



## PROCUREMENT MANAGEMENT FRAMEWORK

Council’s procurement management framework and policy suite form the basis of Council’s procurement processes. Council must ensure compliance with the *Local Government Act 1993* (the Act), the *Local Government (General) Regulation 2021* (the Regulation) and other relevant legislation in relation to the procurement and tendering of goods and services.

**All procurement undertakings need to be efficient, effective, and fair.**

### 1. Definition

As a broad process, procurement involves

- planning – identifying business needs and analysing the market;
- sourcing – tendering and negotiating contracts; and
- managing – contract management and evaluating outcomes.

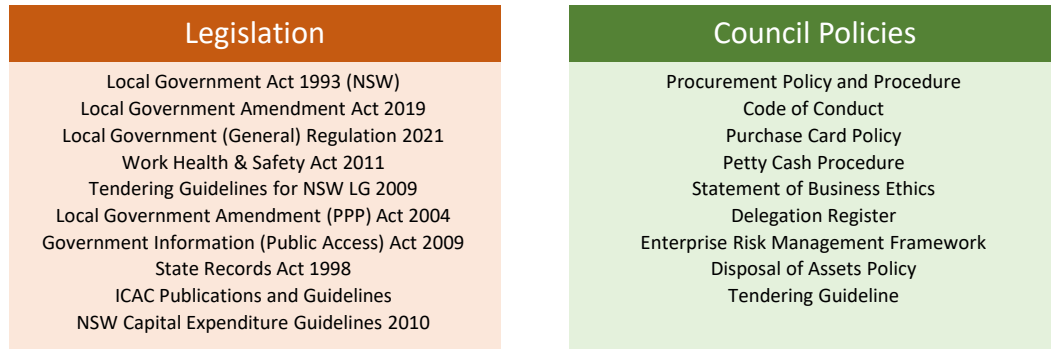
It includes the whole process of acquisition of external goods, services and works and spans the whole life cycle from the initial concept through to the end of the useful life of an asset or the end of a service contract.



Source: NSW Government Procurement Policy Framework.

## 2. Legislation and Council Policy

Council has developed its own procurement policies and procedures to expand on the legislative requirements.



## 3. Procurement Principles

General principles of effective procurement management and risk mitigation practices



### 3.1. Effective procurement

Important in ensuring Council

- Achieves its objectives;
- Demonstrates value for money; and
- Delivers benefits to the community when purchasing goods and services.

### 3.2. Importance of ethical and transparent public procurement

Ethical and transparent procurement

- Manages risk of corruption and fraud, enhances controls and compliance for managing cost, avoids costs to manage complaints and disputes;
- Maintains confidence in Council and Council's processes;
- Supports viability of the public marketplace;
- Prevents adverse media reports.

Achieving an ethical and transparent public procurement process requires that the procurement rules are

- Clear;
- Open;
- Well understood;
- Applied equally to all parties to the process.

It is important that Council is able to withstand reasonable scrutiny from the public, therefore our procurement processes must be conducted with fairness, impartiality and the highest standard of integrity. The higher the risk, value or project profile, the higher the focus on demonstrating transparent procurement. On the other hand, low value procurement involves relatively simple processes.

#### **4. Requirements for public tenders**

Section 55 of the Act details the requirements for tendering. Contracts of a certain value or more must follow the tendering requirements. This amount is referred to as the Tender Threshold. Until 24 June 2019 the tender threshold was \$150,000 and then increased to \$250,000 inclusive of GST with the introduction of an amendment to the Act. Part 7 of the Regulation specifies certain requirements for tendering. The *NSW Tendering Guidelines* cover the tendering process in detail. Council's own Tendering Guidelines are based on these.

Legislative requirements focus on the sourcing and assessing of tender offers. These requirements are outlined in:

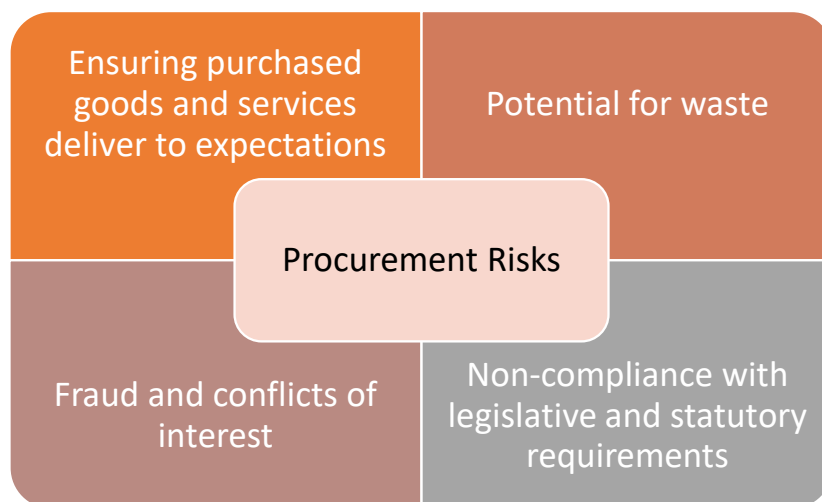
- Section 55 of the Act
- Part 7 and clause 217(1)(a2) of the Regulation
- Tendering Guidelines
- Part 3, Division 5 of the GIPA Act

#### **5. Requirements for publication of contract registers**

The *GIPA Act* requires that all government agencies including Councils publish a contract register. Part 3, Division 5, Sections 29 to 31 specify the mandatory information to be entered in this register. It applies to contracts with a value of \$150,000 inclusive of GST or more.

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

## 6. Risks and Risk Mitigation



### 6.1. Documented justification of procurement needs

Determining what goods and services an agency requires is the first step of procurement, and the scope for fraudulent behaviours in how need is determined is significant. Without documenting how procurement needs have been justified, Council cannot demonstrate that they fulfill business needs, nor how the procurement may link to Council's strategic plans to deliver to the community.

Councils can address this risk by building into the procurement planning process a requirement for officers to document the justification of procurement needs. For higher value procurements, this could be extended to include analysis of options, an assessment of risks and defining intended outcomes. Similarly, clearly establishing and documenting how relevant procurements relate to Council's community strategic plans or operational plans helps ensure transparency.

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

### 6.2. Segregation of duties

Segregation of duties is an effective control for reducing risks of error, fraud and corruption. It works on the principle that one person should not have end-to-end control of a process. Effective segregation of duties often involves managerial or independent oversight that is built into the process. There are particular risk implications for some types of procurement. This includes those involving low-value and high-volume transactions, restricted tenders, long-standing procurements and projects advocated by individual officers or Councillors. In cases where risks are low, monitoring officer's involvement in procurement may be a cost-effective alternative to total segregation of duties.

### 6.3. Assessment of supplier performance

Council needs to monitor and assess supplier performance to ensure suppliers deliver the goods and services as agreed. Contract monitoring includes ensuring timelines, funding, and legislative requirements are met. Conducting assessments and keeping records of supplier performance on all procurements does not need to be onerous, and provides useful information to inform future decision-making, including by helping ensure supplier pricing remains competitive, and avoiding re-engaging underperforming suppliers. The *NSW Government Procurement Policy Framework* requires that NSW Government agencies establish systems and processes jointly with the suppliers to ensure compliance with contract terms and performance requirements.

### 6.4. Centralised contract register

Centrally registering a contract provides improved transparency of procurement activities and facilitates monitoring and compliance checks. Council's central contract register is held by the Governance team.

### 6.5. Evaluation of community outcomes and value for money

Council procures to fulfill strategic and business plans and to fulfill commitments to the community. An outcome evaluation is an important way to demonstrate to the community that the intended benefits and value for money have been delivered. It can be a missed opportunity to understand the impact of Council's work on the community if evaluations of procurement outcomes are not completed. Evaluation findings are also valuable in guiding future resource allocation decisions.

Value for money in the procurement of goods and services is more than just having the specified goods delivered or services carried out. Value for money is not necessarily the lowest price, nor the highest quality good or service, but requires a balanced assessment of a range of financial and non-financial factors, such as quality, cost, fitness for purpose, capability, capacity, risk, total cost of ownership or other relevant factors.

### 6.6. Procurement training

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

#### Best practice approach to procurement training

- Training suite is available for staff and administered by a dedicated staff member who also monitors attendance and training needs;
- Officers must complete the training before they can take part in a procurement;
- Officers must complete the relevant training before they can be a member of a tender assessment panel;
- A list of all accredited officers is kept;
- Officers cannot access procurement files in Council's electronic records management system or procurement platforms until they have received training and have been approved for access by the trainer;

- Officers must be trained in procurement before they can receive a financial delegation.

## **7. Council Policy Suite**

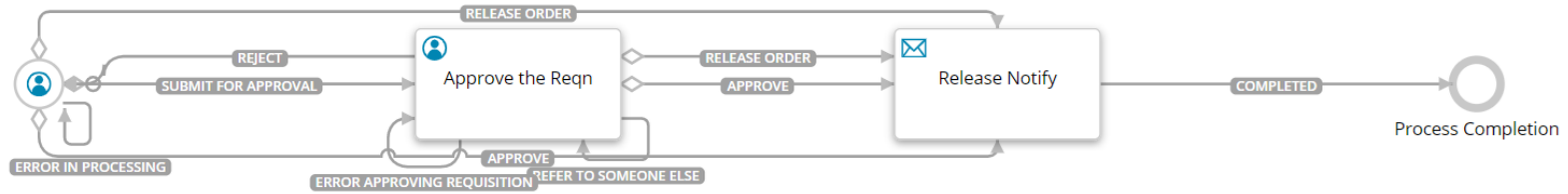
The following documents form part of Council's Procurement Manual:

- Procurement Policy – SVC-FIN-PO-049
- Procurement Procedure – SVC-FIN-PR-029
- Tendering Guideline – SVC-FIN-Gdl-030
- Purchase Card Policy – SVC-FIN-PO-036
- Disposal of Assets Policy – SVC-COR-PO-044
- Financial Delegations Register – updated July 2021
- Associated forms
- Order Terms and Conditions

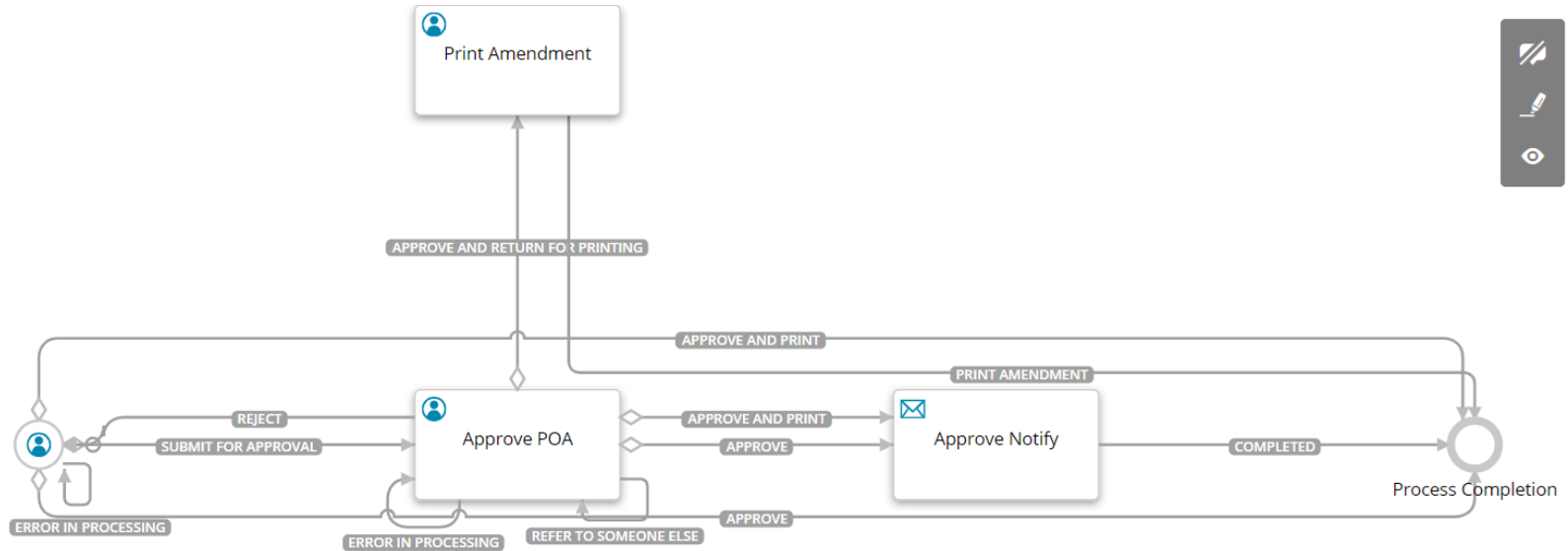


### 8. Existing TechOne processes and workflows

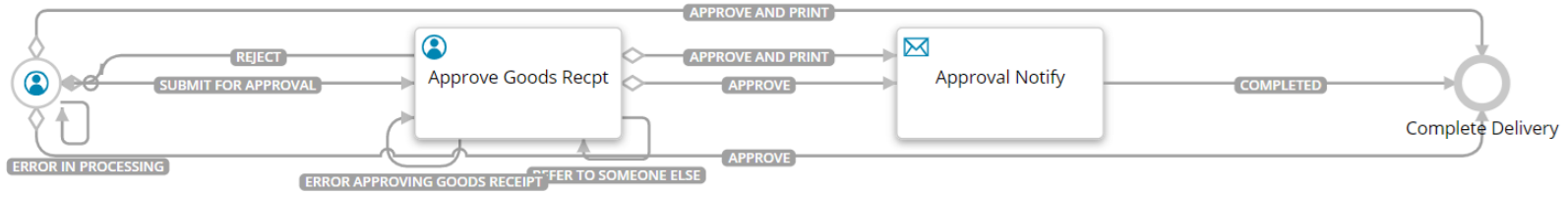
#### Purchase Requisition Map



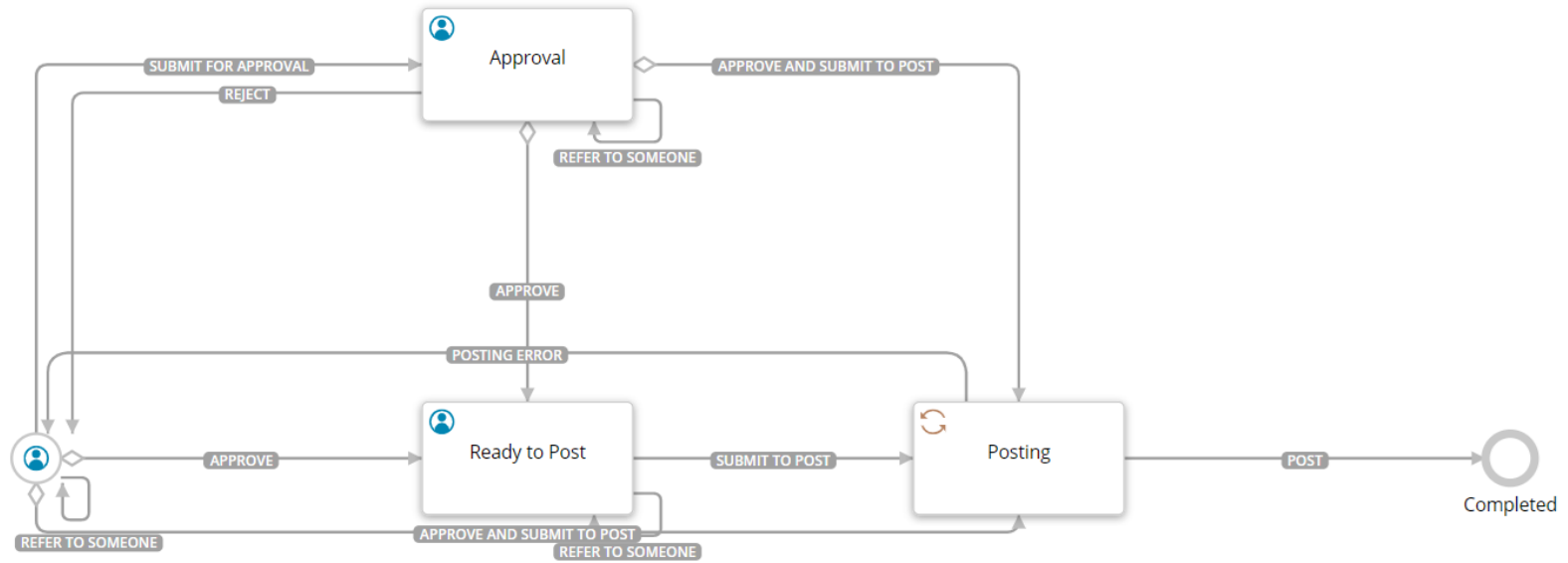
#### Purchase Amendment Map



### Receive Order



### Purchase Card







## 9. References

Government Information (Public Access) Act 2009  
ICAC – Supplier due diligence: A guide for NSW public sector agencies June 2020  
Local Government Amendment (PPP) Act 2004  
Local Government Amendment Act 2019  
NSW Audit Office – Credit card management in Local Government September 2020  
NSW Audit Office – Procurement management in Local Government December 2020  
NSW Audit Office – Report on Local Government 2018 February 2019  
NSW Capital Expenditure Guidelines 2010  
NSW Local Government Act 1993  
NSW Local Government (General) Regulation 2021  
OLG Circular 20-24  
OLG Circular 20-41  
State Records Act 1998  
Tendering Guidelines for NSW Local Government 2009  
NSW Guidelines on the Procedures and Processes to be followed by Local Government in Public-Private Partnership 2005  
Work Health & Safety Act 2011