



Town of Port Hedland

MINUTES

OF THE

AUDIT AND FINANCE COMMITTEE OF THE TOWN OF PORT HEDLAND COUNCIL

HELD ON

WEDNESDAY 11 MAY 2011

COMMENCING AT 12:30 PM

**IN COUNCIL CHAMBERS
McGREGOR STREET, PORT HEDLAND**

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*Natalie Octoman
Director Corporate Services*

Our Commitment

To enhance social, environmental and economic well-being through leadership and working in partnership with the Community.

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ITEM 1 OPENING OF MEETING**1.1 Opening**

The Chairperson declared the meeting open at 12:30am and acknowledged the traditional owners, the Kariyarra people.

ITEM 2 RECORDING OF ATTENDANCE AND APOLOGIES**2.1 Attendance**

Councillor Arnold A Carter (Chairman)
Mayor Kelly A Howlett
Councillr Michael (Bill) Dziombak

Mr Paul Martin
Ms Natalie Octoman
Ms Josephine Bianchi

Chief Executive Officer
Director Corporate Services
Governance Coordinator

2.2 Apologies

Councillor Stan R Martin

2.3 Approved Leave of Absence

Nil

ITEM 3 RESPONSE TO PREVIOUS QUESTIONS - ON NOTICE

Nil

ITEM 4 PUBLIC TIME

12:31pm Chairperson opened Public Question Time

4.1 Public Questions

Nil.

12:31pm Chairperson closed Public Question Time

12:31pm Chairperson opened Public Statements Time

4.2 Public Statements

Nil.

12:31pm Chairperson closed Public Statements Time

ITEM 5 QUESTIONS FROM MEMBERS WITHOUT NOTICE

Nil.

ITEM 6 DECLARATION BY MEMBERS TO HAVE GIVEN DUE CONSIDERATION TO ALL MATTERS CONTAINED IN THE BUSINESS PAPER PRESENTED BEFORE THE MEETING

Mayor K A Howlett	Cr M (Bill) Dziombak
Cr A A Carter	

ITEM 7 CONFIRMATION OF MINUTES OF PREVIOUS MEETING**7.1 Confirmation of Minutes of Audit and Finance Committee of Council held on Wednesday 16 February 2011.**

NOTE: Mayor Howlett and Cr M Dziombak respectively moved and seconded item 7.1 'Confirmation of Minutes of Audit and Finance Committee of Council held on Wednesday 16 February 2011'. However, it is noted that the Minutes of the Audit and Finance Committee of Council held on Wednesday 16 February 2011 had already been confirmed at the Audit and Finance Committee Meeting held on 30 March 2011.

ITEM 8 ANNOUNCEMENTS BY CHAIRMAN WITHOUT DISCUSSION

Nil

ITEM 9 PETITIONS/DEPUTATIONS/PRESENTATIONS/ SUBMISSIONS

Nil

ITEM 10 REPORTS OF OFFICERS**10.1 CORPORATE SERVICES****10.1.1 Finance and Administration****10.1.1.1 *Appointment of Auditor (File No.:...)***

Officer Abby Carter
Executive Assistant
Corporate Services

Date of Report 2 May 2011

Disclosure of Interest by Officer Nil

Summary

For the Audit and Finance Committee to appoint UHY auditors for a one (1) year term to conduct 2010/2011 audits, as the Tender for Audit Services is yet to be presented to Council.

Background

In accordance with the section 7.2 Local Government Act 1995, the accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.

Invitations were sent to three (3) financial institutions, UHY Haines Norton, KPMG and Deloitte, requesting a quotation for audit services over a one (1) and three (3) year term. This was to be in accordance with Australian Auditing Standards, Auditing Guidance Statements, the Local Government Act 1995 and accompanying regulations.

Of these three companies, UHY Haines Norton was the only company to respond within the timeframe with an appropriate written quotation.

In previous years, Council appointed Mr David Tomasi and Greg Godwin from UHY Haines Norton, as the Town of Port Hedland's Auditors. UHY has successfully conducted Council's financial audits in the past.

Consultation

Western Australian Local Government Association
UHY Haines Norton (Auditors)

Statutory Implications

Local Government Act 1995

*Division 2 — Appointment of auditors**7.2. Audit*

The accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.

7.3. Appointment of auditors

(1) A local government is to, from time to time whenever such an appointment is necessary or expedient, appoint a person, on the recommendation of the audit committee, to be its auditor.*

** Absolute majority required.*

(2) The local government may appoint one or more persons as its auditor.

(3) The local government's auditor is to be a person who is —

(a) a registered company auditor; or

(b) an approved auditor.

[Section 7.3 amended by No. 49 of 2004 s. 6.]

7.6. Term of office of auditor

(1) The appointment of a local government's auditor is to have effect in respect of the audit of the accounts and annual financial report of the local government for a term of not more than 5 financial years, but an auditor is eligible for re-appointment.

Strategic Planning Implications

Nil

Budget Implications

Council will budget for audit services in the 2010/11 budget that will cover audit service fees for one (1) year in reflection of UHY Haines Norton. The quotation attached discloses a fee of \$24,000 + GST for the 2010 / 2011 year.

Officer's Comment

In appointing UHY Haines Norton for a term of one (1) year, Council will benefit from the knowledge that UHY has gained from conducting annual and interim audits at the Town in previous years, whilst remaining flexible enough to enter into a audit tender process in future years.

The appointment, while later than anticipated, will ensure that the interim audit can be conducted without delay, with the year end audit to follow.

The Western Australian Local Government Association (WALGA) have recently advertised a tender for the provision of audit services for Local Governments across the State. Upon the tender for preferred suppliers being awarded, the Town will undertake a review in order to ensure the early appointment of auditors for a three (3) year period. This will be the subject of a separate report after this time.

Attachment

1. Quote from UHY Haines Norton

Officer's Recommendation

That the Audit and Finance Committee:

1. Receives and notes the quotation from UHY for Audit Services; and
2. Recommend to Council that it appoints UHY Haines Norton as the Auditors for the 2010/11 financial year.

AFC201011/12 Audit and Finance Committee Decision

Moved: Cr K A Howlett

Seconded: Cr M Dziombak

That the Audit and Finance Committee:

1. **Receives and notes the quotation from UHY for Audit Services; and**
2. **Recommend to Council that it appoints UHY Haines Norton as the Auditors for the 2010/11 financial year; and**
3. **Request the Chief Executive Officer to undertake a tender process to appoint an Auditor for a 3 year period from 2011/12 to 2013/14.**

CARRIED 3/0

REASON: The Audit and Finance Committee believes that the Chief Executive Officer needs to undertake a tender process to appoint an Auditor for a three year period from 2011/12 to 2013/14.

10.1.1.2 Tender Policy and Amendment of Procurement Policy 2/007 (File No.: .../...)

Officer Debra Summers
Manager Organisational
Development

Date of Report 4 May 2011

Disclosure of Interest by Officer Nil

Summary

At the 26 November 2010 meeting of the Audit and Finance Committee, the Committee requested a review of Policy 2/007 Procurement Policy in respect to the calling of tenders.

This report presents to the Committee a Draft Tender Policy and an amendment to the existing Procurement Policy for its consideration.

Should the Committee approve these policies, they will be presented to Council for its consideration.

Background

At the Audit and Finance Committee Meeting of 26 November 2010 the following was adopted:

'That the Audit and Finance Committee recommends to Council that:

1. *Council's Policy 2/007 'Procurement Policy' be changed to incorporate the proposed tender classifications being:*

- a. *Actions that should be taken prior to calling tenders;*
- b. *Actions to be taken post tenders closing;*
- c. *Actions to be taken once tenders awarded;*
- d. *Estimated tender assessment period;*
- e. *Composition of tender evaluation panel;*
- f. *Who gives approval to call tenders;*

for tenders valued at:

- i) *\$100,000 - \$1M;*
- ii) *\$1M - \$5M;*
- iii) *\$5M - \$10M;*
- iv) *\$10M plus; and*

2. *The revised Policy 2/007 'Procurement Policy' is presented to Council its consideration in January 2011.'*

Consultation

Councillors
Audit and Finance Committee
Executive team
Other local government authorities
Western Australian Local Government Association
UHY Haines Norton (Auditors)

Statutory Implications

Section 3.57 of the Local Government Act 1995 states:

“3.57. Tenders for providing goods or services

- (1) *A local government is required to invite tenders before it enters into a contract of a prescribed kind under which another person is to supply goods or services.*
- (2) *Regulations may make provision about tenders.”*

The Town of Port Hedland calls for tenders in accordance with the Local Government Act 1996, and the relative Part 4. Division 2 – ‘Tenders for providing goods and services’ section of Local Government (Functions and General) Regulations 1996. This section of the Regulations provides the requirements for a Council’s tendering process (attached).

Policy Implications

This item proposes the adoption of 2/011 Tender Policy and an amendment of 2/007 ‘Procurement Policy’ in respect to tenders.

Strategic Planning Implications Nil

Budget Implications

Costs of actions required as a result of this policy change will be factored into future project budgets.

Officer’s Comment

As recognised at a previous Audit and Finance Committee meeting, the Town of Port Hedland’s procurement process, particularly in respect to the calling of tenders, given the size and scale of projects now being undertaken by the Town, needed to be reviewed and amended.

In undertaking this review it was determined that a policy that specifically refers to tenders was warranted. This standalone policy would provide a framework which will ensure statutory compliance with all relevant legislation and encompasses best practice when procuring goods and services through the Tender process.

The existing Procurement Policy would therefore need to be amended to reflect this new policy but would remain reflecting the overall procurement process.

Both of these policies are included with this report as attachments. For ease of reference, the proposed amended text in the existing policy has been included in italics

This resulting Draft Tender Policy and the suggested amendments to the existing Procurement Policy are presented to the Committee for consideration with a recommendation to present them to Council for adoption.

Attachments

1. Draft 2/011 Tender Policy
2. Draft amended 2/007 Procurement Policy

Officer's Recommendation

That the Audit and Finance Committee recommends to Council that:

1. The amendments identified in Council Policy 2/007 'Procurement Policy' be incorporated into a revised policy; and
2. That the revised Council policy 2/011 Tender Policy is adopted.

AFC201011/13 Audit and Finance Committee Decision

Moved: Cr K A Howlett

Seconded: Cr M Dziombak

That the Audit and Finance Committee lay the item on the table subject to further advice received around the context and guidelines of the use of a preferred supplier.

CARRIED 3/0

REASON: The Audit and Finance Committee believes that before considering this item it need further clarification around the context and use of a preferred supplier.

ATTACHMENT 1 TO AGENDA ITEM 10.1.1.2

2/011Tender Policy (Draft)

Purpose:

This policy provides a framework which will ensure statutory compliance with all relevant legislation and encompasses best practice when procuring goods and services through the Tender process.

Related documents which sit within this wider framework include:

- Local Government Act 1995 s3.57- Tenders for Providing Goods and Services
- Local Government (Functions and General) Regulations Part 4- Tenders for Providing Goods and Services.
- Town of Port Hedland Procurement Policy 2/007

Policy Content:

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, over \$100,000 a public tender will be called as per s3.57 of the Local Government Act 1995 and Local Government (Functions and General Regulations Part 4- Tenders for Providing Goods and Services.

Furthermore, to ensure a best practice approach to purchasing for the Town of Port Hedland the following additional procedural threshold will apply:

Tender Value	Pre Tender Actions	Post Tender Closing Actions	Tender Assessment Periods	Evaluation Panel	Sign Off
\$100,000-1m	Optional site briefing Business Plan as per LG (Functions and General)Part 3 Commercial Enterprises by Local Govts. s.3.59		2 weeks	Area Manager and Director	Exec.
\$1m-\$5m	As above Bill of Quantities * Peer review of design/specification documentation including sign off * Pre tender estimate		4 weeks	Responsible Manager and Director Director Corp. Ser.	Exec.

\$5m- \$10m	As above Compulsory site briefing Business/Operational Plan Project Manager engaged(optional) Tender Evaluation Plan	Interviews with tenderers Quarterly QS approval of works	6 weeks	As above	Council
\$10m +	As above Legal advice on tender documentation prior to distribution Engagement of probity advisor Project Manager engaged	As above Legal advice on tender contract prior to execution Probity advisor Monthly QS approval of works	6-8 weeks	As above	Council

* Does not apply to Design and Construct Tenders

Supporting Local Industry

The Town of Port Hedland seeks to maximise the use of competitive local businesses in goods and services purchased or contracted on behalf of the Council through adopting a local industry development criteria in tender assessment documentation as follows:

Local Industry Development	
Volume of workforce from Port Hedland/Pilbara	3%
Volume of goods from Port Hedland/Pilbara	3%
Training and skills development for Port Hedland	2%
Benefits to TOPH	2%
Loaded Score - Local Industry Development	10%

Local Industry is defined as being a business operating continuously out of premises within the Town of Port Hedland and submits a conforming tender or response for the supply of goods and services.

Tender or Quotation Exemption

The Town of Port Hedland may waive the requirement to call for public tenders or quotations (regardless of the value of expenditure) and engage, award or contract for goods and purchases in the following exceptional circumstances:

- In an emergency service as defined by the Local Government Act 1995
- The purchase is from a supplier awarded a ToPH Period Contract
- Any other exclusion as defined in the Local Government (Functions and General) Regulations Part 4- Division 2 Regulation 11.

ATTACHMENT 2 TO AGENDA ITEM 10.1.1.2

2/007 PROCUREMENT POLICY

Local Purchasing

After having due regard to, but not limited to, the quality of the product, availability of after sales service, supply date, freight costs, degree of urgency Officers of the Town of Port Hedland are encouraged to purchase locally.

Pre procurement Requirements

Where possible, unless by Council resolution, or by requirement of legislation, Officers will follow the following minimum guidelines for inviting quotes prior to purchasing any good or service.

Purchase Value	Quotes Required (minimum)
Less than \$2,000	1 Verbal Quote
\$2000 - \$4,999	1 Written Quote
\$5,000 to \$14,999	2 Written Quotes
\$15,000 to \$49,999	3 Written Quotes
\$50,000 to \$99,999	3 Detailed Quotes, Authorised by CEO & Mayor
\$100,000 and over	<i>Tender Policy 2/011applies</i>

In instances of emergency or where procurement is urgently required, officers with delegated authority may procure the goods/services without seeking quotations on the proviso that:

1. A brief explanation of the emergency/urgency of the situation is provided by the officer prior to payment of the invoice for the service
2. The value of works being undertaken in the emergency is within the officer’s delegated authority limit.
3. The value of the works being undertaken is within the limits of the Council’s adopted Annual Plan and Budget.

It is the Officer’s responsibility to provide evidence that a reasonable attempt has been made to meet the above guidelines.

If a selection criteria, other than price, is use to determine the successful supplier, the authorising officer will advise all potential suppliers of the selection criteria prior to receiving quotations.

All documentation received or internally generated, as evidence of meeting the above quoting requirements will be attached to Council’s copy of the payment advice and retained as per either Council internal or legislated records requirements for financial documents, which ever is the longest.

Tenders

Tenders will be called for all procurement of Goods or Services from a single supplier as prescribed under Section 3.57 Local Government 1995 *and in accordance with 2/011 Tender Policy.*

Authorising Officer

An Authorising Officer is a Town of Port Hedland employee who is registered in the sub delegation register as authorised to incur expenditure and claims for payment, within a set monetary limit.

Purchase Orders

The Town of Port Hedland requires a purchase order to be raised and issued prior to the service or product being supplied. The authorising officer will ensure items purchased are made within budget parameters.

Purchase Orders Exemptions

The requirement to issue a purchase order is not required in the following instances:

1. Procurement of particular goods or services:
 - a) Utilities; including telephone, electricity, water and gas.
 - b) Annual Membership/subscriptions
 - c) Reimbursements to Staff
 - d) Freight
 - e) Department of Land Information on line transactions
 - f) Motor Vehicle Licensing and Registration
 - g) Custom Fleet Bill
 - h) Staff housing
 - i) Postage
2. Corporate Credit or Fleet Fuel Card purchases;
3. Petty Cash purchases - \$200 limit GST inclusive;
4. All emergencies as deemed in writing by the Mayor;
5. All procurement authorised by way of Tender and requiring three or less separate payments in one financial year.

Fleet Fuel and Corporate Credit Cards

Fleet Fuel Cards

All appropriate fleet vehicles will be issued with an appropriate fleet fuel card for fuel purchases only. If a vehicle is allocated to Council Officer, that Officer is responsible for the security and appropriate use of the Fleet Fuel Card. Fuel purchased using a fleet fuel card, must be of type required by the vehicle the card was initially issued for.

Corporate Credit Cards

The Chief Executive Officer and Directors have use of a Corporate Credit card, provided from the Town's current banking provider. Use of this credit card is strictly for authorised duties associated with the Town of Port Hedland and may not be used for personal expenses in any circumstances.

Limits placed on the Corporate Credit Cards will be as follows:

Officer	Credit Limit	Cash Advances
Chief Executive Officer	\$5,000	Nil
Directors	\$2,000	Nil

Each Corporate Credit Card Holder is responsible at all times for:

1. The security of the card;
2. Providing documentary evidence of all purchases (i.e. receipts) and attaching these to the monthly statement;

At the end of each month, each credit card statement is authorised by:

1. In the case of a Director, the Chief Executive Officer;
2. In the case of the Chief Executive Officer, the Mayor.

All purchases using the Corporate Credit Card shall be included in the monthly list of accounts paid by delegated authority presented to Council.

Breach of Procurement Policy

Officers found to have breached this policy may, at the discretion of the Chief Executive Officer:

1. Have their purchasing rights revoked; and
2. Be subject to disciplinary action, including possible termination without notice.
3. Be required to reimburse Council for the amount of the unauthorised expenditure.

ITEM 11 LATE ITEMS AS PERMITTED BY CHAIRPERSON/COUNCIL

Nil.

ITEM 12 MOTIONS OF WHICH PREVIOUS NOTICE HAVE BEEN GIVEN

Nil.

ITEM 13 CONFIDENTIAL ITEMS

Nil.

ITEM 14 APPLICATIONS FOR LEAVE OF ABSENCE

Nil.

ITEM 15 CLOSURE

15.1 Date of Next Meeting

The next Audit and Finance Committee Meeting of Council will be held on Tuesday 17 May commencing at 12:30pm.

15.2 Closure

There being no further business, the Chairman declared the meeting closed at 12:40 pm.

Declaration of Confirmation of Minutes

I certify that these Minutes were confirmed by the Audit and Finance Committee at its Ordinary Meeting of _____.

CONFIRMATION: _____
CHAIR

DATE