

## Guideline: Governance, Risk and Controls

### 1. Governance

#### Structure

Council has delegated a range of powers, duties and functions to the Chief Executive Officer (CEO) in relation to procurement. The delegation aims to ensure that the Council's procurement structure operates according to processes that:

- Are flexible enough to purchase in a timely manner the diverse range of goods, works and services required by Council.
- Guarantee that prospective contractors and suppliers are afforded an equal opportunity to tender or submit a quote.
- Encourage competition.
- Ensure policies that impinge on the purchasing policies and practices are communicated and implemented.

#### Standards

Council's procurement activities shall be carried out to the professional standards required by best practice and, where relevant, in compliance with:

- the [Local Government Act 2020](#) (Vic) (the Act);
- Council's policies such as but not limited to the Procurement Policy, the Purchasing Card Policy;
- Council's procedures such as but not limited to the Procurement Guidelines and Contract Management Manual;
- Council's codes of behaviour such as but not limited to the Code of Conduct, and Gifts and Benefits policies;
- Victorian Local Government Best Practice Procurement Guidelines<sup>1</sup>; and
- other legislative requirements such as but not limited to the:
  - [Competition and Consumer Act 2010](#) (Cth)
  - [Goods Act 1958](#) (Vic)
  - [Charter of Human Rights and Responsibilities Act 2006](#) (Vic)
  - [Modern Slavery Act 2018](#) (Cth)
  - [Environmental Protection Act 2017](#) (Vic)

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<sup>1</sup> This requirement will apply upon finalisation of the re-issue of the Victorian Local Government Best Practice Procurement Guidelines which are currently under review.

- [Child Wellbeing and Safety Act 2015](#) (Vic).

## Procurement roles and responsibilities

### Procurement Team

Council maintains a procurement function responsible for:

- Maintaining the Procurement Policy and associated guidelines, processes and procedures.
- Maintaining appropriate purchasing, procurement and contract management systems and tools.
- Providing procurement-related advice, support and guidance to the organisation.
- Building organisational procurement and contract management capability (including delivery of training and provision of guidance materials).
- Promoting awareness of and monitoring compliance with the Procurement Policy and all relevant legislation and reporting breaches and corrective actions in a timely manner.
- Collaborating with other councils and organisations to identify best practice in and achieve better value from procurement.

### Council staff responsibilities

Council staff must be aware of their role in ensuring that the principle of responsible financial management is maintained in their own procurement activities. For example, Council staff must:

- Not authorise the expenditure of funds or award contracts outside of the requirements specified in the procurement authority limits.
- Not authorise or write multiple purchase orders to avoid the authorisation process requirements or their procurement authority.
- Not approve expenditure that relates to them personally, and expenditure of this nature must be referred to the next higher level of authority for approval.
- Ensure that any purchase orders are generated at the point where the commitment to purchase goods, services or works has been made i.e. a purchase order must be raised in the Finance System when the goods, services or works are ordered and not post an invoice being received.
- Ensure that expenditure is recorded in a timely manner i.e. once the services or works have been completed, or the goods have been received, the appropriate Council officer must ensure that the correct amount is delivered against the relevant purchase order in the Finance System.

### RACI matrix

A RACI Matrix (Responsible, Accountable, Consulted, Informed) describes the participation by various roles in completing tasks or deliverables for a procurement activity.

Council officers should refer to the procurement RACI matrix set out in **Schedule 1** of this Guideline to understand who is involved in the various stages of the procurement activity at Council.

## Responsible financial management

The principle of responsible financial management shall be applied to all procurement activities. Accordingly, to give effect to this principle, the availability of existing funds within an approved budget or source of funds shall be established prior to the commencement of any procurement activity for the supply of goods, services or works.

Council funds must be used efficiently and effectively to procure goods, services and works and every attempt must be made to contain the costs of the procurement process without compromising any of the procurement principles set out in the Procurement Policy and the associated guidelines.

Council seeks to improve its performance by capturing and analysing procurement financial information with an aim to:

- reduce transaction costs;
- make processes more efficient;
- improve management information and visibility of spend;
- increase control and consistency of processes; and
- improve spend compliance.

## 2. Risk management

The principles of risk management are to be appropriately applied at all stages of procurement activities, which will be properly planned and carried out in a manner that will protect and enhance the Council's capability to prevent, withstand and recover from personal injury, property damage, reputational loss, financial exposure and interruption to the supply of goods, services and works.

Risk assessments are a vital part of the procurement planning process, particularly for significant contracts. Risks will be identified for each part of the sourcing, transition, delivery and finalisation stages of procurement. Appropriate risk avoidance and mitigation strategies will be employed whenever practicable and appropriate.

The provision of goods, services and works by a supplier potentially exposes Council to risk. The Council will minimise its risk exposure through measures including, but not limited to:

- Providing sufficient planning and lead-time for procurement preparation and consideration.
- Using appropriate Council standard-form contracts provided by Council's Strategic Procurement and Contracts team or Australian Standard contracts which include current, relevant clauses to mitigate risk to Council.
- All significant or unusual contract departures should be reviewed and negotiated by Council's Corporate Legal Counsel prior to the award of the contract. Copies of all communication between Corporate Legal Counsel and the preferred supplier will be saved in the Council Record Management System as evidence of review and approval of non-standard contracts.

- Council's Corporate Legal Counsel will review all non-standard contracts, and may review standard contracts that have agreed departures included, prior to the contract being disseminated for execution.
- Requiring security deposits, where appropriate.
- Referring specifications to relevant experts, where appropriate.
- A copy of all executed contracts must be provided to the Strategic Procurement and Contracts Team prior to the commencement of procurement of any goods, services or work.
- Ongoing and timely Contract management.
- Effectively managing the contract including monitoring and enforcing performance.

### **3. Internal controls**

Council will maintain a framework of internal controls over procurement processes, as set out in this Guideline and other procurement procedures documentation, which aims to ensure:

- More than one person is involved in and responsible for the authorisation of a transaction from end to end.
- Transparency in the procurement process.
- A clearly documented audit trail exists for procurement activities.
- Appropriate authorisations are obtained and documented.
- Systems are in place for appropriate monitoring and performance measurement.
- A process is in place for escalation, where appropriate, of procurement matters (including procedural non-compliance) to the executive leadership team, or the Audit and Risk Committee, or the Council as the circumstances require depending upon the nature of the procurement matter and in accordance with escalation protocols.

The framework of internal controls over procurement processes includes regular internal audit review of procurement activities and audit by Council Strategic Procurement and Contracts team of compliance with the Procurement Policy and the supporting guidelines.

### **Segregation of duties**

To ensure adequate internal control, it is important that more than one person is involved in and responsible for a transaction end to end. The following segregation of duties shall be maintained through the procurement process:

- Employees with access to create purchase orders in the finance system must not have access to add or change supplier account records.
- Purchasing Officer must not approve the receipt of goods and/or services against a purchase order that they were responsible for generating in the Finance System.
- Employees who enter accounts payable invoices must not approve payment of those invoices - an employee independent of the invoice entry process must approve invoice payments.

Any deviation to the above will be documented and endorsed at Manager Level (or higher level if involves duties of the manager).

### **Reporting suspicious activities**

All Council staff, Councillors, contractors and other service providers are required at all times to act honestly and with integrity and to safeguard the public resources for which they are responsible. Council is committed to protecting all revenue, expenditure and assets from any attempt to gain illegal financial or other benefits.

Council will take all reasonable steps to protect those who assist Council by providing information about suspected fraud. This will include confidentiality of identity and protection from harassment.

Suspected improper conduct, offers of bribes, commissions and any other irregular approaches from organisations or individuals will be investigated and reported in accordance with Council's internal policy and processes.

The CEO must notify the Independent Broad-based Anti-corruption Commission of any matter they suspect on reasonable grounds to involve corrupt conduct occurring or having occurred in accordance with mandatory reporting requirements under the [Independent Broad-based Anti-corruption Commission Act 2011](#) (Vic).

## **4. Procurement complaints management**

Council's procurement complaints management system gives a supplier involved in a procurement activity, or an agent acting in the interests of the supplier, mechanisms to raise concerns about how Council manages a procurement activity.

To maintain high standards of probity, Council will handle procurement complaints in a consistent, fair and transparent manner. Council will ideally resolve procurement complaints - to the satisfaction of both parties - within Council. Escalating procurement complaints to outside parties can result in added costs and delays in delivering procurement activities.

Note: for the procurement complaints management process to apply, a complaint must relate to a procurement process issue raised by an external supplier. Matters of improper conduct, corruption or fraud etc. are to be dealt with under other existing Council processes, such as Council's [Fraud and Corruption Control Policy](#).

Procurement complaints raised by an external supplier will be managed in accordance with the process set out in **Schedule 2** of this Guideline. Non-procurement related complaints are to be dealt with under the Council's general [Complaints Handling Policy](#).

## **5. Monitoring and performance measurement**

The Strategic Procurement and Contracts Team will monitor procurement activity on an ongoing basis with respect to annual procurement activity and compliance with key internal controls.

In addition, Council's framework of internal controls over procurement processes includes regular internal audit review and audit by Council Strategic Procurement and Contracts team.

## Procurement performance targets

To help maximise the achievement of best value, Council has set performance targets for:

- The achievement of savings and benefits in the procurement of goods, services and works (up to 5% benefit on repetitive services and 2% benefit on one-off projects where strategic procurement practices have been employed).
- The percentage of spend with local businesses in accordance with the guidance set out in the Evaluation and Negotiation Guideline.
- The percentage Sustainable Procurement spend in accordance with the guidance set out in the Sustainable Procurement Guideline i.e. sustainable goods and services and social enterprises.

## Performance indicators

Council will seek to improve its procurement performance by capturing and analysing data on key performance indicators (KPIs) including:

- Extent of contracts delivered on time and on budget.
- New Collaborative Procurement contracts.
- New preferred supplier (panel) contracts where the panel has been established by Council.
- The number of Local Businesses engaged and proportion of local spend.
- Level of compliance with the Procurement Policy.
- Annual spend with local businesses.
- Annual spend on sustainable goods and services.
- Annual spend with social enterprises.
- The return on procurement investment ('ROPI'). This procurement KPI is used to determine the profitability and cost-effectiveness of the investment in the procurement function and the associated activities. ROPI is not just based on the financial aspects of procurement, but rather overall improvements in procurement activities i.e. financially and operationally. It is calculated as follows.
  - $ROPI = \text{annual cost savings} / \text{annual procurement cost}$ .
  - Annual cost savings may include spend reduction, increased budget control through use of workflows, people cost savings through reduced manual purchase processes, improved spend visibility, risk reduction (security of supply, financial stability, sustainability) and cost avoidance.
  - Annual procurement cost includes salaries and on-costs, floor space cost, cost of ICT systems etc.

A memorandum detailing actual performance against these indicators will be presented annually to the Executive Leadership Team.

## Schedule 1 – Procurement RACI

Procurement Process RACI												
Activity	Step	Council	CEO	CFD	Director/ General Manager	Procurement & Contracts Manager	Procurement Business Partners	Business Unit	Legal Unit	Supplier	Description	
Procurement Strategy	Sourcing Governance	Develop sourcing strategy				A		I	R		Create a plan for procuring materials & services	
		Clarify purchasing requirements						I/C	R		Defining the purchasing requirements for goods & services	
		Establish procurement management contingency plans									Developing a strategy to deal with issues projected to arise during implementation	
		Match needs to supply capabilities					A	R	C		Synchronising the requirements of goods & services & the capacity of suppliers for providing these materials & services	
		Analyse Council's spend profile					I	A	R	C	Evaluate the spend profile of Council. Collect, cleanse, classify, & analyse procurement data with the purpose of reducing procurement costs, improving efficiency, & monitoring compliance	
		Seek opportunities to improve efficiency & value						A	R	I/C	Seeking the most efficient sourcing & procurement opportunities	
		Collaborate with suppliers to identify sourcing opportunities						A	R	I/C	Collaborate in order to determine new opportunities for sourcing	
		Collaborate with regional or neighboring governments for sourcing					I	A	R	C/I	Collaborate in order to determine new opportunities for sourcing	
		Develop sourcing & category management strategies				A	I/C	R	C		Deploying a strategic sourcing methodology to segment the majority of Council spend based on external supply markets to reduce the cost of buying goods & services, reduce risk in the supply chain, & maximise value delivered from the supply base	
												Business needs & value drivers Formats, delivery location, etc. Constraints (resources, technical skills, etc.) Budget allowance or estimated cost based on history (if available) Use budget or cost estimate to submit Calculate base price if spend history is available Written summary of need including delivery deadline Determine if other business units are undertaking similar procurement Determine if solution is industry standard or innovative Non-binding market study to validate strategy/solution Determine if there is a better solution to fulfill need Identify appropriate cost drivers & influencers of the market Stakeholder review of needs analysis & supply assessment Set supplier criteria necessary to support strategy
Procurement Plan	Needs Analysis	Describe the need - What, Why, Where, When, How				A		I	R		Business needs & value drivers	
		Define SLA's &/or KPI's for supplier management						I	R		Formats, delivery location, etc.	
		Constraints							I	R	Constraints (resources, technical skills, etc.)	
		Estimate budget				C		C	R		Budget allowance or estimated cost based on history (if available)	
		Submit Purchase Requisition				C		I	R		Use budget or cost estimate to submit	
	Market Study	Define base price if available				A		C	R		Calculate base price if spend history is available	
		Draft Needs Analysis Briefing Note						I/C	R		Written summary of need including delivery deadline	
		Internal check of Council's aggregated needs			I		I	A	R	C	Determine if other business units are undertaking similar procurement	
		External review of supplier market						R	C		Determine if solution is industry standard or innovative	
		Expression of interest (where required)					A	C/I	R		Non-binding market study to validate strategy/solution	
Plan Development	Challenge needs or solution						R	C		Determine if there is a better solution to fulfill need		
	Identify cost drivers					A	I	C	R	Identify appropriate cost drivers & influencers of the market		
	Need & supply assessment					A	C	R		Stakeholder review of needs analysis & supply assessment		
	Define supplier criteria					A	I	C	R	Set supplier criteria necessary to support strategy		
	Define price targets					A	I	R				
Proposal	Proposal	Determine if Service Agreement is necessary						R	I	C		
		Define procurement strategy & objectives				I	A	C	R		Stakeholder review to define procurement strategy & objectives	
		Propose suppliers					I	A	R		Opportunity for stakeholders to provide recommendations	
		Identify qualified suppliers						R	A		Creation of the supplier list using criteria defined	
		Define proposal technical evaluation criteria				I	A	R			For use in evaluation of proposals	
		Set procurement schedule					I	C	R		To ensure sourcing activity is delivered on time	
		Align scope specifications with service delivery goals				A		C	R			
		Draft requirements document for procurement						C	R		Include expectations, scope, schedule & known deliverables	
		Review & validate requirements document						A	C	R	Review with key stakeholders to ensure completeness	
		Draft questions to suppliers						C	R		Development of questions to ensure consistent & detailed answers from suppliers	
Proposal Approval	Publish Proposal	Draft commercial elements to contract template (i.e SLA's & KPI's)						C	R	I/A	May expedite the contract negotiation process by inclusion in proposal documentation	
		Draft/assemble proposal document				A		C	R		Complete the documentation	
		Final review by business & Procurement					A	R	A		Validation of content by key stakeholders	
		Propose recommendation				A		C	R			
		Propose approval	A			C/I	A	C	R			
Sourcing	Proposal Evaluation	Publish proposal						R	I		Appropriate to sourcing strategy & associated procurement threshold	
		Coordinate Q&A Process						I	R		Consolidate supplier questions & circulate to key stakeholders	
		Coordinate clarifications of requirements						C/A	R		Update the suppliers with scope changes or clarifications derived from Q&A process	
		Coordinate receipt of proposals						I	R		Secure proposals & distribute copies to key stakeholders	
		Coordinate/schedule presentations						C	R	I	Inform suppliers of meeting schedules & how to prepare	
		Coordinate supplier communications						C/I	R		Inform suppliers of next steps	
		Moderation of bids				A		C/I	R		Ensure supplier proposals are comparable	
		Cost assessment						I	R		Review competing bids & benchmarks	
		Technical assessment						C	R		Business technical review of proposal	
		Legal assessment of proposed contract exceptions (where required)						R	R	A	Evaluation of RFP contract template exceptions & legal risks	
Contract Management	Negotiation & Approval	Procurement evaluation						C	R		Evaluation of costs, commercial risk, & quality of deliverable descriptions	
		Procurement negotiation						C	R		Negotiate with all suppliers on Price, SOW, T&C's	
		Short list suppliers						I	R/A		Shortlist to 3-3 suppliers	
		Coordinate supplier communications						C/I	R		Inform suppliers of next steps	
		Procurement negotiations						C/I	R	C	Negotiate with short listed suppliers on Price, SOW, T&C's	
		Procurement review						C	R	C	Post negotiations review	
		Procurement negotiations						R	R	A/C	Negotiate with preferred supplier on Price, SOW, T&C's	
		Sourcing recommendation						I	R			
		Sourcing approval							R			
		Contract Validation	Purchase Order	Contract draft validated					A	R	I	
Send contract to supplier for review								I	R	I		
Validate fall back positions with key stakeholders								A	R	C		
Identify issues & escalate if required						A		C/R	R	I	Seek senior management support if needed	
Finalise negotiated contract								C	R	I/C	Close open issues, distribute for supplier signature	
Manage Suppliers	Manage Suppliers	Contract signed by supplier						R		R		
		Contract signed by Council authorised representative						R				
		Contract recorded					A	I	R	I	Legal/procurement will retain originals of each contract	
		Deliver validated Purchase Requisition						I	R		PR creation & route for approvals	
		Create Purchase Order						I	R		Business uses validated PR to create PO	
Contract Management	Manage Suppliers	Validate Purchase Order				A		R			Finance system validation	
		Issue Purchase Order to supplier						R			Either PO or notification from business	
		Purchase Order acknowledgement						I	I		R	
		Monitor/manage supplier information							R		R	Examine procurement & vendor performance. Report delivery timing & quality of the goods & services procured
		Prepare/analyse procurement & supplier performance				A		I	R		Assist the business through information & reports created. Use information & metrics of procurement & vendor performance to enhance or improve processes	
								R	I/C	Track the performance of the suppliers on product quality. Use this information to further improve sourcing & supplier performance		
<p>RACI Key</p> <p>This role conducts the actual work &amp; owns the step above, generally only one "R" exists in a workflow.</p> <p>This role approves the completed work &amp; is held fully accountable for it.</p> <p>This role has the information &amp;/or capability to complete the work. Two way communication between "R" &amp; "C".</p> <p>This role is to be informed of the progress &amp; results. One way communication from "R", or "A" or "C".</p>												

## Schedule 2 – Procurement Complaints Management Process

Effective handling of procurement complaints demonstrates that Council places a high level of importance on the way it conducts procurement and how it interacts with the market.

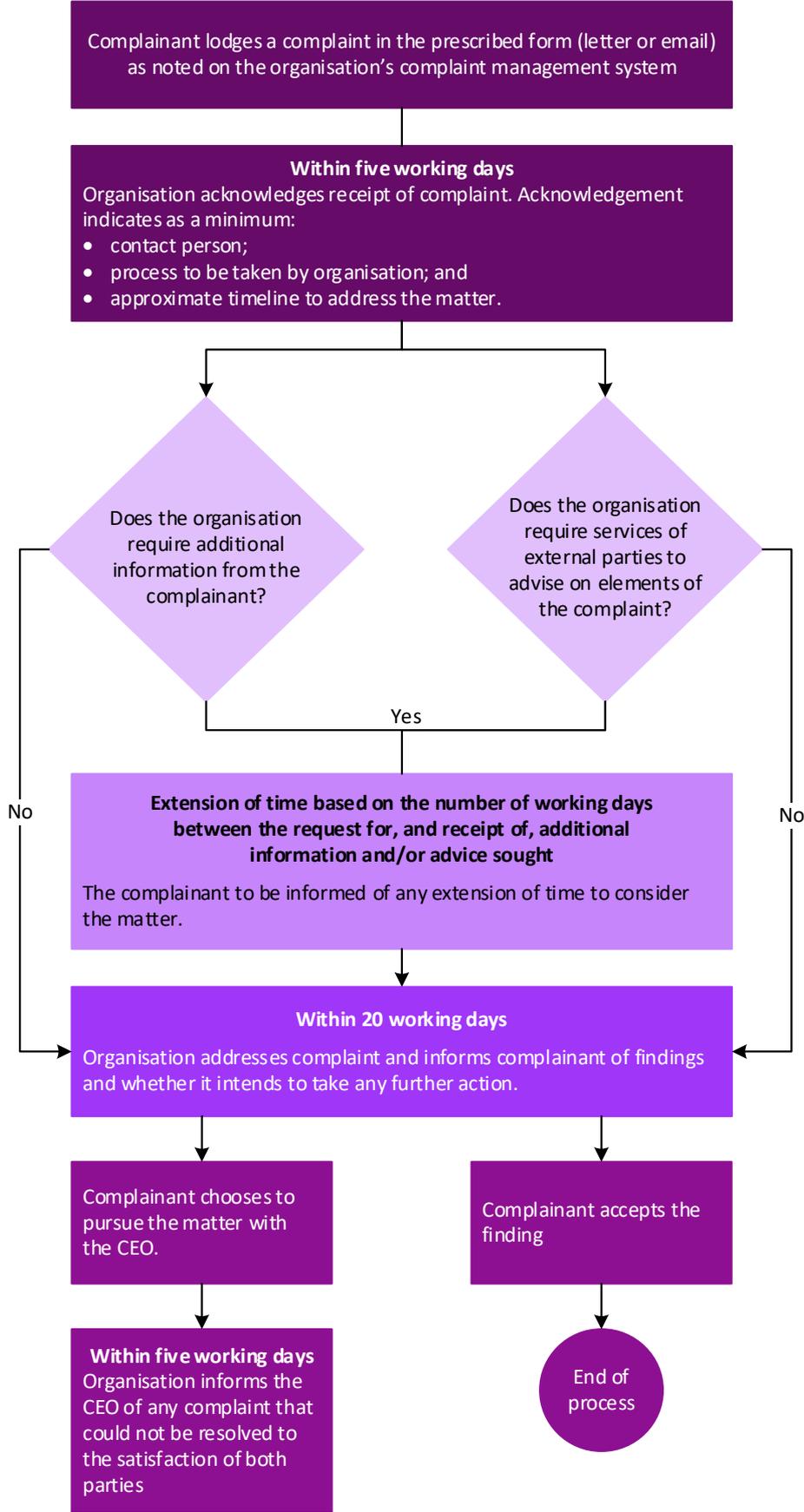
Council's procurement complaints management system gives a supplier involved in a procurement activity, or an agent acting in the interests of the supplier, mechanisms to raise concerns about how Council manages a procurement activity.

To maintain high standards of probity, complaints need to be handled in a consistent, fair and transparent manner. Complaints will ideally be resolved—to the satisfaction of both parties—within Council. Escalating complaints to outside parties can result in added costs and delays in delivering procurement activities.

A procurement complaint is an issue or concern expressed by a supplier in relation to the process and probity applied by Council when carrying out a procurement activity. The complaint should be a letter, email or fax lodged with the Strategic Procurement and Contracts Team.

To demonstrate impartiality when investigating a complaint, the Council officer managing the complaint needs appropriate knowledge of procurement policies and relevant processes. They must not be directly involved in the subject matter of the complaint.

The figure below sets out the recommended schedule of timelines for managing complaints.



The figure above sets out the timelines for managing complaints in 10 steps. The following step-action table explains the contents of the figure.

Council officers should follow the 10 steps below for the recommended timelines for managing complaints:

Step	Action
<b>1</b>	Complainant lodges a complaint in the prescribed form (letter or email)
<b>2</b>	<p>Within 5 working days</p> <p>Council officer acknowledges receipt of complaint. Acknowledgement indicates as a minimum:</p> <ul style="list-style-type: none"> <li>• Contact person</li> <li>• Process to be taken by the organisation</li> <li>• Approximate timeline to address the matter</li> </ul>
<b>3</b>	<p>Does the Officer require additional information from the complainant?</p> <p>If yes, the go to step 4</p> <p>If no, then go to step 6</p>
<b>4</b>	<p>Does the Officer require the services of external parties to advise on elements of the complaint?</p> <p>If yes, go to step 5</p> <p>If no, go to step 6</p>
<b>5</b>	Extension of time based on number of working days between the request for, and receipt of, additional information and / or advice sought
<b>6</b>	<p>Within 20 working days</p> <p>The Officer addresses complaint and informs complainant of findings and whether it intends to take any further action</p>
<b>7</b>	<p>Does complainant accept the finding?</p> <p>If yes, go to step 8</p> <p>If no, go to step 9</p>
<b>8</b>	End of process
<b>9</b>	Complainant chooses to pursue matter with the CEO
<b>10</b>	<p>Within 5 working days</p> <p>The Officer informs the CEO of any complaint that could not be resolved to the satisfaction of both parties.</p>

### **Complaints referred to the CEO**

If the complaint cannot be resolved to the satisfaction of both parties, the complainant may refer the matter to the CEO for review.