

# Procurement in Local Government: the Auditor General Reports

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**This article is another in our series highlighting the key findings of some of the Auditor General's performance audits.**

The Office of the Auditor General (**OAG**) released its Report on Local Government Procurement (**the Report**) in October 2018.

The Report (and other performance audit reports from that body) contains valuable guidance for local governments.



The OAG reviewed the effectiveness of procurement processes and arrangements of eight local governments, and the extent to which they complied with the *Local Government (Functions and General) Regulations 1996 (Regulations)*.

The key findings of the Report were that the OAG had identified weaknesses in procurement controls, processes, capability and documentation that hinder the effectiveness of procurement practices in local governments.

## Procurement policies and procedures<sup>i</sup>

It was found that all the local governments audited had the minimum standard required, namely that they had procurement policies and procedures in place.

However, the OAG made the key finding that local governments did not always adhere to their policies in the purchasing process.

Out of the eight local governments audited, five had instances of staff not seeking and recording quotes in line with their own policies. Two had committed the cardinal sin of making purchases that should have gone to tender, but did not. One local government even had a high level policy which was found not to meet the requirements of the Regulations, but has since updated its policy to meet requirements.

On the positive side, all eight local governments were found to have provided some form of procurement training for their staff. These programs included induction programs, refresher sessions and on-the-job activities. They were found to be effective in disseminating essential knowledge and context around procurement compliance and probity.

An opportunity exists to improve the procurement policies that local governments already have in place.

*Local governments' non-compliance with their own policies increases the risk of funds being used inappropriately and inefficiently.*

## Oversight and controls<sup>ii</sup>

There were weaknesses identified around oversight and controls in the procurement process including over:

- purchase orders;
- checking goods and services upon receipt; and
- segregation of duties.

The deficiencies in these controls were usually the result of insufficient records kept, a lack of verification and accountability processes, and the need to review invoices for accuracy.

## Documentation of procurement decisions<sup>iii</sup>

There is room for improvement in the documentation of purchase decisions, recording of tender processes and transparency in decision-making.

For example, all eight local governments claimed exemptions from seeking quotes for some of the purchases reviewed, but did not have sufficient records to support the reason for exemption. It was also found that transparency across recording tender processes and declarations of conflicting interests could be made clearer.

## Recommendations from the OAG<sup>iv</sup>

In the Report, the OAG recommends that all Western Australian local governments review their procurement processes and procedures, and consider implementing the following actions:

- Conduct regular compliance reviews of procurement controls and processes;
- Ensure purchasing policies are consistent with the Regulations;
- Implement stronger controls in overseeing and approving purchase orders; and
- Ensure key procurement processes and decisions are documented.

## Conclusion

It is significant that none of the local governments audited came away with a perfect audit outcome.

It is therefore possible that other local governments will have similar deficiencies which should be remedied by adopting the recommendations of the Report.

Local governments know the virtue of having compliant policies and effective procurement arrangements.

The Report is a reminder that all local governments need to meet the challenge of converting that virtue into a reality for their organisation.

## Contact

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<sup>i</sup> Office of the Auditor General Western Australia, *Western Australian Auditor General's Report: Local Government Procurement* (Report 5, October 2018-2019) 12.

<sup>ii</sup> Ibid 13-14.

<sup>iii</sup> Ibid 14-15.

<sup>iv</sup> Ibid 9.