained by the Tender Evaluation Committee only. It is noted that the Purchasing and Tendering Guidelines refer to the weightings being included onto the tender documentation.	Purchasing and Tendering Guidelines and Tendering Workbook and Checklist amended to clarify weighting of criteria is not included in the tender documentation.	Procurement Manager	July 2014	Completed	
36	Low	That the Tender Evaluation Committee be determined and authorised at the same time the General Manager's approval is sought by memo to hold a tender process. Part of this memo could include the proposed Tender Evaluation Committee, which then also gains appropriate authorisation.	Tendering Workbook and Checklist amended and template developed to require appointment of Tendering Evaluation Panel members at the same time as approval to invite tenders.	Procurement Manager	July 2014	Completed	



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37	Low	That there be a proforma document for staff to use to complete the memo seeking the General Manager's authorisation to hold a tender process. This will ensure standard and complete information is included in this memo to the General Manager for all tender and EOI processes.	Template developed for General Manager authorisation to proceed with a tender.	Procurement Manager	July 2014		
38	Low	That Tender Evaluation Committee members' surnames (in addition to just a first name or initials) should always be included within all tender documentation, along with their position title, to ensure completeness of records.	Documentation has been amended to include name, signature and date.	Procurement Manager	July 2014	Completed	
39	Low	That RFT documentation be made clear as to what "necessary Licences and Registrations" are required by the tenderer for each tender. It is recommended that this be made clear as to what is required to be listed by each tenderer for their company <u>and</u> their subcontractors. This will also allow Council to check on the currency of the required licences and registrations.	Request to Tender template updated to provide further information concerning registration/licensing requirements. Refer to Identity of Tenderer p17, Schedule p29, Organisational Profile p30, Subcontractors p31.	Procurement Manager	October 2014	Completed	



**Attachment A - FINAL REVISED REPORT - SINC SOLUTIONS REVIEW OF PROCUREMENT SERVICES 4 JUNE 2014**  
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Item Number	Rating	Report Recommendation	Corrective and Preventative Actions (what is to be done, how, what was completed, and what was checked)	Responsible Officer	Due Dates and Key Milestones	Current Status	Temporary Advisor Comments
40	Low	That all draft tender documentation that requires approval by a particular staff member be officially approved by that person through memo, email, or other official means.	Tendering Checklist and Workbook amended to require formal approval of draft tender documentation.	Procurement Manager	September 2014	Completed	
41	Low	That all draft documentation be identified via version number so it is clear what document version a staff member has approved.	Tendering Checklist and Workbook amended to require that draft documentation be identified by a version number.	Procurement Manager	September 2014	Completed	
42	Low	That more than two (2) compliant companies should always be invited to tender following an Expression of Interest process. <u>All</u> compliant companies arising from the Expression of Interest process should also be invited to submit a tender.	Purchasing and Tendering Guidelines amended to require that all compliant submissions from an EOJ process be invited to tender and that a minimum of 3 be invited where possible. In exceptional circumstances, less than 3 can be invited. Refer to 11.1.	Procurement Manager	October 2014	Completed	
43	Medium	That the General Manager address the issues raised in this report regarding the Tender for the Provision of Audit Services with the Director Corporate Services.	Issues raised in connection with the Audit Services Tender addressed.	General Manager	February 2014	Completed	
44	Low	That Council considers all recommendations within this report and update any policy, procedures and templates as appropriate.	All recommendations considered and relevant documentation updated accordingly.	Director Corporate Services	November 2014	Completed	



**Attachment A - FINAL REVISED REPORT - SINC SOLUTIONS REVIEW OF PROCUREMENT SERVICES 4 JUNE 2014**  
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Item Number	Rating	Report Recommendation	Corrective and Preventative Actions (what is to be done, how, what was completed, and what was checked)	Responsible Officer	Due Dates and Key Milestones	Current Status	Temporary Advisor Comments
45	Medium	That the various actions listed within the report for Directors and Group Managers regarding the use of contractors, and the need to either run tender processes or further investigate contract variations should be actioned as a priority.	Report recommendations referred to all Directors. Training provided for all Directors and Managers concerning Tendering. Contract Management training provided for relevant staff. Quarterly monitoring of contractor expenditure has been implemented to identify possible non compliances.	Directors Managers Procurement Manager	June 2014	Completed	
46	Low	That Regular procurement monitoring be implemented for any preferred suppliers engaged under the recent Expression of Interest process, to ensure that across the entire Council total spend does not exceed \$150,000 for each contractor, and that staff are aware when the tender process should be initiated for work that would normally involve a preferred supplier.	Council has received legal advice that multiple separate engagements of Preferred Suppliers which results in exceeding \$150,000 total expenditure does not require a tender to be called. Quarterly monitoring of contractor expenditure will be carried out to highlight any possible expenditure which may require a tender to be carried out.	Legal Officer  Procurement Coordinator	August 2014	Completed	
47	Low	That all of the Strathfield Council tenders on the tender register would qualify as a Class 1 contract and therefore should appear on the Register of Government Contracts.	Contracts Register checked against Tender Register. All contracts updated. Legal Officer now responsible for reviewing Contracts Register and Tender Register on a monthly basis.	Legal Officer	July 2014	Completed	
48	Low	That future Council Annual Reports should accurately report all applicable contracts awarded for the period for \$150,000 and over, in accordance with the Local Government (General) Regulation 2005 clause 217 (a2).	Annual Report will include all contracts as per the Contracts Register.	Corporate Strategy Coordinator	November 2014	Completed	



**Attachment A - FINAL REVISED REPORT - SINC SOLUTIONS REVIEW OF PROCUREMENT SERVICES 4 JUNE 2014**  
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Item Number	Rating	Report Recommendation	Corrective and Preventative Actions (what is to be done, how, what was completed, and what was checked)	Responsible Officer	Due Dates and Key Milestones	Current Status	Temporary Advisor Comments
49	Low	That Council update its Contracts Register to include all applicable contracts awarded.	Contracts Register reviewed and updated. Updating of the register to be undertaken by the Legal Officer and reviewed on an monthly basis.	Legal Officer	July 2014	Completed	
50	Medium	That a regular audit be conducted on tender processes to ensure that they are compliant with legislation and Council procedures. This could be done by Council's Corporate Strategy Coordinator, Ms Cathy Jones.	Auditing of tender processes will be carried out on a 6 monthly basis. Audit Work plan endorsed by the Audit Committee.	Risk Management Coordinator	February 2015	Completed	
51	Low	That consideration be given to providing the Procurement Coordinator with additional formal procurement training and/or exposure to larger councils and their tender processes.	Procurement Coordinator has undertaken the following training/development May 2013 Certificate IV in Government October 2013 Tendering Requirement October 2013 Contract Management November 2013 Local Government Procurement Annual Conference. Further guidance and support provided by the Procurement Manager.	Procurement Manager	July 2014	Completed	
52	High	That Council consider the addition of a higher level Procurement Manager position in its Corporate structure with the position being organisationally focussed on strategic procurement. This position should review all purchasing within Council; ensure all staff involved in	Procurement Manager engaged in May 2014 to implement recommendations and provide strategic advice concerning Procurement.	Director Corporate Services	May 2014	Completed	



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		purchasing are compliant, and if not, take appropriate action to ensure compliance; conduct regular purchasing checks from purchase through to approval, receipt of goods and processing through Finance; and overview contract management and report discrepancies to the General Manager for action. The position would also focus on the strategic procurement of high spend items which is likely to provide significant savings for Council. It is recommended that this position would initially report directly to the General Manager and not to a Director. Council could still retain the current Procurement Coordinator position as an assistant role to the Procurement Manager position, and continue to run the tender processes and undertake general procurement administrative duties.					
53	Low	That Council consider the inclusion of a probity advisor/auditor on tender panels on an irregular basis to obtain valuable external feedback and review on procurement compliance.	Councils Risk Management Officer will act as Probity Advisor for tenders. Selected tenders are subject to external management and/or probity advice via organisations such as Local Government Procurement.	Procurement Manager	July 2014	Completed	



**Attachment A - FINAL REVISED REPORT - SINC SOLUTIONS REVIEW OF PROCUREMENT SERVICES 4 JUNE 2014**  
**RECOMMENDATIONS AND ACTIONS**

Item Number	Rating	Report Recommendation	Corrective and Preventative Actions (what is to be done, how, what was completed, and what was checked)	Responsible Officer	Due Dates and Key Milestones	Current Status	Temporary Advisor Comments
54	Medium	That Council continue to review and implement the report recommendations made by Mr Viv Hudson, and Ms Marnie Van Dyk, Risk Management Coordinator, as a matter of priority.	Recommendations implemented including new procedures concerning the issuing of Purchase Orders.	Procurement Manager	April 2014	Completed	



## Attachment B - Contact with IAB Regarding Performance Improvement Order

Date	Details	From
21/08/14	<b>1<sup>st</sup> Meeting with IAB</b>	
21/08/14	Request re OL G template for Implementation Plan	Council
26/08/14	Documentation re Appointment of Audit Committee emailed	Council
28/08/14	Copy of documentation re Appointment of Audit Committee provided	Council
28/08/14	Copy of documentation re ICAC Operation Torrens Recommendations and Actions provided	Council
28/08/14	Copy of documentation re ICAC Operation Centurion Recommendations and Actions provided	Council
28/08/14	Copy of documentation re Enterprise Risk Management provided	Council
28/08/14	<b>2<sup>nd</sup> Meeting with IAB</b>	
28/08/14	Copy of Independent Audit Committees in Public Sector Organizations received	IAB
28/08/14	Further request re OL G template for Implementation Plan	Council
11/09/14	<b>3<sup>rd</sup> Meeting with IAB</b>	
11/09/14	Sinc Solutions High and Medium rated Recommendations and Actions provided	Council
14/09/14	Various documents requested by IAB emailed	Council
16/09/14	Draft Performance Improvement Plan emailed	Council
24/09/14	Advice regarding changes to the format of the Performance Improvement Plan received	IAB



27/09/14	Draft Council report regarding Performance Improvement Plan emailed for comment.	Council
01/10/14	Comments received regarding draft report.	IAB
03/10/14	Final report regarding Performance Improvement Plan emailed.	Council
09/10/14	Documentation cross-referencing Evidence Supporting Need for Order emailed.	Council
13/10/14	Documentation verifying action taken in response to Sinc Solutions recommendations provided.	Council
17/10/14	<b>4<sup>th</sup> Meeting with IAB</b>	
17/10/14	Updated documentation concerning implementation of Sinc Solutions recommendations provided.	Council
21/10/14	Draft Council report regarding Performance Improvement Plan emailed for comment.	Council
31/10/14	Comments received regarding draft report.	IAB
10/11/14	Documentation concerning Tender No 4/2014 – Fogo provided	Council
18/11/14	Draft Council report regarding Performance Improvement Plan emailed for comment.	Council
18/11/14	Documentation regarding Performance Management system emailed.	Council
28/11/14	Comments received regarding draft report.	IAB
16/12/14	Letter to IAB concerning status of outstanding items	Council
19/12/14	Letter from IAB concerning status of outstanding items	IAB
23/12/14	Draft Council report regarding Performance Improvement Plan emailed for comment.	Council



09/01/2015	Letter from IAB concerning status of outstanding items	IAB
16/01/2015	Letter to IAB concerning status of outstanding items	Council
20/01/2015	Draft Council report regarding Performance Improvement Order emailed for comment	Council
22/01/2015	<b>5<sup>th</sup> Meeting with IAB</b>	IAB
29/01/2015	Comments received regarding draft report	IAB
03/02/2015	Councillor Briefing concerning the status of the matters set out in the Performance Improvement Order	Council/IAB
17/02/2015	Letter to IAB concerning status of outstanding items	Council
17/02/2015	Draft Council report regarding Performance Improvement Order emailed for comment	Council
27/02/2015	Comments received regarding draft report	IAB
20/03/2015	Meeting with IAB and InConsult regarding Procurement Review	Council
25/03/2015	Draft Council report regarding Performance Improvement Order emailed for comment	Council
01/04/2015	Comments received regarding draft report	IAB
27/04/2015	Draft Council report regarding Performance Improvement Order emailed for comment	Council
28/04/2015	Comments received regarding draft report	IAB
28/05/2015	Draft Council report regarding Performance Improvement Order emailed for comment	Council
29/05/2015	Comments received regarding draft report	IAB



04/06/2015	Draft Council report regarding Performance Improvement Order emailed for comment	Council
02/07/2015	Comments received regarding draft report	IAB



## **ATTACHMENT C TO SEPTEMBER 2014 PERFORMANCE ORDER MONTHLY REPORT**

### **AUDIT COMMITTEE APPOINTMENT PROCESS**

#### **TEMPORARY ADVISOR COMMENTS**

##### **Timeline of Actions Taken by Council**

- Council resolved to establish an Audit Committee in September 2013.
- Expressions of Interest for Appointment of Independent members of the Audit Committee closed 18 December 2013.
- Information Report provided to Councillors in May 2014 advising that the 3 applications received for appointment as Independent Members of the Audit Committee were considered to be suitable.
- Council resolved on 5 August 2014 to amend the Audit Committee Charter to provide for the appointment of 2 Councillors and 3 Independent members and Chairperson of the Committee.

##### **IAB Comments on Process**

As temporary advisor, IAB has reviewed the processes followed to appoint the audit committee members as required by the Performance Order. With the exception of the following two observations, the process was conducted appropriately.

1. Whilst the originally constituted Audit Committee Charter and the public advertisement for the available positions for independent members, specifically stated that committee membership would comprise 1 Councillor and 2 Independents, 2 Councillors and 3 Independent members were ultimately appointed. Whilst IAB agrees that this membership structure is neither unusual in the local government sector nor inconsistent with the Division of Local Government's Internal Audit Guidelines 2010, it did contravene the original Audit Committee Charter.

Further, there is no evidence available to demonstrate that the decision to alter the composition of the Audit Committee was made in consultation with Council. As noted above, the decision to appoint 2 Councillors and 3 Independents was made by the General Manager and put to Council in May 2014. A subsequent change to the Audit Committee Charter was therefore required and put to Council in August 2014.

2. One of the three subsequently appointed independent members, Nella Gaughan is currently co-chair of the "Save our Strathfield" resident group. Her application for appointment as an independent audit committee member appropriately declared her association with this group as a potential area of conflict. However, when the selected candidates were put to Council for endorsement in May 2014, this potential conflict was not disclosed as Council management had already considered that no conflict existed and therefore disclosure to Council was not necessary.



## Conclusion

Whilst the processes followed above could have been handled with greater transparency, neither ultimately impacted on the final composition of the Audit Committee with regards to independent members.

No further action to amend the composition of the Audit Committee is considered necessary.

A handwritten signature in black ink, appearing to read 'Rob McKimm', with a stylized flourish at the end.

Rob McKimm  
**DIRECTOR**



## **ATTACHMENT TO OCTOBER 2014**

### **PERFORMANCE ORDER MONTHLY REPORT**

#### **TEMPORARY ADVISOR COMMENTS**

During the month of October, IAB as temporary advisor, has continued to work with Council management on the following matters;

1. Ensuring outstanding recommendations from past reports as noted in the Performance Order have been adequately implemented, and
2. Commencing a walkthrough of the procurement process

#### **Outstanding Recommendations**

IAB has reviewed management's assessment of the implementation status of prior report recommendations. With regards to the Sinc Solutions report, IAB concurs with management's view that 48/54 of the recommendations have been implemented. Our assessment involved obtaining sufficient and appropriate evidence to demonstrate to implementation. As a result of our assessment we raised the following observations with management. Note that these observations did not impact on the assessment of completeness made by management.

1. Exploring the possible efficiencies of combining the tender and contracts registers
2. Ensuring the tender checklist includes reference to the Expression of Interest process.
3. Reference the tender evaluation matrix into the Procurement guidelines
4. Clarifying who should fulfil the role of the probity advisor during the tender evaluation stage and ensuring reference to the probity role is made in the procedural documents.

Management welcomed the opportunity to consider the above improvement observations.

Council management has also responded to the matters raised from prior reports which have been mapped to the Sinc Solutions report actions. Testing of the effectiveness of the remediation activities will be encompassed in the procedural walkthrough mentioned below.

#### **Procedural Walkthrough**

Despite the implementation of the above recommendations, IAB has commenced a process to 'walk' a sample set of transactions through the revised procurement process. The objective of this walkthrough is to assess whether the revised system controls have been embedded into the process. This work will continue into November and be reported upon as part of the next month's report.

#### **Other Matters**

The following other matters are noted;

1. With recent changes to Councillor's, audit committee membership and consequently the setting of an audit committee meeting has been affected. Management is aware of and is acting on the issue created by a Councillor audit committee member now being the Mayor.



2. The review of Council's Performance Management System is scheduled to be reviewed during November and will be reported in our next report.

A handwritten signature in black ink, appearing to read 'Rob McKimm', with a stylized flourish at the end.

Rob McKimm  
**DIRECTOR**

October 31, 2014





**ATTACHMENT TO JANUARY 2015**

**PERFORMANCE ORDER MONTHLY REPORT**

**TEMPORARY ADVISOR COMMENTS**

During the months of December 2014 and January 2015, IAB as temporary advisor, has continued to work with Council management principally on the following matters;

1. Ensuring outstanding recommendations from past reports as noted in the Performance Order have been adequately implemented,
2. Reviewing and providing commentary on Council's Performance Management Processes in accordance with the Section 6 of the Performance Order

**Outstanding Recommendations**

As in prior months, IAB has reviewed management's assessment of the implementation status of prior report recommendations. With regards to the Sinc Solutions report, there remains two matters (52/54) for Council to close. These matters relate to the conduct of regular audits over tendering and procurement processes. In my correspondence with Council dated 19 December 2014, I suggested that a suitable method to close out these items would be for Council to;

- Develop an audit work plan and 6 months review schedule for both areas
- Assign the conduct of the audit to a suitably qualified independent person
- Schedule on the Audit Committee's agenda to receive and approve the proposed work plan, agree the timing of the work and receive and note the full reports once completed.

At the date of this report, Council management is considering this option.

**Internal Audit Function**

During the period, I have discussed the status of the outsourcing of the internal audit function with Council management and I understand that tenders have been called and some submissions received. As part of completing Item 2 of the Order, it is expected that management will provide me with the results of their selection processes in the near future in order to close this requirement.

Item 4 of the Order requires Council to engage a suitably qualified person, approved by the temporary advisor, to conduct a review of the effectiveness of controls over procurement and expenditure. Management has informed me that they have included this requirement in the scope of work for the appointed internal auditor and I concur with that approach.



## **Performance Management System**

A key outstanding matter from prior reports was the review of Council's Performance Management System in accordance with the various components of Item 6 of the Order. During the review period, we were provided with the Office of Local Government's view on employment contracts and employee performance measures and subsequently with access to the necessary information in order to address this Item.

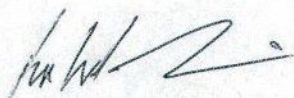
As a result of our review we have noted that Council is using the standard OLG Contracts of Employment for all senior employees including the General Manager. In all cases, the Employee Contract is supported by a documented Performance Agreement signed by the employee.

The Performance Agreements contained reference to the maintenance of internal controls including that of procurement and expenditure. We recommend that the components of these Performance Agreements be regularly reviewed to ensure they remain current and focussed on those areas specific to Council's business environment.

We have sighted evidence of the most recent senior management's performance review by the General Manager and the General Manager's performance review. We noted that an independent representative from Workplace Law was present at the 2013/2014 performance review and sighted a copy of the report from that organisation summarising observations and outcomes from that assessment.

Further, we sighted evidence of the General Manager's feedback to Directors on their performance. This feedback was sufficiently specific for the Director's to be quite clear about their areas for development. We recommend that the General Manager considers regularly reviewing the status of achievement of the areas of development and documents the results of those assessments.

As a result of our review of the Performance Management System, a number of the outstanding items in the Performance Report could be considered closed. We expect their status to be updated in the February 2015 report.



Rob McKimm  
**DIRECTOR**

29 January 2015





## **ATTACHMENT TO FEBRUARY 2015**

### **PERFORMANCE ORDER MONTHLY REPORT**

#### **TEMPORARY ADVISOR COMMENTS**

During the month of February 2015, IAB as temporary advisor, has continued to work with Council principally on the following matters;

1. Providing an update presentation to Councillors on the implementation progress of matters relating to the Performance Order
2. Reviewing the processes for appointing the internal audit and compliance review provider, and
3. Reviewing responses from Council's General Manager with regards to the recommendation made in the December 2014/January 2015 Temporary Advisor report.

#### **Outstanding Recommendations**

As in prior months, IAB has reviewed management's assessment of the implementation status of prior report recommendations. With regards to the Sinc Solutions report, there were two remaining matters relating to the conduct of regular audits over tendering and procurement processes which were closed during February 2015. We consider that all Sinc Solutions matters are now closed.

#### **Internal Audit Function**

I have reviewed the process to request tenders from suitable suppliers for the provision of Outsourced Internal Audit Services. The tender request also included the Compliance review noted at Item No. 4 of the Performance Order.

Based on the evidence provided, the process appears to have been conducted appropriately and as required by Item No. 4 of the Performance Order, I approve the appointment of InConsult to conduct the compliance review. Note that as Temporary Advisor, I was not required to approve the appointment of InConsult to provide internal audit services to Council.

#### **Performance Management System**

My January 2015 report contained two recommendations for management to consider to improve the Performance Management System. In brief these were;

1. that the components of the Performance Agreements be regularly reviewed to ensure they remain current and focused on those areas specific to Council's business environment, and
2. that the General Manager considers regularly reviewing the status of achievement of the areas of development and documents the results of those assessments.



Council's General Manager has considered these recommendations and responded in writing. There are no further outstanding matters with regards to the Performance Management System.

#### **Remaining Performance Order Requirements**

In order to ensure Item No 1 and 4 of the Performance Order are addressed appropriately, I intend to meet with InConsult to discuss their scope and objectives for the Compliance Review prior to its commencement. I will also monitor the results of the review.



Rob McKimm  
**DIRECTOR**

27 February 2015





**ATTACHMENT TO MARCH 2015**

**PERFORMANCE ORDER MONTHLY REPORT**

**TEMPORARY ADVISOR COMMENTS**

During the month of March 2015, IAB as temporary advisor met with Council Management and InConsult to discuss the scope and objectives of the Compliance Review required under the Performance Order.

It was agreed InConsult would provide IAB with the Terms of Reference of the review for my input as necessary. At the date of this report the document has not yet been received.

InConsult's Compliance Review is expected to occur during April. If available, the results of the review will be reported in the April Temporary Advisor report.

There are no other matters to report.

A handwritten signature in black ink, appearing to read 'Rob McKimm', with a stylized flourish at the end.

Rob McKimm  
**DIRECTOR**

1 April 2015





**ATTACHMENT TO APRIL 2015**

**PERFORMANCE ORDER MONTHLY REPORT**

**TEMPORARY ADVISOR COMMENTS**

During the month of April 2015, IAB as temporary advisor reviewed the Terms of Reference prepared by InConsult for the conduct of the Compliance Review. No changes were made to that document. At the date of this report, the review is in progress.

There are no other matters to report.

A handwritten signature in black ink, appearing to read "Rob McKimm", with a stylized flourish at the end.

Rob McKimm  
**DIRECTOR**

29 April 2015





**ATTACHMENT TO JUNE 2015 STRATHFIELD MUNICIPAL COUNCIL  
PERFORMANCE ORDER REPORT**

**TEMPORARY ADVISOR COMMENTS**

Pursuant to Section 438G of the Local Government Act 1993, IAB Services was appointed as a temporary advisor to Strathfield Municipal Council for the period of 12 months from the service of the order on the Council. The order was dated 24 July 2014.

IAB as temporary advisor, has worked with Council to complete all actions required to improve performance outlined in the order.

IAB has been given an opportunity to review the proposed compliance report and a copy of these comments should also be forwarded by Council to the Office of Local Government and Minister.

During the course of the order, the council, councillors and members of council staff have co-operated with the Temporary Advisor and have provided all information reasonably requested in order for us to discharge our responsibilities.

The requirements of the Performance Order are broadly defined within three key areas shown below together with our overall conclusion.

**1. Establish an Audit Committee and Internal Audit Function**

Strathfield Council now has an operational Audit Committee whose Charter aligns with guidance provided by the Office of Local Government. As Temporary Advisor we reviewed the appointment of Committee members and were ultimately satisfied with that process. The Committee met on a number of occasions during the year.

Further, after a competitive tender process reviewed by the Temporary Advisor, Council appointed InConsult to conduct a program of internal audits. The first of these audits was the compliance review referred to below.

**2. Establish Improved Internal Controls over procurement and expenditure on goods and services**

In the initial months of the Performance Order, Council focused on completing the 54 control recommendations made by Sinc Solutions. As Temporary Advisor, we reviewed the implementation of all 54 recommendations for action and were satisfied that they had been adequately and appropriately implemented. As part of our responsibilities during our appointment, we also worked with Council Management to further develop areas of control relevant to the procurement of goods and services.

Finally, we reviewed and were satisfied with the Terms of Reference for the required Compliance Review performed by InConsult. Their report highlighted that Council's procurement system controls had improved considerably over the past year. There were



8 recommendations made in the report; 5 moderate risk and 3 low risk. Each recommendation had been responded to by Council Management with responsibility and timing assigned. We reviewed the responses and where necessary sought assurances regarding the implementation of these recommendations and proposed timing. We were also satisfied that Council's proposed implementation and timing of further remedial actions was appropriate.

It is noted though that the due date for a number of the agreed actions extend beyond the completion date of the Performance Order. Council's Audit and Risk Committee should ensure that these matters are addressed as intended.

**3. Ensure the Performance Management Process includes Responsibility for Internal Controls**

IAB's January 2015 report contained two recommendations for management to consider to improve the Performance Management System. In brief these were;

1. that the components of the Performance Agreements be regularly reviewed to ensure they remain current and focused on those areas specific to Council's business environment, and
2. that the General Manager considers regularly reviewing the status of achievement of the areas of development and documents the results of those assessments.

Council's General Manager has considered these recommendations and responded in writing. There are no further outstanding matters with regards to the Performance Management System.

**Conclusion**

At the date of this report, we are of the opinion that Council has adequately addressed each of the Performance Order requirements. IAB recommends that the total final report, including these comments, now be tabled at Council and then forwarded to the Minister.



Robert McKimm  
**DIRECTOR**

1 July 2015



# Strathfield Council

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## **Internal Audit Report – Procurement Function Final**

24 May 2015

InConsult Pty Ltd

Prepared by: John Waghorn - Senior Consultant

Reviewed by: Mitchell Morley - Director



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## Internal Audit Report – Procurement Function

### Audit Objectives

The audit was designed to assess the implementation and effectiveness of Council's internal controls in ensuring that procurement and expenditure on goods and services complies with relevant statutory requirements and Council's policies, delegations and guidelines.

### Audit Scope

The scope of our review included an examination of:

- The current Procurement Policy and Purchasing and Tendering Guidelines
- The level of compliance with the Policy and Guidelines for the following methods of procurement
  - Tendering
  - Quotation
  - Credit card
  - Petty cash
  - Use of Local Government Procurement/ State Government Contract/ Procurement Australia arrangements including quotes from the supplier lists
  - Council preferred supplier/standing order arrangements including quotes from the supplier lists
  - Sole supplier arrangements for specialist services
  - Direct engagement for minor works
- Matching of payments received with purchase order amounts
- The extent of implementation of the recommendations from the SINC Solutions review of procurement

### Audit Timing

The audit planning commenced in early April 2015 and the field work was carried out at Council from 8 April to 10 April and from 28 April to 29 April.

The draft report was circulated to management in mid May 2015 and responses were incorporated into the final report.



## Audit Approach

Initial scoping meetings were held with Neale Redman, Director Corporate Services and Diane Ross, Procurement Specialist to help us understand Council's procurement processes and systems and to identify associated risks and controls.

We also reviewed Council's current Procurement Policy and Purchasing and Tendering Guidelines, a list of all creditor payments since 1 July 2014 and the recommendations from the SINC Solutions review.

Based on the outcome of these activities we developed a detailed audit program. We undertook detailed testing of the level of compliance with key controls by examining the following samples of transactions:

- Review of 5 recent tenders to ensure compliance with Council Policy and Government requirements
- Review of 62 creditor payments ensuring that procurement practices were adhered to. These were made up of:
  - 8 payments from existing contract arrangements
  - 14 payments from Local Government Procurement/ State Government Contract/Procurement Australia arrangements including quotes from the supplier lists
  - 9 payments from Council's preferred supplier/standing order arrangements including quotes from the supplier lists
  - 21 payments from specific supplier quotes ranging from \$500 - \$150,000
  - 5 payments from sole supplier arrangements for specialist services
  - 5 non EFT payments for refunds or minor service provision under \$500 where quotes were not required
- 5 credit card statements and associated purchases
- 4 petty cash recoupments and associated purchases
- Sample of 10 payments through the accounts payable system to ensure payment amounts are matched with purchase order amounts

We also verified that all of the recommendations relating to procurement from the SINC Solutions review conducted in 2014 have in fact been implemented.

## Summary of Audit Findings

### Positive Findings

Audit found that the Procurement systems in place at Strathfield Council had improved significantly over the past 12 months. Importantly, Council has implemented all of the recommendations from the SINC Solutions review of Procurement Services which was undertaken in the first half of 2014. Appendix 1 summarises the results of our verification review of the actions taken in response to the SINC Solutions review.

Many of the systems improvements have been paper based as Council's existing Fujitsu Accounting System is no longer being supported and consequently enhancements are not possible. The creation of



the role of Procurement Specialist has been pivotal to the improvements to the Procurement system. The current Procurement Specialist has extensive experience in both state and local government procurement and is eager to further enhance the efficiency and effectiveness of Council's Procurement systems.

Centralisation of the Procurement process has led to a significantly higher level of internal control being applied to the creation of purchase orders. All purchase requisitions are now being reviewed and signed off by the Procurement Specialist or Procurement Officer prior to the actual purchase order being finalised and sent to the supplier. All procurement documentation is now being retained in a separate folder in Council's Electronic Content Management system.

Our sample testing found a very high level of compliance with Council's Procurement Policy and Guidelines. In the few instances where there were non-conformances these were minor and reasonable explanations were provided.

The utilisation of Local Government Procurement, State Government and Procurement Australia contracts has also seen more regimen applied to the Procurement processes. In addition, preferred supplier and standing order arrangements have been established to streamline procurement arrangements. These arrangements are generally operating effectively and it has been indicated that they will be subject to regular review to ensure that they achieve the efficiencies for which they are designed.

#### Opportunities for Improvement

Whilst the audit revealed a high level of compliance with adopted procurement policies and procedures, we did identify a small number of opportunities to further tighten procurement controls and/or improve efficiency.

Council could improve its processes by creating supporting documentation for a number of aspects of the Procurement process. For example, there is currently no policy document covering the use of corporate credit cards. Similarly there is no documentation to guide Finance staff when the submitted tax invoice does not match the purchase order amount.

Council should also continue to monitor the use of preferred suppliers and standing orders to ensure that it is obtaining the best value for money for its purchases of goods and services under these arrangements.

It was noted during the audit that 2 tenders that closed on 15 November 2014 had still not been assessed and reported to Council. Delays of this extent could lead to the invalidation of the prices and conditions submitted by the tenderers at a cost to Council.

In total we identified 8 recommendations for improvement. The importance of these can be summarised as follows:

Total Recommendations	Breakdown of Recommendations by Importance Level			
	Extreme	High	Medium	Low
8	0	0	5	3



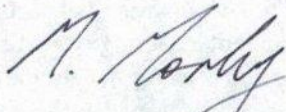
In determining the importance of each recommendation we used the following ratings scale:

Extreme	Key controls are not in place around a critical business function which is exposing Council to substantial risk. Immediate remediation action needed to bring controls to acceptable standards.
High	Significant control exposure was noted that could result in significant financial or reputational loss. Short term attention/review is required.
Medium	Isolated control gaps were noted, which if not addressed may in future lead to significant exposure.
Low	Minor control gaps and/or longer term opportunities for improvement were noted.

Please refer to Appendix 2 of this document for Detailed Findings.

### Acknowledgements

We would like to thank management and staff in the Procurement and Finance areas for their time and cooperation during the course of the audit.



.....  
Mitchell Morley, BEc, PMIIAA  
Director, InConsult

Sydney, May 2015



## Appendix 1: Internal Audit Verification of Relevant Actions in Response To - Sinc Solutions Review of Procurement Services 4 June 2014

Item No.	Rating	Report Recommendation	Corrective and Preventative Actions	Responsible Officer	Due Dates and Key Milestones	Current Status	Internal Auditor Comments
1	Low	That the new sub-delegations register should contain the specific clause number(s) of the each piece of legislation where relevant.	Council's sub delegation register currently includes the section/clause numbers of legislation for specific powers and functions. Delegations of general powers and functions refer to the legislation only.	Legal Officer	November 2014	Completed	Not checked as not part of the Procurement process
2	Low	That to reduce the risk of non-compliance with relevant delegation, a list of applicable delegations for an individual staff member should be available for each staff member to access and check, in addition to the Register of Delegations which contains all staff delegations. Council may wish to consider a database system of delegations where data can be downloaded as applicable at any time, or searches can be done, for example, on who has delegations for a particular piece of legislation.	All individual staff delegations are available. Staff are required to sign their individual delegation and are provided with a copy.	Legal Officer	July 2014	Completed	Not checked as not part of the Procurement process. Delegations of Authority for procurement of goods and services were reviewed and found to be appropriate.



Item No.	Rating	Report Recommendation	Corrective and Preventative Actions	Responsible Officer	Due Dates and Key Milestones	Current Status	Internal Auditor Comments
3	Medium	That the 'Contracts Register' does not correspond to the tender register. The 'Contracts Register' should be checked against the 'Tender Register' on a regular basis for accuracy. The 'Contracts Register' could be updated as a formal step in the contract engagement process.	Contracts Register checked against Tender Register. All contracts updated. Legal Officer now responsible for reviewing Contracts Register and Tender Register on a monthly basis.	Legal Officer	July 2014	Completed	Recently accepted tenders are in Contracts Register.
4	Low	That the Procurement Coordinator have a greater checking role in ensuring that all actions are complete, and physically sighted as complete, and noted accordingly in the checklist with applicable dates and notations. The review observed that the 'Tendering Checklist and Workbook' was used for most tenders reviewed but was not used as intended, or used to its full capacity and there are responsibilities and tasks listed for multiple staff. The Manager of the Tender should then sign the completed Tendering Checklist confirming that all actions have been completed.	Tendering Checklist and Workbook updated to require verification by Procurement Coordinator. Procurement Coordinator responsible for ensuring all processes are complied with and documentation completed.	Procurement Manager	July 2014	Completed	Updated Tendering Checklist and Workbook in place. Tendering Checklist and Workbook are being used for new tenders.



Item No.	Rating	Report Recommendation	Corrective and Preventative Actions	Responsible Officer	Due Dates and Key Milestones	Current Status	Internal Auditor Comments
5	Low	That the 'Tendering Checklist and Workbook' be reworded and formatted to allow quick checking off on processes to improve compliance and use of the 'Tendering Checklist and Workbook'. It is recommended that the wording be reduced in some areas and a tick box system be included. For example: "The Procurement Coordinator allocates a tender number and this is entered onto the tender register" <i>could read instead: Tender number allocated Tender register updated.</i> It is noted that the checklist already has a responsibility column.	Tendering Checklist and Workbook reformatted to improve use and compliance.	Procurement Manager	July 2014	Completed	Updated Tendering Checklist and Workbook in place. Tendering Checklist and Workbook are being used for tenders.
6	Medium	Expression of Interest procurement processes appear to be considered by Council as less compliant than tender processes, and does not always use the same procurement process as the tender system. Given that an Expression of Interest procurement process may result in a contract in excess of \$150,000, it is recommended that all	Purchasing and Tendering Guidelines amended to ensure consistency between EOI and Tendering processes. Refer to Part 8. Tendering Checklist and Workbook amended to include Expressions of Interest	Procurement Manager	July 2014  October 2014	Completed	Guidelines updated and a consistent process is being used. Tendering Checklist and Workbook now incorporates Expressions of Interest.



Item No.	Rating	Report Recommendation	Corrective and Preventative Actions	Responsible Officer	Due Dates and Key Milestones	Current Status	Internal Auditor Comments
		Expression of Interests processes follow the established tender process and use the same documentation. This should be reviewed again in six (6) months time.					
7	Low	<p>That the 'Request to Tender' template should be reviewed as follows:</p> <p>d) Page 28 – some guidance should be inserted for staff as to what "registration/licence number" information is applicable and to be specified.</p> <p>e) Page 29 – Referees – Council may wish to specify the number of referees to be included by the tenderer, and a comment that they may be contacted by Council.</p> <p>f) Page 30 – Financial Position – refer other comments within this report.</p>	<p>Request to Tender template updated to provide further information concerning registration/licensing requirements. Refer to Identity of Tenderer p17, Schedule p29, Organisational Profile p30, Subcontractors p31.</p> <p>Information regarding Referees updated. Refer to p30</p>	Procurement Manager	October 2014	Completed	Request to tender template updated as recommended.



Item No.	Rating	Report Recommendation	Corrective and Preventative Actions	Responsible Officer	Due Dates and Key Milestones	Current Status	Internal Auditor Comments
8	Medium	That the 'Procurement Policy' and the key requirements listed within should be disseminated to all staff on a regular basis. Council should consider regular procurement training or regular reminders in key compliance issues being sent to all Council staff involved in procurement.	Tendering training provided for all Directors and Managers in October/November 2013. Staff responsible for procurement have received training regarding Council policy and procedures. Reminders will be provided to staff on a regular basis.	Group Manager Organisational Performance	July 2014	Completed	Some procurement training provided between July and October 2014. Current Procurement Specialist provides face to face advice to staff re tendering procedures.
9	Low	That the 'Procurement Policy's' section on "Preferred Suppliers and Supply Contracts" should be reviewed following completion of the recent EOI process for preferred suppliers.	Policy reviewed and updated	Procurement Coordinator	November 2014	Completed	Procurement Policy updated and appears appropriate.
10	Low	That a regular audit be conducted on Council's use of suppliers listed as "Preferred Suppliers and Supply Contracts" to ensure compliance with the 'Procurement Policy' and contractual arrangements.	The use of Preferred Suppliers will be audited on a 6 monthly basis as part of Procurement auditing. Audit Work Plan endorsed by the Audit Committee.	Risk Management Coordinator	February 2015	Completed	Preferred supplier arrangements working effectively. 6 monthly audits by Risk Management Coordinator not checked.



Item No.	Rating	Report Recommendation	Corrective and Preventative Actions	Responsible Officer	Due Dates and Key Milestones	Current Status	Internal Auditor Comments
11	Medium	That the 'Purchasing and Tendering Guidelines', the 'Tendering Checklist, and Workbook' be reviewed in relation to the Financial Assessment process of the tenderers, and the contents of the Report to Council in relation to the Financial Assessment. Currently the guidelines (and tenders reviewed in practice) are unclear as to whether the financial assessment process refers to the assessment of the costs supplied by the tenderer to undertake the project, or the financial capacity of the tenderer to undertake the project. This may be better defined as two (2) distinct processes, as currently the review is unsure as to whether the financial capacity of the tenderer to undertake the project is adequately assessed.	Purchasing and Tendering Guidelines and Tender Checklist & Workbook amended to clarify assessment of price and financial capacity as separate processes. Refer to Section 11.4.3. Templates have been developed to separate the assessment of price and non price criteria.	Procurement Manager	July 2014	Completed	Assessment of pricing of the tenderer's bid is clearly separated from assessment of the financial capacity of the tenderer. Non price and price criteria are separately identified and assessed as per Guidelines and Checklist and Workbook.
12	Medium	That the 'Purchasing and Tendering Guidelines' be reviewed in relation to the allocation of weighting of assessment criteria. It is recommended that more	Purchasing & Tendering Guideline reviewed to provide further guidance concerning the allocation of weighting of assessment criteria. Refer to Section 11.5.	Procurement Manager	July 2014	Completed	Guidelines Section 11.5 appears adequate in conjunction with other changes to the tender



Item No.	Rating	Report Recommendation	Corrective and Preventative Actions	Responsible Officer	Due Dates and Key Milestones	Current Status	Internal Auditor Comments
		guidance be provided to staff, and/or examples provided.					assessment process and templates.
13	Low	That there is no document available to list the nominated and authorised assessment Committee. For example, in tender 01/12, and this should be created and implemented.	A template has been created for the nomination and approval of Tender Evaluation Panels.	Procurement Manager	August 2014	Completed	Template in place and being used.
14	Low	That copies of emails related to tender process should be stored in easily accessible format, that is, not in "tmp" format. Recommendation 16 – low	Councils Document Management System captures emails in msg and htm file formats.	Procurement Manager	July 2014	Completed	All documentation related to tenders is being captured and filed in Council's ECM system.
15	Low	That the title/position of each person should be included on the Conflict of Interests forms. For example, "Anthony Clarke" has signed a form for tender 01/12, but it is unknown who this person is (whether staff member or independent expert).	Conflict of Interest Form has been amended to require position and name to be completed.	Procurement Manager	July 2014	Completed	Conflict of Interest Form has been updated accordingly.



Item No.	Rating	Report Recommendation	Corrective and Preventative Actions	Responsible Officer	Due Dates and Key Milestones	Current Status	Internal Auditor Comments
16	Low	That Conflict of Interests provisions should be revisited by the Tender Assessment Committee following the receipt of all submissions (after closing date), to capture any conflict of interests that arise with any tenderer and a written record retained on file.  That it should be clearly documented when Tender Evaluation Committee members check for tenderer conformity.	Purchasing and Tendering Guidelines and Tendering Checklist and Workbook amended to require completion of Conflict of Interest Disclosure Form following receipt of tender submissions. Refer to Section 12.1.	Procurement Manager	August 2014	Completed	System is in place and operational as per Section 12.1 of Guidelines.
17	Low		Purchasing and Tendering Guidelines and Tendering Checklist and Workbook amended to clarify process relating to assessment of Tender conformity. Refer to Section 11.7.	Procurement Manager	October 2014	Completed	System is in place and operational as per Section 11.7 of Guidelines.
18	Low	That any internal and external email correspondence regarding a tender, should include in the subject line of the email the relevant tender number	Purchasing and Tendering Guidelines amended to require reference to the Tender No in all correspondence. Refer to Section 13.3.	Procurement Manager	August 2014	Completed	Section 14.3 of the Guidelines appears to adequately cover this recommendation.
19	Low	That Council retain copies of the actual tender newspaper advertisement for example, on tender 02/13 and either retain the original or scan the documents into council's record keeping system.	Tendering Workbook and Checklist amended to require newspaper advertisement to be registered into Councils Document Management System.	Procurement Manager	August 2014	Completed	Advertisements are being kept and filed in documentation management system.



Item No.	Rating	Report Recommendation	Corrective and Preventative Actions	Responsible Officer	Due Dates and Key Milestones	Current Status	Internal Auditor Comments
20	Low	That non-price criteria and price criteria be separated when evaluating tenders and scoring	A new template has been developed concerning evaluation of price. Purchasing and Tendering Guidelines have been amended to separate evaluation of price and non price criteria. Refer to Section 11.4.3	Procurement Manager	August 2014	Completed	Section 11.4.3 of the Guidelines and the assessment template have been amended accordingly.
21	Low	That tender records must clearly indicate how pricing was assessed and scored. On the tenders reviewed it is unclear as to how pricing, including individual rates have been assessed and scored, that is whether individual pricing has been considered or just the lump sum value; or how additional cost-savings proposed by tenderers have been considered.	A new template has been developed for evaluation of price which provides guidance concerning assessment of pricing.	Procurement Manager	July 2014	Completed	New template is in place and being used.
22	Low	That all tender documentation must be clear as to whether tender pricing is assessed including or excluding GST	Tender documentation updated to clarify all pricing is GST inclusive	Procurement Manager	July 2014	Completed	Included in Section 2.10 of the Request for Tender documentation.
23	Low	That guidelines be provided to members of Tender Evaluation Committees on how "price" is scored. The current 0-10 scoring criteria does not	New template has been developed for evaluation of price which now ranks tenderers according to price.	Procurement Manager	July 2014	Completed	New Pricing template in place.



Item No.	Rating	Report Recommendation	Corrective and Preventative Actions	Responsible Officer	Due Dates and Key Milestones	Current Status	Internal Auditor Comments
		correspond to pricing for example, 0 = "does not meet requirements".					
24	Low	That price be either scored separately, or scored in exactly the same way to all other criteria (0-10) and this is to be addressed at the commencement of the tender evaluation process, prior to the closing of the tenders.	A new template has been developed concerning evaluation of price. Purchasing and Tendering Guidelines have been amended to separate evaluation of price and non price criteria. Refer to Section 11.4.3	Procurement Manager	August 2014	Completed	New Pricing template in place.
25	Low	That tenders were not always complaint with the Strathfield Council Purchasing and Tendering Guidelines which states at section 11.10 Tender Panels that "copies of all tender assessment matrixes completed by members of the tender assessment panel must be placed on the tender file with the names of the members noted on each". This should be checked for compliance by the Procurement Coordinator.	Tendering Workbook and Checklist amended to specify signed assessment matrixes to be registered on the tender file.	Procurement Manager	September 2014	Completed	Checklist in place and being used. Assessment matrixes are signed off by all Tender Panel members.
26	Low	That the tender assessment matrixes/score sheet be amended to include a provision for the tender Committee member's name, signature and	Tender assessment matrixes have been amended to clearly indicate that they must include the name and signature and date completed.	Procurement Manager	July 2014	Completed	Name and signature being recorded on assessment matrixes.



Item No.	Rating	Report Recommendation	Corrective and Preventative Actions	Responsible Officer	Due Dates and Key Milestones	Current Status	Internal Auditor Comments
27	Low	date. That since there is no Tender Evaluation Report from the Tender Evaluation Committee, all members should sign the completed final Tender Evaluation sheet (which incorporates all scores) to reflect agreement on the final scores and ranking. It is recommended that a Tender Evaluation Report be implemented.	Tender Panel Evaluation Report template developed to document final scores and recommended tenderer. The report is signed by each Panel member.	Procurement Manager	September 2014	Completed	Tender Panel Evaluation Report template in place and being used.
28	High	That both referee checks and a finance check should be conducted for all tender processes and for at least the highest ranked and/or preferred tenderer. At least two (2) referee checks should be conducted on referees as determined by the Tender Evaluation Committee, and in accordance with agreed questions. Results of the referee checks and finance checks should be documented and then circulated to all members of the Tender Evaluation Committee for their review and consideration.	Purchasing & Tendering Guidelines amended to require 2 reference checks and a financial check for the highest ranked/preferred tenderer with the result being provided to the Tender Evaluation Panel. Refer to Section 11.4.3. A reference check template has been developed. Tender Panel Evaluation report template developed which identifies highest ranked/preferred tenderer/s to enable reference/financial checks to be carried out. Results of reference/financial	Procurement Manager	July 2014	Completed	Both referee checks and financial capacity checks are being conducted for the highest ranked tenderer.



Item No.	Rating	Report Recommendation	Corrective and Preventative Actions	Responsible Officer	Due Dates and Key Milestones	Current Status	Internal Auditor Comments
		Agreement should be reached by the Tender Evaluation Committee as to the preferred tenderer following these checks, prior to completing the Report to Council recommending the tenderer. It is recommended that this agreement be a formal process which reflects the information available to each committee member and their agreement on the recommended tenderer in the absence of a Tender Evaluation Report.	checks provided to Tender Evaluation Panel who then determine recommended tenderer.				
29	Low	That a standard minimum finance check be conducted for all tender processes to be determined by Strathfield Council. This could include a detailed financial check purchased through a broker. It is recommended that more detailed finance checks be undertaken for larger or higher value projects.	Purchasing and Tendering Guidelines amended to require that the Chief Financial Officer review the financial capacity of tenderers. Refer Section 11.4.3.	Procurement Manager	July 2014	Completed	Section 11.4.3 of the Guidelines appears adequate and is being implemented.
30	Low	That all procurement decision making should be formalised, signed and dated by the appropriate persons. There should be no handwritten notes	Documentation has been amended to provide for name, signature and date to be completed.	Procurement Manager	August 2014	Completed	Documentation updated and being utilised.



Item No.	Rating	Report Recommendation	Corrective and Preventative Actions	Responsible Officer	Due Dates and Key Milestones	Current Status	Internal Auditor Comments
		from persons identified only by initials on council records.					
31	Low	That the Report to Council for tender processes should also include: a) Tender number b) Details of referee checks results c) Details of financial checks results	Purchasing and Tendering Guidelines amended to require information to be included. Refer to Section 11.12. Council report template developed outlining information to be included.	Procurement Manager Governance Coordinator	October 2014	Completed	Report template includes this information as per Sections 11.11 and 11.12 of the Guidelines.
32	Low	That the Tendering Checklist be reviewed to further break down the steps regarding the Tender Evaluation Committee. The Tendering Checklist currently has one step as: "Select Tender Evaluation Committee and arrange meeting to develop weighting criteria in order to assess tenders. Plan the date the Evaluation meeting will be held." This should be broken down into three (3) separate steps as they are significant to the entire process: 1) Select the Tender Evaluation Committee members, ensuring any conflict of interests are identified and managed; 2) Tender Evaluation Committee meet to develop weighting criteria prior to the	Tendering Checklist and Workbook has been amended to clearly identify action to be taken.	Procurement Manager	July 2014	Completed	Separate procedures are in place and being implemented.



Item No.	Rating	Report Recommendation	Corrective and Preventative Actions	Responsible Officer	Due Dates and Key Milestones	Current Status	Internal Auditor Comments
		closing of the tender; and3) Tender Evaluation Committee set Evaluation meeting date/s.					
33	Low	That the names of the Tender Evaluation Committee selected should be also included into the checklist as they are currently not recorded in any documentation.	Tendering Checklist and Workbook has been amended to include names of Tender Evaluation Panel members.	Procurement Manager	July 2014	Completed	Procedures are in place and being implemented.
34	Low	That the assessment criteria weightings should be determined at a formal meeting and records kept of the final weightings and authorisation by each member of the Tender Evaluation Team. There is currently no formal documented process for the Tender Evaluation Team to establish and determine the weightings for the tender assessment criteria.	Purchasing and Tendering Guidelines and Tendering Workbook and Checklist amended to require Tender Panel to formally approve weighting of criteria. Refer to Section 11.5.	Procurement Manager	July 2014	Completed	Procedures are in place and being implemented.
35	Low	That the actual weightings be excluded from the public and retained by the Tender Evaluation Committee only. It is noted that the Purchasing and Tendering Guidelines refer to the weightings being included onto the tender documentation.	Purchasing and Tendering Guidelines and Tendering Workbook and Checklist amended to clarify weighting of criteria is not included in the tender documentation.	Procurement Manager	July 2014	Completed	Guidelines and Checklist have been amended accordingly and are being implemented.



Item No.	Rating	Report Recommendation	Corrective and Preventative Actions	Responsible Officer	Due Dates and Key Milestones	Current Status	Internal Auditor Comments
36	Low	That the Tender Evaluation Committee be determined and authorised at the same time the General Manager's approval is sought by memo to hold a tender process. Part of this memo could include the proposed Tender Evaluation Committee, which then also gains appropriate authorisation.	Tendering Workbook and Checklist amended and template developed to require appointment of Tendering Evaluation Panel members at the same time as approval to invite tenders.	Procurement Manager	July 2014	Completed	Approval to Invite Tenders template includes a section on tender panel composition.
37	Low	That there be a proforma document for staff to use to complete the memo seeking the General Manager's authorisation to hold a tender process. This will ensure standard and complete information is included in this memo to the General Manager for all tender and EOI processes.	Template developed for General Manager authorisation to proceed with a tender.	Procurement Manager	July 2014	Completed	Template in place and being used.
38	Low	That Tender Evaluation Committee members' surnames (in addition to just a first name or initials) should always be included within all tender documentation, along with their position title, to ensure completeness of records.	Documentation has been amended to include name, signature and date.	Procurement Manager	July 2014	Completed	Templates have been amended to include full details of panel members.



Item No.	Rating	Report Recommendation	Corrective and Preventative Actions	Responsible Officer	Due Dates and Key Milestones	Current Status	Internal Auditor Comments
39	Low	That RFT documentation be made clear as to what "necessary Licences and Registrations" are required by the tenderer for each tender. It is recommended that this be made clear as to what is required to be listed by each tenderer for their company and their subcontractors. This will also allow Council to check on the currency of the required licences and registrations.	Request to Tender template updated to provide further information concerning registration/licensing requirements. Refer to Identity of Tenderer p17, Schedule p29, Organisational Profile p30, Subcontractors p31.	Procurement Manager	October 2014	Completed	Template has been updated to request this information from tenderers and their contractors.
40	Low	That all draft tender documentation that requires approval by a particular staff member be officially approved by that person through memo, email, or other official means.	Tendering Checklist and Workbook amended to require formal approval of draft tender documentation.	Procurement Manager	September 2014	Completed	Checklist and Workbook amended accordingly.
41	Low	That all draft documentation be identified via version number so it is clear what document version a staff member has approved.	Tendering Checklist and Workbook amended to require that draft documentation be identified by a version number.	Procurement Manager	September 2014	Completed	Checklist and Workbook require documents to be identified by the version number.



Item No.	Rating	Report Recommendation	Corrective and Preventative Actions	Responsible Officer	Due Dates and Key Milestones	Current Status	Internal Auditor Comments
42	Low	That more than two (2) compliant companies should always be invited to tender following an Expression of Interest process. <u>All</u> compliant companies arising from the Expression of Interest process should also be invited to submit a tender.	Purchasing and Tendering Guidelines amended to require that all compliant submissions from an EOJ process be invited to tender and that a minimum of 3 be invited where possible. In exceptional circumstances, less than 3 can be invited. Refer to 11.1.	Procurement Manager	October 2014	Completed	Section 11.1 of the Guidelines addresses this recommendation.
43	Medium	That the General Manager address the issues raised in this report regarding the Tender for the Provision of Audit Services with the Director Corporate Services.	Issues raised in connection with the Audit Services Tender addressed.	General Manager	February 2014	Completed	Not reviewed by Internal Audit
44	Low	That Council considers all recommendations within this report and update any policy, procedures and templates as appropriate.	All recommendations considered and relevant documentation updated accordingly.	Director Corporate Services	November 2014	Completed	Policy, Guidelines, Checklists and Templates have all been updated as required.
45	Medium	That the various actions listed within the report for Directors and Group Managers regarding the use of contractors, and the need to either run tender processes or further investigate contract variations should be actioned as a priority.	Report recommendations referred to all Directors. Training provided for all Directors and Managers concerning Tendering. Contract Management training provided for relevant staff. Quarterly monitoring of contractor expenditure has been implemented to identify	Directors Managers Procurement Manager	June 2014	Completed	Quarterly monitoring of contractor expenditure is in place. Audit was advised that training programs were delivered in mid 2014.



Item No.	Rating	Report Recommendation	Corrective and Preventative Actions	Responsible Officer	Due Dates and Key Milestones	Current Status	Internal Auditor Comments
46	Low	That Regular procurement monitoring be implemented for any preferred suppliers engaged under the recent Expression of Interest process, to ensure that across the entire Council total spend does not exceed \$150,000 for each contractor, and that staff are aware when the tender process should be initiated for work that would normally involve a preferred supplier.	possible non compliances. Council has received legal advice that multiple separate engagements of Preferred Suppliers which results in exceeding \$150,000 total expenditure does not require a tender to be called. Quarterly monitoring of contractor expenditure will be carried out to highlight any possible expenditure which may require a tender to be carried out.	Legal Officer  Procurement Coordinator	August 2014	Completed	Quarterly monitoring of contractor expenditure in place. April 2015 report reviewed.
47	Low	That all of the Strathfield Council tenders on the tender register would qualify as a Class 1 contract and therefore should appear on the Register of Government Contracts.	Contracts Register checked against Tender Register. All contracts updated. Legal Officer now responsible for reviewing Contracts Register and Tender Register on a monthly basis.	Legal Officer	July 2014	Completed	All accepted tenders are now in Contract Register.
48	Low	That future Council Annual Reports should accurately report all applicable contracts awarded for the period for \$150,000 and over, in accordance with the Local Government (General) Regulation 2005 clause 217 (a2).	Annual Report will include all contracts as per the Contracts Register.	Corporate Strategy Coordinator	November 2014	Completed	Annual Report for 2013/2014 included section on contracts over \$150,000



Item No.	Rating	Report Recommendation	Corrective and Preventative Actions	Responsible Officer	Due Dates and Key Milestones	Current Status	Internal Auditor Comments
49	Low	That Council update its Contracts Register to include all applicable contracts awarded.	Contracts Register reviewed and updated. Updating of the register to be undertaken by the Legal Officer and reviewed on an monthly basis.	Legal Officer	July 2014	Completed	Contracts Register appears up to date.
50	Medium	That a regular audit be conducted on tender processes to ensure that they are compliant with legislation and Council procedures. This could be done by Council's Corporate Strategy Coordinator, Ms Cathy Jones.	Auditing of tender processes will be carried out on a 6 monthly basis. Audit Work plan endorsed by the Audit Committee.	Risk Management Coordinator	February 2015	Completed	InConsult audit examined tender process which is being correctly followed.
51	Low	That consideration be given to providing the Procurement Coordinator with additional formal procurement training and/or exposure to larger councils and their tender processes.	Procurement Coordinator has undertaken the following training/ development May 2013 Certificate IV in Government October 2013 Tendering Requirement October 2013 Contract Management November 2013 Local Government Procurement Annual Conference. Further guidance and support provided by the Procurement Manager.	Procurement Manager	July 2014	Completed	Procurement Specialist provides mentoring to the Procurement Coordinator.
52	High	That Council consider the addition of a higher level Procurement Manager position in its Corporate structure with	Procurement Manager engaged in May 2014 to implement recommendations and provide strategic advice	Director Corporate Services	May 2014	Completed	Procurement Specialist position created reporting to the Director



Item No.	Rating	Report Recommendation	Corrective and Preventative Actions	Responsible Officer	Due Dates and Key Milestones	Current Status	Internal Auditor Comments
		the position being organisationally focussed on strategic procurement. This position should review all purchasing within Council; ensure all staff involved in purchasing are compliant, and if not, take appropriate action to ensure compliance; conduct regular purchasing checks from purchase through to approval, receipt of goods and processing through Finance; and overview contract management and report discrepancies to the General Manager for action. The position would also focus on the strategic procurement of high spend items which is likely to provide significant savings for Council. It is recommended that this position would initially report directly to the General Manager and not to a Director. Council could still retain the current Procurement Coordinator position as an assistant role to the Procurement Manager position, and continue to run the tender processes and undertake general procurement	concerning Procurement.				Corporate Services. Current incumbent has extensive state and local government procurement experience. Role is focused on procurement strategy and policy and procedure development and oversight of procurement and tendering processes.



Item No.	Rating	Report Recommendation	Corrective and Preventative Actions	Responsible Officer	Due Dates and Key Milestones	Current Status	Internal Auditor Comments
53	Low	administrative duties. That Council consider the inclusion of a probity advisor/auditor on tender panels on an irregular basis to obtain valuable external feedback and review on procurement compliance.	Councils Risk Management Officer will act as Probity Advisor for tenders. Selected tenders are subject to external management and/or probity advice via organisations such as Local Government Procurement.	Procurement Manager	July 2014	Completed	Evidence sighted of Local Government Procurement management of tender for FOGO contract.
54	Medium	That Council continue to review and implement the report recommendations made by Mr Viv Hudson, and Ms Marnie Van Dyk, Risk Management Coordinator, as a matter of priority.	Recommendations implemented including new procedures concerning the issuing of Purchase Orders.	Procurement Manager	April 2014	Completed	New centralised purchase order procedures are in place and working effectively.



## Appendix 2: Detailed Internal Audit Findings

Finding 1: Tender Assessment		Priority: Medium
<p>Tender evaluation criteria were established for all tenders reviewed by audit. For the tenders that had been finalised, the Tender Evaluation Report clearly identified the supplier to be awarded the tender and that tender evaluation criteria were properly applied. Reports to Council were sighted for the 3 finalised tenders.</p> <p>There was no assessment on file for the 2 tenders which are still current. Tender submissions for both of these closed on 25/11/14 so it is now over 5 months after the tender submission closing date. One of these tenders was for options for food and organic material waste collection and disposal which is quite a complex tender while the other was for Media and Communication Services where two staff conflicts of interest were identified with one of the tenderers. Extended delays in finalising tenders could lead to the invalidation of the prices and conditions submitted by the tenderers.</p>		
<b>Recommendation</b>  1.1 Council should endeavour to finalise tenders as soon as possible after the tender submission period has closed and, in particular, should finalise evaluation of the two tenders currently still open as soon as possible.	<b>Person Responsible</b>	Director Corporate Services
	<b>Due Date</b>	31 July 2015
	<b>Management Comment:</b>	
	<p>Agreed. Tender 2014/04 - Collection and Processing of Food Organics / Garden Organics has been delayed as a result of the scale and complexity of the tender proposals received and the detailed analysis required for the submissions.</p> <p>Tender 2014/08 - Public Relations and Media Communications has been delayed as a result of staff turnover. It is anticipated that reports concerning the tenders will be submitted to the July 2015 Council Meeting.</p>	



## Finding 2: Managing Conflicts of Interest

**Priority: Medium**

The Procurement Policy and Purchasing and Tendering Guidelines outline the need for staff to declare a conflict of interest where one exists and how to address the conflict. In the tenders that were reviewed by audit there were two cases recorded of a conflict of interest being identified with a former employee now working for a tenderer for Council's Media and Communication Services.

It is evident that staff are aware of the requirement to declare their conflicts of interest and are completing the prescribed forms. In such cases these staff members should be removed from the tender evaluation process. There was no detail on the file of how these conflicts of interest were addressed by management as the tender has not been assessed as yet.

### Recommendation

2.1 Council should ensure that those staff members with a disclosed conflict of interest are removed from the Tender Assessment Panel deliberations for the tender.

**Person Responsible**

Director Corporate Services

**Due Date**

31 July 2015

**Management Comment:**

Agreed. Council's current procedures provide for the determination of any conflict of interest to be made by management. The matter referred to has now been determined with an alternate panel member appointed.



Finding 3: Local Government Procurement and State Government Contracts		Priority: Low
<p>Council regularly uses Local Government Procurement (LGP) to source preferred suppliers. State Government Contracts and Procurement Australia Contracts are also used where appropriate.</p> <p>LGP and State Government Contract references are included on the purchase order. However there is generally no evidence on the supplier invoice that the prices charged for the goods and services supplied are at or below the government contract rate. Council has recently changed its Procurement Policy to require competitive quotes for purchases over \$10,000 for goods and services supplied under LGP and State Government Contracts. Council is proposing to use Vendor Panel, an online procurement system, to assist in this regard.</p>		
Recommendation	Person Responsible	Procurement Specialist
<p>3.1 Where appropriate Council should continue to seek quotes from LGP and State Government Contract suppliers for supply of specific goods and services to ensure that Council is obtaining the LGP price or better through a competitive process. The proposed use of Vendor Panel is supported to achieve this outcome.</p> <p>3.2 Where these contracts are used, Council should verify that the price charged is at or below the contract rate</p>	Due Date	31 August 2015
	Management Comment:	
	<p>Agreed. Council currently utilises suppliers under LGP and State Government contracts. Council's Purchasing and Tendering Guidelines outline the use of Vendor Panel in this process as well as the requirement that prices being quoted are in accordance with the terms of the contract.</p>	



Finding 4: Preferred Supplier Panels		Priority: Low
<p>Strathfield Council has a range of preferred supplier panels for regularly sourced services and goods. Functional requirements and detailed specifications are developed prior to going to the market for companies to apply for inclusion on these Panels. Preferred Supplier Panels were selected in 2014 after expressions of interest. Standard hourly rates for services were sought by Council as well as annual fees for specific types of works.</p> <p>Some areas selected for preferred supplier arrangements do not warrant this status as the volumes of work are not sufficient for that type of service. In these cases individual job quotes should be called for these items in accordance with Council's Procurement Policy and Purchasing and Tendering Guidelines.</p>		
<p><b>Recommendation</b></p> <p>4.1 Council should review the range of preferred supplier arrangements and only seek expressions of interest where the frequency of work justifies going into preferred supplier arrangements.</p>	<b>Person Responsible</b>	Procurement Specialist
	<b>Due Date</b>	31 December 2015
	<b>Management Comment:</b>	
	Agreed. Council will ensure only appropriate procurement will be sourced via preferred supplier arrangements.	



Finding 5: Standing Order Purchases		Priority: Medium	
There is a risk that standing orders are used excessively to avoid standard procurement procedures exposing Council to risk of fraudulent activity and financial loss.			
Standing orders should be used for repetitively required services of the same nature. The level of standing order usage is currently being reviewed by the Procurement Specialist. The review is to be focused on determining the categories of goods and services that should be covered by standing orders.			
Recommendation		Person Responsible	Procurement Specialist
5.1 Council should review the categories of goods and services for which standing orders should be allocated.		Due Date	31 December 2015
		Management Comment:	
		Agreed. The types of goods and services for which standing orders are raised will be reviewed effective from 1 July 2015.	



### Finding 6: Multiple Purchases from the Same Supplier

**Priority: Medium**

There is a risk that procurement of multiple goods or services from the same supplier during the course of the year may result in expenditure exceeding the \$150,000 thresholds for calling of tenders. Council obtained legal advice in 2014 that it can issue a number of unrelated contracts to a single service provider where the value of each contract is less than \$150,000 but the aggregate value of all contracts issued to that service provider over time may be greater than \$150,000 without the requirement to call tenders. However, multiple contracts that exceed \$150,000 could potentially be the result of "order splitting" to avoid having to call tenders. It may also occur as a result of creating a standing order against which multiple purchases are charged.

Council has recently implemented a quarterly review of supplier payments that are over \$100,000 for the year to determine whether this is occurring. Review of the most recent report as at 14 April 2015 shows that all payments to service providers in excess of \$100,000 in the current year are justified by existing contracts or ongoing service supply arrangements pending decisions on future contract arrangements. If expenditure to any one supplier exceeds \$150,000 per annum Council should take steps to ensure that order splitting has not occurred and that no single good or service exceeds \$150,000.

#### Recommendation

6.1 Where the annual value of goods or services supplied by a single supplier not appointed via a tender process exceeds \$150,000, Council should take steps to ensure that order splitting has not occurred and that no single good or service exceeds \$150,000.

**Person Responsible**

Procurement Specialist

**Due Date**

31 December 2015

**Management Comment:**

Agreed. Council currently undertakes periodic review of expenditure by supplier to ensure that tendering requirements are being met.



### Finding 7: Corporate Credit Card Usage

Priority: Medium

Inadequate procedures covering Corporate Credit Card use could lead to potential for misuse of the cards.

There is no policy in place for corporate credit card use other than section 4.4 of the Purchasing and Tendering Guidelines. This is not detailed enough and does not impose any limits on the use of corporate credit cards. Audit testing revealed that one officer purchased goods for \$745 that should have been obtained by purchase order. It was noted that he had been instructed to comply with procurement policy in future. There were also two purchases by another officer over \$500. One was for a councillor computer for \$1199 and the other for \$3850 for 20 job advertisement credits for Hallmark Editions. Again these could have been acquired through the normal procurement systems.

Corporate Credit Cards are reconciled on a monthly basis. However, there is no overall authorisation of credit card usage other than the officer authorising their own expenditure.

#### Recommendation

7.1 Council should develop a detailed Corporate Credit Card Usage Policy.

7.2 The policy should require someone senior to the card holder to authorise payment of the monthly credit card accounts.

7.3 Council should regularly monitor corporate credit card purchases to ensure they are only used for purchases as per the Corporate Credit Card Policy.

Person  
Responsible

Director Corporate Services

Due Date

31 August 2015

Management Comment:

Agreed. Guidelines concerning the use Corporate Credit Cards will be implemented which address the issues identified.



#### Finding 8: Procurement Finalisation

Priority: Low

There is a risk that invoices are paid for amounts that exceed the purchase order price without appropriate authorisation.

If the invoice price is different to the purchase order price, the original purchase order is adjusted to the new price after authorisation by the purchasing officer provided it is within their approved delegation level. For part payments, the system records progressive totals and, when the order amount is exceeded, payment is referred back to the Authorising Officer to approve if it is a minor variation or to raise a new purchase order for standing orders for the balance of the period or services to be provided under the order.

Creditors staff generally refer invoices that significantly differ from the purchase order amount back to the authorising officer and Procurement Specialist if no comments about the reason for the difference are on the approval of the invoice. Creditors staff usually pay accounts where the difference is minor or attributable to reasonable freight or delivery costs not included on the purchase order.

There are no formal written guidelines to support these arrangements.

#### Recommendation

8. Council should develop formal guidelines for processing of invoices that do not match purchase orders. These should be incorporated into the Purchasing and Tendering Guidelines and made known to all staff with authority to sign off purchase orders and invoices.

Person Responsible

Director Corporate Services

Due Date

30 September 2015

Management Comment:

Agreed. Guidelines will be implemented to clarify the requirements.



