



**Government  
of South Australia**

State Procurement  
Board

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**Procurement Authority and Governance Policy**

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## Purpose

The purpose of this policy is to:

- define the approach for determining the level of procurement authority to be provided to principal officers subject to the State Procurement Act 2004 (Act)
- outline the requirement for the principal officer to establish an effective procurement governance framework, including, where appropriate, a Procurement Governance Committee
- explain the State Procurement Board's (Board) Assurance Program which provides the Board with independent assurance on compliance by public authorities with the mandated requirements of Board procurement policies and guidelines.

## General Principles

The object of the *State Procurement Act 2004* is to advance government priorities and objectives by a system of procurement for public authorities directed towards:

- a) obtaining value in the expenditure of public money
- b) providing for ethical and fair treatment of participants
- c) ensuring probity, accountability and transparency in procurement operations.

Section 12 of the Act requires the Board to:

- facilitate strategic procurement by public authorities by setting the strategic direction of procurement practices across government
- give directions relating to the procurement operations of public authorities
- to investigate and keep under review levels of compliance with the Board's procurement policies, principles, guidelines, standards and directions

The Board recognises that procurement requirements of public authorities vary depending on the size and nature of the organisation. To this end, the Board has implemented a three-tier model where each public authority is provided with an appropriate procurement authority to enable management of its procurement operations in an effective and efficient manner.

## Policy Statement

The Board will delegate to the principal officer of a public authority the authority to conduct procurement operations (procurement authority<sup>1</sup>) that is appropriate to the size and complexity of the public authority's procurement operations. Based on this assessment, the Board provides a Tier 1, Tier 2 or Tier 3 procurement authority to each public authority.

The procurement authority provided to a public authority will be (GST Inclusive) one of:

- Tier 1: \$15,000,000
- Tier 2: \$1,500,000
- Tier 3: \$220,000

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<sup>1</sup> *Procurement Authority* is the authority to approve a proposed course of action, strategy or recommendation relating to procurement (i.e. acquisition plan or purchase recommendation) to a specified dollar amount as delegated to a public authority's principal officer by the Board.

Principal officers issued with a procurement authority are required to:

- ensure that there is capability in the public authority to conduct procurement operations to standards required by the Board
- exercise the procurement authority through appropriately skilled staff but responsibility and accountability for compliance with policies issued by the Board remains with the principal officer
- establish an effective procurement governance framework in accordance with the requirements outlined in this policy.

The Board may change the level of procurement authority for a public authority at its sole discretion.

### Tier 1 public authorities

The following public authorities are classified as Tier 1 public authorities:

- Department of Human Services
- Department for Education
- SA Health
- Department of Planning, Transport and Infrastructure
- Department of Treasury and Finance
- South Australia Police

Tier 1 public authorities are required to undertake an:

- Accreditation Review every four years
- Assurance Review every four years.

In order to ensure effective governance, the principal officer of Tier 1 public authorities **must** establish a Procurement Governance Committee (PGC) in line with the membership, roles and functions outlined in this policy.

### Tier 2 and 3 public authorities

Tier 2 and 3 public authorities are required to undertake an Assurance Review every four years.

## **Policy Scope**

This policy applies to all public authorities as defined in the Act.

## **Procurement Authority - New or Reorganised Public Authorities**

New public authorities or public authorities that have undergone significant organisational changes (such as the merger of two or more departments) are to apply to the Board for a procurement authority. Once a request has been received, the Board may request information from the public authority including:

- total budget of public authority / portfolio
- total number of staff
- public authority / portfolio structure
- procurement authority arrangements across public authority/ portfolio

- total number of procurement staff
- procurement governance and policy framework
- goods and services expenditure by categories (actual or proposed)
- contracts awarded in financial year

Once the information is received, the Board will make a determination on the level of procurement authority to be provided based on:

- the value of goods and services expenditure
- the number and value of contracts executed
- the level and seniority of resourcing provided to the procurement function
- other relevant factors as determined by the Board.

## Assurance Program

The Board's Assurance Program reviews whether procurement policies, procedures and operational practice are effectively implemented and followed in public authorities. The Assurance Program also identifies improvement areas in public authority procurement operations.

The mandated requirements of Board procurement policies, principles, guidelines, standards or directions against which the Board will seek assurance are published on the Board's internet site (refer *State Procurement Board Assurance Program Guideline Document 2*).

The Board obtains assurance of the compliance of each public authority with these mandated requirements through a formal review assurance program where public authorities will be required to demonstrate compliance with the Board's mandated requirements through both documentation and practice.

The Assurance Program methodology is detailed in the Board's *State Procurement Board Assurance Program Guideline*.

## Procurement Governance

### Procurement Governance Framework

An effective procurement governance framework ensures that public authorities undertake their procurement operations in accordance with appropriate authority and accountability principles, thus supporting the public authority's strategic goals and achieving value outcomes.

Public authorities are to have appropriate governance processes in place to ensure procurement outcomes are achieved and that the public authority has a clear and effective system of delegation and authority for procurement.

Public authorities are to ensure that:

- governance structures for procurement are clear, understandable and integrated where possible
- delegations of authority relevant to procurement are documented, integrated with other related delegations, kept up to date and communicated to appropriate internal stakeholders
- an appropriately constituted PGC is established, where appropriate

- procurement risk management processes are incorporated into the public authority's overall risk management systems
- appropriate systems and processes are in place to monitor and benchmark procurement performance and outcomes
- procurement policies, guidelines and templates are standardised and adequate to meet the public authority's needs and are updated regularly
- records are maintained and confidential information is appropriately managed.

### Procurement Governance Committee

A PGC is a key element of an effective procurement governance framework. The PGC's role is to support the principal officer's responsibility for the efficient and effective management of the procurement operations of the public authority in accordance with the policies, principles, guidelines, standards and directions of the Board by:

- facilitating the development of organisation-wide procurement strategy
  - facilitating a strategic approach to procurement by linking the identification and management of significant procurements to the public authority's strategic goals and business priorities
  - providing support and advice in the exercise of the principal officer's procurement accountabilities and obligations under the Act
  - ensuring procurement activities utilise commercial practices, focus on simplification and the reduction of red tape, manage risk exposure and comply with relevant Board and government objectives
  - reviewing the effectiveness of the procurement process periodically to assess if the current organisational structure is still appropriate
  - considering the resourcing of the procurement process in the public authority if there are very large projects with a significant procurement component planned for the foreseeable future
  - measuring performance and developing practices and systems that meet accountability requirements and achieve value
- supporting approval processes
  - reviewing acquisition plans prior to being submitted to the Board
  - ensuring consultation with the OIA on procurements in accordance with the requirements of the *Industry Participation Policy*
  - approving the purchase recommendations of significant procurements to ensure the original procurement objectives in the acquisition plan were realised
  - approving and overseeing the management of significant, complex and/or high risk procurements, within a prescribed delegation
- improving procurement outcomes
  - ensuring that procurement specialists are involved in procurements where appropriate
  - reviewing the robustness and appropriateness of procurement controls and governance framework
  - facilitating investigations and/or providing advice in order to resolve any significant disputes related to procurement outcomes or contract management
  - considering lessons learned from the review of significant procurements to improve future procurement processes and contracts

The PGC is required to have a written terms of reference that provides the authority to achieve its objectives.



Discussions and decisions are to be documented in PGC minutes to ensure transparency and accountability in the procurement process.

Public authorities can establish one or more sub-committees to assist in undertaking some PGC responsibilities.

Membership of the PGC of Tier 1 public authorities **must** comprise:

- representation of executive and senior level officers that can contribute appropriate management and subject expertise such as risk, financial management, strategic planning, project management, and information systems
- at least one external commercial advisory representative with relevant experience
- the Industry Participation Advocate or delegate.

The appointment of the external commercial advisory representative(s) will be determined by each public authority based on the current membership skills mix. Processes to manage any actual or potential conflicts of interest are to be established and external members will be required to sign a confidentiality agreement, as appropriate.

Public authorities may wish to approach relevant industry bodies or utilise stakeholder networks to identify potential candidates. The Office of the Industry Advocate (OIA) can also provide a list of industry contracts for public authorities to consider. The OIA will also facilitate an appropriate OIA representative.

Membership details, including competencies, roles and capacity, are to be provided to the State Procurement Board if requested.

## Compliance

*State Procurement Act 2004*  
*Public Finance and Audit Act 1987*  
*Public Sector Act 2009*  
*Treasurer's Instructions*

## Related Policy and Guidelines

Procurement Accreditation Guideline  
Procurement Assurance Guideline  
State Procurement Board Assurance Program Guideline Document 2

## Responsibilities

Principal officers are responsible for the efficient and cost effective management of the procurement operations of the public authority subject to and in accordance with the policies, principles, guidelines, standards and directions of the Board (Section 20 of the Act).

Principal officers are responsible for ensuring this policy is implemented and monitored within their respective public authority.

The Board is responsible for ensuring this policy is promulgated and reviewed as required.