

Policy 4.8 Finance

Purchasing

Reference/s	Local Government Act 1995 (s6.10) Local Government (Financial Management) Regulations 1996 (r13) Local Government (Functions and General) Regulations 1996 (r11a)		
Date Proposed/Adopted	19 February 2014	Motion Number	14022014

This policy supports the delivery of the Shire of Cranbrook Vision

That the Shire of Cranbrook is a proactive, sustainable, safe, friendly and prosperous place to be

PURPOSE

To clearly articulate the parameters for purchasing on behalf of the Shire of Cranbrook.

SCOPE

Elected Members, Chief Executive Officer, Executive Management Team, Finance Department.

OBJECTIVES

- To provide compliance with the Local Government Act, 1995 and the Local Government (Functions and General) Regulations 1996 and the Local Government (Financial Management) Regulations 1996;
- To deliver a best practice approach and procedures to internal purchasing for the Shire of Cranbrook; and
- To ensure consistency for all purchasing activities that integrates within all the Shire of Cranbrook operational areas.
- To ensure transparency for all creditor payments by listing authorised signatories to all of the Shire of Cranbrook bank accounts.

PRINCIPLES

1.1 Ethics and Integrity

All employees of the Shire of Cranbrook shall observe the highest standards of ethics and integrity in undertaking purchasing activity and act in an honest and professional manner that supports the standing of the Shire of Cranbrook.

The following principles, standards and behaviours must be observed and enforced through all stages of the purchasing process to ensure the fair and equitable treatment of all parties:

- Full accountability shall be taken for all purchasing decisions and the efficient, effective and proper expenditure of public monies based on achieving value for money;
- All purchasing practices shall comply with relevant legislation, regulations, and requirements consistent with the Shire of Cranbrook policies and code of conduct;
- Purchasing is to be undertaken on a competitive basis in which all potential suppliers are treated impartially, honestly and consistently;

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

1.2 Purchasing Thresholds

Where the value of procurement (excluding GST) for the value of the contract over the full contract period (including options to extend) is, or is expected to be:-

Amount of Purchase	Policy	Authorised Officers
<i>Up to \$100</i>	<p>Direct purchase from suppliers – no formal process</p> <p>Small incidental purchases made from local suppliers with a running monthly account up to the value of \$100 do not require quotations or purchase orders eg. Milk from the supermarket. All care and responsibility must still be taken by all employees.</p>	All Staff
<i>\$100 - \$5,000</i>	<p>Direct purchase from suppliers requiring only one verbal quotation.</p> <p>Where the value of procurement of goods or services does not exceed \$5,000, purchase on the basis of at least one verbal quotation is permitted. However it is recommended to use professional discretion and occasionally undertake market testing with a greater number or more formal forms of quotation to ensure best value is maintained.</p> <p>This purchasing method is suitable where the purchase is relatively small and low risk.</p>	CEO, Managers & Delegated Purchasing Officers
<i>\$5,000 - \$10,000</i>	<p>Obtain at least three verbal or written quotations where possible.</p> <p>At least three verbal or written quotations (or a combination of both) are required. A “Record of Quotes” form must be completed where no written quote is available, i.e. for verbal quotations or where multiple quotes is not practical, e.g. due to limited suppliers, it must be noted by completing a statement form.</p> <p>The general principles for obtaining verbal quotations are:</p> <ul style="list-style-type: none"> • Ensure that the requirement / specification is clearly understood by the Local Government employee seeking the verbal quotations. • Ensure that the requirement is clearly, accurately and consistently communicated to each of the suppliers being invited to quote. • Read back the details to the Supplier contact person to confirm their accuracy. • Written notes detailing each verbal quotation must be recorded. <p>Record keeping requirements must be maintained in accordance with record keeping policies.</p>	CEO, Managers & Delegated Purchasing Officers

<p>\$10,000 - \$50,000</p>	<p>Obtain at least three written quotations <i>where possible</i></p> <p>The responsible officer is expected to demonstrate due diligence seeking quotes and to comply with any record keeping and audit requirements. Record keeping requirements must be maintained in accordance with record keeping policies.</p> <p>It is required to obtain at least three written quotes. Should three quotes not be possible, a “Record of Quotes” form is to be completed and attached to the purchase order.</p> <p>NOTES: The general principles relating to written quotations are:</p> <ul style="list-style-type: none"> • An appropriately detailed specification should communicate requirement(s) in a clear, concise and logical fashion; • The request for written quotation should include as a minimum; • Written Specification • Selection Criteria to be applied • Price Schedule • Conditions of responding • Validity period of offer • Invitations to quote should be issued simultaneously to ensure that all parties receive an equal opportunity to respond. • Offer to all prospective suppliers at the same time any new information that is likely to change the requirements. • Responses should be assessed for compliance, then against the selection criteria, and then value for money and all evaluations documented. • Respondents should be advised in writing as soon as possible after the final determination is made and approved. 	<p>CEO & Managers</p>
<p>\$50,000 - less than \$150,000</p>	<p>Obtain at least three written quotations containing price and specification of goods and services.</p> <p>For the procurement of goods or services where the value exceeds \$50,001 but is less than \$150,000 it is required to obtain at least three written quotations containing price and a sufficient amount of information relating to the specification of goods and services being purchased. Record keeping requirements must be maintained in accordance with record keeping policies.</p> <p>For this procurement range, the selection should not be based on price alone, and the CEO shall consider some of the qualitative factors such as quality, stock availability, accreditation, time for completion or delivery, warranty conditions, technology, maintenance requirements, organisation’s capability, previous relevant experience and any other relevant factors as part of the assessment of the quote.</p>	<p>CEO</p>
<p>\$150,000 and above</p>	<p>TENDER</p> <p>Conduct a public tender process.</p>	<p>Full Council</p>

- Where it is considered beneficial, tenders may be called in lieu of seeking quotations for purchases under the \$150,000 threshold (excluding GST). If a decision is made to seek public tenders for contracts of less than \$150,000, the tender process outlined in the Local Government Act 1995 must be followed in full.
- Where a WALGA preferred supplier is used, the need to obtain quotes is removed. (r13).
- Where the Shire has already conducted a similar quotation process within the previous three years or is currently using a regular supplier, an existing supplier may be used with the approval of the CEO. This only applies to purchases below the tender threshold and where it would be financially and/or operationally beneficial to do so.
- When assessing quotes please refer to section 1.4.4 Regional Price Preference of this policy.

1.3 REGULATORY COMPLIANCE

1.3.1 Tender Exemption

In the following instances public tenders or quotation procedures are not required (regardless of the value of expenditure):

- An emergency situation as defined by the Local Government Act 1995;
- The purchase is under a contract of WALGA (Preferred Supplier Arrangements), Department of Treasury and Finance (permitted Common Use Arrangements), Regional Council, or another Local Government;
- The purchase is under auction which has been authorised by Council;
- The contract is for petrol, oil, or other liquid or gas used for internal combustion engines;
- Any of the other exclusions under Regulation 11 of the Functions and General Regulations apply.

1.3.2 Sole Source of Supply (Monopoly Suppliers)

The procurement of goods and/or services available from only one private sector source of supply, (i.e. manufacturer, supplier or agency) is permitted without the need to call competitive quotations provided that there must genuinely be only one source of supply. Every endeavour to find alternative sources must be made. Written confirmation of this must be kept on file for later audit and must be approved by the CEO.

Note: The application of provision "sole source of supply" should only occur in limited cases and procurement experience indicates that generally more than one supplier is able to provide the requirements.

1.3.3 Anti-Avoidance

Authorised Officers shall not enter two or more contracts of a similar nature for the purpose of splitting the value of the contracts to take the value of consideration below the level of \$150,000, thereby avoiding the need to publicly tender.

1.3.4 Regional Price Preference

Council may give preference to a regional supplier by assessing the quote/tender from that regional supplier as if the quote/tender were reduced by:

- 5% for goods or services for a supplier from within the Shire of Cranbrook; and
- 2.5% for goods or services for a supplier from a Shire within the Great Southern Region of Western Australia (as defined by the Great Southern Zone of the Western Australian Local Government Association).

1.4 RECORDS MANAGEMENT

All records associated with the tender process or a direct purchase process must be recorded and retained. For a tender process this includes:

- Tender documentation (This documentation must be filed in the Tender Register);
- Internal documentation;
- Evaluation documentation;
- Enquiry and response documentation; and
- Notification and award documentation.

For the direct purchasing process the following documentation must be attached to the purchase order which is in turn attached to the incoming invoice. This includes:

- Quotation documentation;
- Internal documentation; and
- Order forms and requisitions.

Record retention shall be in accordance with the minimum requirements of the State Records Act, and the Shire of Cranbrook's internal records management policy.

The authorised officer that is signatory on the purchase order must also be the signatory on the corresponding invoice.

1.5 PAYMENT OF CREDITORS

The Chief Executive Officer is delegated authority to make payments from the Municipal Fund or the Trust Fund. Each payment from the Municipal Fund or the Trust Fund is to be noted on a list compiled for each month showing:

- The payee's name;
- The amount of the payment;
- The date of the payment; and
- Sufficient information to identify the transaction.

The list referred to above is to be presented to the Council at each ordinary meeting of the Council and is to be recorded in the minutes of the meeting at which it is presented.

1.6 BANK ACCOUNT SIGNATORIES

All bank accounts held in the name of the Shire of Cranbrook will have the following authorised signatories:

- Chief Executive Officer
- Manager of Finance and Administration
- Finance Officer
- Finance Admin Officer

The abovementioned positions include any person acting in that role for a period of two weeks or greater.

All payments made and transfers between Shire accounts will require two of the abovementioned signatories.

At least one manager will authorise all payments, only in the event a manager is unavailable, will two officers be authorised to sign.

1.7 SAFETY IN PURCHASING

Under section 23-1(a), (b), (c) of the Occupational Safety and Health Act 1984, several obligations apply to the design, manufacture, import or supply of goods.

It is imperative that the safety of products, plant, equipment and the supply of services is considered in all purchases.

There are a range of purchasing decisions made on a daily basis on behalf of the Shire of Cranbrook.

Principles

Tenders for goods

Tender documents should include the requirements of the act (S23 -1 a,b,c) to specify safety requirements to potential tenderers.

Licensed Goods

- Some goods require a licence to be purchased. Managers must ensure that appropriate licences are held where required.
- Goods such as explosives, lethal barbs or firearms will require a licence.
- A register of licensed goods should be maintained.

General / Unlicensed Goods

Whilst a product, plant, equipment or supply of service may not require a licence it is possible that that item may present a hazard in the workplace.

Dangerous Goods or Hazardous Substances (Refer to the Chemical Management Plan)

- Fuels, Oils, Garden Chemicals, Cleaning products and many other products will require an SDS to be supplied on first supply. The SDS is recorded in the register along with the location and other details of the good.
- Only items on the approved purchasing list may be purchased.
- Risk assessments are done on each item.

Plant

For all plant purchases;

- An ergonomic assessment should be carried out.
- An operations/supplier manual must be provided.
- Before accepting any plant or equipment the appropriate check list should be completed.

Personal Protective Equipment

- Operations Manual / Direction for safe use must be supplied.
- Annual review of appropriateness of current supplier and type of PPE purchased.

General

The safety of general goods should be considered. In particular the size of packaging, weight of items and the safety of each product and any risks associated with their use.

PROCEDURE ASSOCIATED WITH THIS POLICY

Nil

ROLES AND RESPONSIBILITIES

Elected Members

- To ensure compliance with this policy

Chief Executive Officer

- To ensure compliance with this policy

Executive Management Team

- To ensure compliance with this policy

DOCUMENT AND STRATEGIC PLAN LINKS

Strategic Community Plan 2017 – 2027

Objective 4: Leadership - Demonstrate strong governance, leadership and organisational growth

Outcome 4.1: Excellence in governance, compliance, regulation and reporting
Strategy 4.1.1: Maintain a high level of corporate governance, responsibility and accountability