



**Government
of South Australia**

State Procurement
Board

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**State Procurement Board Assurance Program
Guideline**

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Purpose

The purpose of the Assurance Program is to review whether procurement policies, procedures and operational practice are effectively implemented and maintained in public authorities. The Assurance Program also identifies areas for improvement in a public authority's procurement operations.

Scope

This guideline applies to all public authorities as defined in the State Procurement Act (Act).

Overview

The Assurance Program requires onsite evaluation of the compliance of public authorities with the mandated requirements of State Procurement Board (Board) policies, principles, guidelines, standards or directions.

The Assurance Program also includes an assessment of Tier 2 and Tier 3 public authority procurement operations to ensure that fundamental organisational requirements are in place for an effective procurement operation. Tier 1 public authorities are not required to undertake this aspect of the assurance review as they undertake an accreditation review in line with the Board's *Procurement Accreditation Guideline*.

The Assurance Program consists of three phases:

1. Plan the Assurance Program
2. Conduct the Assurance Review
3. Report and Monitor Action Plans

Phase 1: Plan the Assurance Program

The Assurance Program Plan:

- is to be prepared at the commencement of the assurance cycle
- identifies the public authorities to be reviewed and the timeframes for the Assurance Program
- applies for the assurance cycle which is the four year period over which the compliance of public authorities with the mandated requirements of Board policies and guidelines will be assessed
- is to be submitted to the Board for approval prior to the commencement of the four year cycle.

For Tier 1 public authorities, the scheduling of the Assurance Review needs to follow an Accreditation Review by approximately 12 to 18 months to allow sufficient time for actions from the Accreditation Review to be completed.

The Assurance Program Plan may be changed if there are significant changes to public authorities through, for example, machinery of government changes.

Phase 2: Conduct the Assurance Review

Prepare for the Assurance Review

All public authorities

Public authority principal officers are to be advised, by the Board, of the Assurance Review, at least four weeks before its commencement. The advice is to include a Terms of Reference (refer Attachment One), the scheduled timeframes and a request for required information including:

- the key public authority contact for the Assurance Review
- a copy of procurement related internal audit reports issued in the preceding two years
- any procurement related findings raised by the Auditor-General for the preceding two financial years including the status of actions taken in response to these findings
- a copy of the public authority's contract register for the previous two years from which a sample of procurement contracts is to be selected for testing (refer Attachment Two)
- for Tier 2 and 3 public authorities - the Assurance Report (section 3 - assessment matrix).

Tier 2 and 3 public authorities

Tier 2 and 3 public authorities are required to undertake an organisational capability review which assesses the public authority's procurement operations to ensure that fundamental organisational requirements are in place for an effective procurement operation.

Twelve principles have been identified that describe the key organisational requirements for Tier 2 and 3 public authorities – refer Attachment Three. The *Procurement Assurance Capability Handbook* is available to assist Tier 2 and 3 public authorities with the assurance process by providing good practice guidance on each principle, the relevant outputs and evidence required for each principle.

As part of the Assurance Program, Tier 2 and 3 public authorities are required to complete the Assurance Report (section 3 - assessment matrix) and compile evidence.

Conduct an opening meeting

An opening meeting is to be held with executive representatives from the public authority, Policy, Review and Support (PRS) - (Chair) and the Lead Reviewer.

The agenda is to cover the scope, nature and administration of the Assurance Review.

The opening meeting provides an opportunity for questions to be answered prior to the commencement of the Assurance Review fieldwork.

Undertake the Assurance Review

All public authorities

The Lead Reviewer selects a sample of procurements for testing from the contract register data and other documentation (if required). The Lead Reviewer then tests the sample of

procurement contracts to determine whether the public authority has complied with the mandated requirements of Board policies and guidelines (refer *Assurance Document 1: Mandated requirements in Board Policies and Guidelines*).

Findings of the review are summarised by the Lead Reviewer in the Assurance Report.

For exceptions noted during the review, the Lead Reviewer is to engage with public authority management and ensure a draft Action Plan addressing these exceptions is included in the Assurance Report (refer *Assurance Document 2*).

The Action Plan summarises exceptions¹ identified and is to include:

- the root cause(s) of the exception
- whether each exception is an isolated occurrence or a recurring problem
- the planned remedial action(s)
- the manager responsible for ensuring the actions are completed
- the timeline for completion.

The draft Assurance Report is to be provided to the public authority two weeks after completion of the onsite review to allow sufficient time for the public authority to analyse the exceptions and findings and compile their draft Action Plan.

The Lead Reviewer is to ensure that the draft Assurance Report is discussed in detail with the public authority and once there is general agreement, the Lead Reviewer shall forward the Assurance Report to PRS approximately four weeks after on-site testing has been completed.

Tier 2 and 3 public authorities

Tier 2 and Tier 3 public authorities are required to complete the Assurance Report and compile appropriate evidence to support their conclusions. This evidence must be collated in supporting documentation files, clearly cross-referenced to the Assurance Report and retained for the duration of the assurance cycle.

The Lead Reviewer is to review the Assurance Report completed by the public authority. The objective of the review is to confirm that the evidence collated by the public authority supports the findings and conclusions in the Assurance Report.

The public authority must ensure that all documents and evidence are available for the Lead Reviewer to efficiently complete their review. The Lead Reviewer may elect to supplement the evidence provided by conducting workshops or interviews with public authority personnel, or requesting additional documentary evidence.

Before completing their review, the Lead Reviewer will have discussed the results of their fieldwork with the public authority and ensured there is general consensus on the findings in the report.

¹ An exception is a finding by the Lead Reviewer of where the public authority has not complied with a mandated requirement of a Board policy/guideline, or cannot provide adequate evidence of compliance with a mandated requirement.

Phase 3: Report and Monitor Action Plans

Conduct the closing meeting and finalise the Assurance Report

PRS is to review the draft Assurance Report before the closing meeting and then issue the Assurance Report to the public authority.

A closing meeting with the public authority shall be scheduled at least two weeks after the draft Assurance Report was issued to the public authority. The purpose of the closing meeting is to confirm the content of the Assurance Report.

Attendees at the closing meeting include designated management / executive representatives from the public authority, PRS and the Lead Reviewer.

After the closing meeting, the Lead Reviewer will incorporate agreed amendments to the Action Plan and provide the final Assurance Report and working papers to PRS with a covering letter (refer *Assurance Document 3: Covering Letter from Lead Reviewer*).

On receipt of the Assurance Report and covering letter, the principal officer is to confirm agreement with the Assurance Report in writing (refer *Assurance Document 4: Covering Letter from Public Authority*).

Present results to the Board

PRS will table the final Assurance Report at the next Board meeting.

Following the Board's endorsement of the Assurance Report, a letter will be forwarded to the principal officer with a major focus on the need to complete the Action Plan in the agreed timeframes.

Monitoring the status of agreed actions

The public authority is required to provide PRS with quarterly updates on the status of their Action Plans.

If PRS believes the public authority is not resolving the findings of the Assurance Review, then PRS may escalate the issue to the Board.

Supplementary Reviews

If there are a significant number of findings, the Board may require an additional review to be completed within the four year cycle.

Exclusions

Some Tier 3 public authorities purchase very small volumes of goods and services. If it is deemed that the Assurance Review process is too complex for these public authorities, an alternative, simpler process will be undertaken or an exemption from the Assurance Review issued (with appropriate conditions).

Further Information

State Procurement Board Secretariat
Phone: (08) 8226 5001
Email: stateprocurementboard@sa.gov.au
www.spb.sa.gov.au

Related Policies and Guidelines

Procurement Authority and Governance Policy
Procurement Accreditation Guideline
Procurement Policy Framework
Assurance Document 1: Mandated Requirements in Board Policies and Guidelines
Assurance Document 2: Assurance Report Template
Assurance Document 3: Covering Letter from Lead Reviewer
Assurance Document 4: Covering Letter from Public Authority
Procurement Assurance Capability Handbook

Roles and Responsibilities

State Procurement Board

The Board is responsible for reviewing this guideline, ensuring its promulgation and for evaluating its effectiveness across government.

Procurement Policy, Review and Support

Policy, Review and Support (PRS) is a work unit within the Department of the Premier and Cabinet that provides support to the Board.

PRS is responsible for establishing, managing and monitoring the Assurance Program and appointing the Lead Reviewer.

Lead Reviewer

The Lead Reviewer is the party appointed by the Board to conduct an Assurance Review.

Principal Officers of public authorities

The principal officer is responsible for ensuring that their public authority complies with the mandated requirements of Board policies, principles, guidelines, standards or directions.

The public authority is required to provide documents and other information requested by the Lead Reviewer.

Attachment One – State Procurement Board Assurance Program - Terms of Reference

Scope

The scope of this review includes all _____'s (name of public authority) procurement contracts subject to the *State Procurement Act 2004* for the 12 month period _____ to _____.

Policy Statement

1. Public authorities are required to comply with the procurement policies, principles, guidelines, standards or directions issued by the Board (Section 19 of the State Procurement Act).
2. The principal officer of a public authority is responsible for the efficient and cost effective management of the procurement operations of that authority subject to, and in accordance with, the policies, principles, guidelines, standards and directions of the Board (Section 20 of the Act).
3. The Board is responsible for monitoring, evaluating and reporting on levels of compliance with their procurement policies, principles, guidelines, standards and directions by every public authority (Section 12 of the Act).

Application of the Policy Statement

1. The public authority is responsible for implementing and monitoring procurement management practices that support the objectives of the Act.
2. The Board will seek assurance of compliance by public authorities of the mandated requirements of Board procurement policies (refer *Assurance Document 1: Mandated requirements in Board Policies and Guidelines*)
3. The public authority will be required to demonstrate compliance with the Board's mandated requirements through both documentation and practice.
4. The Board will obtain assurance of the compliance of the public authority with these mandated requirements through the State Procurement Board Assurance Program which the Board will manage.
5. The Assurance Review methodology is detailed in the Board's State Procurement Board Assurance Program Guideline
6. The public authority and principal officer is required to provide their full support for the Assurance Program.

Attachment Two – Sampling Methodology

Introduction

The Assurance Review requires the testing of procurement processes and systems to demonstrate compliance with the Board’s mandated requirements. The review process requires the Lead Reviewer to apply appropriate testing procedures for each mandatory obligation from a representative sample of procurement contracts.

This sampling guidance provides information for the Lead Reviewer to determine appropriate sample sizes.

Sampling period

The period covered is defined in the Terms of Reference for the Assurance Review (Attachment One). The Lead Reviewer is to ensure that the samples used in the Assurance Review are randomly selected to cover this period.

Sampling Process

a) Consider the population from which the sample will be drawn.

The sampling strategy is determined by the number of executed procurement contracts over the prior 12 months (or two to three years if insufficient numbers). These contracts fall into two population categories:

1. Contracts between \$33,000 and \$550,000
2. Contracts greater than \$550,000.

A representative sample will be selected from each population categories (refer (b) below). The Lead Reviewer is to ensure that the sample from the population of contracts greater than \$550,000 includes contracts that cover specific requirements such as the International Obligations Policy.

It is expected that one contract will be used to test multiple mandated requirements. If specific requirements are not covered by the initial sample selected, the identification of a separate sample population and sample selection process will be required. If there is no relevant procurement contracts for any of these specific requirements in the review period, this is to be noted in the working papers (refer Attachment Four).

b) Determine the sample size

The sample sizes for testing for each population are determined by the number of contracts in place and under which procurement occurred over the prior 12 months. This includes secondary contracts under established panel contracts.

To assist with this process, the table below is to be used.

Population Range	Number of Items to Test
> 100	35
76 - 100	20
50 - 75	15
20 - 49	12
< 20	8

The sample sizes have been calculated to provide > 90% confidence levels (that is, a “high” level of evidence). The minimum number of transactions to be tested is eight.

c) Sample selection

The objective of the sample selection process is to obtain a representative sample of the population across the procurement categories and procurement transaction types reflected in the mandated requirements (refer *Assurance Document 1: Mandated requirements in Board Policies and Guidelines*). The Lead Reviewer is to apply an appropriate sample selection process to ensure that this objective is met.

Attachment Three – Tier 2 and 3 Assurance Capability Principles

No	Summary Title	Principle
1	Responsibility	The procurement function/designated personnel are responsible for procurement spend for the public authority.
2	Internal Stakeholders	Key internal stakeholders have a good understanding of the role of procurement together with its strategy and policies
3	Framework	There is a clear, methodical and comprehensive framework to guide the public authority's procurement operations.
4	Capability and Skills	The public authority has people with sufficient procurement capability and skills (including procurement planning, market research, negotiation, contract management, project management and risk management) to ensure effective performance for the public authority's complexity and expenditure.
5	Approval Capability	There is a process in place for ensuring that all staff with the authority to approve procurement activity, possess the appropriate capability and skills.
6	Appropriate Governance Processes	The public authority has appropriate governance processes in place to ensure procurement achieves the outcomes required, including a clear and effective system of delegation and authority for procurement.
7	Risk Management	The procurement risk management process is incorporated into the public authority's overall risk management process and systems.
8	Standardised and Up-to-Date Guidance	Procurement policies, guidelines and templates are standardised and sufficient to meet organisational needs and are updated regularly including when changes are made to State Procurement Board policies and guidelines.
9	Ethical Policy	Ethical behaviour standards, probity, accountability and transparency receive prominence in procurement policy documents.
10	Effective Processes and Systems	There are efficient and robust systems and processes to support procurement activity including purchasing, sourcing and contract management.
11	Internal Stakeholder Relationships	Relationships with internal stakeholders need to be managed to ensure an effective procurement process.
12	Key Suppliers	Key suppliers are identified and relationships between these suppliers and the public authority are managed in an ethical and professional manner.

Attachment Four – Working Papers

At the conclusion of the review the Lead Reviewer will provide PRS with working papers that documents the testing performed during the Assurance Review.

The table is to contain the full list of mandated requirements as published by the Board in the **Assurance Document 1: Mandated requirements in Board Policies and Guidelines**. Each mandated requirement in this document is to have a unique reference number. Each procurement contract selected will be documented on a separate row and it is expected that each transaction will test multiple mandated requirements. Compliance with each mandated requirement will be clearly indicated as well as those requirements that are not applicable. These working papers are to be documented in the format presented in the following table (a spreadsheet is probably the most practical approach):

Population of Transactions Tested				Mandated Requirements Achieved?							
Ref	Contract	Vendor	Value	1	4	5	6	7	8	9	etc
	Note 1	Note 1		Yes/No/ NA Note 2	Yes/No/ NA	Yes/No/ NA	Yes/No/ NA	Yes/No/ NA	Yes/No/ NA	Yes/No/N A	etc
Total sample tested per Requirement (ie the sum of all Yes and No answers)				x	x	x	x	x	x	x	etc
Total number of exceptions				y	y	y	y	y	y	y	etc

Note 1: These columns will reflect the title of the procurement contract selected, the supplier name, value of the contract.

Note 2: Insert the result of the Lead Reviewer’s testing. That is, does the evidence provided by the public authority demonstrate that the mandatory requirement(s) have been met? The answer is a simple “Yes” or “No”. A “No” represents an exception. The details of the exception will be recorded in the Assurance Report and does not need to be reflected here. An “NA” indicates that the mandated requirement is not applicable to this contract.