

**Submission
No 22**

**EXAMINATION OF THE AUDITOR GENERAL'S PERFORMANCE AUDIT
REPORTS JUNE - DECEMBER 2020**

Organisation: Wollongong City Council

Date Received: 9 February 2022

Greg Piper MP
Chair NSW Parliament – Public Accounts Committee
Parliament of NSW
6 Macquarie Street
SYDNEY NSW 2001

Your Ref:
Our Ref:
File:
Date:

Z22/22762
GCS-50.04.245
9 February 2022

Dear Mr Piper

AUDITOR-GENERAL'S PERFORMANCE AUDIT REPORT – PROCUREMENT MANAGEMENT IN LOCAL GOVERNMENT

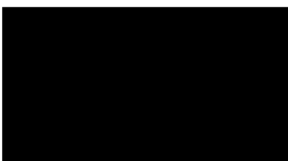
Thank you for your letter dated 17 December 2021 on behalf of the Public Accounts Committee requesting Council to provide the Committee with a submission outlining Council's response to the Auditor-General's report *Procurement Management in Local Government*, tabled on 17 December 2020.

Wollongong City Council appreciates the opportunity to provide an update on the implementation of the findings and recommendations of the report.

As requested, Council has completed the pro-forma template to outline Council's response to the audit. A copy of that response is attached for your reference

Should you have any further enquiries regarding this matter please contact Council's Manager Governance and Customer Service, [REDACTED]

Yours faithfully



Greg Doyle
General Manager
Wollongong City Council
Telephone: (02) 4227 7111

Attach.

IMPLEMENTATION OF RECOMMENDATIONS

Wollongong City Council

Performance Audit - Procurement Management in Local Government

NOTE: Council was only subject to one recommendation in the report

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	STATUS (completed, on track, delayed) and COMMENT
<p>By December 2021, the six audited councils should consider the opportunities to improve procurement management in line with the improvement areas outlined in Chapter 3 of this report.</p>	<p>ACCEPTED</p>	<p>a) Develop processes for staff to provide documented justification of procurement needs</p>	<p>Council acknowledges that it does not have documented steps within the procurement process requiring the procurement decision maker to demonstrate the justification for the procurement. However Council is extremely confident that all significant procurement actions are in response to identified programs and projects identified in council's 4 year Delivery Program and annual Operational Plan.</p> <p>Council determines its business needs through its Strategic Planning Process in line with the legislated Integrated Planning & Reporting framework. Council's high-level goals are articulated through its Delivery and Operational Plans (that respond to the Community Strategic Plan), both of which are subject to substantial Council, councillor and community consultation. The Operational Plan that details the one-year operations and budget for Council, identifies resourcing and projects at a specific level (both capital and large operational projects) or through Service Plans that articulate what Council will deliver in the coming period which are subject to dedicated budgets. Asset Management Plans form the basis for the replacement and maintenance of assets used in delivering Council services.</p> <p>Specific Projects, capital and operating, are identified through Council's Infrastructure Delivery Program or through a Business Proposal Process that is subject to evaluation of business value and prioritised against each other within Council's capacity. Most capital requirements are determined separately to Project Delivery teams who are responsible for the delivery, allocation and where necessary external procurement for projects. Under this model the Delivery unit or procurer are clearly not responsible for the business case or evaluation of need for the project.</p> <p>Asset replacements are in line with Asset Management Plans and or asset assessments that again are usually determined outside of the delivery process, via the Infrastructure Strategy and Planning Division or other asset owners, and then passed over for procurement once budgeted. These processes provide council with considerable satisfaction that all procurements contribute to council's strategic and operational plans and objectives. Council now requires staff to identify which of the above processes has generated the need for all procurements.</p>

<p>b) Ensure consistent contract management for all levels of procurement to adequately assess supplier performance</p>	<p>Since the timing of the Audit, Council has gone live with a new Procurement, Contracts and Sourcing Module in our OneCouncil System.</p> <p>The new module incorporates a large number of previously manual and paper based processes, which will ensure consistent and timely implementation of all procurement and contract management requirements.</p>
<p>c) Develop a process to demonstrate how value for money is being delivered. Noting that value for money is not necessarily the lowest price, nor the highest quality good or service, but requires a balanced assessment of a range of financial and non-financial factors, such as: quality, cost, fitness for purpose, capability, capacity, risk, total cost of ownership or other relevant factors</p>	<p>Council has updated its Procurement Framework and Quotation and Tendering guidelines to give greater guidance to staff on defining and achieving non-financial value for any project.</p> <p>In addition, Council has developed a new Guideline for Staff on the development of Procurement Evaluation Criteria, which includes a section on how to approach a comprehensive approach to determining value for money</p> <p>The Guideline notes that the primary objective of all Council procurement is to obtain value for money. Value for money is not necessarily achieved by accepting the lowest price, nor the highest quality good or service, but requires a balanced assessment of a range of financial and non-financial factors such as:</p> <ul style="list-style-type: none"> • Upfront cost • Total whole of life costs of ownership • Quality • Risks and Benefits • Fitness for purpose • Capability • Capacity • Environmental factors • Sustainability factors • Opportunity costs • Other relevant factors such as: technology, innovation and whether community engagement will assist in the delivery of value for money assessment.