

Office of the Auditor General – Performance Audit – Local Government Procurement

Significant Finding

Failure to tender in line with regulatory requirements (Tendering)

Implication

This is a breach of the *Local Government (Functions and General) Regulations 1996* and Council policy. While the purchase did go through a competitive quote process, it did not qualify for tender exemption. Consequently, the Council may not have achieved the best value for money for this purchase.

Finding

We found that purchasing sample 16, which had a total value of \$322,993, did not go to tender in accordance with LG regulations or the Council's procurement policy.

We note that the purchase was the result of grant funding awarded by a State Government agency. We consulted the Funding Guidelines, which stipulates that *'Where the project purchasing threshold is that the 'Model Purchasing Policy' provides an LGA with the option to elect to procure through either an open tender or through a WALGA preferred panel option, the LGA Applicant is free to exercise whichever option they deem appropriate'*.

While we note that the opportunity to quote was provided to 3 panels via eQuotes. Only 2 of the panels were WALGA preferred suppliers, the third was a CGG Vendor Panel supplier (not WALGA). Ultimately, the accepted quote was from the CGG Vendor Panel supplier, rather than a WALGA exempt supplier.

Recommendation

CGG should ensure staff understand and follow its policy around tendering requirements.

CGG should consider introducing a dollar threshold for quotes sought through its Vendor Panel.

Agency comment/action

The instance cited related to WA Police grant funding for expansion of CCTV systems in the City. A condition of the State funding grant was that, in accordance with State Government procurement requirements, a minimum of three quotes had to be sought, evaluated and a recommendation provided to the WA Police grant funding unit for approval of a recommended provider. Sixteen WALGA-preferred providers had opportunity to quote but only three quotes were received. The standard evaluation process was applied and a recommendation was submitted to the WA Police grants unit. The City officer responsible for the process genuinely believed that the State procurement rules applied, as regards tender thresholds, as he understood that the funding deed required the State agency to approve the determination of preferred provider, prior to execution of the deed, as distinct from the City making the award determination as a City procurement. This was a misunderstanding. There was no element of misfeasance or malfeasance involved. The City officer is now aware of requirements.

Under standard City processes, in cases where there are no tender-exempt providers via WALGA or State panels, and where initial competitive procurement is undertaken via the eQuotes RFQ system and quotes received exceed the City's tender threshold of \$150,000 then a full RFT process will be initiated.

The City has recently delivered extensive officer information and training sessions on procurement across the organisation, and will emphasise the requirements in periodic refresher training for officers.