



**Government
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State Procurement
Board

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Procurement Better Practice Handbook

Governance and Performance Management

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1. Background

The accreditation framework for public authorities with a procurement authority of \$1.1 million or greater, as issued by the State Procurement Board, is based on five high level performance categories against which a public authority's procurement capacity and capability is assessed. These categories are:

1. Leadership and Strategy
2. Organisation and People
3. Governance and Performance Management
4. Processes and Systems
5. Relationships – Internal and External

For each of these categories, procurement principles have been defined which describe high performing procurement operations.

This Better Practice Guide has been developed for the category *Governance and Performance Management* to highlight better practices.

This category *Governance and Performance Management* includes the following principles:

1. 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.
2. A process is in place to obtain independent assurance over procurement activities.
3. Other public authorities managed under the public authority procurement authority are aligned and managed in an effective and timely manner.
4. The procurement risk management process is incorporated into the public authority's overall risk management process and systems.
5. Adequate records management frameworks and processes are in place to ensure access to and retrieval of key documents and information.
6. 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.
7. Ethical behaviour standards, probity, accountability and transparency receive prominence in procurement policy documents.
8. Other public authority policies that support procurement (e.g. fleet, travel and Information Technology standards) are consistent with the procurement framework.
9. Demand management (consumption and compliance) procedures for goods and services expenditure are defined and applied.
10. Complex, high value procurements are well managed and the public authority has a process for considering procurement options for these, especially early in the planning phase.
11. Performance measures are developed and monitored to ensure continuous improvement of the procurement function.

An effective governance framework is important for effective management, including the establishment of user-friendly policies and procedures aligned to State Procurement Board policies and guidelines. Such a framework includes measuring performance and the provision of adequate controls, as well as establishing an effective relationship with the internal audit function.

2. Introduction

Procurement governance processes are sometimes perceived by stakeholders to be complicated and complex. In practice, the rigour of procurement governance is commensurate with the risk in the acquisition. There needs to be some governance because public authorities are spending public money. In addition, public sector procurement involves dealing with complex issues, and there is an additional requirement for stakeholder engagement/consultation, and sophisticated risk management protocols.

These principles address risk management, and the public authority's overall suite of procurement governance. The procurement framework needs to include policy, guidance, templates, appropriately capable people and the review of processes to assess the extent to which the control environment is working. Procurement governance needs to enable and inform good practice, rather than stifle it, and public authorities need to measure the extent to which the procurement process is contributing to their strategic goals and the realisation of value for money overall.

Each principle will now be discussed to highlight better practice.

3. Principle 3.1

Principle 3.1 states:

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.

This principle requires public authorities 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, consistent with the State Procurement Board delegation and kept up to date; and
- all internal stakeholders should know the delegation limits.

Types of outputs that relate to this principle include:

- lists of procurement and procurement related delegations;

- Accredited Purchasing Unit terms of reference;
- procurement framework document/policy; and
- documentation related to governance processes.

Better practice for all Public Authorities

All public authorities will have a governance framework for the procurement process that includes:

- defined accountability for processes/outcomes from the procurement process;
- clear roles and responsibilities for participants in the procurement process;
- a schedule of delegated authority levels for staff involved in the procurement process;
- a suite of policy, procedures and guidance materials that are internally congruent and aligned to the risks and opportunities in the spend portfolio;
- communication mechanisms including websites and staff training to ensure that officers involved in the procurement process are made aware of the governance framework:
 - on commencement of their duties;
 - periodically refreshed, whilst undertaking their professional duties;
- review mechanisms, including:
 - review committees for individual acquisitions;
 - periodic reviews of the efficiency, effectiveness and economy of the public authority's procurement arrangements; and
- measurement and reporting mechanisms to track compliance, and to measure the quality of procurement outputs and outcomes.

The governance framework for the procurement process should be as simple as is practicable.

If there is an Accredited Procurement Unit (APU) or equivalent body, there will be:

- terms of reference for the APU;
- appropriate representation of managers in the APU membership;
- a program of work that links the public authority's strategic goals and business priorities to the management of the procurement process; and
- agendas, minutes and discussions to demonstrate that the APU is exercising influence over the end-to-end procurement process, (or those parts of the procurement process as defined in their terms of reference).

4. Principle 3.2

Principle 3.2 states:

A process is in place to obtain independent assurance over procurement activities.

This principle requires public authorities to ensure that:

- procurement processes are subjected to regular review by internal audit, the Auditor General or other independent auditors; and
- if these reviews have occurred, the reports are reviewed to understand that type of issues identified (if any) and how management has responded to these issues.

Types of outputs that relate to this principle include:

- Internal Audit plans and reports;
- Auditor General reports;
- procurement policies related to assurance; and
- management responses to issues identified.

Better practice for all Public Authorities

All public authorities will have processes in place to ensure that:

- there is a system of controls for the procurement process in the public authority;
- the controls are appropriate for the risks in the procurement process based on the spend portfolio;
- the audit plan for the public authority includes periodic independent review of the procurement process, evaluating:
 - compliance with local and State Procurement Board governance, including the effectiveness of the system of controls; and
 - opportunities to secure improved efficiency, effectiveness and/or economy through improved procurement management arrangements.

When reports are received following an audit:

- there should be clear accountability for implementing any managerial actions identified;
- the audit report should be considered at an appropriately senior level within the managerial hierarchy;
- the actions should be prioritised in order of criticality, and any remedial actions resourced appropriately; and
- the APU should consider the robustness and appropriateness of the controls framework in the light of each audit report.

5. Principle 3.3

Principle 3.3 states:

Other public authorities managed under the public authority procurement authority are aligned and managed in an effective and timely manner.

This principle requires public authorities to ensure that:

- the delegation and formal adoption of the delegated authority to other public authorities managed under the public authority procurement authority is documented;
- these sub-delegated public authorities demonstrate a clear ownership of their delegated authority with, for example, a designated person of appropriate seniority and experience responsible for procurement in each entity;
- the public authority's procurement function acts as a sponsor/support function for the sub-delegated authorities;
- the nature and extent of the formal and informal relationships between the public authority and the sub-delegates are documented; and
- the "parent" procurement authority adopts a leadership role and provides training and staff development, as well as sharing policies and procedures where appropriate.

Types of outputs that relate to this principle include:

- communication with other aligned public authorities;
- procurement policies related to other aligned public authorities;
- procurement delegations for other aligned public authorities;
- correspondence to/from the State Procurement Board re aligning other public authorities; and
- communication with other aligned public authorities re procurement policies and issues.

Better practice for all Public Authorities

All public authorities with public authorities aligned to them will be able to evidence:

- communication between senior managers in the respective public authorities granting the sub-delegation, and acknowledging and adopting the sub-delegation;
- the 'parent' public authority reviewing and monitoring the capability and capacity of the other public authority at least annually;
- staff advising on procurement in the 'parent' public authority providing technical support and advice to the other public authority in terms of:
 - developing a procurement governance framework appropriate for their spend portfolio;
 - supporting acquisition planning and providing commercial advice;
 - developing capability within officers involved in the procurement process so that they are appropriately skilled to undertake procurement to the limit of their delegation; and
- visibility of stakeholders in the other public authority so that the procurement specialists in the 'parent' procurement authority can develop appropriate formal and informal relationships to support the stakeholders in undertaking their duties.

All public authorities that are aligned to a public authority and receiving delegated procurement authority from another public authority will be able to evidence:

- communication between senior managers in the respective public authorities:
 - granting the sub-delegation, and
 - acknowledging and adopting the sub-delegation.
- reviews of procurement capability and capacity undertaken by the 'parent' public authority at least annually;
- a procurement governance framework for the public authority that is appropriate for the spend portfolio;
- a list of stakeholders who are involved in the procurement process, and those stakeholders are aware of:
 - their individual procurement delegation;
 - the relevant procurement governance framework;
 - any full-time procurement advisors in the 'parent' public authority who may be able to offer advice and/or support;
 - any tools, templates, methodologies or processes that enable more effective operations and that are appropriate for the public authority's spend portfolio; and
 - any induction, training courses or other development initiatives provided by the State Procurement Board, or by the 'parent' public authority.

6. Principle 3.4

Principle 3.4 states:

The procurement risk management process is incorporated into the public authority's overall risk management process and systems.

This principle requires public authorities to:

- demonstrate the existence of an enterprise risk management process; it is expected that procurement risks formally form part of the consolidated risk register and are considered in the risk management process;
- ensure there are appropriate channels for reporting and escalating risks; and
- ensure the management of risk flows through the entire end-to-end procurement process.

The procurement function must demonstrate that it is risk aware and applies appropriate risk management techniques. This could include the maintenance of a procurement risk register that is reviewed and updated regularly.

Types of outputs that relate to this principle include:

- enterprise wide risk management policies and procedures;
- documentation of procurement risks as part of enterprise wide risk management process; and
- procurement related risk management policies and procedures.

Better practice for all Public Authorities

All public authorities will:

- have an enterprise-wide risk management process, and risks presented by the procurement process are included as part of the overall risk analysis;
- ensure the risk management process is applied to the procurement process, as one of a number of business processes within the public authority;
- appropriately define the procurement context, including:
 - legislation, standards, policy, and South Australia's Strategic Plan targets that are relevant to the procurement objectives;
 - external elements including the economic and competitive environment;
 - cross-agency, lead agency or individual agency responsibilities;
 - timeframes required to undertake the procurement activity;
 - stakeholders impacted by the procurement decision and their involvement in the risk assessment;
 - probity and ethical practices (including conflict of interest);
 - specialist professional or other knowledge required; and
 - lessons learnt from previous similar procurements.
- ensure there is a system of controls within the procurement process, such as procurement governance frameworks, that segment simple and complex acquisitions, and match the level of rigour of risk management with the level of risk in the acquisition;
- have in place mechanisms to record risks identified at the following key stages of the procurement process;
 - analysis of spend or expenditure reviews;
 - acquisition planning;
 - probity planning;
 - supplier selection;
 - contract award;
 - post sourcing reviews;
 - supplier debriefing;
 - contract management;
 - contract reviews;
 - Accredited Procurement Unit meetings;
 - Internal Audit reviews;
 - Auditor General reviews;
 - State Procurement Board Compliance Audits or Accreditation Reviews;
 - supplier feedback.
- ensure that identified risks from any source, are subject to a systematic risk management process, ensuring that all identified risks are analysed; evaluated, and treated appropriately;

- have consolidated guidance for officers on risk and risk management in the procurement process, including:
 - guidance on the public authority's risk management framework that is compatible with the State Procurement Board's Risk Management Guideline;
 - a suite of tools, techniques and templates that support a consistent approach to risk management across the public authority and across the spend portfolio; and
 - a library of risks that have previously been identified and consolidated into a risk register, that is regularly reviewed.

In addition to the risk management framework, there will also be evidence of:

- staff development in risk management concepts, processes and tools;
- risk mitigation strategies in:
 - acquisition plans, and
 - contract management plans.
- APU minutes discussing risk and risk mitigation in acquisition planning;
- reviews of the appropriateness of the risk management system following critical incidents involving the procurement process, or audit findings;
- managerial actions to address issues identified in audit reports that involve the procurement process; and
- internal audits and compliance reviews testing the robustness of risk control systems.

7. Principle 3.5

Principle 3.5 states:

Adequate records management frameworks and processes are in place to ensure access to and retrieval of key documents and information.

This principle requires public authorities to have:

- an appropriate records management framework documented, and practical steps implemented to ensure that documentation is appropriately indexed, filed and safeguarded; and
- backups for key documents available and retained off-site.

Types of outputs that relate to this principle include:

- records management frameworks and documented processes, policies and procedures;
- specific procurement related records management processes, policies and procedures;
- documented processes for ensuring adequate procurement records management occurs; and

- evidence of filing systems for procurement documentation, contracts etc.

Better practice for all Public Authorities at Acquisition Initiation

Public authorities are to develop and maintain records management systems that feature:

- policy and procedures that ensure procurement-related records are understood and observed;
- appropriate security and protection for records; and
- the ability of staff working in the procurement process to retrieve information and make appropriate decisions based on the contents.

For simple acquisitions below \$22,000 in value, each public authority should maintain records of the procurement process, including:

- approved purchase requisitions (if there are any);
- evidence of at least one quotation to support the terms of the purchase and act as a reference, in the event that the invoice from the supplier differs from the purchase order;
- purchase orders, or equivalent transaction;
- authorisations of invoices and acquittal of purchase card statements, and
- evidence of performance of the contract such as:
 - delivery notes or 'goods received' notes, and
 - confirmation of services rendered.

For simple acquisitions between \$22,000 and \$220,000 in value, each public authority should maintain records of the procurement process, including:

- approved purchase requisitions (if there are any);
- evidence that at least three quotations have been sought to support the terms of the purchase and act as a reference in the event that the invoice from the supplier differs from the purchase order (or justification for only one or two quotations);
- simple acquisition plans (or simple procurement reports);
- simple purchase recommendations (or simple procurement reports);
- evidence of approval in line with the public authority's local governance regime;
- contractual documents, purchase orders, or equivalent transactions;
- authorisations of invoices and acquittal of purchase card statements; and
- evidence of performance of the contract such as:
 - delivery notes or 'goods received' notes, and
 - confirmation of services rendered.

For acquisitions over \$220,000 in value each public authority should maintain:

- documentation associated with acquisition planning, including;
 - business case (if required);

- financial approvals;
- procurement approvals;
- approved Acquisition Plans;
- APU or equivalent body approval;
- State Procurement Board approval (if required);
- documentation associated with supplier selection, including:
 - evaluation plans, including evaluation criteria and weightings, evaluation team members, and declarations of non-conflict of interest;
 - probity plans (if appropriate);
 - lists of suppliers selected to receive the invitation (with rationale for any exclusions);
 - quotes, proposals and/or tenders;
 - records of any supplier briefings;
 - records of any clarification requests received;
 - negotiation plans;
 - notes of any negotiation(s);
 - evaluation reports, including recommendations (with rationale);
 - purchase recommendations;
 - APU or equivalent body approval;
 - correspondence with bidders, informing them of the outcome of the procurement process;
 - notes of any debriefing meetings held with bidders;
- documentation associated with contract finalisation, including:
 - development of contract documentation;
 - execution of the contract;
 - public disclosure of the contract as appropriate;
 - development of a contract management plan;
- documentation associated with contract management, including:
 - any licenses, certifications or evidence of accreditation that the supplier needs to fulfil the requirements of the contract;
 - details of insurances held by the contractor, including the policy details, expiry dates and values;
 - a copy of the original contract and any subsequent amendments;
 - notes of any contract performance reviews;
 - contractual correspondence concerning:
 - supplier performance, such as KPI performance records, supplier complaints, discussion of poor performance, records of problems;
 - requests from suppliers for variations to contracts (for example, price increase requests);
 - contract variations, for example, activation of options for the public authority to extend the duration of contracts;
 - formal contract notices (for example, invoking liquidated damages).
- documentation associated with contract completion, including:
 - termination letters (if appropriate);
 - contract closure reports;
 - evaluation of the outcomes of the contract;
 - lessons learned, if any;
 - transition plans, if appropriate; and
 - disposal of assets, if appropriate.

8. Principle 3.6

Principle 3.6 states:

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.

This principle requires public authorities to:

- document and publish procurement policies and guidelines in such a manner that all stakeholders in the public authority can easily access the information;
- ensure that the policies and guidelines either reference the relevant State Procurement Board material or there should be evidence that the Board requirements have been integrated into them;
- ensure that the procurement policies and guidelines support effective organisational decision-making, planning and the appropriate allocation of resources;
- have in place a process for regularly reviewing and updating procurement policies and guidelines, including identifying State Procurement Board amendments in a timely manner;
- ensure that changes are communicated to affected personnel; and
- regularly have communications that promote understanding of procurement policies and guidelines and the requirement to comply with the relevant policies and procedures.

Types of outputs that relate to this principle include:

- procurement policies and procedures;
- documented processes for regularly reviewing and updating procurement policies and guidelines, including State Procurement Board amendments;
- procurement intranet site access or screen dumps; and
- communication documents advising key stakeholders of procurement policies and procedures and of changes that have occurred.

Better practice for all Public Authorities

There should be a coherent suite of governance documents to support the procurement process; including:

- policies;
- guidelines; and
- templates.

These documents are to be:

- written in a style that is accessible for part-time participants in the procurement process as well as full-time participants, for example, minimising the use of jargon, and explaining any technical terms and acronyms used;
- used consistently across the public authority, without localised adaptations;
- ‘pushed’ to key stakeholders to ensure they are aware of the procurement governance framework, especially on revision;
- easily-accessible for part-time participants in the procurement process to retrieve from intranet sites or other record-keeping systems;
- integrated into local induction and/or training content for participants in the procurement process;
- consistent with relevant State Procurement Board policies, guidance or templates, and
- updated whenever the State Procurement Board revises its policies, guidance or templates.

Guidance should:

- be consistent with good practice;
- aim to be as simple as is practicable;
- balance concern for process compliance with concern for achieving outcomes; and
- include practical examples to animate the content and explain the application of the guidance material.

Templates should:

- be consistent with good practice;
- aim to be as simple as is practicable;
- include guidance on how to complete the template, as well as blank fields, for example:
 - some fields might be pre-populated with sample content that is overwritten on completion; and
 - a model document might be provided to illustrate the required content and the rigour needed on completion.

9. Principle 3.7

Principle 3.7 states:

Ethical behaviour standards, probity, accountability and transparency receive prominence in procurement policy documents.

This principle requires public authorities to:

- clearly define ethical behaviour standards, probity, accountability and transparency requirements in the procurement framework;

- stipulate in the procurement framework the circumstances in which an external probity advisor should be consulted/appointed by the public authority;
- have in place a fraud prevention policy, fraud risk management framework and plan for procurement;
- have in place confidential reporting channels available for whistle-blowers to report misconduct by public authority personnel; and
- demonstrate consistency and transparency in all interactions with third parties.

Types of outputs that relate to this principle include:

- procurement policies and procedures related to ethical behaviour standards, probity, accountability and transparency;
- fraud prevention policies, risk management framework or plan;
- documentation of confidential reporting channels; and
- probity plans for major acquisitions.

Better practice for all Public Authorities

Procurement governance and/or guidance material are to:

- refer to standards of ethical behaviour required within the South Australian public sector (Code of Ethics);
- describe the need for ethical behaviour by stakeholders involved in the procurement process; and
- describe the need for accountability and transparency in decision-making by stakeholders involved in the procurement process.

Procurement governance and/or guidance material are to:

- create a practical framework of coherent policy, guidance and reviews that set standards for the behaviour of staff involved in the procurement process;
- provide practical examples of potential ethical challenges in the procurement process, and suggest how they might be addressed;
- explain how the procurement governance environment in the public authority operates;
- define the circumstances under which an external probity advisor should be consulted and/or appointed;
- include a fraud prevention policy, fraud risk management framework, and practical mechanisms to detect potential frauds;
- describe how whistle-blowers may report misconduct by public authority personnel using confidential reporting channels; and
- maintain a system of controls to monitor the effectiveness of governance mechanisms, such as an audit committee or APU.

Staff involved in the procurement process are to:

- be subject to awareness training on assuming their role, to ensure they know:
 - what guidance exists;
 - what the guidance states;
 - what standards are expected of them;
 - who to ask if they are uncertain;
- be subject to regular refresher training;
- receive targeted training if their role involves:
 - involvement in negotiating with suppliers;
 - participation in bid evaluation teams;
 - contract management.
- demonstrate through their behaviour that:
 - suppliers are treated consistently;
 - decisions are retrospectively transparent; and
 - the standards of behaviour defined by the public authority have been observed.

Significant acquisitions should:

- include sophisticated risk management provisions;
- include specific probity plans;
- involve specialist probity advisers (if appropriate); and
- be subject to greater scrutiny in terms of internal review processes to ensure compliance with the public authority's policy and guidance.

10. Principle 3.8

Principle 3.8 states:

Other public authority policies that support procurement (e.g. fleet, travel and Information Technology standards) are consistent with the procurement framework.

This principle requires all public authority policies that affect procurement activities be aligned to the procurement strategy and objectives to ensure that procurement objectives are not unnecessarily compromised by other criteria.

Types of outputs that relate to this principle include:

- procurement policies and procedures; and
- fleet, travel, Information Technology and other procurement related policies and information.

Better practice for all Public Authorities

When developing policy on topics that impact on the procurement process, the public authority will:

- develop the content to ensure the proposed policy obligations are compatible with existing procurement policies;
- identify potential interfaces between the proposed policy and procurement policy, and ensure that there are appropriate cross references in any supporting guidance to ensure officers do not perceive the policies are incompatible; and
- review the impact of any changes in State Procurement Board or local procurement governance on local policies for fleet, ICT and/or travel, and vice versa.

11. Principle 3.9

Principle 3.9 states:

Demand management (consumption and compliance) procedures for goods and services expenditure are defined and applied.

This principle requires public authorities to have in place:

- management information systems that provide regular and clear reporting on procurement expenditure across the public authority for the procurement function/personnel responsible for procurement; this information should be stratified by supplier, cost centre, category of expenditure or other relevant metric;
- internal quality/audit processes to monitor compliance with the policy framework requirements; this process should include ensuring that contracts are utilised appropriately and contract leakage is minimised; and
- regular communications that promote the requirement to comply with the relevant policies and procedures.

Types of outputs that relate to this principle include:

- procurement policies and procedures;
- fleet, travel, Information Technology, printing, stationery and other procurement related policies and information on how to utilise the contract effectively and efficiently;
- procurement expenditure information that enables tracking of contract usage to ensure effective use;
- contract management plans;
- policies and procedures to manage and track contract leakage; and
- communications that promote the requirement to comply with the relevant policies and procedures.

Better practice for all Public Authorities

When defining the contribution of the procurement process to securing value for money, public authorities will identify three broad opportunities to create value through better:

- demand management;
- sourcing and tendering; and
- contract management.

Public authorities will:

- identify who is responsible for demand management for key categories in the spend portfolio; this may be the budget holder and/or contract manager;
- develop processes to enable effective demand management, for example:
 - capturing expenditure data on key categories and/or contracts;
 - providing that data to accountable officers, for example, the budget holder and/or contract manager;
 - creating (if possible) a 'spend cube' of:
 - what is bought?
 - from which suppliers?
 - by which users, cost codes, business units or divisions?
 - developing capability within the public authority to interpret the reports and identify opportunities to:
 - reduce consumption;
 - better specify the needs of the public authority;
 - reduce the variety of solutions to meet the same need;
 - focus consumption on selected suppliers;
 - reduce contract 'leakage' to non-contracted suppliers;
 - adopt the most cost efficient acquisition methods, for example, the use of purchase cards, online orders, or standing orders;
 - reduce the number of transactions;
 - reduce the number of invoices;
 - specify reports from suppliers providing consumption data of use to the public authority, to be used to manage demand more effectively and reconciled with the public authority's own data;
 - develop reports to review bodies, for example, the APU detailing compliance with State and locally-negotiated procurement arrangements, and highlighting opportunities to reduce off-contract purchasing;
 - liaison with budget holders to highlight opportunities to secure better value for money;
 - liaison with internal audit and senior managers to highlight delinquent behaviour, for example, non-compliance with procurement governance and/or procurement arrangements;
- appoint an officer to act as conduit for consumption reports from suppliers appointed by Shared Services South Australia, who will:
 - receive the regular consumption reports;
 - interpret their significance; and

- distribute them to the most appropriate staff in the public authority for each spend category, for example, contingent labour, travel, stationery etc.

12. Principle 3.10

Principle 3.10 states:

Complex, high value procurements are well managed and the public authority has a process for considering procurement options for these, especially early in the planning phase.

This principle requires public authorities to ensure that:

- the process for defining, identifying and managing complex high value procurements is documented and there is clear evidence that this is being applied, by the public authority;
- there are processes and procedures that facilitate early involvement of procurement in major acquisitions, and there is a clear message from senior management that this involvement is necessary;
- for major procurements there is an effective procurement project process in place covering the entire procurement;
- complex, high value procurements are resourced appropriately with the involvement of key internal stakeholders and governance structures;
- key projects where procurement has an important role to play should have representation from the procurement function; and
- the need for specialist advice and input should be considered.

Types of outputs that relate to this principle include:

- a list of complex, high value procurements from the previous 24 months;
- acquisition plans for complex, high value procurements;
- processes and procedures that facilitate early involvement of procurement in major acquisitions; and
- documented governance structures for major procurements including early and ongoing involvement of the procurement function.

Better practice for all Public Authorities

Public authorities will:

- create planning routines and disciplines that maximises the forward visibility of planned significant acquisitions;
- diagnose complexity and value early in the project planning phase, to ensure there is sufficient time to undertake appropriate acquisition planning;

- diagnose the procurement capability of the project team, budget holder or project officer as soon as possible, in order to ascertain the degree of support needed from full time procurement staff;
- evaluate the support needed, and plan:
 - the scale of support needed;
 - the category and/or market expertise needed;
 - the timing of the support requirement;
 - the impact of the projects on the public authority's procurement workforce plan;
- assign resources to contribute to the procurement phase of projects as early as possible, to ensure choices made in business planning are made in the light of informed advice of commercial consequences;
- ensure that the APU is aware of the project/s and assimilates foreseen and foreseeable projects in the public authority's forward expenditure plan;
- develop local processes for:
 - identifying the procurement content of projects, and engaging appropriate stakeholder involvement in procurement planning;
 - profiling and scaling complex high value procurements;
 - resourcing projects with appropriately capable procurement expertise, whether from within the public authority, the full time procurement team (if there is one), or with temporary project support if appropriate;
 - 'back filling' any staff seconded to support the acquisition planning development;
 - validating local and State Procurement Board processes are being followed;
 - engaging with and securing the contribution of staff from the State Procurement Board, if the scale of the acquisition exceeds the public authority's delegated threshold; and
 - managing the procurement project in a way that contributes to the timely completion of acquisition planning, in accordance with State Procurement Board guidance, such as the Acquisition Planning Guideline.

The public authority will be able to demonstrate that:

- members of the APU are familiar with the State Procurement Board's Acquisition Planning Guideline;
- the public authority regularly considers whether its capacity and capability in procurement is appropriate to manage the acquisition planning process for complex, high value acquisitions;
- there is a forward procurement plan and an officer responsible for ensuring that resourcing is appropriate for the projects in the forward 'pipeline' of work, in terms of category/subject matter and market expertise;
- staff who write (or contribute to) acquisition plans are appropriately capable, having attended State Procurement Board (or internal) training in acquisition planning;

- authors of acquisition plans for complex, high value procurements engage appropriately with stakeholders, to ensure that trends in the category and/or supply market are understood:
 - within the public authority;
 - elsewhere within the South Australia Government; and
 - within other jurisdictions.
- a balance, to ensure that acquisition planning is completed comprehensively, is struck between the:
 - 'technical' or 'subject matter' contribution; and
 - commercial or procurement contribution.
- acquisition plans are written to ensure consistency with the State Procurement Board's Acquisition Planning Guideline;
- the APU undertakes review and evaluation of acquisition plans submitted for consideration with appropriate rigour and seeks clarification, additional information or amendments to evidence through review and evaluation;
- the APU reviews the extent to which the original procurement objectives in the acquisition plan were realised during the procurement process, including assessment of:
 - acquisition plans for complex, high value acquisitions;
 - purchase recommendations;
 - contract management plans;
 - contract closure reports; and
- the APU considers 'lessons learned' from the management of complex, high value acquisitions and takes appropriate managerial action to ensure that subsequent acquisition plans incorporate continuous improvement initiatives.

13. Principle 3.11

Principle 3.11 states:

Performance measures are developed and monitored to ensure continuous improvement of the procurement function.

This principle requires public authorities to ensure that:

- appropriate performance measures for the procurement function have been developed;
- performance is measured against defined performance measures and monitored by senior management;
- continuous improvement strategies are developed based on performance measures; and
- the procurement function can demonstrate that they are adding value to the public authority by demonstrating, for example, quality measures, value for money initiatives or sustainability outcomes.

Types of outputs that relate to this principle include:

- a list of utilised performance measures;
- procurement performance reports;
- documentation of continuous improvement strategies; and
- documented implementation of quality measures, value for money initiatives or sustainability by procurement function.

Better practice for all Public Authorities

Each public authority will:

- develop a suite of appropriate performance measures for the procurement process in the public authority;
- measure performance of the procurement process against the performance measures;
- report performance of the procurement process periodically to senior management and/or the APU;
- adopt continuous improvement strategies based on review and evaluation of the performance of the procurement process;
- be capable of assessing the extent to which 'value for money' has been achieved on the key spends in the spend portfolio and from the procurement process overall;
- have a series of common measures of performance, aligned to the strategy for procurement in the public authority, for example, a selection from within the following list:
 - percentage of purchases made against a purchase order, purchase card purchase, standing offers, contracts;
 - percentage of invoices paid within 30, 60 and 90+ days;
 - number of officers assessed with procurement capability to procure against Quadrants 1 – 4;
 - procurement cycle time (starting with average time for RFT/RFQ process from acquisition plan development to contract execution);
 - number and value of invoices received without corresponding purchase orders;
 - scale of total procurement activity, for example, total spend on goods and services in the period;
 - procurement activity by category of spend;
 - complaints related to procurement activity undertaken;
 - non-compliance with State Procurement Board policies (reported to Board);
 - key procurement activities and initiatives undertaken in period/FY; and
 - key procurement activities and initiatives planned for period/FY.

Better practice for a medium sized Public Authority (\$4.4m) or greater

In addition, for public authorities with procurement authority levels of \$4.4m or greater, the public authority will have a suite of measures that are tracked and reported to a review body (such as an APU or equivalent body), and/or to senior management.

The measures should track the contribution of the procurement process and the procurement function to the public authority's business priorities. The measures are likely to include, in addition to a selection of the previous list, some combination of:

- total spend 'off contract' or not covered by procurement arrangements;
- total spend against expired procurement arrangements;
- procurement cost (staff cost as a ratio of spend managed);
- percentage of capability assessment recommendations met and staff trained annually;
- percentage of sourcing projects delivered on time and within original cost estimates;
- any cash releasing benefits secured from the procurement process;
- any cost avoidance benefits secured from the procurement process;
- any other 'value add' benefits secured from the procurement process;
- range of categories under procurement management and/or influence; and
- scale of potential procurement benefits/opportunities:
 - in the 'pipeline'; and
 - realised.

Public authorities with procurement authority levels of \$4.4m or greater must also ensure that:

- senior managers have an expectation that the procurement process will impact on business outcomes, as well as demonstrate compliance with local and state-based governance; and
- the procurement team designs and communicates to stakeholders the contribution of the procurement process to the public authority's goals through dashboards, reports and/or briefings.

The procurement team will track a variety of operational measures, addressing:

- the proportion of total spend that is 'influenced' (or acquired under formal procurement arrangements);
- the scale of contract leakage from formal arrangements, as some stakeholders procure outside the negotiated arrangement; and
- the trend in benefits realised by the procurement process through time, for example, for the past three financial years.

Better practice for a large Public Authority (\$11m)

In addition, for public authorities with delegated authority levels in excess of \$11m will have 'business as usual' reports (at least annually) assessing performance against two dimensions of procurement in the public authority:

- the contribution of the procurement process to the strategy and priorities of the public authority; and

- the development of capacity, capability and governance within the public authority to better align its capability with the challenges and opportunities in the spend portfolio.

The procurement team will:

- demonstrate via an opportunity analysis potential benefits have been identified that align with the public authority's strategic objectives and priorities, not just making price savings; and
- be consulted by senior managers regarding strategic choices affecting the public authority, including:
 - insourcing or outsourcing decisions;
 - public/private partnerships or similar initiatives; and
 - business cases whose outcomes are reliant on external suppliers' contributions.

The procurement team will also track a variety of strategic measures, including the:

- return on investment in procurement capability, (the ratio of benefits realised to the cost of achieving those benefits); and
- capability of the public authority to act as an informed purchaser and create value through better:
 - demand management;
 - sourcing and tendering; and
 - contract management.

Glossary of Terms

APU

Accredited Procurement Unit – (also known as a Procurement Governance Committee) is a committee comprising nominated senior officers that oversee the purchase of goods and services within a prescribed delegation. It is the role of the APU to support principal officers in procurement decision-making.

Category

Category is a term applied to a distinct grouping of goods or services that are relatively homogeneous. Stationery is a broad category, and within that category there are sub-categories such as writing implements. Professional services are an example of a services category, displaying commonalities between sub-categories such as consultancy services and audit services, and possibly sharing common suppliers.

Contract Leakage

Contract leakage refers to the volume of business placed with suppliers other than the contracted suppliers for a given category. For example, there may be an agreement to use a particular graphic design agency for all design work. The public authority will have tendered the work, and awarded the business for a period of time, both to leverage the public authority's total spend, and so that stakeholders do not have to undertake a separate tender exercise for each individual job. The corollary is that the tenderer will have quoted on the basis of securing all of the public authority's business. If another graphic designer is used during the period of the agreement with the contracted design agency, this not only dilutes the 'clout' of the public authority, but also adds to the time and cost of another procurement exercise. Good practice is to try to minimise contract leakage, or at the very least explore the reasons behind leakage occurring.

Demand Management

There are three broad opportunities to add value through the procurement process; demand management, sourcing (tendering) and contract management. Demand management refers to all those activities undertaken to reduce consumption, and to manage what we buy, so that we buy more effectively. For example, we may have tendered travel so that we have value for money rates for domestic air travel and accommodation. This is an example of creating value through tendering. But we can also create value through policy, and through managerial control to ensure that only those journeys that are strictly necessary are made. For example, we might hold a teleconference rather than travel interstate. Demand management typically involves budget holders and end users, rather than (just) procurement practitioners.

Procurement

Procurement can be a process, a department or a job role. Every public authority manages the procurement process whether or not they have dedicated procurement practitioners. In the context of this category of principles, procurement refers to the end-to-end process (not only the tendering phase) that begins with defining the need through to contract management and close out of the supplier, as well as the disposal of the goods.

Spend Portfolio

The spend portfolio is the expenditure profile of a public authority - the total third party or non-pay spend of a public authority with suppliers of goods and services. In some cases, the key suppliers of services by value may be other public sector entities, such as other government departments. But there will also be many hundreds if not thousands of suppliers with whom the public authority spends money across multiple types of spend (or categories).

Key dimensions of the spend portfolio are the total value of spend, the degree of concentration and the number of low value suppliers. The degree of concentration may highlight the proportion of total spend represented by the top ten suppliers, or the top ten spend types (or categories). This may highlight where the opportunity lies to extract value. The number of low value suppliers may highlight the degree of control of lower value transactions. For example, if 50% of all public authority suppliers receive less than \$10,000 a year, it may highlight that there is an opportunity to consolidate some spends. Of course, some of these suppliers may be in regional areas, and as long as the spend allocation is the consequence of deliberate choice, then the public authority will be in control of its spend. Many public authorities find that there is an opportunity in the spend portfolio to address both higher value spends and lower value spends using spend analysis to identify the opportunities.

Stakeholders

People who are involved in, or impacted by choices that are made during the procurement process. Within public authorities, stakeholders will include end users as well as decision-makers who review proposed acquisition plans, or officers who manage contracts. Suppliers will have sales managers or account managers who are responsible for client relationships, as well as accounts payable staff and staff involved in service delivery.