



Tasmanian
Audit Office

Procurement in Local Government

Report of the Auditor-General
No.7 of 2020-21

Welcome and introduction



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Audit objective

The objective of the audit was to form a reasonable assurance opinion on each council's compliance with their procurement and reporting obligations under their respective Code, the LGA and LGR (the requirements).

Councils examined were:


- Break O'Day
- Derwent Valley
- Glamorgan Spring Bay



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Scope

- Each council's Code, procurement policies, processes and annual reports were examined.
- Annual reports were examined for the financial years ended 30 June 2017, 2018 and 2019.
- Payments made in the financial year ended 30 June 2019 were obtained and a sample of procurements related to these payments selected for testing.


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Qualified audit opinion – Break O’Day Council

Council complied with the requirements, in all material respects, throughout the specified period, except for:

- Providing documentary evidence that written quotations were sought for all 12 procurements that required quotations
- Identifying staff procurement skills gaps and providing staff with formal procurement training.


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Qualified audit opinion – Derwent Valley Council

Council complied with the requirements, in all material respects, throughout the specified period, except for:

- Not providing or adequately documenting the justification for its decision not to follow the recommendation of the tender evaluation panel (two instances)
- A Derwent Valley Council Special Committee not seeking written quotations before awarding a contract (one instance)
- Not providing documentary evidence that quotations were sought for 33 out of 35 procurements that required quotations
- Not identifying and addressing staff procurement skills gaps through formal training.

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Adverse audit opinion – Glamorgan Spring Bay Council

I did not express an opinion on Glamorgan Spring Bay Council's compliance with the requirements throughout the specified period because Glamorgan Spring Bay Council could not provide the majority of the records of procurement and training activity requested.

Evidence obtained also showed Glamorgan Spring Bay Council did not comply with its annual reporting requirements for procurements exceeding public tendering thresholds.

Audit criteria

1. Did council's policies and procedures comply with the LGA and LGR procurement requirements?
2. Did council have an effective approach to procurement that complied with the LGA, LGR and demonstrated good practice?
3. Did council ensure staff were well-trained in procurement?

Break O'Day Council

Findings and recommendations

Did policies and procedures comply with LGA and LGR procurement requirements?

- Council's Code complied with LGA and LGR in nearly all respects and was publicly accessible.
- Limited additional procurement policy and procedures had been produced, with some procedures not covering all the activities required by the LGA and LGR.

Procurement approach complied with the LGA, LGR and demonstrated good practice?

- Compliance with public tendering requirements, but inadequate record keeping meant compliance with requirements for seeking written quotations could not be assessed.
- A significant variation to a contract was approved with limited documentation of the rationale for the approval.
- Documented procedures existed for the receiving, evaluation, awarding and debriefing of tenders, although information was limited on some requirements.

Procurement approach complied with the LGA, LGR and demonstrated good practice?

- Annual reporting requirements were complied with.
- Monitoring to ensure procurements had been through an appropriate process was undertaken, though processes did not fully comply with the LGR monitoring requirements.

Were staff well-trained in procurement?

- Staff would benefit from more support through training, guidance and templates to carry out procurements appropriately.
- Processes existed for staff to declare conflicts of interest for procurements.

Recommendations - Break O’Day Council

1. Ensure its policy on the use of multi-stage tenders includes all information required by regulation 26.
2. Ensure accessible records are maintained for all procurements meeting quotations thresholds, ideally through a central repository.
3. Document the rationale for decisions where procurement thresholds are not complied with, for example, in approving significant contract variations.

Recommendations - Break O’Day Council

4. Enhance procurement monitoring procedures to ensure they fully comply with regulation 28(k), particularly in relation to major procurements.
5. Support staff carrying out procurements in compliance with the LGA, LGR and the Code by providing them with documented processes, guidance and templates.
6. Ensure all staff carrying out procurement have requisite skills and capabilities, with training provided through a structured training program.

Derwent Valley Council


Findings and recommendations



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Did policies and procedures comply with LGA and LGR procurement requirements?


- Council's Code complied with the LGA and LGR and was publicly accessible.
- Procurement policies and procedures complied with the LGA, LGR and the Code, though some were overdue for review.
- Processes for reporting on procurements where a tender or quotation process was not used were adequately documented.



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Procurement approach complied with the LGA, LGR and demonstrated good practice?

- Whilst there was compliance with public tendering requirements, inadequate record keeping meant compliance with requirements for seeking written quotations could not be assessed.
- There was no formal mechanism to review variations requests to assess if further disclosure or procurement processes were required.
- Some procurements did not follow documented procurement processes.



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Procurement approach complied with the LGA, LGR and demonstrated good practice?

- Appropriate processes were in place, in most respects, for the receiving, evaluation, awarding and debriefing of tenders.
- Annual reporting requirements were complied with in material respects.
- Evidence of ongoing monitoring of procurement activity to ensure compliance was limited.

Were staff well-trained in procurement?

- Staff procurement skills were not identified and staff did not have access to procurement training.
- Documented processes, guidance and templates supported staff undertaking procurement.
- Processes existed for staff to declare conflicts of interest for procurements.

Recommendations - Derwent Valley Council

1. Explore opportunities for rationalising the number of procurement policies and procedures to improve efficiency.
2. Develop a process to ensure compliance with annual reporting requirements for all contracts falling within the relevant threshold.
3. Ensure accessible records are maintained for all procurements meeting quotations thresholds, ideally through a central repository.
4. Introduce stronger controls for raising and authorising purchasing orders.

Recommendations - Derwent Valley Council

5. Establish processes for documenting rationale for approving contract variations rather than proceeding with a new procurement when the variation amount falls within the threshold for public tenders and quotations.
6. Ensure decisions to award contracts contrary to evaluation panel's recommendation comply with established procurement policy and processes.
7. Establish arrangements for ongoing monitoring or review of procurement activity to confirm correct processes are followed and there is compliance with the LGA, LGR and Code.
8. Ensure all staff carrying out procurement have requisite skills and capabilities, with a structured training program provided.

Glamorgan Spring Bay Council

Findings and recommendations

Did policies and procedures comply with LGA and LGR procurement requirements?

- Council's Code complied with the LGA and LGR and was publicly accessible.
- Council was unable to provide us with the evidence we requested for us to assess whether policies and procedures in relation to procurement were compliant with the Code, LGA and LGR or whether adequate procedures were established to document, review and report purchases of goods and services where a public tender or quotation process were not used.

Procurement approach complied with the LGA, LGR and demonstrated good practice?

- Council was unable to provide us with records of procurement activity to enable us to form an opinion.
- Annual reporting requirements were not complied with.

Were staff well-trained in procurement?

- Council was unable to provide us with evidence to enable us to form an opinion.

Recommendations – Glamorgan Spring Bay Council

1. Introduce a centrally maintained document management system and maintain complete procurement records to evidence compliance with the LGA, LGR and Code and to enable effective procurement and contract monitoring and management.
2. Ensure all procurements exceeding the reporting threshold prescribed in the LGA and LGR are included in annual reports.

Break O'Day Council response

- Overall, Council accepted the audit findings.
- However, Council expressed concern about the ability of a council of its size, resources and level of procurement to address some of the audit findings and recommendations.

Auditor-General's rejoinder:

- Pleased Break O'Day Council accepted the majority of findings.
- Do not believe significant resources would be required to implement the recommendations.

Derwent Valley Council response

- Accepted the audit findings and recommendations
- Outlined work Council is undertaking to implementing a new finance system with stronger controls, review its record keeping practices and invest in staff training.
- Confirmed any future deviations from the recommendation of the tender evaluation panel would be recorded in open and in accordance with Council's Tender Procedure.

Glamorgan Spring Bay Council response

- Accepted the findings and recommendations of the audit
- Outlined work Council is undertaking to review its Code, draft a new Purchasing Policy and invest in new systems and processes, which would assist in addressing the short comings identified through the audit process.

Minister's response

- Takes matters of council compliance very seriously and was concerned to read some of the findings, particularly those relating to Glamorgan-Spring Bay Council and Derwent Valley Council. Accordingly, the Minister will be contacting each council to discuss their proposed responses to the recommendations contained in the final Report as tabled.
- With regard to Glamorgan Spring Bay Council, the Minister and Director of Local Government have taken a number of steps recently to support the Council to improve its governance, financial, and operational capabilities and its long-term planning.

Premier and Treasurer's response

- Notes the audit findings in relation to the compliance of Break O'Day Council, Derwent Valley Council and Glamorgan Spring Bay Council with their procurement obligations under their Code for Tenders and Contracts, the LGA and LGR.
- Given the information contained in the summary report, supports the recommendations made to each council.

Thank You
