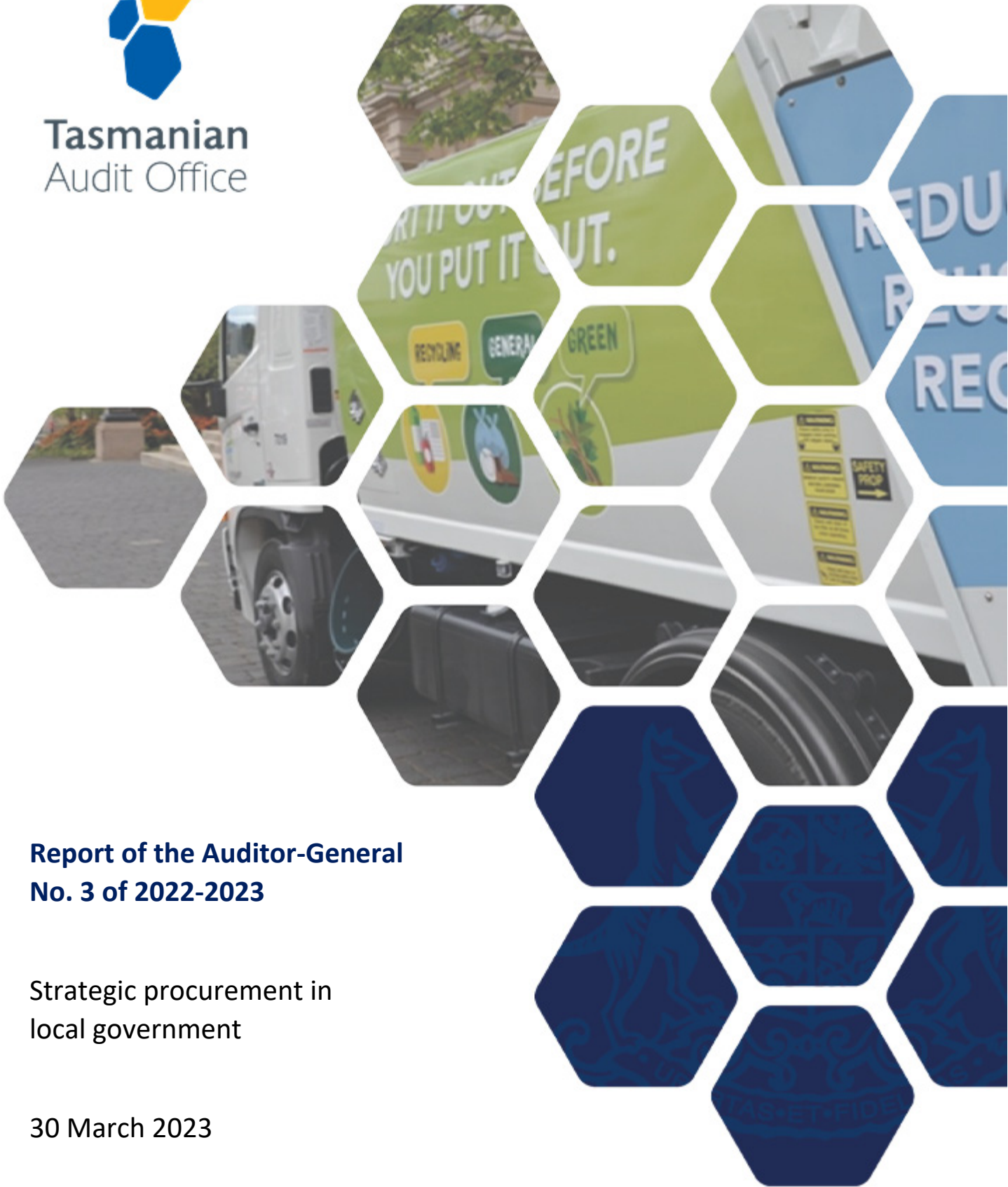




Tasmanian
Audit Office



**Report of the Auditor-General
No. 3 of 2022-2023**

Strategic procurement in
local government

30 March 2023

Our role

The Auditor-General and Tasmanian Audit Office are established under the *Audit Act 2008*. Our role is to provide assurance to Parliament and the Tasmanian community about the performance of public sector entities. We achieve this by auditing financial statements of public sector entities and by conducting audits, examinations and investigations on:

- how effective, efficient, and economical public sector entity activities, programs and services are
- how public sector entities manage resources
- how public sector entities can improve their management practices and systems
- whether public sector entities comply with legislation and other requirements.

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2023
PARLIAMENT OF TASMANIA

Strategic procurement in local government

30 March 2023

Presented to both Houses of Parliament pursuant to
Section 30(1) of the *Audit Act 2008*

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ISBN: 978-0-6455514-1-9



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30 March 2023

President, Legislative Council
Speaker, House of Assembly
Parliament House
HOBART TAS 7000

Dear President, Mr Speaker

Report of the Auditor-General No. 3 of 2022-2023 – Strategic procurement in local government

This report has been prepared consequent to examinations conducted under section 23 of the *Audit Act 2008*. The objective of the audit was to examine how local government councils derive value from procurement that benefits the council, suppliers and the community.

Yours sincerely

Rod Whitehead
Auditor-General

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Foreword

This is my third audit report examining procurement in local government since 2019. The first 2 audit reports assessed selected councils' compliance with procurement and reporting obligations under their respective Codes for Tenders and Contracts, the *Local Government Act 1993* and *Local Government (General) Regulations 2015*.

This audit took a different approach from the first 2 audits and focused on strategic procurement in local government, with an emphasis on assessing how councils determined and monitored value from procurement. In particular, the audit examined how councils used procurement to help achieve their strategic goals and objectives and derive greater benefit for the council, suppliers and the community.

While the findings and recommendations in this report apply only to the 6 councils subject to this audit, my hope is that it starts a broader conversation on strategic procurement and encourages all councils to consider how they can derive more value from procurement.

I thank the councils involved, the Office of Local Government and the Local Government Association of Tasmania for their cooperation throughout the audit.



Rod Whitehead
Auditor-General

30 March 2023

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Independent assurance report

This independent assurance report is addressed to the President of the Legislative Council and the Speaker of the House of Assembly. It relates to my audit of the effectiveness of councils' strategic approach to procurement.

Audit objective

The objective of the audit was to examine how local government councils derived value from procurement that benefited the council, the supplier and the community.

Audit scope

The audit examined procurement activities conducted by selected councils in the financial years ended 30 June 2021 and 2022. These time periods are referred to collectively as the 'specified period'.

The councils subject to audit (hereafter referred to as 'councils') were:

- Burnie City
- Hobart City¹
- Launceston City²
- Tasman
- Waratah-Wynyard
- West Tamar.

While the focus of the audit was on procurement activities in the specified period, it also considered council procurement initiatives planned or in development.

Audit approach

The audit was conducted in accordance the Australian Standard on Assurance Engagements ASAE 3500 *Performance Engagements* issued by the Australian Auditing and Assurance Standards Board, for the purpose of expressing a reasonable assurance opinion.

The audit evaluated the following criteria:

1. Have councils identified strategies to achieve value through procurement?
 - 1.1. Have councils considered how they derive value from procurement?
 - 1.2. Were strategies to derive value from procurement aligned with council strategic goals and objectives?

¹ Branded as City of Hobart.

² Branded as City of Launceston.

2. Have councils effectively embedded strategies to achieve value in their procurement processes?
 - 2.1. Have councils implemented strategies to achieve value through procurement effectively?
 - 2.2. Was training or guidance provided to staff on how to derive value from procurement effective?
 - 2.3. Are elected members following strategies to achieve value from procurement?
3. Have councils effectively monitored value derived from procurement?
 - 3.1. Have councils assessed the value derived from procurement?
 - 3.2. Have councils looked to continually improve how they obtain value from procurement?

Audit observations and findings were based on information and evidence obtained through:

- discussions with relevant council staff involved in procurement activities
- examining corroborative documentation such as the Code for Tenders and Contracts (Code), procurement strategies, policies, procedures, templates and council minutes.

Responsibilities of each council

The following functions of a council are contained in section 20 of the *Local Government Act 1993* (LGA):

- to provide for the health, safety and welfare of the community
- to represent and promote the interests of the community
- to provide for the peace, order and good government of the municipal area.

In performing its functions, a council is to consult, involve and be accountable to the community. Councillors are also required to comply with a Code of Conduct that sets out standards of behaviour with respect to all aspects of their role. The Code of Conduct acknowledges the importance of high standards of behaviour in maintaining good governance and supports each councillor's primary goal of acting in the best interests of the community.

Section 66 of the LGA requires each council to prepare a strategic plan for the municipal area for at least a 10-year period.

In relation to procurement, sections 333A and 333B of the LGA require each council to maintain a Code and comply with that Code when acquiring goods and services.

Responsibility of the Auditor-General

My responsibility was to express a reasonable assurance opinion on the effectiveness of councils' approach to deriving value from procurement.

Independence and quality control

I have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* in undertaking this audit.

Conclusion

It is my conclusion that councils, as measured against the audit criteria were, in all material respects, effective in identifying, embedding and monitoring strategies to derive value through procurement.



Rod Whitehead
Auditor-General

30 March 2023

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Executive summary

Summary of findings

All councils are required to undertake procurement in accordance with the LGA, *Local Government (General) Regulations 2015* (LGR) and their individual Codes. The intent of this audit was to assess whether councils implemented strategies to derive value through procurement beyond compliance with legislative requirements, with consideration to their resources and operational challenges. The priorities and resourcing for procurement at larger city councils will be different to smaller regional councils, however, all must meet legislative requirements.

Strategies to achieve value

Councils broadly articulated how to achieve value from procurement in their Codes and/or procurement policies, sustainability strategies and annual plans. While evidence for a few councils was limited, all had processes for selection of the best supplier that considered elements beyond cost considerations, such as value for money.

Only one of the 6 councils demonstrated better practice by implementing a 4-year procurement strategy which identified how procurement would be conducted in compliance with legislation while realising economic, social and environmental benefits. The procurement strategy provided benefits for the council and enhanced supplier engagement.

While the remaining 5 councils had not developed a procurement strategy, all had articulated how they achieved value in procurement in their Code and/or their procurement policies and procedures.

All councils had strategic plans which outlined their goals and objectives. While most councils linked, at a high level, major procurement decisions to goals and objectives in their strategic plan, most did not document how this would be reflected in policies and procedures. One council included a direct link between its procurement strategies or policies and strategic plan objectives. Another council provided a link between procurement and environmental objectives in its annual plan. Most councils, articulated the link between procurement activities and strategic objectives in reports to elected members.

Embedding strategies into procurement processes

All councils followed the values and principles in their Codes, procurement policies and supporting procedures to achieve value through procurement.

One council's procurement strategy included 8 goals, supported by actions, to achieve value through procurement. All councils were supportive of enhancing opportunities for local suppliers. Two councils introduced a local benefit evaluation criterion in their selection criteria and one of these councils implemented a Local Preference Policy focused on enhancing the capabilities of local business and industry. Most councils had considered, or implemented environmental and/or social targets in procurement. One council had a formal resource sharing arrangement with another council which included procurement.

Codes adopted by councils provided the framework for outlining expectations of procurement staff which informed the various procedures, forms and templates generally available through the council intranet or website. One council had limited supporting procedures in place and no procurement policy. All councils provided some form of structured or on the job training for staff on procurement including induction for new employees. Larger councils had centralised procurement teams, which provided support to departments on procurement processes. However, one council, due to low staff turnover and experience of existing staff, only provided ad-hoc training to new starters.

Full council was involved in strategic procurement, primarily based on monetary value, at all councils. One council had a Tender Review Committee comprised of elected members. The Tender Review Committee reviewed and approved recommendations for tenders above \$250,000 and also reported the outcomes to full council. All councils, whether through full council, or an established committee, considered reports from senior management on the outcomes of procurement processes or changes to the Code.

This was sufficient in ensuring accountability and scrutiny of procurement evaluations and policy changes made by council officers. It also provided elected members with an understanding of procurement activities at council and the extent to which they linked to council goals and objectives.

Monitoring of value to enhance procurement

Councils were variable in their approach to monitoring the value from procurement.

Most councils had not measured or assessed the impact and benefits of procurement activities on the community, including any outcome benefits analysis. Most councils used internal audit to review procurement activities during the specified period. These audits primarily assessed whether procurement was compliant with the LGA, LGR, and the council's Code. A few councils used internal audit findings to improve their procurement policies and training practices. There is an opportunity for councils to use internal audit or other review mechanisms to monitor the value derived from procurement and impact on the community or suppliers.

We found 2 councils regularly reported on progress against procurement initiatives. Senior management at one council provided quarterly reports on the procurement strategy to the council's Executive Leadership Team. Elected members at another council monitored the impact of their council's resource sharing arrangement with a neighbouring council which included procurement.

Most councils had initiatives in place, or planned, to improve the value derived from procurement. One council used its procurement strategy for continuous improvement across its procurement function. Two councils were implementing procurement-related actions from their sustainability strategies to enhance the function. A few councils, due to their size and resources, were focused on meeting the minimum requirements under the LGA and LGR.

Recommendations

Councils:

1. Document how procurement-related activities support the achievement of strategic goals and objectives.
2. Ensure staff carrying out procurement are provided with regular procurement related training.
3. Develop processes to monitor and review the value derived from procurement activities, including the establishment of performance targets and measures.

Local government stakeholders:

4. Collaboratively enhance strategic procurement guidance and opportunities for councils.

Submissions and comments received

In accordance with section 30(2) of the Audit Act, a summary of findings or report extract was provided to the Treasurer, Minister for Local Government, the Local Government Association of Tasmania (LGAT) and councils, with a request for submissions or comments. Submissions and comments we receive are not subject to the audit nor the evidentiary standards required in reaching an audit conclusion. Responsibility for the accuracy, fairness and balance of these comments rests solely with those who provided the response. However, views expressed by the responders were considered in reaching audit conclusions. Section 30(3) of the Audit Act requires this report include any submissions or comments made under section 30(2) or a fair summary of them. Submissions received are included below.

Response from the Treasurer

I note your audit findings in relation to the effectiveness of the strategic approach to procurement in the Burnie City, Hobart City, Launceston City, Tasman, Waratah-Wynyard and West Tamar councils in the two financial years to June 2022.

Given the information contained in the summary report, I support the recommendations you have made to councils and local government stakeholders.

Thank you for providing the summary report and recommendations for my review.

Hon Michael Ferguson MP

Response from City of Hobart

Thank you for the opportunity to comment on the Report and for the work undertaken by the Tasmanian Audit Office during the audit.

Council welcomes the recommendations and findings, which have come at an important time for the City with the delivery of the City's inaugural Procurement Strategy 2018-22 and the development of the City's new Procurement Strategy for 2023-2027. The findings

reinforce the strategic approach the City has taken to procurement, supporting the delivery of the Community Vision and the City's Strategic Plan objectives, performance measurement including adopting a framework to assess the benefits of procurement activities for the community.

The current post pandemic economic climate, climate risks, global and local supply chain issues bring challenges to both the public and private sectors. This means as a Council we need to use our spending power wisely and strategically to ensure that we support the economic, social and environmental needs of our community. Procurement has a key role to play in ensuring that the Council continues to deliver high quality services to the community, supporting the local economy and providing opportunities for businesses to engage with the Council easily and intuitively.

Through the implementation of its inaugural procurement strategy, the City has shown that a strategic approach to procurement can achieve significant benefits for Council and the community. Whilst Council's procurement activity has been and will remain focused on obtaining goods, services and works that demonstrate best value for money and managing risk, it is also important that procurement decisions are taken in light of the broader objectives that Council is seeking to achieve for its community, as outlined in the City of Hobart Capital City Strategic Plan 2019-2029.

At its meeting on 20 March 2023, the Council approved the City's second Procurement Strategy for the next five years. The new strategy will build on the benefits realised for the community from the inaugural Procurement Strategy 2018-22, which included the enhancement of internal procurement capability, cost savings, a contract management framework, policy and regular training program for all staff involved in procurement, category management and strategic sourcing realising value for money outcomes, increased supplier engagement, enhanced Procure 2 Pay outcomes, economic benefits from the local preference procurement policy and more effective inventory management practices reducing the cost of inventory held.

The new Procurement Strategy has a particular focus on sustainable, responsible and social procurement, increasing supplier diversity, employment and business opportunities; partnering with suppliers, enhancing supplier engagement and contract management and addressing modern slavery in supply chain risks. The City realises the importance of procurement as a means of realising a sustainable and circular economy.

Council looks forward to continuing to derive benefits for the community from its procurement activities.

Kelly Grigsby, Chief Executive Officer

1. Introduction

Context

- 1.1 Procurement is the process of acquiring goods and services from external providers. Tasmania's 29 councils are required to undertake procurement of goods and services in accordance with the LGA, LGR, each council's Code as well as their internal policies, procedures and manuals.
- 1.2 Sections 333A and 333B of the LGA describe requirements for a council relating to tenders and contracts for goods and services. This includes adopting a Code and complying with that Code when acquiring goods and services. The requirements of the Code are to be consistent with the requirements of the LGR. The Code adopted under section 333B governs how councils are to procure goods and services including the need to obtain quotes or tenders.
- 1.3 Under section 28 of the LGR the Code is to promote the following procurement principles:
 - open and effective competition
 - value for money (VFM)
 - enhancement of the capabilities of local business and industry
 - ethical behaviour and fair dealing.
- 1.4 LGAT has a Code template available which outlines these principles and others. The Code template was intended to act as a guideline that councils could amend, as required, to fit with their own policies, procedures and priorities.

Strategic procurement

- 1.5 A strategic approach to procurement is focused, not just on the delivery of goods and services, but also how it can be used to achieve an entity's strategic goals and objectives. For this audit, we examined how councils use procurement to derive value for the council, suppliers and the community.
- 1.6 In 2020-21, the councils spent a combined total of \$98.8 million on materials and contracts, and \$77.8 million on purchases of non-financial assets/expenditure on non-financial assets (property, plant and equipment and infrastructure).³ Given this significant level of expenditure, it is important for councils to consider how they can derive greater value from procurement activities and decisions to provide greater benefit to the council, its suppliers and the broader community.
- 1.7 Councils have progressively focused on how they can become more sustainable, reduce waste and lower their carbon emissions. This is where strategic procurement


³ The LIST, Tasmanian Local Government Consolidated Data Collection, <https://listdata.thelist.tas.gov.au/opendata/> (2021-22 data unavailable at the date of this report)

can be explicitly linked to those values in order to drive the benefits it wants to achieve.

- 1.8 Other examples of value that can be created from public procurement are shown in Table 1. Those practices closest to the top of the table have more impact in generating value than those towards the end of the table.

Table 1: Examples of value created from public sector procurement

Value building practices		Objective	Procurement process effectiveness	Sustainability	Innovation promotion	Market development and performance	Better operative capabilities	Quality and availability of product or service
			● buyers	● suppliers	● users of goods and services procured			
Trust building	Promote a fair and transparent procurement process and supply management	●	●	●	●	●		●
Tender-related	Influence the level of participation of suppliers in particular tenders or homogeneity of those bidding	●		●	●	●		●
Cooperation related	Build cooperative relationships and partnerships procurement stakeholders (council, supplier, user or community)	●		●	●	●	●	
Contract management	Plan, award and administer contracts between council and suppliers	●		●	●	●	●	●
Risk reducing	Aim for risk avoidance, mitigation, and management	●		●	●	●		●
Procurement development	Enhance the procurement function and associated processes	●		●	●	●		●

Value building practices	Objective	Procurement process effectiveness	Sustainability	Innovation promotion	Market development and performance	Better operative capabilities	Quality and availability of product or service
							
Procurement network building	Facilitate and promote the establishment of collaborative tiers between council and current or potential suppliers and users	●	●	● ●	●		●
Supplier market driving	Are oriented towards creating, moving, and educating the supplier market	●	●	●	● ●		●
Environmentally oriented demand-side	Implement environmental targets in procurement		● ● ●	●			●
Enabling individual-level (within council)	Build capabilities of employees to better undertake procurement functions	●	● ●	●			●
Information sharing with supplier	Disseminate information, knowledge, and facts to resolve information imbalances between council and suppliers	●	●	●	●		●
Instructive procurement	Establish standardised procurement procedures and processes	●	●		●	●	
Supplier selection	Define selection criteria according to procurement objectives for choosing the best supplier, instead of based on cost considerations		● ● ●				●

Value building practices		Objective	Procurement process effectiveness	Sustainability	Innovation promotion	Market development and performance	Better operative capabilities	Quality and availability of product or service
		● buyers	● suppliers	● users of goods and services procured				
Information sharing with stakeholders within the procurement network	Disseminate information, knowledge, and facts with stakeholders within the procurement network	●	●	●				●
Innovation inducing demand-side	Facilitate procurement of new products or services			●	●			
E-procurement	Use online technologies to improve or enhance procurement	●			●	●		
Dialogue facilitation	Facilitate higher levels of communication, liaison, and flexibility between suppliers, users, the community and council	●	●	●				
Early supplier involvement	Facilitating early supplier involvement in the procurement process	●		●	●			
User engagement	Facilitate greater involvement of end-product or service users in the procurement process			●	●			●
Supplier performance evaluation	Are oriented towards the development and establishment of tracking and monitoring systems for supplier performance	●	●					●
Socially oriented demand-side	Enhance the importance of the social component in procurement			●				●

Value building practices		Objective	Procurement process effectiveness	Sustainability	Innovation promotion	Market development and performance	Better operative capabilities	Quality and availability of product or service
		● buyers	● suppliers	● users of goods and services procured				
Product lifecycle –oriented	Implement life-cycle targets of procured products or services			●	●			
Image building	Enhance the reputation of council	●			●			
Benchmarking	Analyse procurement processes of other organisations to compare and improve council’s own processes	●			●			
Supplier-base related	Facilitate effective management of suppliers that are actively engaged with council	●			●			
Cross-functional integration	Build appropriate levels of integration and cooperation between council departments involved in procurement processes	●		●				
Managerial support	Enable senior management support for positive changes, new practices, etc.			●				
Information sharing within council	Disseminate information, knowledge, and facts within council	●						
Innovation intermediation	Involve intermediaries who support council in complex procurement activities				●			

Value building practices		Objective	Procurement process effectiveness	Sustainability	Innovation promotion	Market development and performance	Better operative capabilities	Quality and availability of product or service
		● buyers	● suppliers	● users of goods and services procured				
Information sharing with user	Disseminate information, knowledge, and facts to resolve information imbalances between council and end-user of product or service	●						
Supplier financial support	Provide financial support from council to suppliers to develop capacity or capabilities				●			

Source: Tasmanian Audit Office

1.9 This table was adapted from a study conducted by Iryna Malacina et al titled ‘Capturing the value creation in public procurement: A practice-based view’.⁴ The study was a worldwide review of public procurement literature that sought to identify the achievement of value in public procurement beyond the cost of procured goods and services.

1.10 The public buyer (the council), is the principal party in the public procurement function. The value components from a council’s perspective are classified as:

- procurement process effectiveness
- sustainable public procurement
- innovation generation and promotion
- functioning supplier market.

1.11 The study identified suppliers can obtain 4 forms of value from public procurement:

- improved sustainable performance
- improved innovation
- new market opportunities
- better operative capabilities.

⁴ Iryna Malacina, *Journal of Purchasing & Supply Management*, <https://doi.org/10.1016/j.pursup.2021.100745>

1.12 The study identified 3 main value components from a user value perspective:

- environmental and social sustainability
- service or product availability
- quality of the service or product.

LGAT Procurement and Vendor Panel

1.13 LGAT Procurement provided assistance to Tasmanian councils in undertaking procurement activities. Member councils (on request) had access to a range of goods and services with prequalified suppliers through the Vendor Panel⁵, resulting in efficiencies and cost savings.⁶

1.14 LGAT and other member organisations from across Australia are part of the National Procurement Network (NPN). At the time of the audit, the NPN offered 27 panel arrangements across a broad range of goods and services. All the councils engaged suppliers on the NPN. Table 2 lists the highest spend by contract category for each council from July 2020 to March 2022.

Table 2: Highest spend by contract category (July 2020 to March 2022)

Council	Contract category
Burnie City	Trucks
Hobart City	ICT Solutions and Services
Launceston City	Plant Machinery Equipment
Tasman	Road, Water, Sewerage and Civil Works
Waratah-Wynyard	Plant Machinery Equipment
West Tamar	Telecommunications

Source: LGAT

Local government reform

Local Government Review Board

1.15 In November 2021, the Tasmanian Government commissioned a Local Government Review Board to review the role, function and design of local government in

⁵ Vendor Panel is an e-procurement system provided by LGAT Procurement to councils to support the streamlined use of the LGAT Procurement panel arrangements.

⁶ LGAT, Vendor Panel, <https://www.lgat.tas.gov.au/member-services/for-council-employees/lgat-procurement/vendor-panel>

Tasmania. In July 2022, the Board handed down its Stage 1 Interim Report (the Interim Report).⁷

- 1.16 The Interim Report detailed findings related to the procurement activities of councils and opportunities to drive more efficiencies in purchasing practices. The Interim Report found better strategic coordination between councils was needed for procurement. Councils noted increased coordination on procurement would be beneficial, particularly for IT and high value construction projects such as road networks.
- 1.17 Shared procurement activity between councils can enhance cooperation on projects that will have mutual benefits and reduce costs. We explored how shared procurement assisted councils to derive value in the course of this audit.

⁷ Local Government Review Board, *Review Stage 1 Interim Report* (June 2022), <https://www.futurelocal.tas.gov.au/>

2. Have councils identified strategies to achieve value from procurement?

In this chapter, we assessed whether:

- councils considered and documented how they derive value from procurement
- strategies to derive value from procurement were aligned with council strategic goals and objectives.

Chapter summary

Councils broadly articulated how to achieve value from procurement in their Code and/or their procurement policies and procedures. All councils were asked how they derive value from procurement and their responses were compared to the examples of value that can be created from public procurement shown in Table 1. The comparison indicated all councils had, to varying degrees, adopted those practices that generated the most value adding impact (such as the first 5 practices in the table) for councils, suppliers and end users of goods and services. While evidence for a few councils was limited, all had processes for selection of the best supplier that considered other components beyond cost considerations, such as VFM.

Only one of the 6 councils demonstrated better practice by creating a comprehensive procurement strategy which identified how procurement would be conducted in compliance with legislation while also realising economic, social and environmental benefits.

While the remaining 5 councils had not developed a specific procurement strategy, all had articulated how they achieved value in procurement in their Code and/or their procurement policies and procedures.

All councils had strategic plans that outlined their goals and objectives. While councils acknowledged the importance of the procurement function in meeting strategic objectives, most did not document how this would be reflected in policies and procedures.

One council included a direct link between its procurement strategies or policies and strategic plan objectives. Another council provided a link between procurement and environmental objectives in its annual plan. Most councils, articulated the link between procurement activities and strategic objectives in reports to elected members.

Councils broadly articulated how to achieve value from procurement

- 2.1 Only one of the 6 councils had prepared a procurement strategy that clearly articulated how it would derive value from procurement. The remaining 5 councils demonstrated how they achieved value in procurement in their Code and/or their procurement policies and procedures.

2.2 Most councils adopted the LGAT model Code and adapted it for their use. The LGAT model Code and Handbook for Procurement in Local Government provide a framework that ensures councils undertake procurement activities that:

- encourage purchases being made in an open, fair, and transparent manner
- facilitate achieving VFM in the acquisition through the most appropriate provider, ensuring open and effective competition
- support environmentally safe and sustainable procurement
- appropriately manage risks
- promote efficient purchasing practices and their continuous improvement
- encourage local and Australian business
- encourage the maintenance of assets at high standards
- ensure the integrity of all procurement processes conducted by councils (that is, in accordance with their legislative and common law responsibilities).

2.3 The Code and procurement policies and procedures for all councils generally adopt these principles.

2.4 Using the examples of value that can be created from public procurement as shown in Table 1, we identified the number of councils that had considered and documented practices to derive greater value from procurement, as shown in Table 3.

Table 3: Examples of value created from public sector procurement

Value building practices	Objective	Number of councils
Trust building	Promote a fair and transparent procurement process and supply management	6
Tender-related	Influence the level of participation of suppliers in particular tenders or homogeneity of those bidding	6
Cooperation related	Build cooperative relationships and partnerships procurement stakeholders (council, supplier, user or community)	6
Contract management	Plan, award and administer contracts between council and suppliers	6
Risk reducing	Aim for risk avoidance, mitigation, and management	6
Procurement development	Enhance the procurement function and associated processes	4

Value building practices	Objective	Number of councils
Procurement network building	Facilitate and promote the establishment of collaborative tiers between council and current or potential suppliers and users	6
Supplier market driving	Are oriented towards creating, moving, and educating the supplier market	2
Environmentally oriented demand-side	Implement environmental targets in procurement	4
Enabling individual-level (within council)	Build capabilities of employees to better undertake procurement functions	4
Information sharing with supplier	Disseminate information, knowledge, and facts to resolve information imbalances between council and suppliers	4
Instructive procurement	Establish standardised procurement procedures and processes	5
Supplier selection	Define selection criteria according to procurement objectives for choosing the best supplier, instead of based on cost considerations	6
Information sharing with stakeholders within the procurement network	Disseminate information, knowledge, and facts with stakeholders within the procurement network	1
Innovation inducing demand-side	Facilitate procurement of new products or services	3
E-procurement	Use online technologies to improve or enhance procurement	5
Dialogue facilitation	Facilitate higher levels of communication, liaison, and flexibility between suppliers, users, the community and council	3
Early supplier involvement	Facilitating early supplier involvement in the procurement process	1
User engagement	Facilitate greater involvement of end-product or service users in the procurement process	1

Value building practices	Objective	Number of councils
Supplier performance evaluation	Are oriented towards the development and establishment of tracking and monitoring systems for supplier performance	1
Socially oriented demand-side	Enhance the importance of the social component in procurement	3
Product lifecycle – oriented	Implement life-cycle targets of procured products or services	6
Image building	Enhance the reputation of council	5
Benchmarking	Analyse procurement processes of other organisations to compare and improve council’s own processes	0
Supplier-base related	Facilitate effective management of suppliers that are actively engaged with council	1
Cross-functional integration	Build appropriate levels of integration and cooperation between council departments involved in procurement processes	6
Managerial support	Enable senior management support for positive changes, new practices, etc.	4
Information sharing within council	Disseminate information, knowledge, and facts within council	2
Innovation intermediation	Involve intermediaries who support council in complex procurement activities	6
Information sharing with user	Disseminate information, knowledge, and facts to resolve information imbalances between council and end-user of product or service	1
Supplier financial support	Provide financial support from council to suppliers to develop capacity or capabilities	0

2.5 Our assessment of councils against the value-building practices indicated all councils had, to varying degrees, adopted those practices that generated the most value adding impact (such as the first 5 practices in the table) for councils, suppliers and end users of goods and services.

- 2.6 While evidence for a few councils was limited, all had processes for selection of the best supplier that considered other components beyond cost considerations, such as VFM. Furthermore, all councils had documented the importance of the lifecycle of procured goods and services.
- 2.7 As discussed further in Chapter 3, all councils had adopted the value building principle of cross-functional integration which is about building appropriate levels of cooperation between council departments involved in procurement. Most councils had also established standardised policies and procedures.
- 2.8 Most councils had considered social or environmental components in procurement, through development of sustainability strategies and/or procurement policies and procedures. There were a few councils which considered these components to a limited extent.
- 2.9 In the middle of, and towards the end of, Table 3 the extent of consideration of these value building practices was less prominent. While our assessment of the evidence indicated only a few or none of the councils had specifically identified and documented these practices, it did not necessarily mean councils were not doing them. Although councils may be doing them to a limited extent, they were not sufficiently documented in the Code and/or procurement policies and supporting procedures.
- 2.10 Further information on how councils have implemented these value building practices is detailed in Chapter 3.

Good practice example: Hobart City Council’s Procurement Strategy

While not required under the LGA, Hobart City Council’s Procurement Strategy 2018-2022 details how procurement could bring economic, social and environmental benefits for the community, in alignment with strategic objectives, whilst ensuring the council’s procurement activities were compliant with the LGA, LGR and the council’s own procurement policies and procedures.

The objectives and intended outcomes articulated in the Procurement Strategy, which were intended to be realised over the next 5 years, are summarised in the table below:

Objective: to achieve a more consistent organisation-wide approach to procurement by:	Outcomes
<ul style="list-style-type: none"> • Focusing on delivering procurement and contract management improvements • Building capacity and skills within the Council to improve the procurement outcomes for the community 	<ul style="list-style-type: none"> • Increase value for money from all procurement activities • To support the effective and efficient delivery of council’s priorities and service requirements. • High quality, timely, professional and innovative procurement and contract

Objective: to achieve a more consistent organisation-wide approach to procurement by:	Outcomes
<ul style="list-style-type: none"> • Improving systems through automation and embracing technology • Streamlining and simplifying procurement processes • Engaging proactively with suppliers to ensure maximum value, innovation and support of the local economy • Promoting safe and fair working practices through procurement • Delivering and demonstrating real cash savings • Continuing to improve procurement methods including engagement with Procurement Australia and the National Procurement Network • Continuing to comply with statutory procurement obligations • Increasing the focus on sustainable procurement and targeting ethical and social responsibility • Continually striving to deliver the best possible procurement service to the council. 	<ul style="list-style-type: none"> management advice and support to the organisation • Replace manual procurement processes and systems, automating where possible • Sustainable, socially conscious and ethical principles embedded into procurement practice • Development of robust contract management processes • An engaged supplier network including local business capable of effectively bidding for Council work • Council to be an attractive organisation with which to do business • Streamline payment processes to make it easier and more cost effective for council to buy and pay for things • Knowledgeable and skilled council officers procuring in line with best practice procurement practices • Transparent and timely reporting on procurement performance to the Executive Leadership Team • Effective category management to maximise value for money outcomes for the City • Continue to comply with legislative requirements • Decrease risk to the organisation.

Source: Hobart City Council⁸

⁸ City of Hobart, *Procurement Strategy 2018-2022*, p.12, <https://www.hobartcity.com.au/Council/Strategies-and-plans/Procurement-Strategy>

It was not always clear how procurement supported the achievement of strategic goals and objectives

- 2.11 We expected all councils to have documented how their procurement activities supported the achievement of their strategic goals and objectives. We found although documentation had some form of linkage to strategic plans, for most councils it was not clear in their Code and/or procurement policies on how this would be achieved.
- 2.12 Four councils included a link to their strategic plan in their Code or procurement policy. According to the Code, one of the factors councils may consider when determining VFM, is the contribution of procurement to achieving strategic plans or council objectives. One council included specific examples in its Code such as industry development and employment creation.
- 2.13 While councils acknowledged the importance of the procurement function in meeting strategic objectives, most did not document how this would be reflected in policies and procedures.
- 2.14 One council included a direct link between its procurement strategies or policies and strategic plan objectives. One of these objectives was to ensure quality services were delivered efficiently, effectively and safely. This was supported by a strategy to deliver the best VFM through strategic procurement decision-making. This demonstrated value the council placed on procurement to support achieving their strategic objectives. The same council also had a Local Preference Procurement Policy which was consistent with 5 outcomes identified in the Strategic Plan. Each of these outcomes were supported by strategies which included supporting local businesses by creating opportunities for them to grow and deliver quality services. Thereby encouraging local employment opportunities and generating economic growth.
- 2.15 One council committed to the procurement of environmentally responsible vehicles plant and equipment in its annual plan. This directly linked to one objective in its 4-year council plan on the environment. This provided the council, through its annual plan, to monitor progress in lessening its environmental footprint.
- 2.16 For most councils, the alignment between procurement function and activity and the strategic plan were outlined in tender reports prepared by the general manager⁹ or senior management and provided to elected members. Some reports provided a strategic plan objective which encompassed all procurement activities listed since the last council meeting or over the quarter. Overall, these reports included objectives which were primarily operational and focused on improving the council's:
- management of infrastructure and assets
 - accuracy of decision-making
 - financial sustainability.

⁹ Hobart and Launceston city councils use the title of Chief Executive Officer. For the purpose of this report, we use the term General Manager for all councils.

2.17 Two councils provided a related strategic objective against each individual procurement in their reports to elected members. This better articulated the link between procurement and strategic goals and objectives which benefited the community. For example:

- A decision by a council to construct change rooms at a local sports centre was aligned to its strategic goal on 'Community Recreation and Wellbeing'.
- Elected members at another council met to discuss the ongoing management of the local swimming pool and the impact of COVID-19. The approval of this procurement activity was aligned to a goal to 'maintain an engaged and active community'.

2.18 One council had insufficient connection between procurement decision-making and strategic objectives. This council's general manager provided elected members with a proposal for a new tender and contract for recyclable materials. The proposal included a reference to all 7 objectives from its strategic plan. However, the proposal did not articulate how it would meet the strategic plan or explain why all the objectives were listed.

3. Have councils effectively embedded strategies to achieve value in their procurement processes?

In this chapter, we assessed whether councils:

- incorporated strategies into procurement policies and procedures
- articulated how value would be achieved in training and guidance documentation
- demonstrated to elected members how value in procurement was achieved.

Chapter summary

All councils have implemented strategies to achieve value through procurement. We examined council procurement strategies, policies and procedures and compared these to a selection of 10 value building principles from Table 1. For all councils, the Code, procurement policies and supporting procedures were used to the achieve value building principles with the most benefit for the council, supplier and user.

All councils were supportive of enhancing opportunities for local suppliers. Two councils introduced a local benefit evaluation criterion in their selection criteria and one of these councils implemented a Local Preference Procurement Policy focused on enhancing the capabilities of local business and industry. Most councils had considered, or implemented environmental and/or social targets in procurement. One council had a formal resource sharing arrangement with another council that included procurement. All councils had used suppliers from the LGAT Vendor Panel which reduced administrative work associated with procurement.

The Code provided the framework for outlining expectations of procurement staff which informed the various procedures, forms and templates generally available through the staff intranet or website. All councils provided some form of induction or training for staff on procurement. Larger councils had centralised procurement teams that provided support to departments on procurement processes. However, one council, due to low staff turnover and experience of existing staff, only provided ad-hoc training to new employees.

Elected members on the full council were involved in strategic procurement, primarily based on monetary value, at all councils, with a few councils delegating review of procurement activities to committees consisting of elected members. With the support of elected members, the general managers of most councils had delegated authority to approve tenders up to \$250,000. One council had a Tender Review Committee comprised of elected members. That committee reviewed and approved recommendations for tenders above \$250,000 and also reported the outcomes to full council. All councils, whether through full council, or an established committee, considered reports from senior management on the outcomes of procurement processes or changes to the Code.

Councils have implemented practices to help them achieve value through procurement

3.1 Using evidence provided by councils, we examined how they had embedded strategies to achieve value through procurement using the value building practices listed in Table 4.

Table 4: Examples of value created from public sector procurement

Value building practices	Objective	Number of councils
Trust building	Promote a fair and transparent procurement process and supply management	6
Tender-related	Influence the level of participation of suppliers in particular tenders or homogeneity of those bidding	6
Cooperation related	Build cooperative relationships and partnerships procurement stakeholders (council, supplier, user or community)	6
Risk reducing	Aim for risk avoidance, mitigation, and management	6
Procurement development	Enhance the procurement function and associated processes	4
Procurement network building	Facilitate and promote the establishment of collaborative tiers between councils and current or potential suppliers and users	6
Information sharing with supplier	Disseminate information, knowledge, and facts to resolve information imbalances between council and suppliers	4
Environmentally oriented demand-side	Implement environmental targets in procurement	4
Supplier selection	Define selection criteria according to procurement objectives for choosing the best supplier, instead of based on cost considerations	6
Socially oriented demand-side	Enhance the importance of the social component in procurement	3

All councils promoted a fair and transparent procurement process and supported supplier participation

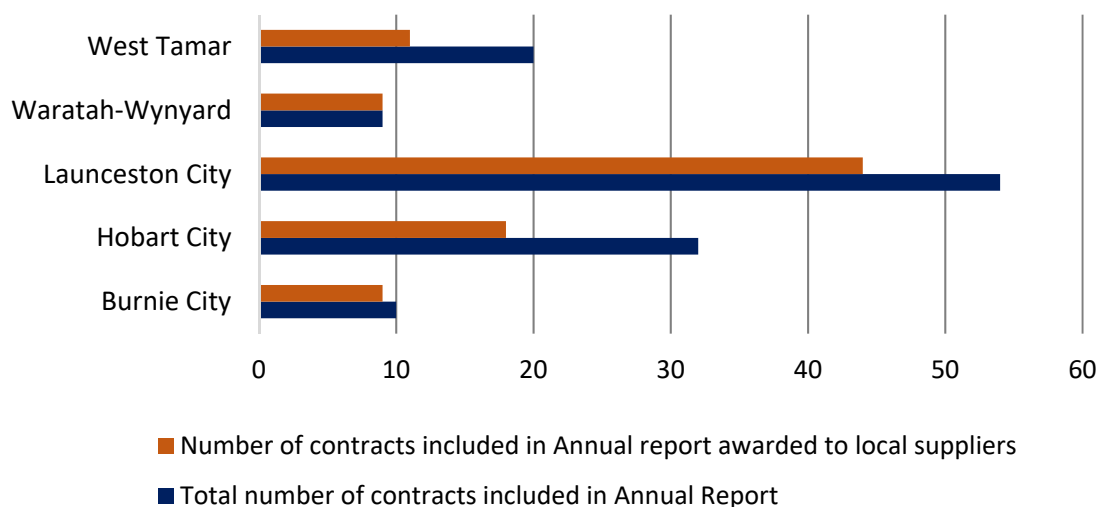
- 3.2 The 'trust building' value building principle is primarily about promoting a fair and transparent procurement process. All council Codes encouraged open and effective competition to help ensure a transparent and open purchasing process, encouraging suppliers and the community have confidence in the outcome. It also involved testing the market by seeking quotations or undertaking a public tender.
- 3.3 To maintain good supplier relationships and to promote the fairness of the procurement process, most councils offered debriefings to unsuccessful bidders, as per their Code or Procurement Policy. This assisted bidders to submit more competitive bids in the future and promoted positive relationships with council.
- 3.4 The 'tender-related' value building principle is about influencing the level of participation of suppliers in particular tenders. The Codes required councils to conduct public tenders for purchases of high value. While the tendering threshold under the LGA is \$250,000, a few councils adopted a lower threshold. For 4 councils, the Code required a public tender for purchases valued at or exceeding \$250,000. At one council it was \$150,000, and for another, it was \$100,000.
- 3.5 All council Codes were publically available on the website for interested parties to access and contained steps on the tender process from advertisement, evaluation of submissions and selection of the preferred supplier. All councils advertised tenders via their website and most used TenderLink (electronic tendering portal). This provided potential suppliers with access to the same tender documentation and council contact information. One council stated in its Code it would like to have at least one tender from a local business.

All councils supported participation of local suppliers in the procurement process

- 3.6 Purchasing goods and services locally or 'buy local' is an important consideration for councils, as the engagement of local suppliers can enhance their capabilities and generate employment opportunities in the municipality.
- 3.7 In accordance with regulation 29(1) of the LGR, a councils must report contracts valued at or exceeding \$250,000 in their annual report. Furthermore, under regulation 29(3) of the LGR, a council must also report in its annual report contracts valued at or exceeding \$100,000 but less than \$250,000 entered into that financial year.
- 3.8 All councils provided a definition of local business in their Code or procurement policy. Four of the councils defined a local business as one that operated within the State, including having a permanent presence in Tasmania and employing Tasmanian workers. At West Tamar Council, a local business was defined as one which operated in Northern Tasmania but preferably having an office or presence in the municipality. At Tasman Council, a local business was defined as one which had a permanent office or presence in the municipality and employed workers from the municipality.

3.9 Figure 1 shows the number of contracts awarded to local suppliers¹⁰ in the Annual Report 2020-21 for councils.

Figure 1: Contracts awarded to 'local suppliers' in Annual Report 2020-21¹¹



Source: Tasmanian Audit Office with data from each council's Annual Report 2020-21

3.10 For some councils, it will not be practicable to have a local benefit evaluation criterion for all procurement activities. Councils should consider the market and availability of suppliers, as it may be in their interest to provide an advantage to local suppliers, where lack of competition may detract from meeting other procurement principles in their Code.

3.11 All councils supported participation of local suppliers in the procurement process. For example, the Codes specified the number of local suppliers councils should invite to submit bids, depending on the value of the procurement and the evaluation process. At one council, if 2 or more firms were ranked equally following a VFM assessment, it would select a local supplier over an inter-state or international supplier. This selection would be subject to a due diligence test to ensure the local supplier could fulfil the contract. This supported council's 'buy-local' agenda and encouraged local suppliers to submit bids.

3.12 One council's Code included information on how local capability would be determined if market conditions were unknown. This included access to BIZTAS (a local business directory) or by contacting Industry Capability Network Tasmania.

3.13 One council introduced a Local Preference Procurement Policy which outlined how it would engage with local suppliers depending on the value of the procurement. This council's procurement strategy also included actions to engage with local suppliers, improve contract management and support the local economy. This included

¹⁰ Based on each council's definition of local business in its Code or procurement policy.

¹¹ Excludes Tasman Council as it did not enter into a contract above \$250,000 in 2020-21. Contracts awarded to a panel of providers with a business address of 'various' were excluded.

investigation of using online supplier catalogues to improve sourcing activities and an annual review of the council's Conditions of Contract to ensure terms and conditions do not limit competition from local suppliers.

A few councils introduced local benefit evaluation criterion in their assessment of suppliers

- 3.14 The 'supplier selection' value building principle focuses on developing selection criteria to meet procurement objectives, instead of based on cost considerations. This is aligned to VFM considerations which were reflected in the Codes for all councils. We found while cost was ranked highly in evaluation criterion, two councils included local benefit evaluation and two councils included sustainability criterion in their assessment of suppliers.
- 3.15 One council assigned a 5% weighted local benefit evaluation criterion for suppliers based in the municipality. The percentage reduced to 3% if based in the region and 1% for the rest of Tasmania. While this policy was in place, the council modified the selection criteria depending on the market and the goods or services it wanted to purchase. The application of this evaluation criterion was described in relevant procedures and guidance documents informed by principles in the Code. At another council, a 10% weighted local benefit evaluation criterion was assigned for procurements less than \$100,000. For procurements above this amount, the focus was on achieving best VFM but also included a 10% weighted local benefit evaluation criterion. Suppliers had to demonstrate the social and economic benefits of their proposal for the community in the tender/quotation form. Another council supported buying locally wherever possible, but the size and remoteness of the municipality meant it had difficulty attracting suitable suppliers and therefore, had no need for a local benefit evaluation criterion.

Most councils had incorporated, or were in the process of incorporating, environmental and/or social procurement elements into procurement processes

- 3.16 Most councils had incorporated, or were in the process of incorporating, environmental and/or social procurement elements into procurement processes. Examples of these elements included:
- setting a corporate carbon emissions target
 - amending procurement policies to include environmental and/or social considerations
 - embedding environmental criterion in tender evaluation
 - requiring suppliers to minimise waste and use recyclable materials
 - contracting suppliers committed to ethical practices.

Good practice example: Waratah-Wynyard Council's Integrated Council Environmental Plan

Waratah-Wynyard Council developed an Integrated Council Environmental Plan 2020-2030 and in June 2022 set a net zero emissions target by 2030. The Council's largest source of emissions was from transport and this informed its approach to procurement activities in the short and medium term. The council strengthened its Procurement Policy to consider environmental and sustainability considerations in procurement decision-making. This included a commitment to source sustainable materials and a requirement for suppliers to develop an environmental management plan to mitigate environmental impacts of construction work. This indicated Waratah-Wynyard Council had considered the value reducing emissions would have on its operations and potential cost savings.

- 3.17 One council amended its draft procurement policy to include sustainable procurement practices which encompassed social, environmental and economic considerations. The council also planned to introduce sustainability as a weighted evaluation criterion for all quotes and tenders. More information on this council's sustainable procurement practices is included in Chapter 4.

Good practice example: Hobart City Council's environmental and sustainable procurement practices

Hobart City Council's Purchasing Policy Guidelines outlined purchasing principles including environmental protection and sustainability. This principle included consideration of climate change impacts, energy conservation, greenhouse emissions and waste. The Council's consideration of climate change impacts varied depending on the nature of the goods and/or services being purchased. Examples include looking for opportunities to reduce energy and fuel consumption and also criteria outlining the supplier's commitment and capacity to deliver positive climate change outcomes.

All councils embedded risk-reducing practices in procurement decision-making

- 3.18 The 'risk-reducing' value building principle describes practices which aim for risk avoidance, mitigation and management. All Codes provided guidance for councils on embedding risk-reducing practices in procurement decision-making. According to council Codes, VFM considerations must account for risks associated with procurement including the purchase method, availability of suppliers and work health and safety issues.
- 3.19 We reviewed risk management practices of councils to determine whether procurement-related risks were included. We found:

- Two councils had mitigation strategies in their risk register for staff failing to follow the Code, contract variations, inadequate contract management and contractors' inability to fulfil a contract.
- One council's risk register focused on managing fraud-related risks, such as improper credit card use and receiving benefits from contractors.
- One council's risk register had risks on compliance with legislation and financial sustainability, but they did not specifically highlight purchasing and tendering risks. However, compliance monitoring of contracts was noted as a control to help the council comply with its contractual obligations.
- One council's risk management policy noted contract management as an operational risk which was reported and monitored through the risk register.
- One council's Risk and Audit Panel monitored the council's procurement activities, including tendering, contract management and controls in place. The councils' management of procurement activities was also incorporated into the Panel's consideration of the council's overall performance. The Risk and Audit Panel's Terms of Reference included procurement and contract management.

3.20 These practices helped councils to undertake procurement activities in accordance with legislation and achieve effective delivery of goods and services.

All councils engaged in collaborative practices, either through joint procurement or using suppliers from LGAT's Vendor Panel

3.21 Table 4 had 2 similar value building principles on procurement network building and cooperation between councils and current or potential suppliers and users. From the evidence we reviewed, all councils had engaged in collaborative practices, either through joint procurement or using suppliers from LGAT's Vendor Panel.

Good practice example: Waratah-Wynyard Council's resource sharing arrangement

Waratah-Wynyard Council had a long-standing resource sharing arrangement with Circular Head Council which included employees, back office functions (IT, finance, legal payroll, HR, internal audit) and procurement. Examples of shared procurement included road resurfacing, recycling, building evaluations and bridge replacements. Staff from these councils also participated in shared training on procurement. This reduced the administration cost of coordinating training and enabled staff to share their experiences and knowledge. A 2016 report¹² found the resource sharing arrangement helped council deliver better services for the community and provided a cost saving of \$237,000 during 2015-16.

- 3.22 In addition to the formal joint procurement undertaken by Waratah-Wynyard Council, there were a few councils which collaborated with other councils in their region on projects of mutual benefit such as road resealing, waste and recycling services.

Good practice example: Burnie City Council and Waratah-Wynyard Council Coastal Pathway project

Burnie City Council participated in joint procurement with Waratah-Wynyard Council on a coastal pathway which extended from Red Rock, Cooee to Port Creek, Wynyard. The councils engaged a consultant to manage the project, including the preparation of tender documents and the tendering process for construction. Having a project manager helped ensure that a project of this scale was conducted in alignment with the respective councils' values.

- 3.23 All councils were broadly supportive of the services offered through LGAT Procurement. Council staff indicated the panel arrangements, developed and managed by LGAT Procurement, offered good VFM and reduced administrative work when going out to tender. It had also enabled councils to leverage the combined purchasing power of the local government sector in Tasmania.
- 3.24 Despite the benefits of the panel arrangements, a few councils found it had limited suppliers applicable to their needs, particularly in meeting their 'buy local' agenda. Some panel arrangements were established by NPN partners and therefore, did not have sufficient coverage for some services required by councils. One council noted suppliers were able to offer a more competitive price if the council approached them directly rather than use the panel arrangements.

¹² University of Technology Sydney, *Review of Resource Sharing Arrangements between Circular Head and Waratah-Wynyard Councils*, November 2016

One council actively engaged with suppliers through annual awareness sessions, workshops and surveys

3.25 The value building principle of 'Information sharing with suppliers' involves disseminating information, knowledge, and facts to resolve information imbalances between council and potential suppliers. This may include facilitation of 'meet the buyer' events and maintaining a feedback loop with suppliers. One council introduced annual awareness sessions, supplier procurement drop-in sessions, coaching and workshops to enhance the capability of small to medium businesses bidding for council work. The council added a forward program of business opportunities with council to its website. A supplier survey conducted in February 2022 identified improvements to these initiatives and gauged supplier views on the impact of COVID-19 and supply chain issues.

Benchmarking and supplier performance evaluation were not widely considered by most councils

- 3.26 Whilst we found evidence of networking amongst staff involved in procurement for a few councils, we felt there was a missed opportunity for councils to compare and improve their procurement processes through greater benchmarking with other councils. Benchmarking can be an important tool for councils to learn what other councils are doing to derive value from procurement.
- 3.27 We did not find evidence of councils providing financial support to suppliers to develop their capacity or capabilities, aside from one-off initiatives to support businesses during the COVID-19 pandemic. However, this value building principle was ranked the least important in Table 1. According to Iryna Malacina et al, examples of financial support include grants and research and development funding. One council offered grants to businesses as part of its COVID-19 Community Care and Recovery package. This package supported business innovation with a focus on digital capability and circular economy initiatives.
- 3.28 One council included supplier performance evaluation in its procurement strategy. This value building practice is oriented towards the establishment of tracking and monitoring systems for supplier performance. This is an area which other councils could consider as it would help them assess, in addition to supplier performance, the value derived from procurement and the quality of goods and services delivered (this area is discussed further in Chapter 4).

All councils provided guidance to their staff on procurement, but more structured and frequent training would enhance procurement activities

3.29 We examined what value building practices councils had to support the procurement function and to develop skills and capabilities of their staff. Table 5 shows the relevant value building practices related to training and guidance for staff involved in procurement.

Table 5: Examples of value created from public sector procurement

Value building practices	Objective	Number of councils
Cross-functional integration	Build appropriate levels of integration and cooperation between council departments involved in procurement processes	6
Enabling individual-level (within council)	Build capabilities of employees to better undertake procurement functions	4
Instructive procurement	Establish standardised procurement procedures and processes	5

- 3.30 While most councils had considered these value building practices, the incorporation of these practices into underlying policies, practices and learning and development activities was not clearly evident in some instances.
- 3.31 All councils had, to an extent, built appropriate levels of integration and cooperation between council departments involved in procurement processes. Two councils had a central procurement function. One of these councils had a City Procurement Team divided into 3 work streams: operations/stores and inventory, general procurement (goods, services and minor works) and building and construction.
- 3.32 For the remaining 4 councils, the responsibility for procurement was dispersed across departments with oversight from senior management. Under this approach, departments were responsible for preparing the tender and/or quotation documents for advertisement, evaluating submissions and providing a recommendation to the general manager or full council for award. Given the resourcing and size of these councils, this arrangement was appropriate as there was sufficient documentation available to assist with procurement.
- 3.33 Our audit did not assess the skills and qualifications of staff involved in procurement processes and we acknowledge each council had different levels of resourcing and priorities. All councils followed the values and principles in their Code. Therefore, at the minimum, we expected councils to provide procurement training which covered compliance with the Code and LGA. At a more mature level, we looked for evidence from councils on how they derived value from procurement in accordance with their strategic priorities.
- 3.34 Procurement staff at all councils received on-the-job training, including emphasis on compliance with the Code and supporting procedures. Four councils supplemented on-the-job training with structured training and development for procurement activities. However, training for a couple of councils was insufficient or only provided to new employees.

3.35 Procurement training practices varied between councils:

- One council developed a training plan for all team members and a training program which covered procurement rules, Request for Tender, Request for Quotation and contract management. In addition, the City Procurement Team provided refresher training for existing employees.
- One council's centralised procurement team provided training to other council departments to help ensure an effective and consistent approach to procurement.
- Staff at one council had access to an online Procurement Training module which provided an overview of purchasing practices and requirements under the Procurement Policy. The module instructed that quotes, tenders and purchases be sourced from local business if possible. This helped ensure staff were aware of the Code's value to enhance local procurement.
- One council provided its staff with in-house training which covered formal project management (including procurement). This council was developing induction materials for incorporation into an online platform.
- One council inducted new employees which covered identification of relevant policies and procedures, but provision of ongoing training was at the discretion of the employee's manager or supervisor. This council advised its staff participated in training sessions through LGAT Procurement, which were seen as being beneficial.
- One council advised it had low staff turnover and training on procurement was only provided when inducting new employees.

3.36 In evaluating the approach taken by councils to develop staff knowledge and understanding of procurement, we concluded more structured and frequent training for a few councils would assist staff to meet their obligations under the Code and would also support procurement of goods and services in alignment with council values.

3.37 Most councils provided standardised procurement procedures and processes. Council Codes provided the overarching framework for the purchasing and tendering requirements for councils. In support of the Code, most councils had a suite of supporting policies, procedures, guidance materials, forms and templates to support staff in their duties. Three councils had detailed policies and procedures which were accessible on the staff intranet. These procedures covered different aspects of the procurement process from tender opening, evaluation, purchasing and contract management.

3.38 One council did not have a procurement policy and had limited procedures on the procurement process. Council staff relied on the Code and Delegations Register, but also had a procedure to ensure expenditure was controlled efficiently and responsibly. This included processes for when quotes should be obtained for purchases over a certain amount, and when purchases should be decided by public tender.

3.39 One council prepared a communication strategy to remind staff of the purchasing and procurement rules at council. The council endorsed a recommendation for its Local Preference Procurement Policy to be widely communicated internally and made available on the website. This was in addition to all the council's other procurement policies and the Code. This ensured council staff were able to follow processes to support the council's 'buy local' agenda.

Elected members received procurement reports from senior management and approved high value procurements

3.40 We reviewed the level of elected member engagement in the procurement process, including how councils delegated approval for purchasing decisions. We examined council minutes and conducted interviews with senior staff to determine the level of elected member involvement in procurement.

3.41 As expected, the council's general manager had delegated authority to approve the majority of purchases made by council. Higher value procurements above \$250,000 were generally approved by elected members at council meetings, with the name of the supplier and contract amount provided in the annual report.

3.42 All councils provided their elected members, either through a sub-committee, or full council, reports on procurement activities. The detail and content of these reports varied between councils, but broadly included the following information:

- approval of procurements of high value or strategic importance
- operational reports from senior management on tender outcomes
- quotation exemption reports.

3.43 Elected member approval of high value tenders differed between councils, dependent on the Code and delegation process in place. Most councils sought approval from elected members for procurements valued at or exceeding \$250,000. One council sought approval for procurements valued at or exceeding \$150,000.

Good practice example: Launceston City Council's Tender Review Committee

Launceston City Council was the only council with a Tender Review Committee comprised of elected members. The Committee considered tender recommendations from Council's Tender Evaluation Panel. The Committee had an opportunity to ask questions regarding tender recommendations and to ensure decisions to award tenders were consistent with Council objectives. The Committee deferred recommendations to award tenders to full council in certain circumstances. Meetings between the Panel and Committee were documented and all decisions made by the Committee were formally referred to full council for noting.

- 3.44 Not all councils would be sufficiently resourced to have a Tender Review Committee with elected members. For some councils, it would be more efficient for this review function to be delegated to the General Manager or senior management. However, there was evidence Launceston City Council's Tender Review Committee supported continuous improvement in how procurements were evaluated and awarded by council officers.

Elected members reviewed changes to the Code, procurement policies and strategies

- 3.45 We reviewed a sample of council minutes for each council for the specified period. We found elected members of most councils reviewed changes to the Code and or procurement policy. This was documented in reports prepared by senior management.
- 3.46 With support from elected members, one council had amended the Code to provide the general manager with authority to award tenders and extend contracts without seeking a decision of council. However, the general manager had discretion to refer decisions to award tenders to council for long-term operational contracts, tenders above budget, or strategic projects of high value (above \$500,000).
- 3.47 This council had a steering committee for major projects. Discussions at the steering committee would also be referred to council workshops for some tenders. This provided elected members with an opportunity to review the tender and proposed benefits to ensure they had the information required to understand the scope of the project.
- 3.48 One council's elected members considered and approved the procurement strategy, and changes to the Code. The council's Executive Leadership Team provided ongoing monitoring of actions in the procurement strategy. Furthermore, the council's Finance and Governance Committee (which included some elected members) reviewed the draft Local Preference Procurement Policy and recommended it to full council for adoption.

- 3.49 One council's elected members considered and approved amendments to the Code and procurement policy that included:
- embedding environmental considerations in purchasing decisions
 - changes to the general manager approval processes for tenders under \$250,000
 - additional reporting to council for purchases valued at, or exceeding, \$100,000.
- 3.50 This enabled elected members to have oversight over procurements of high value and of strategic importance to council and the community.
- 3.51 Overall, elected members received sufficient information and advice from the general manager and/or senior management on procurement activities and changes to the Code and procurement policies. While there were operational reports, which were primarily for noting, elected members generally followed strategies on procurements of high value. This included, as discussed in Chapter 2, how procurement activities linked to the strategic goals and objectives of council.

4. Have councils effectively monitored value derived from procurement?

In this chapter, we assessed whether councils:

- have undertaken reviews to measure effectiveness of its procurement processes, beyond compliance with the LGA, LGR and Code
- assessed the value derived from procurement using performance measures
- examined how they can obtain value from procurement.

Chapter summary

Councils were variable in their approach to monitoring the value from procurement.

Most councils used internal audit to review procurement activities during the specified period. It was not specifically used to monitor value from procurement. These audits primarily ensured procurement was compliant with the LGA, LGR, and the council's Code. A few councils used the audit findings to improve their procurement policies and training practices.

We found 2 councils regularly reported on progress against procurement initiatives. Senior management at one council provided quarterly reports on the procurement strategy to the council's Executive Leadership Team. Elected members at another council monitored the impact of their council's resource sharing arrangement with a neighbouring council which included procurement.

Most councils had initiatives in place, or planned, to improve the value derived from procurement. One council used its procurement strategy for continuous improvement across its procurement function. Two councils were implementing procurement-related actions from their sustainability strategies to enhance the function. A few councils, due to their size and resources, were focused on meeting the minimum requirements under the LGA and LGR.

Most councils have not undertaken an assessment of the value derived from procurement

4.1 Most councils had not assessed the value derived from procurement, including an outcome benefits analysis. Examples of some of the measures to assess the value derived from procurement include:

- efficiency of procurement process from submission to contract signing
- satisfaction with services delivered by suppliers or construction of new community infrastructure
- reduction in carbon emissions from council operations
- cost savings undertaking joint procurement initiatives

- number of new apprentices employed by local suppliers.
- 4.2 We asked councils to provide evidence of audits or reviews undertaken of procurement activities during the specified period. We found the internal audit functions of 4 councils had undertaken a review of procurement policies and processes. Councils primarily used internal audit to provide assurance that procurement processes and the Code complied with the LGA. Recommendations from these reviews resulted in policy and process improvements or enhancing training needs for staff.
- 4.3 One council advised it had not undertaken any audits of procurement processes during the specified period, although its internal audit function had the authority to do so. Another council was in the process of establishing its internal audit function at the time of the audit.
- 4.4 We also asked councils if they monitored the impact of value derived from procurement on the community. The responses indicated few councils were doing this.

Good practice example: Waratah-Wynyard Council's monitoring of its resource sharing arrangement

Waratah-Wynyard Council assessed the value of its resource sharing arrangement with Circular Head Council. The Council provided its elected members with a Resource Sharing Report on joint procurement and contract management activities.

We reviewed the September 2022 Resource Sharing Report which covered the impacts of this arrangement from the past year. For example, the building asset revaluations:

- reduced duplication of effort
- ensured greater VFM through economies of scale
- reduced cost to suppliers making their submissions.

The Resource Sharing Report also noted a bridge replacement procurement was conducted with Circular Head Council. A reduction in \$19,500 per bridge was achieved for the joint tender resulting in efficiencies and cost savings for both councils.

- 4.5 One council conducted a biennial resident opinion survey which covered 38 areas, such as kerbside collection, street lighting and maintenance of roads, footpaths, parks, reserves, playgrounds and infrastructure. This provided the council with some indication of the level of community satisfaction with services it delivered. However, the survey did not mention procurement specifically. Another council also conducted a regular community and business satisfaction survey that provided the council with an indication of community satisfaction and benefits from the services it delivered.
- 4.6 A few councils noted monitoring of procurement only occurred if a project went over budget or when deciding to extend a contract.

- 4.7 In summary, there is an opportunity for councils to use internal audit, or other monitoring mechanisms, to better understand value being derived from procurement.

Good practice example: Hobart City Council's monitoring of its Procurement Strategy

Hobart City Council monitored the delivery of goals from its Procurement Strategy. The Council's procurement manager provided quarterly performance reports to the Executive Leadership Team. These reports provided a summary of progress against each objective and initiatives underway. Each action included a performance indicator, timeframe and benefit once implemented.

A memorandum for the March 2022 performance report noted the benefits of the Procurement Strategy on council procurement since 2018. Some of these achievements included:

- Procurement induction program for new employees and ongoing training for all staff.
- Council's contracts made available on the staff intranet.
- Council's procurement policies, processes and procedures and templates accessible from the staff intranet.
- Electronic management of Requests for Quotation through an e-tendering portal.
- Improved contract and supplier management, including support for suppliers tendering for work through workshops and clinics.
- Improved networking and information sharing capability with other councils.

The Procurement Strategy ended on 30 June 2022 and by March 2022, 79% of actions were fully implemented with outstanding actions underway at the time of the audit.

Most councils have looked to improve how they obtain value from procurement

- 4.8 We examined activities councils were undertaking, at the time of the audit, to enhance their procurement function and associated processes. Four councils have looked to improve how they obtain value from procurement. One council used its procurement strategy for continuous improvement across its procurement function. This council had commenced development of a new procurement strategy to expand its approach to procurement. The council was also progressing the development of an Indigenous Procurement Policy and Ethical Procurement Policy.

- 4.9 One council had considered the following improvements to obtain value from procurement:

- creating a formal link between risk management and the Code

- continuing informal resource sharing and joint procurement on projects with neighbouring councils
- implementation of environmental and sustainability actions from its 2022-2023 Annual Plan.

4.10 One council adopted an environmental plan to help enhance its procurement function and support carbon emission reduction practices. The plan included 3 actions to align its purchasing practices with principles of sustainability. In summary, these actions included:

- the development of a sustainable purchasing strategy
- advising suppliers of the council's commitment to sustainability practices and ensuring they comply with them
- seeking innovation from suppliers to reduce waste.

The timeframe for implementation of these actions was still ongoing at the time of the audit, with the first to be completed within 4 years and the remaining 2 by the end of 2030.

4.11 Few councils were primarily focused on achieving the minimum requirements under the LGA and LGR. One council noted there were issues attracting suppliers that understood the needs and requirements of the municipality. This council was planning on introducing TenderLink to make procurement more efficient.

4.12 One council noted there were barriers, particularly cost, to implementing environmentally friendly, sustainable resources within procurement activities. However, the council was investigating climate adaptation strategies and a shared resource in collaboration with other councils in the region. This may have implications for procurement in the future.

Good practice example: Launceston City Council's sustainability strategies and action plans

Launceston City Council's Sustainability Strategy describes its position on climate change and sustainability and the actions to be taken to reduce carbon emissions.

The Sustainability Action Plan 2022-2030 is the implementation plan of the Sustainability Strategy. The Sustainability Action Plan has 6 key priority areas supported by targets, objectives and actions.

The below table shows the objectives under Priority Area 1 'Leadership and Advocacy' and a selection of procurement-related actions.

The Towards Zero Emissions Action Plan 2021-2025 is linked to the Sustainability Strategy and describes how Launceston City Council will meet its target to become a carbon neutral organisation by 2025. The Towards Zero Emissions Action Plan has 7 key areas. The fifth area 'Sustainable Supply Chain' is focused on sustainable

procurement practices including procuring goods and services within a framework that considers emission reduction targets.

Leadership and advocacy objectives	Procurement-related actions
<ul style="list-style-type: none"> • Communicate, monitor and assess the City of Launceston’s progress in sustainability performance • Build our capacity in delivering sustainability outcomes • Enhance the sustainability outcomes of our procurement process and supply chain • Advocate for the community on sustainability related matters outside of the City of Launceston’s control. 	<ul style="list-style-type: none"> • Update its procurement policy and strategy to ensure goods and services purchased met certain criteria for environmental, social and governance responsibility. • Assign sustainability weighting/evaluation criteria in tender evaluations to encourage procurement of sustainable goods and services. • Communicate with the Launceston City Council’s supply chain on their sustainability targets, include sustainable procurement awareness information in induction program for suppliers, and encourage transparency from suppliers on their sustainability targets and achievements.

Source: Launceston City Council¹³

4.13 The Appendices to this report provide each council’s self-analysis against a procurement maturity scale together with audit findings specific to each council.

¹³ City of Launceston, *Sustainability Action Plan 2022-2030* pp.12-13, <https://www.launceston.tas.gov.au/Natural-Environment-and-Waste/Sustainability/Sustainability-Strategies-and-Plans>

Appendix A: Burnie City Council

Procurement maturity scale¹⁴

	Minimal	Developing	Mature	Leader	Innovator
Strategies to achieve value	<ul style="list-style-type: none"> Follows the processes outlined in the Act/LGA and Code. Procurement policy includes principles to support approach. Limited connection to strategic objectives. 	<ul style="list-style-type: none"> No procurement strategy, but Code/ policy has been expanded to help achieve value. Connection to strategic objectives. 	<ul style="list-style-type: none"> Procurement strategy developed with initiatives applied in multiple procurement processes. Procurement strategy has a direct alignment with strategic plan objectives. 	<ul style="list-style-type: none"> Senior management recognise importance of procurement strategy in driving change in processes. Strategic plan objectives include measures on how procurement can be used to support delivery (where relevant). 	<ul style="list-style-type: none"> Data-driven approach to strategic procurement. Procurement strategy drives achievement of strategic objectives and is embedded across council operations.
Processes embed strategies	<ul style="list-style-type: none"> Limited training, documented processes, guidance and templates. Elected members approve high value procurements as required under the LGA. 	<ul style="list-style-type: none"> New approaches and ideas applied in isolated procurement processes. Sufficient training, documented processes, guidance and templates. 	<ul style="list-style-type: none"> Comprehensive training, documented processes, guidance and templates. 	<ul style="list-style-type: none"> Training provided across council on meeting procurement strategy actions. Elected member engagement is delivering better results across all procurement activity. 	<ul style="list-style-type: none"> Elected member engagement is contributing to the success of strategic procurement decision-making.
Monitoring of value to enhance procurement	<ul style="list-style-type: none"> Internal audit used to monitor compliance and review processes. 	<ul style="list-style-type: none"> Internal audit used to monitor compliance and review processes. Changes implemented following these audits/reviews have resulted in improvements to the procurement function. 	<ul style="list-style-type: none"> Senior management is regularly informed on procurement strategy. 	<ul style="list-style-type: none"> Regular monitoring of value derived from procurement activity. 	<ul style="list-style-type: none"> KPIs are used to monitor and measure value derived from procurement, including impact on the community. Lessons learned shared with other councils.

Strategies to achieve value

Burnie City Council did not provide a self-assessment for this area. While the Council did not have a procurement strategy, it followed the values and principles outlined in its Code and Purchasing Policy to derive value from procurement.

The Council's procurement processes were aligned to strategic goals and objectives in Making Burnie 2030 and 4-year Council Plan. To meet the 'environmentally responsible' goal

¹⁴ This maturity scale was developed using the audit criteria and sub-criteria and adapting elements of the *National Procurement Strategy for Local Government in England 2018* prepared by the Local Government Association of the United Kingdom. A council that ranks itself as Mature in one or more areas, for example, would also be expected to meet the areas under Minimal and Developing, and so on.

from its 4-year Council Plan, the Council committed to the procurement of environmentally responsible vehicles and plant, with the objective to lessen its environmental footprint.

Processes embed strategies

Burnie City Council did not provide a self-assessment for this area. The Council used its Code for achieving better practice from procurement. The Code outlined avenues to facilitate engagement with local business and assigning specific evaluation criterion to assess local content. The Council participated in a shared procurement with Waratah-Wynyard Council on a coastal pathway which extended from Red Rock, Cooee to Port Creek, Wynyard.

Staff involved in procurement were provided with in-house training which included formal project management. In addition to the Code, staff had access to a suite of procurement procedures, forms and templates on its intranet. The assessment of tenders was conducted by staff and the General Manager approved purchases valued at or exceeding \$100,000. For operational efficiency, the General Manager had discretion to refer tenders to elected members for decision where for example, they were high risk, high value and of strategic importance. The General Manager provided quarterly reports on outcomes of procurement to elected members.

Monitoring of value to enhance procurement

Burnie City Council did not provide a self-assessment for this area. The Council had not monitored the value derived from procurement and had not recently conducted a formal review of its processes. However, its internal audit function had reviewed the Code and Purchasing Policy which resulted in a recommendation to increase the review frequency of these policies.

The Council had considered the following improvements to obtain value from procurement:

- creating a formal link between risk management and the Code
- continuing informal resource sharing and joint procurement on projects with neighbouring councils
- implementation of environmental and sustainability actions from its 2022-2023 Annual Plan.

Appendix B: Hobart City Council

Procurement maturity scale

	Minimal	Developing	Mature	Leader	Innovator
Strategies to achieve value	<ul style="list-style-type: none"> Follows the processes outlined in the Act/LGA and Code. Procurement policy includes principles to support approach. Limited connection to strategic objectives. 	<ul style="list-style-type: none"> No procurement strategy, but Code/policy has been expanded to help achieve value. Connection to strategic objectives. 	<ul style="list-style-type: none"> Procurement strategy developed with initiatives applied in multiple procurement processes. Procurement strategy has a direct alignment with strategic plan objectives. 	<ul style="list-style-type: none"> Senior management recognise importance of procurement strategy in driving change in processes. Strategic plan objectives include measures on how procurement can be used to support delivery (where relevant). 	<ul style="list-style-type: none"> Data-driven approach to strategic procurement. Procurement strategy drives achievement of strategic objectives and is embedded across council operations.
Processes embed strategies	<ul style="list-style-type: none"> Limited training, documented processes, guidance and templates. Elected members approve high value procurements as required under the LGA. 	<ul style="list-style-type: none"> New approaches and ideas applied in isolated procurement processes. Sufficient training, documented processes, guidance and templates. 	<ul style="list-style-type: none"> Comprehensive training, documented processes, guidance and templates. 	<ul style="list-style-type: none"> Training provided across council on meeting procurement strategy actions. Elected member engagement is delivering better results across all procurement activity. 	<ul style="list-style-type: none"> Elected member engagement is contributing to the success of strategic procurement decision-making.
Monitoring of value to enhance procurement	<ul style="list-style-type: none"> Internal audit used to monitor compliance and review processes. 	<ul style="list-style-type: none"> Internal audit used to monitor compliance and review processes. Changes implemented following these audits/reviews have resulted in improvements to the procurement function. 	<ul style="list-style-type: none"> Senior management is regularly informed on procurement strategy. 	<ul style="list-style-type: none"> Regular monitoring of value derived from procurement activity. 	<ul style="list-style-type: none"> KPIs are used to monitor and measure value derived from procurement, including impact on the community. Lessons learned shared with other councils.

Strategies to achieve value

Hobart City Council provided a self-assessment of ‘Mature’/‘Leader’ for this area. The Council had matured in its approach to procurement in the last 5 years, taking a more strategic approach to procurement. This was supported by the implementation of its Procurement Strategy 2018-2022 (Strategy), which contained 8 goals and objectives to get economic, social and environment benefits from procurement. The Council also introduced a Local Preference Policy which articulated its approach to supporting local business.

The Council’s 10-year Capital Strategic Plan had a direct alignment with strategic procurement decision-making. The Code, Strategy, Local Preference Procurement Policy, and committee reports were aligned to objectives in the Strategic Plan.

Processes embed strategies

Hobart City Council provided a self-assessment of 'Leader' for this area. The Council's Strategy contained goals and strategies covering areas such as training, process improvements, sustainability, Indigenous procurement and ethical conduct. The Council's Code and procurement policy outlined ethical and social standards which were incorporated into tender documents.

The Council provided dedicated training and support across the organisation on procurement. This was enhanced by actions identified in the Procurement Strategy such as a monthly induction for new employees and refresher training. The Council's intranet included all the necessary policies, procedures, guidance materials and templates to support staff undertaking procurement in alignment with the Code's values and principles. Elected members approved the Strategy and changes to the Code. In addition, the Finance and Governance Committee (which was comprised of elected members) noted quotation exemption reports provided by the procurement team and also approved the adoption of the Local Preference Policy.

Monitoring of value to enhance procurement

Hobart City Council provided a self-assessment of 'Mature'/'Leader' for this area. The Council had monitored the value derived from procurement through its Strategy. Progress on actions in the Strategy was reported quarterly to the Executive Leadership Team, with the majority of actions completed by 30 June 2022. The Strategy included an action to have audits on procurement to identify improvements in relation to policy and legislative compliance.

The Council aimed to continually improve its procurement function and progress outstanding actions from its Strategy, which included the delivery of a sustainable procurement policy and indigenous procurement policy. The Council had also commenced the development of a new Strategy.

Appendix C: Launceston City Council

Procurement maturity scale

	Minimal	Developing	Mature	Leader	Innovator
Strategies to achieve value	<ul style="list-style-type: none"> Follows the processes outlined in the Act/LGA and Code. Procurement policy includes principles to support approach. Limited connection to strategic objectives. 	<ul style="list-style-type: none"> No procurement strategy, but Code/policy has been expanded to help achieve value. Connection to strategic objectives. 	<ul style="list-style-type: none"> Procurement strategy developed with initiatives applied in multiple procurement processes. Procurement strategy has a direct alignment with strategic plan objectives. 	<ul style="list-style-type: none"> Senior management recognise importance of procurement strategy in driving change in processes. Strategic plan objectives include measures on how procurement can be used to support delivery (where relevant). 	<ul style="list-style-type: none"> Data-driven approach to strategic procurement. Procurement strategy drives achievement of strategic objectives and is embedded across council operations.
Processes embed strategies	<ul style="list-style-type: none"> Limited training, documented processes, guidance and templates. Elected members approve high value procurements as required under the LGA. 	<ul style="list-style-type: none"> New approaches and ideas applied in isolated procurement processes. Sufficient training, documented processes, guidance and templates. 	<ul style="list-style-type: none"> Comprehensive training, documented processes, guidance and templates. 	<ul style="list-style-type: none"> Training provided across council on meeting procurement strategy actions. Elected member engagement is delivering better results across all procurement activity. 	<ul style="list-style-type: none"> Elected member engagement is contributing to the success of strategic procurement decision-making.
Monitoring of value to enhance procurement	<ul style="list-style-type: none"> Internal audit used to monitor compliance and review processes. 	<ul style="list-style-type: none"> Internal audit used to monitor compliance and review processes. Changes implemented following these audits/reviews have resulted in improvements to the procurement function. 	<ul style="list-style-type: none"> Senior management is regularly informed on procurement strategy. 	<ul style="list-style-type: none"> Regular monitoring of value derived from procurement activity. 	<ul style="list-style-type: none"> KPIs are used to monitor and measure value derived from procurement, including impact on the community. Lessons learned shared with other councils.

Strategies to achieve value

Launceston City Council provided a self-assessment of 'Developing' for this area. The Council followed the values and principles outlined in its Code and Procurement Policy to derive value from procurement. The Council did not have a procurement strategy but had revised its procurement policy at the time of the audit. The revisions included additional information on sustainable procurement practices and introduced sustainability as a mandatory weighted evaluation criterion for all quotes and tenders.

The Council's 10-year Strategic Plan outlined a number of goals and its Code referenced the Strategic Plan as a value for money consideration. Reports to elected members on procurement activities were aligned to goals and objectives in the Strategic Plan.

Processes embed strategies

Launceston City Council provided a self-assessment of 'Mature'/'Leader' for this area. The Council's Sustainability Strategy included actions on sustainability and environmental considerations in decision-making but this work was ongoing. Staff had access to policies, procedures, guidance materials and templates to ensure procurement activities were undertaken in accordance with the Code. These documents covered different aspects of the procurement process from tender opening, evaluation, purchasing and contract management.

The central procurement team provided procurement awareness training to other council departments, including the value of the LGAT Vendor Panel. The Council's Tender Review Committee reviewed tenders exceeding \$250,000. Procurement evaluations were undertaken by a Tender Evaluation Panel consisting of 3 council officers, with an expert brought in if the officers had no requisite skills. The Panel prepared an evaluation report recommending the approval of tenders exceeding \$250,000 to the Committee. The Committee referred all tenders to full council for noting and meeting minutes were provided to the Mayor, elected members and General Manager.

Monitoring of value to enhance procurement

Launceston City Council provided a self-assessment of 'Minimal' for this area, although they advised they shared lessons learned shared with other councils, which was an element of the 'Innovator' category. The Council advised it was looking to further develop its procurement function, with a restructure and examination of opportunities to adopt and simplify its procurement processes. The Council had not conducted an internal audit of procurement activities during the specified period, although the internal audit function had the authority to do so. The Council had looked to obtain value from procurement through its Sustainability Strategy and Action Plan, which described the Council's position on climate change and sustainability and included procurement-related initiatives to help meet its emission reduction targets.

Appendix D: Tasman Council

Procurement maturity scale

	Minimal	Developing	Mature	Leader	Innovator
Strategies to achieve value	<ul style="list-style-type: none"> Follows the processes outlined in the Act/LGA and Code. Procurement policy includes principles to support approach. Limited connection to strategic objectives. 	<ul style="list-style-type: none"> No procurement strategy, but Code/policy has been expanded to help achieve value. Connection to strategic objectives. 	<ul style="list-style-type: none"> Procurement strategy developed with initiatives applied in multiple procurement processes. Procurement strategy has a direct alignment with strategic plan objectives. 	<ul style="list-style-type: none"> Senior management recognise importance of procurement strategy in driving change in processes. Strategic plan objectives include measures on how procurement can be used to support delivery (where relevant). 	<ul style="list-style-type: none"> Data-driven approach to strategic procurement. Procurement strategy drives achievement of strategic objectives and is embedded across council operations.
Processes embed strategies	<ul style="list-style-type: none"> Limited training, documented processes, guidance and templates. Elected members approve high value procurements as required under the LGA. 	<ul style="list-style-type: none"> New approaches and ideas applied in isolated procurement processes. Sufficient training, documented processes, guidance and templates. 	<ul style="list-style-type: none"> Comprehensive training, documented processes, guidance and templates. 	<ul style="list-style-type: none"> Training provided across council on meeting procurement strategy actions. Elected member engagement is delivering better results across all procurement activity. 	<ul style="list-style-type: none"> Elected member engagement is contributing to the success of strategic procurement decision-making.
Monitoring of value to enhance procurement	<ul style="list-style-type: none"> Internal audit used to monitor compliance and review processes. 	<ul style="list-style-type: none"> Internal audit used to monitor compliance and review processes. Changes implemented following these audits/reviews have resulted in improvements to the procurement function. 	<ul style="list-style-type: none"> Senior management is regularly informed on procurement strategy. 	<ul style="list-style-type: none"> Regular monitoring of value derived from procurement activity. 	<ul style="list-style-type: none"> KPIs are used to monitor and measure value derived from procurement, including impact on the community. Lessons learned shared with other councils.

Strategies to achieve value

Tasman Council provided a self-assessment level of ‘Minimal’ for this area. The Council followed the values and principles outlined in its Code to derive value from procurement. The Council valued engaging suppliers with the capability and expertise to deliver the work, and with demonstrated knowledge of the Tasman municipality. The availability of suppliers was also an important consideration due to the council’s size and distance from the Greater Hobart Area. The Council did not have a procurement policy. The Council's 10-year Strategic Plan did not guide decision-making on procurement, but its goals were considered. Reports to elected members on some procurement activities were aligned to goals in the Strategic Plan.

Processes embed strategies

Tasman Council provided a self-assessment level of 'Minimal' for this area. The Council used its Code to guide its approach to procurement. The Council implemented a Climate Change Strategy to improve sustainability practices, deliver energy efficient projects and develop community and environmental resilience to climate change. The Strategy included an action to develop a climate change, and sustainability-informed, purchasing policy and procedure by 2021. However, this action was yet to be implemented.

The Council's Code, purchasing procedure and delegations register were used to support staff in undertaking procurement. Training for procurement staff was conducted in-house but was only provided when required, such as to new employees. There were limited supporting procedures and templates and no evidence of training documentation. Elected members approved tenders valued at or exceeding \$250,000 and senior management provided briefings on tender reports, joint procurement activities and changes to the Code.

Monitoring of value to enhance procurement

Tasman Council provided a self-assessment level of 'Minimal' for this area. The Council had commenced the process of establishing an internal audit function. The Council was focused on meeting the minimum requirements under the LGA and LGR and aside from proposed changes to electronic transmission of tenders, had not considered further aspects of strategic procurement. The Council had participated in joint procurement with Southern Tasmanian councils on sustainable waste management, recycling and road resealing services.

Appendix E: Waratah-Wynyard Council

Procurement maturity scale

	Minimal	Developing	Mature	Leader	Innovator
Strategies to achieve value	<ul style="list-style-type: none"> Follows the processes outlined in the Act/LGA and Code. Procurement policy includes principles to support approach. Limited connection to strategic objectives. 	<ul style="list-style-type: none"> No procurement strategy, but Code/policy has been expanded to help achieve value. Connection to strategic objectives. 	<ul style="list-style-type: none"> Procurement strategy developed with initiatives applied in multiple procurement processes. Procurement strategy has a direct alignment with strategic plan objectives. 	<ul style="list-style-type: none"> Senior management recognise importance of procurement strategy in driving change in processes. Strategic plan objectives include measures on how procurement can be used to support delivery (where relevant). 	<ul style="list-style-type: none"> Data-driven approach to strategic procurement. Procurement strategy drives achievement of strategic objectives and is embedded across council operations.
Processes embed strategies	<ul style="list-style-type: none"> Limited training, documented processes, guidance and templates. Elected members approve high value procurements as required under the LGA. 	<ul style="list-style-type: none"> New approaches and ideas applied in isolated procurement processes. Sufficient training, documented processes, guidance and templates. 	<ul style="list-style-type: none"> Comprehensive training, documented processes, guidance and templates. 	<ul style="list-style-type: none"> Training provided across council on meeting procurement strategy actions. Elected member engagement is delivering better results across all procurement activity. 	<ul style="list-style-type: none"> Elected member engagement is contributing to the success of strategic procurement decision-making.
Monitoring of value to enhance procurement	<ul style="list-style-type: none"> Internal audit used to monitor compliance and review processes. 	<ul style="list-style-type: none"> Internal audit used to monitor compliance and review processes. Changes implemented following these audits/reviews have resulted in improvements to the procurement function. 	<ul style="list-style-type: none"> Senior management is regularly informed on procurement strategy. 	<ul style="list-style-type: none"> Regular monitoring of value derived from procurement activity. 	<ul style="list-style-type: none"> KPIs are used to monitor and measure value derived from procurement, including impact on the community. Lessons learned shared with other councils.

Strategies to achieve value

Waratah-Wynyard Council provided a self-assessment level of 'Leader' for this area. The Council followed the values and principles outlined in its Code and Procurement Policy but did not have a procurement strategy. However, the Council strengthened its Procurement Policy to include environmental considerations following the adoption of the Integrated Community Environmental Plan 2020-2030. The Council's Corporate Strategic Plan 2017-2027 included strategies and actions on leadership and governance, and achieving value for money. The Procurement Policy and reports to elected members on procurement activities, were connected to objectives in the Strategic Plan.

Processes embed strategies

Waratah-Wynyard Council provided a self-assessment level of 'Mature' for this area. In June 2022, the Council set a net zero emissions target by 2030. The Council's largest source of emissions was from transport and this informed its approach to procurement activities in the short and medium term. The Procurement Policy included information on how environmental considerations would be applied when evaluating tenders.

The Council had a long-standing resource sharing arrangement with Circular Head Council which included procurement. Examples of shared procurement included road resurfacing, recycling, building evaluations and bridge replacements. This produced demonstrated benefits for both councils with reports noting the Council had achieved costs savings and delivered better services to the community.

The Code, Procurement Policy and supporting procedures provided guidance for staff undertaking procurement. Staff had access to sufficient procurement training through an online training module which embedded purchasing principles such as value for money and 'buy local'. Elected members considered and approved tenders exceeding \$250,000 based on the recommendation of an evaluation panel. With approval from elected members, the General Manager had delegated authority to approve tenders under \$250,000. However, all contracts exceeding \$100,000 were reported to elected members on a monthly basis.

Monitoring of value to enhance procurement

Waratah-Wynyard Council provided a self-assessment level of 'Mature' for this area. Elected members were briefed on their Council's shared resource arrangement with Circular Head Council. The Council had not used internal audit to monitor the value of procurement activities. However, a recent internal audit report on training needs for staff recommended improvements to record keeping for lower value purchases. The Council was continuing to obtain more value from procurement through implementation of actions identified in the Integrated Community Environmental Plan 2020-2030.

Appendix F: West Tamar Council

Procurement maturity scale

	Minimal	Developing	Mature	Leader	Innovator
Strategies to achieve value	<ul style="list-style-type: none"> Follows the processes outlined in the Act/LGA and Code. Procurement policy includes principles to support approach. Limited connection to strategic objectives. 	<ul style="list-style-type: none"> No procurement strategy, but Code/policy has been expanded to help achieve value. Connection to strategic objectives. 	<ul style="list-style-type: none"> Procurement strategy developed with initiatives applied in multiple procurement processes. Procurement strategy has a direct alignment with strategic plan objectives. 	<ul style="list-style-type: none"> Senior management recognise importance of procurement strategy in driving change in processes. Strategic plan objectives include measures on how procurement can be used to support delivery (where relevant). 	<ul style="list-style-type: none"> Data-driven approach to strategic procurement. Procurement strategy drives achievement of strategic objectives and is embedded across council operations.
Processes embed strategies	<ul style="list-style-type: none"> Limited training, documented processes, guidance and templates. Elected members approve high value procurements as required under the LGA. 	<ul style="list-style-type: none"> New approaches and ideas applied in isolated procurement processes. Sufficient training, documented processes, guidance and templates. 	<ul style="list-style-type: none"> Comprehensive training, documented processes, guidance and templates. 	<ul style="list-style-type: none"> Training provided across council on meeting procurement strategy actions. Elected member engagement is delivering better results across all procurement activity. 	<ul style="list-style-type: none"> Elected member engagement is contributing to the success of strategic procurement decision-making.
Monitoring of value to enhance procurement	<ul style="list-style-type: none"> Internal audit used to monitor compliance and review processes. 	<ul style="list-style-type: none"> Internal audit used to monitor compliance and review processes. Changes implemented following these audits/reviews have resulted in improvements to the procurement function. 	<ul style="list-style-type: none"> Senior management is regularly informed on procurement strategy. 	<ul style="list-style-type: none"> Regular monitoring of value derived from procurement activity. 	<ul style="list-style-type: none"> KPIs are used to monitor and measure value derived from procurement, including impact on the community. Lessons learned shared with other councils.

Strategies to achieve value

West Tamar Council provided a self-assessment level of ‘Developing’ for this area. The Council followed the values and principles outlined in its Code and Procurement Policy to derive value from procurement. The Council valued the importance of suppliers delivering quality goods and services that met work health and safety standards while being at the right price. The Council also valued enhancing opportunities for local businesses in the municipality which were consistent with value for money objectives. Procurement decisions made by elected members were aligned to goals and objectives in the Council's 10-year Strategic Plan.

Processes embed strategies

West Tamar Council provided a self-assessment level of ‘Developing’ for this area. Procurement strategies such as achieving value for money, ensuring workplace safety and

procuring quality goods and services were embedded in its Code and Procurement Policy. This was supported through the Annual Plan around disposal of fleet and plant equipment, designed to assist council to enhance safety and fitness for purpose of its current equipment.

The Code was supported by a suite of purchasing policies and procedures to support staff evaluation of tenders. The Council inducted new employees but the provision of ongoing training was at the discretion of the employee's manager. The Council's Tender Review Committee evaluated tenders valued at or exceeding \$150,000. Procurements that did not comply with the Code were deferred to full council with approval only through majority decision. The Council's Infrastructure Committee, which included elected members and council officers, met to discuss progress on projects. Full council had oversight over procurements which exceeded thresholds required under the Code or where a public tender process was not used.

Monitoring of value to enhance procurement

West Tamar Council provided a self-assessment level of 'Minimal' for this area. The Council had not monitored the value derived from procurement. The Council's internal audit function had, during the specified period, reviewed compliance with financial delegations, the Code and with the LGA where Council approval on procurement was not obtained. The Council had not considered further aspects of strategic procurement aside from meeting requirements under the Code. The Council stated there were barriers, particularly cost, to implementing environmentally friendly sustainable resources within procurement activities. However, the Council was planning to develop a climate adaptation strategy, which was likely to impact procurement activity.

Acronyms and abbreviations

Audit Act	<i>Audit Act 2008</i>
Code	Code for Tenders and Contracts
LGA	<i>Local Government Act 1993</i>
LGAT	Local Government Association of Tasmania
LGR	<i>Local Government (General Regulations) 2015</i>
NPN	National Procurement Network
VFM	Value for money

Audit Mandate and Standards Applied

Mandate

Section 23 of the *Audit Act 2008* states that:

- (1) The Auditor-General may at any time carry out an examination or investigation for one or more of the following purposes:
 - (a) examining the accounting and financial management information systems of the Treasurer, a State entity or a subsidiary of a State entity to determine their effectiveness in achieving or monitoring program results;
 - (b) investigating any matter relating to the accounts of the Treasurer, a State entity or a subsidiary of a State entity;
 - (c) investigating any matter relating to public money or other money, or to public property or other property;
 - (d) examining the compliance of a State entity or a subsidiary of a State entity with written laws or its own internal policies;
 - (e) examining the efficiency, effectiveness and economy of a State entity, a number of State entities, a part of a State entity or a subsidiary of a State entity;
 - (f) examining the efficiency, effectiveness and economy with which a related entity of a State entity performs functions –
 - (i) on behalf of the State entity; or
 - (ii) in partnership or jointly with the State entity; or
 - (iii) as the delegate or agent of the State entity;
 - (g) examining the performance and exercise of the Employer's functions and powers under the *State Service Act 2000*.
- (2) Any examination or investigation carried out by the Auditor-General under subsection (1) is to be carried out in accordance with the powers of this Act

Standards Applied

Section 31 specifies that:

'The Auditor-General is to perform the audits required by this or any other Act in such a manner as the Auditor-General thinks fit having regard to -

- (a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity; and
- (b) the Australian Auditing and Assurance Standards.'

The auditing standards referred to are Australian Auditing Standards as issued by the Australian Auditing and Assurance Standards Board.



Tasmanian
Audit Office

*Front cover image: City of Hobart rubbish/recycling truck
Courtesy of the Hobart City Council*

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