

AGENDA

Audit Committee Meeting

9 August 2023

Commencing at 3:30pm

Council Chambers

Yougenup Road, Gnowangerup WA 6335

COUNCIL'S VISION

Gnowangerup Shire – A progressive, inclusive and prosperous community built on opportunity

AUDIT COMMITTEE TERMS OF REFERENCE

Objectives of the Audit Committee

The primary objective of the audit committee is to accept responsibility for the annual external audit and liaise with the local government's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.

Reports from the committee will assist Council in discharging its legislative responsibilities of controlling the local government's affairs, determining the local government's policies and overseeing the allocation of the local government's finances and resources. The committee will ensure openness in the local government's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation.

The committee is to facilitate:

- the enhancement of the credibility and objectivity of external financial reporting;
- compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- the provision of an effective means of communication between the external auditor, the CEO and the Council.

Powers of the Audit Committee

The Audit committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference. This is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.

The committee is a formally appointed committee of council and is responsible to that body. The committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility. The committee does not have any management functions and cannot involve itself in management processes or procedures.

Membership

The committee will consist of all elected members of Council. All members shall have full voting rights.

The CEO and employees are not members of the committee.

The Deputy CEO will attend meetings, not as a member but to assist the Committee with any queries or requests for information.

The Executive Assistant or another nominated staff member will attend meetings to take the minutes.

The Presiding Member and Deputy Presiding Member must be elected in accordance with section 5.12 and Schedule 2.3 of the Act.

Meetings

The committee shall meet at least quarterly.

Additional meetings shall be convened at the discretion of the Presiding Member.

Reporting

Reports and recommendations of each committee meeting shall be presented to the next ordinary meeting of the Council and must be moved by the Presiding Member, or in his/her absence the Deputy Presiding Member, or in both their absences, any other member of the committee.

Functions of the Audit Committee

The functions of the committee, pursuant to Reg. 16 of the *Local Government (Audit) Regulations 1996* will be to:


- a) guide and assist the local government in carrying out its functions:
 - i. under Part 6 (Financial Management) of the Act; and
 - ii. relating to other audits and other matters related to financial management;
- b) guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 (Audit) of the Act;
- c) review a report given to it by the CEO under regulation 17(3) (the CEO's report) and isto:
 - i. report to the council the results of that review; and
 - ii. give a copy of the CEO's report to the council;
- d) monitor and advise the CEO when the CEO is carrying out functions in relation to a review under
 - i. regulation 17(1); and
 - ii. the Local Government (Financial Management) Regulations 1996 regulation5(2)(c);
- e) support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- f) oversee the implementation of any action that the local government:
 - i. is required to take by section 7.12A(3) of the Act; and
 - ii. has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a) of the Act; and
 - iii. has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
 - iv. has accepted should be taken following receipt of a report of a review conducted under the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- g) perform any other function conferred on the audit committee by these regulations or another written law.

Shire of Gnowangerup

NOTICE OF A COMMITTEE MEETING OF COUNCIL

Dear Committee Member

A meeting of the Audit Committee of the Shire of Gnowangerup will be held on Wednesday 9 August 2023, in the Council Chambers, 28 Yougenup Road, Gnowangerup, commencing at 3.30pm.

Signed 

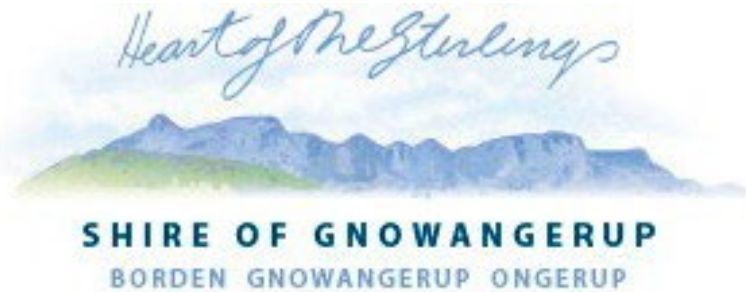
David Nicholson
CHIEF EXECUTIVE OFFICER

Meaning of and CAUTION concerning Council's 'In Principle' support:

When Council uses this expression it means that:

- a) Council is generally in favour of the proposal BUT is not yet willing to give its consent; and*
- b) Importantly, Council reserves the right to (and may well) either decide against the proposal or to formally support it but with restrictive conditions or modifications.*

Therefore, whilst you can take some comfort from Council's "support" you are clearly at risk if you act upon it before Council makes its actual (and binding) decision and communicates that to you in writing.



DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of Gnowangerup for any act, omission or statement or intimation occurring during Council or committee meetings.

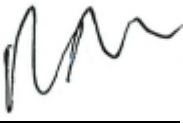
The Shire of Gnowangerup disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or committee meetings.

Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council or committee meeting does so at that person's or legal entity's own risk.

In particular and without detracting in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or intimation of approval made by any member or officer of the Shire of Gnowangerup during the course of any meeting is not intended to be and is not taken as notice of approval from the Shire of Gnowangerup.

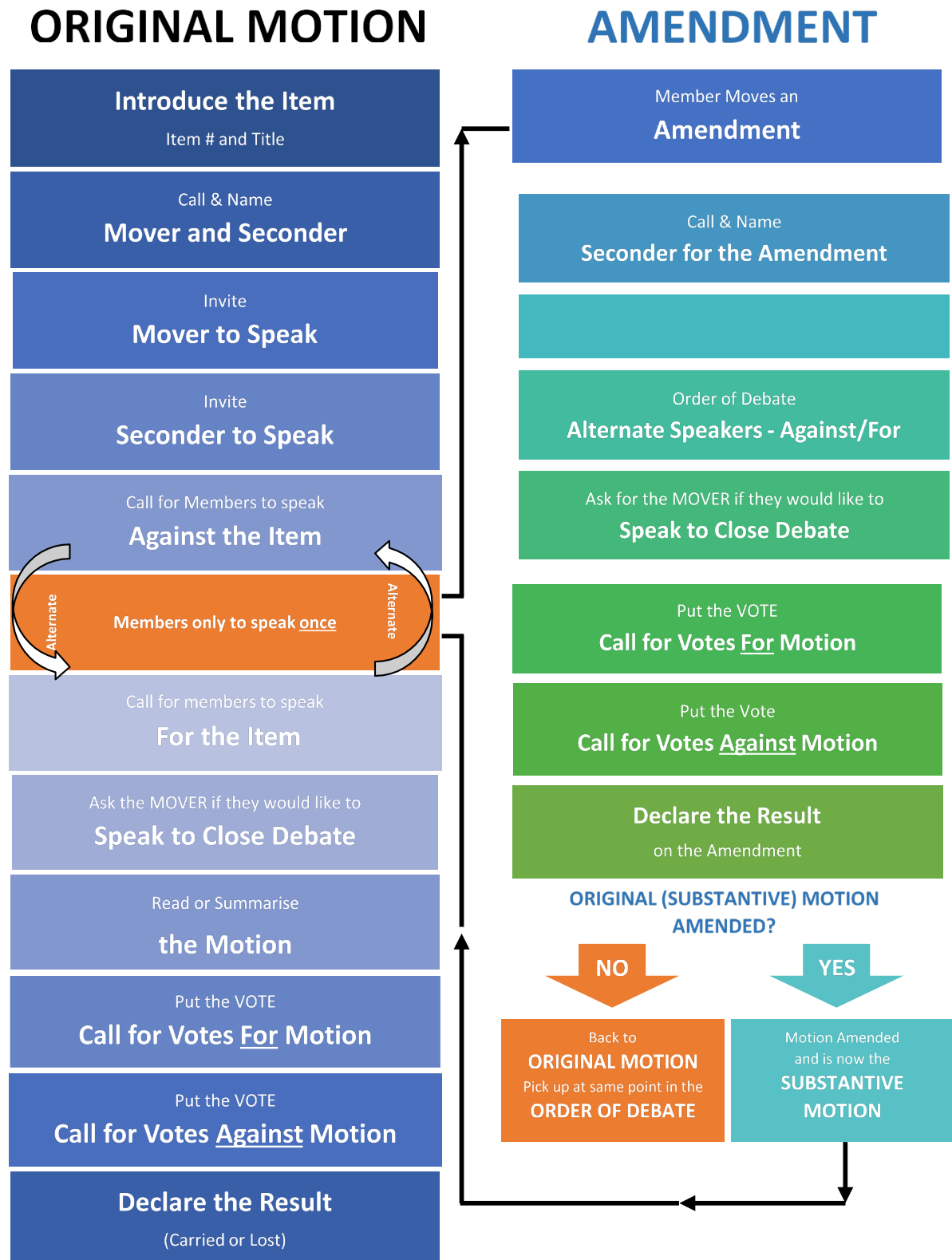
The Shire of Gnowangerup advises that anyone who has any application lodged with the Shire of Gnowangerup shall obtain and should only rely on **written confirmation** of the outcome of the application, and any conditions attaching to the decision made by the Shire of Gnowangerup in respect of the application.

These minutes are not a verbatim record but include the contents pursuant to Regulation 11 of *Local Government (Administration) Regulations 1996*.

Signed 

David Nicholson
CHIEF EXECUTIVE OFFICER

Process of Motions



Slight clarification of wording of motion: A minor amendment of the motion can be done at any time through the President with the approval of the Mover and the Seconder. The Minor amendment must be minuted.

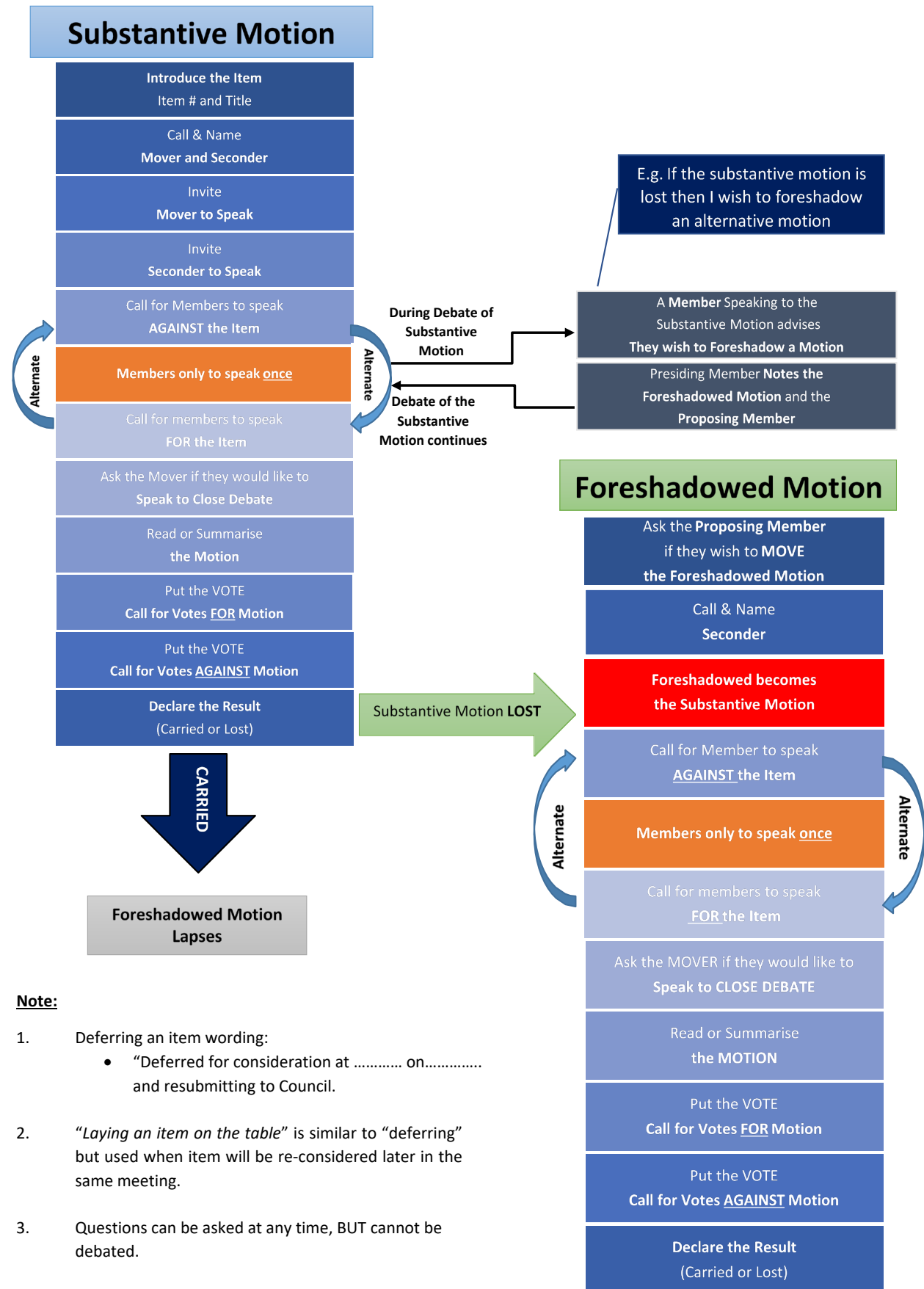


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OPENING PROCEDURES

1. OPENING AND ANNOUNCEMENT OF VISITORS

Presiding Member, Cr Fiona Gaze welcomes committee members and staff and opens the meeting at _____pm.

2. ACKNOWLEDGEMENT OF COUNTRY

The Shire of Gnowangerup would like to acknowledge the Goreng people who are the Traditional Custodians of this land. The Shire of Gnowangerup would also like to pay respect to the Elders both past and present of the Noongar Nation and extend that respect to other Aboriginals present.

3. ATTENDANCE / APOLOGIES / APPROVED LEAVE OF ABSENCE

3.1 ATTENDANCE

3.2 APOLOGIES

3.3 APPROVED LEAVE OF ABSENCE

Cr Greg Stewart has been granted leave of absence

4.1 AUDIT COMMITTEE MEETING MINUTES 8 MARCH 2023

OFFICER RECOMMENDATION:

AC0823 That the minutes of the Audit Committee Meeting held on 8 March 2023 be confirmed as a true record of proceedings.

5. OFFICER ITEMS

5.1	STRATEGIC RISK PROFILES STATUS REPORT
Location:	N/A
Proponent:	N/A
Date of Report:	26 July 2023
Business Unit:	Corporate and Community Services
Officer:	Chiara Galbraith – Deputy Chief Executive Officer
Disclosure of Interest:	Nil

ATTACHMENT

- Strategic Risk Profiles Dashboard
- Strategic risks – full details

PURPOSE OF THE REPORT

To provide Council’s Audit Committee with an update on the organisation’s strategic risk management status.

BACKGROUND

The Dashboard report provides the following information for each risk profile:

- A brief description of the risk.
- A list of current actions to mitigate the risk.
- A rating as to what degree the risk can be influenced.
- A risk rating.
- A rating of how successful existing controls are.

Administration presented a Strategic Risk Profile Report to this Committee 22 August 2022. Under the heading “Background” it was reported that:

Officers presented a new Risk Management Policy and Procedure to Council at its ordinary meeting of 27 September 2018. The Policy was adopted at this meeting. The procedure document states:

‘...the Risk Management dashboard for Strategic Risk Profiles should be presented to the Audit Committee on at least a 6-monthly basis.’

It is noted that the Policy does not set this requirement and no procedure could be located.

During March and April 2023, the Shire’s Management Team undertook a review of the strategic and operational risks as previously listed in the Risk Management Plan. As part of this review, it was considered that Business Disruption and IT and Communications should be elevated from Operational to Strategic.

In addition the IT and Communications risk was elevated from a control level of adequate to inadequate, reflecting heightened cyber risk.

COMMENTS

As noted, a review of the Risk Management Plan was conducted and two risks were elevated to strategic in order that Council may monitor these through its Audit Committee.

It was ascertained that whilst all tasks noted in the risks listed as Operational were being adequately controlled, these should still be monitored by the Shire's Management Team.

Whilst no documented requirement for six monthly reporting on Risk Management could be located the current Policy review will ensure this is incorporated. The CEO has also instructed that the Management Team review one or two of the Risks, listed in the Risk Management Plan, monthly so that all are reviewed over a twelve-month period. This would then work in well with a regime of six-monthly reports to this Committee.

Business Disruption and IT and Communications are as with other risk categories, interrelated to some extent, in that an issue with IT or communications would impact on the organisation's ability to operate. IT and Communication risks are ever present and increasing. So it is important that these not only be managed, by the Shire's Management Team, but also be reported to Council on a periodic basis and not just when an issue arises.

CONSULTATION

Shire's Management Team

LEGAL AND STATUTORY REQUIREMENTS

Nil specific to this report

POLICY IMPLICATIONS

Risk Management Policy

FINANCIAL IMPLICATIONS

Nil specific to this report

STRATEGIC IMPLICATIONS

Nil specific to this report

STRATEGIC RISK MANAGEMENT CONSIDERATIONS:

See Background section above.

IMPACT ON CAPACITY

Nil specific to this report

ALTERNATE OPTIONS AND THEIR IMPLICATIONS

Nil specific to this report

CONCLUSION

The Strategic Risk Profile Dashboard update report is provided for noting by the Audit Committee.

VOTING REQUIREMENTS

Simple Majority

OFFICER RECOMMENDATION

AC0823. That the Audit Committee:

Receives the Strategic Risk Profiles Dashboard updated as at 18 April 2023 as attached.

Shire of Gnowangerup Risk Dashboard Report May 2023

Strategic Risks

Population Decline	Influence Low	Risk Moderate	Control Adequate
Inability to control or stem a decline in the Shire's population.			
Actions	Due Date	Responsibility	
Resource sharing through membership of VROC	Ongoing	CEO	
Lobby for improved internet service	Ongoing	CEO	
Review land zoning to meet demand	Ongoing	CEO	
Release / develop surplus land and buildings	Dec-24	CEO	
Encourage new businesses and existing businesses in the Shire	Ongoing	CEO	
Expand portfolio of residential properties available for rent	Ongoing	DCEO	

Adverse Regulatory Change	Influence Low	Risk Moderate	Control Effective
Potential changes to the regulatory landscape that will have an adverse effect on the Shire's ability to maintain compliance.			
Actions	Due Date	Responsibility	
Lobbying activities	Ongoing	CEO	
Training for staff	Ongoing	DCEO	
Mandatory training for Elected Members	Ongoing	CEO	
Review and update policies and procedures	Ongoing	DCEO	

Leadership	Influence High	Risk High	Control Effective
Risk of ineffective strategic leadership of Council. This includes the relationship between Council and the CEO.			
Actions	Due Date	Responsibility	
Mandatory training for Councillors	Ongoing	CEO	
Ongoing training and development for Executive staff	Ongoing	DCEO	
Refresh and promotion of the Shire's Vision, Mission and Core Values	Jun-24	CEO	

Financial Sustainability	Influence High	Risk Moderate	Control Adequate
Inability to maintain service and infrastructure levels for the Shire.			
Actions	Due Date	Responsibility	
Complete Asset Management Plans	Jun-24	MW	
Budgets workshoped with Councillors	Yearly	DCEO	
LTFP developed as part of budget process	Yearly	DCEO	
Resource sharing with neighbouring Shires	Ongoing	CEO	
All capital projects supported by a business plan	Jun-24	DCEO	
Maintain Asset Management Plans and Assets in accordance with plans	Ongoing	MW	

Community disruption	Influence Low	Risk High	Control Adequate
Failure to adequately prepare and respond to events that cause disruption to the local community.			
Actions	Due Date	Responsibility	
Update and maintain Bushfire Risk Management Plan	Dec-23	DCEO	
Incident Management Training for CEO and DCEO	Dec-23	DCEO	
Effective road asset monitoring to ensure DRFAWA funding	Ongoing	MW	
Employment of CESM	Jun-23	CEO	
Employment of BRMC	Dec-23	CEO	
Bushfire awareness training	Annual	DCEO	

Business disruption	Risk High	Control Adequate
Failure to adequately prepare and respond to events that cause disruption to the local community and/or normal business activities. This could be a natural disaster, weather event, or an act carried out by an external party (e.g. sabotage/terrorism).		
Actions	Due Date	Responsibility
Maintain Business Continuity Plan	Ongoing	DCEO
Staff awareness training of Business Continuity Plan	Ongoing	DCEO

IT or communication systems and infrastructure	Influence High	Risk High	Control Inadequate
Disruption, financial loss or damage to reputation from a failure of information technology systems. Instability, degradation of performance, or other failure of IT or communication system or infrastructure causing the inability to continue business activities and provide services to the community. This may or may not result in IT Disaster Recovery Plans being invoked.			
Actions	Due Date	Responsibility	
Full IT systems audit	Dec-23	DCEO	
Test for cyber vulnerability	Dec-23	DCEO	

Population Decline

Apr-23

Risk Description	
Inability to control or stem a decline in the Shire's population.	
Causal Factors	Potential Outcomes
<ul style="list-style-type: none"> Services not matching community expectations Aging population Consolidation of farms Lack of affordable or quality homes Children being sent to schools out of the Shire 	<ul style="list-style-type: none"> Withdrawal of government and health services Challenges to financial sustainability Retail / Commercial enterprises close (or relocate) Increased unemployment Antisocial behaviour Reduction of service or level of service across the Shire. Amalgamation of Shires

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Inherent Risk	Consequence	Likelihood	High
	Major (4)	Possible (3)	

Risk Velocity	> 5 years	10 years +
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Ability to Influence	Low
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Key Controls	Type	Date	Control Operating Effectiveness
Business Engagement	Preventative	Ongoing	Adequate
Financial contribution to GP retention	Preventative	Ongoing	Effective
Recreation Facilities	Preventative	Ongoing	Effective
Community Engagement	Prevent / Detect	Ongoing	Adequate
TPS and Strategy - Scheme review	Preventative	Dec-23	Effective

4

Overall Control Effectiveness	Adequate
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8

Residual Risk	Consequence	Likelihood	Moderate
	Major (4)	Unlikely (2)	

Actions / Treatments	Due Date	Responsibility
Resource sharing through membership of VROC	Ongoing	CEO
Lobby for improved internet service	Ongoing	CEO
Review land zoning to meet demand	Ongoing	CEO
Release / develop surplus land and buildings	Dec-24	CEO
Encourage new businesses and existing businesses in the Shire	Ongoing	CEO
Expand portfolio of residential properties available for rent	Ongoing	DCEO

Key Indicators	Tolerance	Latest Result	Trend

Comments / Justifications
As determined by Bob Jarvis (CEO) and Ian Graham (DCEO) on 5 March 2020
As determined by MANEX 29 March 2023

Risk Description

Potential changes to the regulatory landscape that will have an adverse effect on the Shire's ability to maintain compliance.

Causal Factors	Potential Outcomes
<ul style="list-style-type: none"> Inadequate staffing / resources Lack of training for staff / volunteers 	<ul style="list-style-type: none"> Litigation Reputational damage Reduction / removal of other services Management of change Investigation of Council for non-compliance Decrease of volunteer services Re-allocation of Shire priorities Increased workload of staff

15

Inherent Risk	Consequence	Likelihood	High
	Catastrophic (5)	Possible (3)	

Risk Velocity	< 6mths
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Ability to Influence	Low
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Key Controls	Type	Date	Control Operating Effectiveness
Lobbying Activities (increase awareness for regional issues in implementing changes)	Preventative	Ongoing	Adequate
Training for staff	Preventative	Ongoing	Adequate
Mandatory training for Elected Members	Preventative	Ongoing	Effective
Department updates	Preventative	Ongoing	Effective
State Law Publisher legislative updates	Preventative	Ongoing	Effective

10

Overall Control Effectiveness	Effective
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5

Residual Risk	Consequence	Likelihood	Moderate
	Catastrophic (5)	Rare (1)	

Actions / Treatments	Due Date	Responsibility
Lobbying activities	Ongoing	CEO
Training for staff	Ongoing	DCEO
Mandatory training for Elected Members	Ongoing	CEO
Review and update policies and procedures	Ongoing	DCEO

Key Indicators	Tolerance	Latest Result	Trend

Comments / Justifications

As determined by Bob Jarvis (CEO) and Ian Graham (DCEO) on 5 March 2020

As determined by MANEX 29 March 2023

Risk Description

Risk of ineffective strategic leadership of Council. This includes the relationship between Council and the CEO.

Causal Factors	Potential Outcomes
<ul style="list-style-type: none"> Inadequate skill set of CEO Elections - change of Councillors Poor internal relationships Inadequate training undertaken by Councillors Poor working relationship between President / CEO Ineffective community engagement 	<ul style="list-style-type: none"> Loss of strategic direction Elected members involvement in operational matters Loss of expertise Community dissatisfaction Increased staff turnover Loss of morale Disgruntled community

12

Inherent Risk	Consequence	Likelihood	High
	Major (4)	Possible (3)	

Risk Velocity	< 1 year
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Ability to influence	High
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Key Controls	Type	Date	Control Operating Effectiveness
Succession Planning - CEO and DCEO	Preventative	Ongoing	Effective
Mandatory Training programme (Elected Members)	Preventative	Ongoing	Effective

0

Overall Control Effectiveness	Effective
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12

Residual Risk	Consequence	Likelihood	High
	Major (4)	Possible (3)	

Actions / Treatments	Due Date	Responsibility
Mandatory training for Councillors	Ongoing	CEO
Ongoing training and development for Executive staff	Ongoing	DCEO
Refresh and promotion of the Shire's Vision, Mission and Core Values	Jun-24	CEO

Key Indicators	Tolerance	Latest Result	Trend

Comments / Justifications

As determined by Bob Jarvis (CEO) and Ian Graham (DCEO) on 5 March 2020

As determined by MANEX 29 March 2023

Risk Description	
Inability to maintain service and infrastructure levels for the Shire.	
Causal Factors	Potential Outcomes
<ul style="list-style-type: none"> State cost shifting Loss of funding Increasing community expectations Legislative changes Change in State Gov't direction Socio-economic factors 	<ul style="list-style-type: none"> Reduction of services Removal of services Increase in rates Increase responsibility for additional services from State Gov't.

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Inherent Risk	Consequence	Likelihood	High
	Major (4)	Likely (4)	

Risk Velocity	< 3 years
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Ability to Influence	High
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Key Controls	Type	Date	Control Operating Effectiveness
Integrated Planning Suite of Plans	Prevent / Detect	Mar-23	Adequate
Lobby against Cost Shifting	Preventative	Mar-23	Adequate
Independent oversight of financials	Prevent / Detect	Mar-23	Effective
Training for staff	Preventative	Mar-23	Adequate
Alternative sources of funding	Preventative	Mar-23	Adequate

8

Overall Control Effectiveness	Adequate
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8

Residual Risk	Consequence	Likelihood	Moderate
	Major (4)	Unlikely (2)	

Actions / Treatments	Due Date	Responsibility
Complete Asset Management Plans	Jun-24	MW
Budgets workshopped with Councillors	Yearly	DCEO
LTFP developed as part of budget process	Yearly	DCEO
Resource sharing with neighbouring Shires	Ongoing	CEO
All capital projects supported by a business plan	Jun-24	DCEO
Maintain Asset Management Plans and Assets in accordance with plans	Ongoing	MW

Key Indicators	Tolerance	Latest Result	Trend

Comments / Justifications
As determined by Bob Jarvis (CEO) and Ian Graham (DCEO) on 5 March 2020

As determined by MANEX 29 March 2023

Community disruption

Apr-23

Risk Description	
Failure to adequately prepare and respond to events that cause disruption to the local community.	
Causal Factors	Potential Outcomes
<ul style="list-style-type: none"> Bushfire Flooding Other weather event Sabotage / terrorism Epidemic / pandemic Major utility failure Social unrest 	<ul style="list-style-type: none"> Loss of community infrastructure Loss of life Potential litigation Severe reputational damage Major investigation Destruction of natural and built area Inability to perform core services to the community Residents move on Shops close Property values diminish

15

Inherent Risk	Consequence	Likelihood	High
	Catastrophic (5)	Possible (3)	

Risk Velocity	Unknown
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Ability to influence	Low
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Key Controls	Type	Date	Control Operating Effectiveness
Annual Works Plan	Preventative	Mar-23	Effective
LEMC Framework (inc. arrangements)	Prevent / Recovery	Mar-23	Adequate
Bushfire Risk Management Planning	Preventative	Mar-23	Adequate
Volunteer BFB Management & Training	Prevent / Recovery	Mar-23	Effective

5

Overall Control Effectiveness	Adequate
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10

Residual Risk	Consequence	Likelihood	High
	Catastrophic (5)	Unlikely (2)	

Actions / Treatments	Due Date	Responsibility
Update and maintain Bushfire Risk Management Plan	Dec-23	DCEO
Incident Management Training for CEO and DCEO	Dec-23	DCEO
Effective road asset monitoring to ensure DRFAWA funding	Ongoing	MW
Employment of CEM	Jun-23	CEO
Employment of BRMC	Dec-23	CEO
Bushfire awareness training	Annual	DCEO

Key Indicators	Tolerance	Latest Result	Trend

Comments / Justifications
As determined by Bob Jarvis (CEO) and Ian Graham (DCEO) on 5 March 2020
As determined by MANEX 29 March 2023

Risk Description

Failure to adequately prepare and respond to events that cause disruption to the local community and/or normal business activities. This could be a natural disaster, weather event, or an act carried out by an external party (e.g. sabotage/terrorism). This includes:
 - Lack of (or inadequate) emergency response / business continuity plans.
 - Lack of training for specific individuals or availability of appropriate emergency response.
 - Failure in command and control functions as a result of incorrect initial assessment or untimely awareness of incident.
 - Inadequacies in environmental awareness and monitoring of fuel loads, curing rates etc
 This does not include disruptions due to IT Systems or infrastructure related failures - refer "Failure of IT & communication systems and infrastructure".

Causal Factors	Potential Outcomes
<ul style="list-style-type: none"> • Cyclone, storm, fire, earthquake • Terrorism / sabotage / criminal behaviour • Epidemic / Pandemic • Loss of suppliers • Extended utility outage • Economic factors • Loss of key staff • Loss of key infrastructure 	<ul style="list-style-type: none"> • Loss of community infrastructure • Loss of life • Potential litigation • Severe reputational damage • Major investigation • Destruction of natural and built area • Inability to perform core services to the community •

15

Inherent Risk	Consequence	Likelihood	High
	Catastrophic (5)	Possible (3)	

Risk Velocity	Unknown
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Ability to Influence	Low
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Key Controls	Type	Date	Rating
Business Continuity Plan	Recovery	Mar-23	Adequate
Bushfire Management Risk Plan	Prevent / Recovery	Mar-23	Adequate
Overall Control Ratings:			Adequate

15

Residual Risk	Consequence	Likelihood	High
	Catastrophic (5)	Possible (3)	

Actions / Treatments	Due Date	Responsibility
Review of Business Continuity Plan required	2023	DCEO
Staff awareness training of Business Continuity Plan	2023	DCEO

Key Indicators	Tolerance	Latest Result	Trend
Business Continuity Plan	Annual Review		
Local Emergency Management Arrangements	Annual Review		
Bushfire Management Risk Plan	Annual Review		

Comments / Justifications
 Reviewed at MANEX Meeting 11 January 2021 - Bob Jarvis, Ian Graham, Yvette Wheatcroft, Carol Shaddick, Geoff Carberry & Anrie van Zyl
 Reviewed at MANEX Meeting 29 March 2023

Risk Description	
Disruption, financial loss or damage to reputation from a failure of information technology systems. Instability, degradation of performance, or other failure of IT or communication system or infrastructure causing the inability to continue business activities and provide services to the community. This may or may not result in IT Disaster Recovery Plans being invoked. Disruption, financial loss or damage to reputation from a failure of information technology systems.	
Causal Factors	Potential Outcomes
<ul style="list-style-type: none"> Weather impacts Power outage on site or at service provider premises Out-dated, inefficient or unsupported hardware or software Incompatibility between operating systems Cyber attack Non-renewal of licences Inadequate IT incident, problem management & disaster recovery processes Lack of process and training Vulnerability to user error 	<ul style="list-style-type: none"> Potential litigation Severe reputational damage Major investigation Inability to perform core services to the community

12

Inherent Risk	Consequence	Likelihood	High
	Major (4)	Possible (3)	

Risk Velocity	< 1 year
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Ability to Influence	High
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Key Controls	Type	Date	Rating
Data Back-up Systems	Recovery	Ongoing	Adequate
Outsourcing Performance Monitoring	Detective	Ongoing	Adequate
Vendor Support	Recovery	Ongoing	Adequate
Business Continuity Plan	Preventative	Ongoing	Effective
UPS/Generator entry point	Recovery	Ongoing	Adequate
IT Infrastructure Replacement Program	Preventative	Ongoing	Effective
Include instructions on emails and phishing emails in Induction Package	Preventative	Ongoing	Inadequate
Overall Control Ratings:			Inadequate

12

Residual Risk	Consequence	Likelihood	High
	Major (4)	Possible (3)	

Actions / Treatments	Due Date	Responsibility
Full IT systems audit	Dec-23	DCEO
Test for cyber vulnerability	Dec-23	DCEO

Key Indicators	Tolerance	Latest Result	Trend
System outages	1 per month	Within Tolerance	
Number of customer complaints due to IT/Comms issues	5 per outage	Within Tolerance	
Vendor Help Desk support requests	5 per outage	Within Tolerance	

Comments / Justifications
Reviewed at MANEX Meeting 7 September 2021 - Bob Jarvis, Ian Graham, Carol Shaddick, Yvette Wheatcroft, Geoff Carberry, Olivia Letter & Anrie van Zyl.
Reviewed at MANEX Meeting 29 March 2023

5.2 PURCHASE ORDER NON-COMPLIANCE REGISTER REPORT

Location:	N/A
Proponent:	N/A
File Ref:	
Date of Report:	31 July 2023
Business Unit:	Strategy & Governance
Officer:	Anrie van Zyl - HR & Emergency Management Officer
Disclosure of Interest:	N/A

ATTACHMENTS

- Purchase Order Non-Compliance Register (March 23 – June 23)
- Purchasing Policy 4.1

PURPOSE OF THE REPORT

Highlight non-compliance purchase orders and/or emerging trends by delegated procurement staff. Non-compliance includes but not limited to instances like insufficient quotes, retrospective purchase orders, inconsistencies between purchase orders and invoices or the omittance of purchase orders for invoices.

BACKGROUND

Butler Settineri (Dry Kirkness) undertook the 2021/2022 Interim Audit on behalf of the OAG in May 2022 and "Inadequate Procurement Practices" was identified as one of 3 moderate risk findings during the audit.

COMMENTS

As a result of the above finding the "Non-Compliance Purchase Order Register" was set up in August 2022. The register is used to track instances of non-compliance items providing name of supplier, date of EFT transfer, EFT number, the invoice amount, the date the purchase was order created, the responsible officer and reason why the instance occurred.

The register is to be presented to the Executive Leadership Team on a quarterly basis for investigation.

Since the creation of the register it has been noted that the Shire's current purchasing policy and procedure is in need of updating to included exemptions for instances where the issue of a purchase order is not possible, i.e. utility accounts, service provision items like media messaging services, postal services, Toll freight charges, etc. that greatly varies month to month, pending on usage.

The Shire's current procedure states that a "*Shire Purchase Order must be used for all purchases except for purchases made by Credit Card or petty cash.*"

The review of the Shire’s purchasing policy is part of the Chief Executive Officer’s KPIs and to be completed by September 2023.

CONSULTATION

Nil

LEGAL AND STATUTORY REQUIREMENTS

Local Government Act 3.57

Local Government (Functions and General) Regulations – Regulation 11A

State Record Act 2000

Shire of Gnowangerup Code of Conduct

Shire of Gnowangerup Purchasing Policy 4.1

Shire of Gnowangerup Purchasing Procedure 4.8

The requirements that must be complied with by the Shire, including purchasing thresholds and processes, are prescribed within the Regulations, and associated purchasing procedures and policies.

POLICY IMPLICATIONS

Shire of Gnowangerup Purchasing Policy 4.1 and Purchasing Procedure 4.8 sets out the process and thresholds to be adhered to. Not following these processes reduces the likelihood the Shire will get value for money and increases the potential for misappropriation of funds.

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Strategic Community Plan

Theme: Our Organisation

Objective: Forward planning and implementation of plans to achieve strategic objectives:

RISK MANAGEMENT CONSIDERATIONS:

Primary Strategic Risk Category	Procurement/Contract Management
Description	Failures in the procurement, acquisition, acceptance or disposal process for goods (assets) or services as governed by the Local Government Act. This also includes inadequacies in the development and execution of contracts together with issues that arise from the ongoing supply of services or failures in contract management & monitoring processes.
Residual Risk: (Low, Moderate, High, Extreme)	Moderate
Consequence: (Insignificant, Minor, Moderate, Major, Catastrophic)	Moderate

Likelihood: (Almost Certain, Likely, Possible, Unlikely, Rare)	Possible
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IMPACT ON CAPACITY

Nil

ALTERNATE OPTIONS AND THEIR IMPLICATIONS

Nil

CONCLUSION

The Non-Compliance Purchase Order Register was created to track and address instances of non-compliance to help ensure compliance with the Regulations and the Shire’s purchasing policy and procedure.

VOTING REQUIREMENTS

Simple Majority

OFFICER RECOMMENDATION:

AC0823. That the Audit Committee

Notes the Non-Compliance Purchase Order Register Report for the period March 2023 to June 2023

MARCH 23

Procurement Non-Compliance

Purchase Order Registration

Creditor	Invoice Amount	Invoice Date	PO	PO Date	Responsible Manager	Responsible / Requesting Officer	EXPLANATION
Gnowangerup Auto Electrics	\$ 865.50	5/04/1928	21866	5/04/1928	CEO	Geoff Carberry	Variance greater than 10%: GST not included in purchase order
Online Safety System (Plant Assessor)	\$ 632.50	28/02/2023	-	-	CEO	Geoff Carberry	Membership Fee - Monthly Fee - Consider Standing Purchase Order
LINKUP	\$ 28,245.25	6/03/2023	21769	23/01/2023	CEO	Damon Lukins	Variance greater than 10%: Hire of loader was required longer than expected
Sigma Chemicals	\$ 2,085.60	6/12/2022	21658	9/12/2022	CEO	Geoff Carberry	PO raised after invoice
AV Truks	\$ 157.03	15/02/2023	21836	15/02/2023	CEO	Geoff Carberry	Variance greater than 10%: PO did not include Toll fees and was for only one coolent pipe
Gnowangerup Fuel Supplies	\$ 37,642.50	8/03/2023	21867	1/03/2023	CEO	Geoff Carberry	Variance greater than 10%: Delivered 21 000 litres and PO was for only 20 000 litres
Intelife	\$ 16,764.00	28/02/2023	21842	16/02/2023	CEO	Damon Lukins	Variance greater than 10%: GST not included in purchase order & 4 hours extra work was performed
Hersey's Safety Pty Ltd	\$ 1,248.72	23/02/2023	21882	8/03/2023	CEO	Damon Lukins	PO raised after invoice
Western Australian Local Governement Association	\$ 80.37	15/12/2022	21893	11/02/2022	CEO	Damon Lukins	PO raised against incorrect Creditor account
GNP Hardware	\$ 285.00	21/03/2023	21926	21/03/2023	CEO	Geoff Carberry	Variance greater than 10%: Bought 3 x 20l coolant and PO was for 1 x 20l

APRIL 2023

Procurement Non-Compliance

Purchase Order Registration

Creditor	Invoice Amount	Invoice Date	PO	PO Date	Responsible Manager	Responsible / Requesting Officer	EXPLANATION
AL Curnow Hydraulic's	\$ 189.82	17/03/2023	21922	17/03/2023	CEO	Geoff Carberry	Variance greater than 10%: PO was estimate only from mechanic
Cast-Tech Group	\$ 4,409.68	27/03/2023	21930	21/03/2023	CEO	Damon Lukins	Variance greater than 10%: GST not included in purchase order
The Wooley Sheep Café	\$ 580.00	27/03/2023	21931	21/03/2023	Sharon Minitier	Pamela Lemin	Variance greater than 10%: Supplier had made an error when initially provide a price for the order.
AV Truck Centre	\$ 132.10	5/04/2023	21990	4/04/2023	CEO	Geoff Carberry	Variance greater than 10%: PO did not include freight
Intelife	\$ 27,742.00	31/03/2023	21881	8/03/2023	CEO	Damon Lukins	Variance greater than 10%: did not include GST and job took longer than expected
Jerremungup Electrical	\$ 209.00	31/03/23	21985	3/04/2023	CEO	Geoff Carberry	PO date is after the invoice date
Jerremungup Electrical	\$ 298.10	31/03/2023	21985	3/04/2023	CEO	Geoff Carberry	PO date is after the invoice date and variance greater than 10%: PO was only and estimate
Linkup	\$ 6,938.68	6/03/2023	21851	23/02/2023	CEO	Damon Lukins	Variance greater than 10%: Job took 3 days to complete instead of the expected 1 day
Linkup	\$ 2,493.97	6/03/2023	21822	9/02/2023	CEO	Damon Lukins	Variance greater than 10%: Job took 6 hrs longer to complete than expected, did not include fuel levy and GST was not included in PO
Linkup	\$ 72,855.25	6/03/2023	21770	23/01/2023	CEO	Damon Lukins	Variance greater than 10%: Gravel pit was along way away from site and underestimated the hours to cart, aslo carted more gravel than expected.
Linkup	\$ 22,530.81	16/04/2023	21940	23/03/2023	CEO	Damon Lukins	Variance greater than 10%: Did more hrs than expected and fuel levy was omitted from PO
Wooly Sheep Café	\$ 600.00	11/04/2023	22015	13/04/2023	CEO	Sarah Henning	PO date is after the invoice date

MAY 2023

Procurement Non-Compliance			Purchase Order Registration				
Creditor	Invoice Amount	Invoice Date	PO	PO Date	Responsible Manager	Responsible / Requesting Officer	EXPLANATION
AA Contractors	\$ 15,221.80	10/04/2023	21915	15/03/2023	CEO	Damon Lukins	Variance greater than 10%: GST not included in purchase order
David Bulldozing & Earthmoving	\$ 5,203.00	27/04/2023	22059	28/04/2023	CEO	Geoff Carberry	Variance greater than 10%: Work took longer than expected causing over spend & PO created after invoice was received
G&M Detergents	\$ 104.70	17/04/2023	22039	21/04/2023	AWMC	Tarkyn Ward	PO date was created after the invoice date
GNP Hardware	\$ 14.80	24/03/2023	21951	24/03/2023	CEO	Geoff Carberry	Variance greater than 10%: purchased different lock to what was quoted
LINKUP	\$ 37,523.97	1/05/2023	21941	23/03/2023	CEO	Damon Lukins	Variance greater than 10%: hired an extra road train to get the project complete. Omitted to issue an additional PO for extra road train
Riverhill	\$ 11,000.00	3/03/2023	21772	23/01/2023	CEO	Damon Lukins	Variance greater than 10%: Work took longer than expected causing over spend
Bullseye	\$ 1,716.00	25/04/2023	22047	23/04/2023	CEO	Geoff Carberry	Variance greater than 10%: PO was an estimate only as problem was not identified until arrival. Extra cost due to Sunday call-out.
Great Southern Toyota	\$ 350.91	23/02/2023	-	-	CEO	Geoff Carberry	No PO was issued for the parts ordered
Ongerup Tyres & Automotive	\$ 95.00	26/04/2023	22069	2/05/2023	AWMC	Tarkyn Ward	PO date was created after the invoice date
Roxaine O-Toole	\$ 300.00	24/04/2023	-	-	CEO	Donna Rodney	No PO was issued for the parts ordered
QHSE Integrated systems (Skytrust)	\$ 603.90	4/05/2023	21193	1/07/2022	CEO	Cherie Delmage	Variance greater than 10%: ISO Audit module was added after annual PO was created causing the 10% variance
Afgri Equipment	\$ 102.09	9/05/2023	22065	2/05/2023	CEO	Geoff Carberry	Variance greater than 10%: Freight was not included in the PO
Position Partners	\$ 2,623.50	8/05/2023	22101	10/05/2023	CEO	Damon Lukins	PO date was created after the invoice date
Gnowangerup Football Club	\$ 651.04	21/04/2023	22099	10/05/2023	CEO	Damon Lukins	PO date was created after the invoice date
DJ Lemin Painting Services	\$ 13,200.00	15/05/2023	22134	15/05/2023	CEO	Geoff Carberry	Only was quote was obtained and no PO was created for the work done. Geoff left employment before it could be resolved.

JUNE 2023

Procurement Non-Compliance

Purchase Order Registration

Creditor	Non-compliance	EFT No	EFT Date	Invoice Amount	Invoice Date	PO	PO Date	Responsible Manager	Responsible / Requesting Officer	EXPLANATION
JERRAMUNGUP ELECTRICAL	Purchase order		8/06/2023	\$ 412.35	24/05/2023	22148	24/05/2023	CEO	Damon Lukins	Variance greater than 10%: PO was an estimate only as wasn't sure what issue was.
ABA SECURITY	Purchase order		15/06/2023	\$ 4,265.61	30/05/2023	-	-	CEO	Damon Lukins	No PO was issued to Contractor - Insurance claim for CCTV camera stolen at GNP Star building
AUSTRALAI DAY COUNCIL OF WA	Purchase order		15/06/2023	\$ 720.00	31/05/2023	-	-	CEO	Donna Rodney	No PO was created for annual membership
AUSTRALAI AIRPORTS ASSOCIATION	Purchase order		15/06/2023	\$ 1,925.00	8/06/2023	-	-	CEO	Damon Lukins	No PO was created for annual membership
BATTERY WORLD ALBANY	Purchase order		15/06/2023	\$ 550.00	30/04/2023	21977	31/03/2023	CEO	Geoff Carberry	Variance greater than 10%: PO was an estimate only
AUTO SMART	Purchase order		22/06/2023	\$ 386.20	14/06/2023	22206	14/06/2023	CEO	Wayne Butler	Variance greater than 10%: truck wash price on PO for 1 only and bought 2
GNOWANGERUP FUEL SUPPLIES	Purchase order		22/06/2023	\$ 42.00	7/06/2023	22209	15/06/2023	CEO	Wayne Butler	PO date was created after the invoice date
DL CONSULTING	Purchase order		8/07/2023	\$ 3,945.70	30/06/2023	21173	1/07/2022	DCEO	Cherie Delmage	Variance greater than 10%: PO was based on normal hrs, but extra hrs were required due to staff changes

4.1 PURCHASING POLICY

Policy Type:	Finance
Date Adopted:	22 June 1998

Policy No:	4.1
Date Last Reviewed:	28 July 2021

Legal (Parent):
<ol style="list-style-type: none"> 1. Local Government Act 1995 – Section 3.57. 2. Local Government (Functions and General) Regulations – Regulation 11A

Legal (Subsidiary):
<ol style="list-style-type: none"> 1. State Records Act 2000 2. Shire of Gnowangerup Code of Conduct

Delegation of Authority Applicable	Yes
Delegation Numbers	1.2.5, 1.2.7

Staff Procedure Applicable	Yes
Staff Procedure Number	4.7

ADOPTED POLICY

Title:	PURCHASING POLICY
Objective:	<p>To ensure that all purchasing activities:</p> <p>This policy:</p> <ol style="list-style-type: none"> 1. Ensures compliance with the Local Government Act 1995 and the Local Government (Functions and General) Regulations 1996 to establish a framework of operational standards for contracts to purchase goods and services; 2. Provides guidance to all Council employees on all levels of procurement to ensure ethical behavior, and to ensure probity, and transparency; 3. Ensures that the Shire receives value for money as a result of its purchasing activities; 4. Aims to deliver a high level of accountability whilst providing a flexible, efficient and effective and transparent procurement framework; 5. Ensures that the Shire considers the environmental and sustainability implications of the procurement process across the life cycle of goods and services; and 6. Ensures that all purchasing transactions are recorded in compliance with the State Records Act 2000 and associated records management practices and procedures of the Shire.

1.0 Strategy

The Shire is committed to sustainable procurement practices. The Shire will advertise and assess quotes and tenders to secure supply arrangements that contribute to achieving the Shire's strategic goals and objectives in line with the following principles:

- Enhance our natural and built environment by purchasing products and services that demonstrate environmental best practice and will reduce negative impacts;
- Enhance our economic environment by ensuring value for money in all contracting and purchasing;
- Ensure Good Governance by maintaining transparency in contracting and purchasing, minimising the risk to the Shire of Gnowangerup through the application of a robust risk management mechanisms ensuring that the products and services it purchases are in line with the Shire's objectives; and
- Where appropriate, the Shire shall endeavour to provide an advantage to suppliers demonstrating that they minimise environmental and negative social impacts and embrace sustainable business practices.
- Where possible suppliers operating within the Great Southern Region are to be given the opportunity to quote for goods & services required by the Shire

2.0 Ethics and Integrity

Code of Conduct

All officers and employees of the Shire undertaking purchasing activities must have regard for the Code of Conduct requirements, shall observe the highest standards of ethics and integrity and act in an honest and professional manner at all times which supports the standing of the Shire.

3.0 Purchasing Procedure

For detailed purchasing procedures, please refer to the Purchasing Procedure

4.0 Purchasing Thresholds

The table below prescribes the purchasing process that the Shire must follow, based on the purchase value:

Purchase Value Threshold (Ex GST)	Purchasing Requirement
Up to \$5,000 annually	Purchase directly from a supplier using Petty Cash for minor items, a Purchase Order or Corporate Credit Card issued by the Shire, or seek at least one (1) oral or written quotation from a suitable supplier, either from: an existing panel of pre-qualified suppliers administered by the Shire; or a pre-qualified supplier on the WALGA Preferred Supply Program or State Government Common Use Arrangement (CUA); or

Purchase Value Threshold (Ex GST)	Purchasing Requirement
	from the open market.
Over \$5,000 and up to \$20,000 annually	<p>Seek at least two (2) verbal or written quotations from suppliers following a brief outlining the specified requirement, either from:</p> <p>an existing panel of pre-qualified suppliers administered by the Shire; or</p> <p>a pre-qualified supplier on the WALGA Preferred Supply Program or State Government CUA; or</p> <p>from the open market.</p>
Over \$20,000 and up to \$50,000 annually	<p>Seek at least two (2) written quotations from suppliers following a brief outlining the specified requirement, either from:</p> <p>an existing panel of pre-qualified suppliers administered by the Shire; or</p> <p>a pre-qualified supplier on the WALGA Preferred Supply Program or State Government CUA; or</p> <p>from the open market.</p>
Over \$50,000 and up to \$250,000 (over 3 year period)	<p>Seek at least three (3) written quotations from suppliers by formal invitation under a Request for Quotation, containing price and detailed specification of goods and services required. The procurement decision is to be based on pre-determined evaluation criteria that assesses all value for money considerations in accordance with the definition stated within this Policy.</p> <p>Quotations within this threshold may be obtained from:</p> <p>an existing panel of pre-qualified suppliers administered by the Shire; or</p> <p>a pre-qualified supplier on the WALGA Preferred Supply Program or State Government CUA; or</p> <p>from the open market.</p> <p>Requests for quotation from a pre-qualified panel of suppliers (whether administered by the Shire through the WALGA preferred supply program or</p>

Purchase Value Threshold (Ex GST)	Purchasing Requirement
	State Government CUA) are not required to be invited using a Request for Quotation form, however at least three written quotes are still required to be obtained.
Over \$250,000 and up to \$600,000 Request for Tender (RFT) Required	<p>1. Tender Exempt arrangements: i.e. WALGA PSA, CUA or other tender exemption under F&G Reg.11(2). This requires at least three (3) written quotes from suppliers under a formal Request for Quotation (RFQ),</p> <p>OR</p> <p>2. Public Tender: conduct a public Request for Tender (RFT) process in accordance with the <i>Local Government Act 1995 and Local Government (Functions and General) Regulations 1996</i>, this Policy and the Shire's tender and purchasing procedures. The procurement decision is to be based on pre-determined evaluation criteria that assesses all value for money considerations in accordance with the definition stated within this Policy.</p>
Emergency Purchases	Refer to Purchasing Procedure.
LGIS Services LG Act 1995 Section 9.58(6)(b)	<p>The suite of LGIS insurances are established in accordance with s.9.58(6)(b) of the <i>Local Government Act 1995</i> and are provided as part of a mutual, where WALGA Member Local Governments are the owners of LGIS. Therefore, obtaining LGIS insurance services is available as a member-base service and is not defined as a purchasing activity subject to this Policy.</p> <p>Should Council resolve to seek quotations from alternative insurance suppliers, compliance with this Policy is required.</p>
Over \$600,000 RFT Required	As above AND Council is to approve the tender process prior to commencement of tender (as per Delegations Register 1.2.4 Expressions of Interest and Tenders for Goods & Services).

5.0 Records Management

All Local Government purchasing activity, communications and transactions must be evidenced and retained as local government records in accordance with the *State Records Act 2000* and the Shire's Recordkeeping Plan.

In addition, the Shire must consider and will include in each contract for the provision of works or

services, the contractor's obligations for creating, maintaining and where necessary the transferal of records to the Shire relevant to the performance of the contract.

6.0 Application and Quality Assurance

Responsibility for the application, implementation and quality assurance of this policy rests with the Chief Executive Officer, Management, Shire President and Councilors.

- (a) all processes, evaluations and decisions shall be transparent, free from bias and fully documented in accordance with applicable policies, audit requirements and relevant legislation;
- (b) any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed; and
- (c) any information provided to the Shire by a supplier shall be treated as commercial-in-confidence and should not be released unless authorised by the supplier or relevant legislation.

Purchase Orders

A Shire Purchase Order must be used for all purchases except for purchases made by Credit Card or petty cash. The purchase order is to be signed by an officer with the appropriate designated purchase order threshold value. A purchase order **must be issued before the purchase is made**, not retrospectively.

All purchase orders must have acknowledgement of actions as stated in the Quotes Required box at the bottom of the Purchase Order page. Supply of goods or services from \$5000 to \$250,000 must have the information entered as per the Policy stated on the right hand side of the Purchase Order.

Insufficient quotations or documentation increases the likelihood of not receiving value for money in procurement, or favouritism of suppliers.

If the complete request is **over \$250,000 for the Financial Year then a tender must be actioned**.

If the supplier has met or exceeded the threshold of \$250,000 in the previous three years and you have similar requirements in the LTFP for the future three years it is to be determined if a Tender or RFQ is required.

If it is recognised that the threshold has been reached because of a spike in expenditure due to a once off project than a tender is not required.

In this situation a RFQ for the supply of similarity can be obtained to cover the shire for three years when seeking quotations for individual jobs or projects.

Goods Receipt

All purchase orders are to be goods receipted by an officer **other than** the officer that signed the purchase order. On receipt of the goods or service the supplier invoice needs to be stamped and signed by an officer other than the requesting officer that all goods have been received for the Shire of Gnowangerup. The invoice together with the Office copy of the purchase order and all documents that meet the requirements for amounts exceeding \$5,000.00 is then submitted to the Finance Officer for payment.

Value for money is determined when the consideration of price, risk and qualitative factors are assessed to determine the most advantageous outcome to be achieved for the Shire.

As such, purchasing decisions must be made with greater consideration than obtaining lowest price, but also to incorporate qualitative and risk factors into the decision.

Application

An assessment of the best value for money outcome for any purchasing process should consider:

- (a) all relevant Total Costs of Ownership (TCO) and benefits including transaction costs associated with acquisition, delivery and distribution, as well as other costs such as (but not limited to) holding costs, consumables, deployment, maintenance and disposal;
- (b) the technical merits of the goods or services being offered in terms of compliance with specifications, contractual terms and conditions and any relevant methods of assuring quality, including but not limited to an assessment of levels and currency of compliances, value adds offered, warranties, guarantees, repair and replacement policies, ease of inspection, ease of after sales service, ease of communications etc;
- (c) financial viability and capacity to supply without risk of default (competency of the prospective suppliers in terms of managerial and technical capabilities and compliance history);
- (d) a strong element of competition in the allocation of orders or the awarding of contracts. This is achieved by obtaining a sufficient number of competitive quotations wherever practicable;
- (e) the safety requirements associated with both the product design and specification offered by suppliers and the evaluation of risk when considering purchasing goods and services from suppliers;
- (f) purchasing of goods and services from suppliers that demonstrate sustainable benefits and good corporate social responsibility; and
- (g) providing opportunities for businesses within the Shire's boundaries to be given the opportunity to quote for providing goods and services wherever possible.

Purchasing Requirements

Legislative/Regulatory Requirements

The requirements that must be complied with by the Shire, including purchasing thresholds and processes, are prescribed within the Regulations, this Procedure and associated purchasing procedures and policies in effect at the Shire.

Compliance with Purchasing Thresholds

Purchasing that is \$250,000 or below in total value (excluding GST) must be in accordance with the purchasing requirements under the relevant threshold as defined in this Purchasing Procedure.

Purchasing that exceeds \$250,000 in total value (excluding GST) must be put to public tender when it is determined that a regulatory tender exemption, as stated in this Procedure, is not deemed to be suitable.

Purchasing Value Definition

Determining purchasing value is to be based on the following considerations:

- (a) Exclusive of Goods and Services Tax (GST);
- (b) The actual or expected value of a contract over the full contract period, including all options to extend; or the extent to which it could be reasonably expected that the Shire will continue to purchase a particular category of goods, services or works and what total value is or could be reasonably expected to be purchased. A best practice suggestion is that if a purchasing threshold is reached within three years for a particular category of goods, services or works, then the purchasing requirement under the relevant

threshold (including the tender threshold) must apply.

- (c) Must incorporate any variation to the scope of the purchase and be limited to a 10% tolerance of the original purchasing value.

Purchasing from Existing Contracts

Where the Shire has an existing contract in place, it must ensure that goods and services required are purchased under these contracts to the extent that the scope of the contract allows. When planning the purchase, the Shire must consult its Contracts Register in the first instance before seeking to obtain quotes and tenders on its own accord.

Purchasing Thresholds

The table below prescribes the purchasing process that the Shire must follow, based on the purchase value:

Purchase Value Threshold (Ex GST)	Purchasing Requirement
Up to \$5,000 annually	Purchase directly from a supplier using Petty Cash for minor items, a Purchase Order or Corporate Credit Card issued by the Shire, or seek at least one (1) oral or written quotation from a suitable supplier, either from: an existing panel of pre-qualified suppliers administered by the Shire; or a pre-qualified supplier on the WALGA Preferred Supply Program or State Government Common Use Arrangement (CUA); or from the open market.
Over \$5,000 and up to \$20,000 annually	Seek at least two (2) verbal or written quotations from suppliers following a brief outlining the specified requirement, either from: an existing panel of pre-qualified suppliers administered by the Shire; or a pre-qualified supplier on the WALGA Preferred Supply Program or State Government CUA; or from the open market.
Over \$20,000 and up to \$50,000 annually	Seek at least two (2) written quotations from suppliers following a brief outlining the specified requirement, either from: an existing panel of pre-qualified suppliers administered by the Shire; or a pre-qualified supplier on the WALGA Preferred Supply Program or State Government CUA; or from the open market.

<p>Over \$50,000 and up to \$250,000 (over 3 year period)</p>	<p>Seek at least three (3) written quotations from suppliers by formal invitation under a Request for Quotation, containing price and detailed specification of goods and services required. The procurement decision is to be based on pre-determined evaluation criteria that assesses all value for money considerations in accordance with the definition stated within this Procedure.</p> <p>Quotations within this threshold may be obtained from:</p> <p>an existing panel of pre-qualified suppliers administered by the Shire; or</p> <p>a pre-qualified supplier on the WALGA Preferred Supply Program or State Government CUA; or</p> <p>from the open market.</p> <p>Requests for quotation from a pre-qualified panel of suppliers (whether administered by the Shire through the WALGA preferred supply program or State Government CUA) are not required to be invited using a Request for Quotation form, however at least three written quotes are still required to be obtained.</p>
<p>Over \$250,000 RFT Required</p>	<p>1. Tender Exempt arrangements: i.e. WALGA PSA, CUA or other tender exemption under F&G Reg.11(2). This requires at least three (3) written quotes from suppliers under a formal Request for Quotation (RFQ),</p> <p>OR</p> <p>2. Public Tender: conduct a public Request for Tender (RFT) process in accordance with the <i>Local Government Act 1995 and Local Government (Functions and General) Regulations 1996</i>, this Procedure and the Shire's tender and purchasing policies. The procurement decision is to be based on pre-determined evaluation criteria that assesses all value for money considerations in accordance with the definition stated within this Procedure.</p>

<p>Emergency Purchases</p>	<p>Emergency purchases are defined as the supply of goods or services associated with:</p> <ul style="list-style-type: none"> (a) A local emergency and the expenditure is required (within existing budget allocations) to respond to an imminent risk to public safety, or to protect or make safe property or infrastructure assets; OR (b) A local emergency and the expenditure is required (with no relevant available budget allocation) to respond to an imminent risk to public safety, or to protect or make safe property or infrastructure assets in accordance with s.6.8 of the Local Government Act 1995 and Functions and General Regulation 11(2)(a); OR (c) A State of Emergency declared under the Emergency Management Act 2005 and therefore, Functions and General Regulations 11(2)(aa), (ja) and (3) apply to vary the application of this policy. <p>Time constraints, administrative omissions and errors do not qualify for definition as an emergency purchase. Instead, every effort must be made to research and anticipate purchasing requirements in advance and to allow sufficient time for planning and scoping proposed purchases and to then obtain quotes or tenders, as applicable.</p>
<p>LGIS Services (Insurances) LG Act 1995 Section 9.58(6)(b)</p>	<p>The suite of LGIS insurances are established in accordance with s.9.58(6)(b) of the <i>Local Government Act 1995</i> and are provided as part of a mutual, where WALGA Member Local Governments are the owners of LGIS. Therefore, obtaining LGIS insurance services is available as a member-base service and is not defined as a purchasing activity subject to this Procedure.</p> <p>Should Council resolve to seek quotations from alternative insurance suppliers, compliance with this Procedure is required.</p>

Value Thresholds for Signing of Official Purchase Orders and Certification of Invoices

The signing of official orders and certification of invoices for the supply of goods and services can only be exercised by those Officers indicated in the following table, and only to the extent indicated on the levels adjacent to the Officer's title:

Purchase Order Value Threshold	Position Designation
Up to \$500	Customer Service Officer
Up to \$2,000	CEO's Executive Assistant Corporate Risk Officer
Up to \$5,000	Community Development Coordinator Plant Mechanic Works Administration Assistant
Up to \$25,000	Manager of Works Asset and Waste Management Coordinator
Up to \$100,000	Deputy CEO
Unlimited	Chief Executive Officer

Tendering Exemptions

An exemption to publicly invite tenders may apply in the following instances:

- (a) the purchase is obtained from a pre-qualified supplier under the WALGA Preferred Supply Program or State Government Common Use Arrangement.
- (b) the purchase is from a regional local government or another local government;
- (c) the purchase is acquired from a person registered on the WA Aboriginal Business Directory, as published by the Small Business Development Corporation, where the consideration under contract is worth \$250,000 or less and represents value for money;
- (d) the purchase is acquired from an Australian Disability Enterprise and represents value for money;
- (e) the purchase is from a pre-qualified supplier under a panel established by the Shire; or
- (f) any of the other exclusions under Regulation 11 of the Regulations apply.

Inviting Tenders Under the Tender Threshold

Where considered appropriate and beneficial, the Shire may consider publicly advertising tenders in lieu of undertaking a Request for Quotation for purchases under the tender threshold. This decision should be made after considering the benefits of this approach in comparison with the costs, risks,

timeliness and compliance requirements and also whether the purchasing requirement can be met through the WALGA Preferred Supply Program or State Government CUA.

If a decision is made to undertake a public tender for contracts expected to be \$250,000 or less in value, the Shire's tendering procedures must be followed in full.

Sole Source of Supply

Where the purchasing requirement is over the value of \$10,000 and of a unique nature that can only be supplied from one supplier, the purchase is permitted without undertaking a tender or quotation process. This is only permitted in circumstances where the Shire is satisfied and can evidence that there is only one source of supply for those goods, services or works. The Shire must use its best endeavours to determine if the sole source of supply is genuine by exploring if there are any alternative sources of supply. Once determined, the justification must be endorsed by the Chief Executive Officer/Deputy CEO, prior to a contract being entered into.

From time to time, the Shire may publicly invite an expression of interest to effectively determine that one sole source of supply still genuinely exists.

Anti-Avoidance

The Shire shall not enter into two or more contracts or create multiple purchase order transactions of a similar nature for the purpose of "splitting" the value of the purchase or contract to take the value of the consideration of the purchase below a particular purchasing threshold, particularly in relation to tenders and to avoid the need to call a public tender.

Emergency Purchases

An emergency purchase is defined as an unanticipated and unbudgeted purchase which is required in response to an emergency situation as provided for in the *Local Government Act 1995*. In such instances, quotes and tenders are not required to be obtained prior to the purchase being undertaken.

An emergency purchase does not relate to purchases not planned for due to time constraints. Every effort must be made to anticipate purchases required by the Shire in advance and to allow sufficient time to obtain quotes and tenders, whichever may apply.

Records Management

Records of all purchasing activity must be retained in compliance with the *State Records Act 2000 (WA)*, the Shire's Records Keeping Procedure and associated procurement policies.

For each procurement activity, such documents may include:

- (a) The procurement initiation document such as a procurement business case which justifies the need for a contract to be created (where applicable);
- (b) Procurement planning and approval documentation which describes how the procurement is to be undertaken to create and manage the contract;
- (c) Request for quotation/tender documentation;

- (d) Copy of public advertisement inviting tenders, or the notice of private invitation (whichever is applicable);
- (e) Copies of quotes/tenders received;
- (f) Evaluation documentation, including individual evaluators' notes and clarifications sought;
- (g) Negotiation documents such as negotiation plans and negotiation logs;
- (h) Approval of award documentation;
- (i) All correspondence to respondents notifying of the outcome to award a contract;
- (j) Contract Management Plan which describes how the contract will be managed; and
- (k) Copies of contract(s) with supplier(s) formed from the procurement process.

Sustainable Procurement and Corporate Social Responsibility

The Shire is committed to providing a preference to suppliers that demonstrate sustainable business practices and high levels of corporate social responsibility (CSR). Where appropriate, the Shire shall endeavour to provide an advantage to suppliers demonstrating that they minimise environmental and negative social impacts and embrace CSR. Sustainable and CSR considerations must be balanced against value for money outcomes in accordance with the Shire's sustainability objectives.

Buy Local Policy

As much as practicable, the Shire must:

- (a) where appropriate, consider buying practices, policies and specifications that do not unfairly disadvantage local businesses;
- (b) consider indirect benefits that have flow on benefits for local suppliers (i.e. servicing and support);
- (c) ensure that procurement plans address local business capability and local content;
- (d) explore the capability of local businesses to meet requirements and ensure that Requests for Quotation and Tenders are designed to accommodate the capabilities of local businesses;
- (e) avoid bias in the design and specifications for Requests for Quotation and Tenders – all Requests must be structured to encourage local businesses to bid; and
- (f) provide adequate and consistent information to potential suppliers.

To this extent, a qualitative weighting may be afforded in the evaluation of quotes and tenders where suppliers are located within the boundaries of the Shire, or substantially demonstrate a benefit or contribution to the local economy.

Purchasing from Disability Enterprises

Pursuant to Part 4 of the *Local Government (Functions and General) Regulations 1996*, the Shire is not required to publicly invite tenders if the goods or services are to be supplied from an Australian Disability Enterprise, as registered on www.ade.org.au. This is contingent on the demonstration of value for money.

Where appropriate, Australian Disability Enterprises may be invited to quote for supplying goods and services under the tender threshold. A qualitative weighting may be afforded in the evaluation of quotes and tenders to provide advantages to Australian Disability Enterprises.

Purchasing from Aboriginal Businesses

Pursuant to Part 4 of the *Local Government (Functions and General) Regulations 1996*, the Shire is not required to publicly invite tenders if the goods or services are to be supplied from a person registered on the Aboriginal Business Directory published by the Small Business Development Corporation on www.abdwa.com.au, where the expected consideration under contract is worth \$250,000 or less. This is contingent on the demonstration of value for money.

Where appropriate, Aboriginal businesses may be invited to quote for supplying goods and services under the tender threshold. A qualitative weighting may be afforded in the evaluation of quotes and tenders to provide advantages to Aboriginal owned businesses, or businesses that demonstrate a high level of aboriginal employment.

Panels of Pre-Qualified Suppliers

Pre-Qualified Suppliers Panel Objectives

In accordance with Regulation 24AC of the *Local Government (Functions and General) Regulations 1996*, a Panel of Pre-qualified Suppliers ("Panel") may be created where most of the following factors apply:

- (a) the Shire determines that a range of similar goods and services are required to be purchased on a continuing and regular basis;
- (b) there are numerous potential suppliers in the local and regional procurement-related market sector(s) that satisfy the test of 'value for money';
- (c) the purchasing activity under the intended panel is assessed as being of a low to medium risk;
- (d) the panel will streamline and will improve procurement processes; and
- (e) the Shire has the capability to establish, manage the risks and achieve the benefits expected of the proposed Panel.

The Shire will endeavour to ensure that panels will not be created unless most of the above factors are firmly and quantifiably established.

Establishing a Panel

Should the Shire determine that the creation of a panel would be beneficial, it must do so in accordance with Part 4, Division 3 the *Local Government (Functions and General) Regulations 1996*. Panels may be established for one supply requirement, or a number of similar supply requirements under defined categories within the panel.

Panels may be established for a minimum of two (2) years and for a maximum length of time deemed appropriate by the Shire.

Evaluation criteria must be determined and communicated in the application process by which applications will be assessed and accepted.

Where a panel is to be established, the Shire will endeavour to appoint at least three (3) suppliers to each category, on the basis that best value for money is demonstrated. Where fewer than three (3) suppliers are appointed to each category within the panel, the category is not to be established.

In each invitation to apply to become a pre-qualified supplier (through a procurement process advertised through a state-wide notice), the Shire must state the expected number of suppliers it intends to put on the panel.

Should a panel member leave the panel, they may be replaced by the next ranked panel member determined in the value for money assessment should the supplier agree to do so, with this intention to be disclosed in the detailed information set out under Regulation 24AD(5)(d) and (e) when establishing the panel.

Distributing Work Amongst Panel Members

To satisfy Regulation 24AD(5) of the Regulations, when establishing a panel of pre-qualified suppliers, the detailed information associated with each invitation to apply to join the panel must prescribe whether the Shire intends to:

- (a) Obtain quotations from each pre-qualified supplier on the panel with respect to all purchases, in accordance with Subclause (c)(i); or
- (b) Purchase goods and services exclusively from any pre-qualified supplier appointed to that panel, and under what circumstances; or
- (c) Develop a ranking system for selection to the panel, with work awarded in accordance with Subclause (c)(ii). In considering the distribution of work among panel members, the detailed information must also prescribe whether:
 - (i) Each panel member will have the opportunity to bid for each item of work under the Panel, with pre-determined evaluation criteria forming part of the invitation to quote to assess the suitability of the supplier for particular items of work. Contracts under the pre-qualified panel will be awarded on the basis of value for money in every instance; or
 - (ii) Work will be awarded on a ranked basis, which is to be stipulated in the detailed information set out under Regulation 24AD(5)(f) when establishing the panel. The Shire is to invite the highest ranked panel member, who is to give written notice as to whether to accept the offer for the work to be undertaken. Should the offer be declined, an invitation to the next ranked panel member is to be made and so forth until a panel member accepts a Contract. Should the list of panel members invited be exhausted with no panel member accepting the offer to provide goods/services under the panel, the Shire may then invite suppliers that are not pre-qualified under the panel, in accordance with the Purchasing Thresholds stated in section 4.5 of this Procedure. When a ranking system is established, the panel must not operate for a period exceeding 12 months.

In every instance, a contract must not be formed with a pre-qualified supplier for an item of work beyond 12 months, which includes options to extend the contract.

Purchasing from the Panel

The invitation to apply to be considered to join a panel of pre-qualified suppliers must state whether quotations are either to be invited to every member (within each category, if applicable) of the Panel for each purchasing requirement, whether a ranking system is to be established, or otherwise.

Each quotation process, including the invitation to quote, communications with panel members, quotations received, evaluation of quotes and notification of award communications must be captured on the Shire's electronic records system. A separate file is to be maintained for each quotation process made under each panel that captures all communications between the Shire and Panel members.

Recordkeeping - Panels

Records of all communications with panel members, with respect to the quotation process and all subsequent purchases made through the Panel, must be kept.

For the creation of a panel, this includes:

- (a) The procurement initiation document such as a procurement business case which justifies the need for a panel to be created;
- (b) Procurement planning and approval documentation which describes how the procurement is to be undertaken to create and manage the panel;
- (c) Request for applications documentation;
- (d) Copy of public advertisement inviting applications;
- (e) Copies of applications received;
- (f) Evaluation documentation, including clarifications sought;
- (g) Negotiation documents such as negotiation plans and negotiation logs;
- (h) Approval of award documentation;
- (i) All correspondence to applicants notifying of the establishment and composition of the panel such as award letters;
- (j) Contract Management Plan which describes how the contract will be managed; and
- (k) Copies of framework agreements entered into with pre-qualified suppliers.

The Shire is also to retain itemised records of all requests for quotation, including quotations received from pre-qualified suppliers and contracts awarded to panel members. A unique reference number shall be applied to all records relating to each quotation process, which is to also be quoted on each purchase order issued under the contract.

Information with regards to the panel offerings, including details of suppliers appointed to the panel, must be kept up to date, consistent and made available for access by all officers and employees of the Shire.

RELATED DOCUMENTS:

- Shire of Gnowangerup Purchasing Policy.

The Chief Executive Officer reserves the right to review, vary or revoke this procedure at any time.

6. CLOSURE

There being no further business, Presiding Member Cr Fiona Gaze thanks Committee members and staff and closes the meeting at _____pm.