Procurement Assurance Capability Handbook

Version	1.0
Date Issued	Julyl 2018
Principal Contact	State Procurement Board
Telephone	8226 5001

Table of Contents

Introduction

The State Procurement Board's (Board) Assurance Program requires onsite evaluation of the compliance of public authorities with the mandated requirements of 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.

Twelve principles have been identified that describe the key organisational requirements for Tier 2 and 3 public authorities.

The purpose of the Handbook is to assist Tier 2 and 3 public authorities with the assurance process by discussing each of these principles, the relevant outputs and evidence for each principle and what constitutes good practice.

Principle 1 – Responsibility

Principle	The procurement function/designated personnel are responsible for procurement spend for the public authority.
Key Review Points	– All expenditure on goods and services is managed or influenced by the procurement function/designated personnel. – The processes for managing procurement spend vary depending upon the type, value and complexity of the expenditure.
Outputs and Evidence	– organisation chart – job and person specification/s – procurement framework document/policy.

Guidance Notes

1	There is guidance on the key categories acquired across the public authority explaining how those spends are managed and influenced; for example, there are guidelines on: – how low value non-recurring transactions are managed to maximise efficiency – how simple purchases are managed to maximise efficiency – which categories of the spend portfolio are covered by across government contracts – which categories of the spend portfolio are covered by locally-negotiated procurement arrangements – which categories of the spend portfolio are currently not covered by any co-ordinated arrangements.
2	There are mechanisms in place to ensure that value for money is realised in managing different types and value of spend, such as: – simple purchases for one off transactions below $33,000 in value – simple purchases for recurring transactions below $33,000 in value – one off acquisitions greater than $33,000 in value that are not covered by across government contracts, and warrant a locally negotiated solution – recurring acquisitions greater than $33,000 in value that are not covered by across government contracts, and warrant a locally negotiated solution – acquisitions above $550,000 in value (in aggregate) that warrant acquisition planning. Acquisitions for each of the above types are made: – following processes that comply with the public authority's procurement governance framework – by staff who are authorised to make decisions based on the value of the acquisition.
3	The public authority monitors contract leakage from existing contracts and addresses contract leakage by: – identifying responsible officers – exploring reasons for 'off-contract' purchases – implementing strategies to minimise the level of contract leakage.
4	Contract management responsibility is allocated to staff with appropriate capability and capacity to ensure effective management of the performance of the supplier.

Principle 2 – Internal Stakeholders

Principle	Key internal stakeholders have a good understanding of the role of procurement together with its strategy and policies.
Key Review Points	– Key internal stakeholders and their roles and responsibilities are clearly identified by the public authority. – Involvement in procurement is documented in job descriptions, if appropriate. – Key internal stakeholders display a clear understanding of the role of procurement, and the relevant strategies and policies.
Outputs and Evidence	– organisation chart – job and person specification/s – Procurement Framework document/policy identifying key stakeholders – communication documents advising key stakeholders of procurement strategy.

Guidance Notes

1	The public authority identifies key groups of stakeholders including: – senior managers with procurement authority – budget holders regularly involved in acquisition planning – project officers currently involved in acquisition planning for significant acquisitions – contract managers – officers with particular responsibility for procurement related matters.
2	Identified stakeholders are able to describe the public authority's governance framework, as well as the procurement process, and their specific contribution.
3	Stakeholders with significant participation in procurement processes (for example more than 25% of their job specification) have that role recognised in their position description through specific reference to the activities and underpinning capability in the person specification.
4	The public authority has an induction briefing pack or content that introduces procurement to new starters to the public authority, providing detail on who to contact for further information.

Principle 3 – Framework

Principle	There is a clear, methodical and comprehensive framework to guide the public authority's procurement operations.
Key Review Points	– The public authority has a documented framework in place. – The framework includes a clear statement from the principal officer stating that they authorise the framework and expect it to be followed diligently by all public authority personnel.
Outputs and Evidence	– a Procurement Framework document/policy – communication documents advising key stakeholders of the procurement framework – procurement policy documents and practical procedures or guidelines explaining how to follow procurement policy.

Guidance Notes

1	The public authority has in place documents explaining the procurement process, *structure and governance* in the public authority, including: – an 'at a glance' overview of the procurement framework, targeted at part time participants in the procurement process that is as simple as possible for the lay reader, and feature graphics, flowcharts or other visual means to explain 'how to buy' different acquisitions – if required, a more comprehensive suite of content, including policy affecting procurement, procedures relevant to procurement and a list of procurement authorities.
2	The procurement framework needs to be communicated to stakeholders, for example by briefings to management meetings, emails to selected managers, intranet pages and content included in periodic staff newsletters.
3	There is written guidance on effective procurement practices as well as 'compliant' procurement practices, for example, guidance on how to negotiate better terms, or which sources of information can help locate potential suppliers.
4	Procurement guidance is written in user-friendly language.
5	There is a library of tools and templates relevant to the procurement process in the public authority available to staff to access and use to avoid duplication of effort.

Principle 4 – Capability and Skills

Principle	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.
Key Review Points	– The resourcing of the procurement function is appropriate for the public authority. – Personnel involved in procurement possess an appropriate mix of formal qualifications, experience and training in procurement and related fields for the nature and extent of the public authority's procurement activities.
Outputs and Evidence	– organisation chart – job and person specification/s – training plans – training attendance records – documents on relevant existing staff qualifications.

Guidance Notes

1	The public authority reviews the capacity and capability needed to manage the procurement process for their spend portfolio.
2	Sufficient capacity needs to be in place for the end-to-end procurement process, not only sourcing or raising purchase orders. This includes: – defining the procurement need – reviewing the supply market – developing an appropriate procurement strategy – evaluating offers to secure value for money – managing any contracts to realise the potential benefits.
3	When considering capability, the public authority needs to consider the spend portfolio and match the capability needed to the challenge in the spend portfolio.
4	The public authority defines the capabilities needed to manage the risk and opportunity in the spend portfolio.
5	The public authority periodically profiles the capability of staff who participate in the procurement process, assessing their current strengths and development needs, using the job and person specification as the benchmark.
6	The public authority has a budget for development of staff who participate in the procurement process.
7	The public authority supports staff to develop and build capability through investing in staff development, including: – supporting staff to attend short courses to develop capability – mentoring and coaching – internal and external training events – online learning resources.

Principle 5 – Approval Capability

Principle	There is a process in place for ensuring that all staff with the authority to approve procurement activity, possess the appropriate capability and skills.
Key Review Points	– Personnel involved in approving procurement transactions are identified and receive adequate training when initially taking on this approval role. – Procurement roles, responsibilities and measurable objectives in the relevant job descriptions are clearly documented. – Key personnel involved in approving procurement transactions have appropriate experience and training in procurement and related fields to fulfil the responsibilities required by their roles.
Outputs and Evidence	– lists of procurement delegations – organisation chart including identified procurement delegates – job and person specification/s – training plans – training attendance records.

Guidance Notes

1	The public authority has a schedule of staff holding authorities related to the procurement process.
2	Staff with procurement authority receive induction training within 90 days of assuming those responsibilities.
3	The induction training addresses governance provisions, and also the choices that a manager with procurement authority may have to make, such as evaluating requests for the use of direct negotiation rather than competitive procurement processes.
4	Refresher training is arranged at least every 36 months.

Principle 6 – Appropriate Governance Processes

Principle	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.
Key Review Points	– 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. – All internal stakeholders know the delegation limits.
Outputs and Evidence	– lists of procurement and procurement related delegations – Governance Committee terms of reference, if relevant – procurement framework document/policy – documentation related to governance processes.

Guidance Notes

1	The public authority has 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.
2	The governance framework for the procurement process needs to be as simple as is practicable.
3	The public authority has communication mechanisms including websites and staff training to ensure that officers involved in the procurement process are aware of the governance framework – on commencement of their duties – periodically refreshed, whilst undertaking their professional duties.

Principle 7 – Risk Management

Principle	The procurement risk management process is incorporated into the public authority's overall risk management process and systems.
Key Review Points	– An enterprise risk management process is in place; procurement risks formally form part of the consolidated risk register and are considered in the risk management process. – There are appropriate channels for reporting and escalating risks. – The management of risk flows through the entire end-to-end procurement process.
Outputs and Evidence	– enterprise wide risk management policies and procedures – documentation of procurement risks as part of enterprise wide risk management process – procurement related risk management frameworks, policies and procedures – Governance Committee 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 – internal audits and compliance reviews testing the robustness of risk control systems.

Guidance Notes

1	The public authority has an enterprise-wide risk management process, and risks presented by the procurement process are included as part of the overall risk analysis
2	The public authority: – ensures the risk management process is applied to the procurement process, as one of a number of business processes within the public authority – ensures there is a system of controls within the procurement process, such as procurement governance frameworks, that match the level of rigour of risk management with the level of risk in the acquisition
3	The public authority has in place mechanisms to record risks identified at the following key stages of the procurement process such as acquisition planning, supplier selection and contract management.
4	The public authority ensures 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.
5	The public authority provides 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.

Principle 8 – Standardised and Up-to-Date Guidance

Principle	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.
Key Review Points	– Procurement policies and guidelines are easily accessed by stakeholders in the public authority. – Policies and guidelines either reference the relevant State Procurement Board material or have integrated Board requirements into them. – Procurement policies and guidelines support effective organisational decision-making, planning and the appropriate allocation of resources. – A process is in place to regularly review and update procurement policies and guidelines, including identifying Board amendments – Policy changes are communicated to stakeholders in a timely manner. – There is regular communication that promotes understanding of procurement policies and guidelines and the requirement to comply with the relevant policies and procedures.
Outputs and Evidence	– 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 – communication documents advising key stakeholders of procurement policies and procedures and of changes that have occurred

Guidance Notes

1	The public authority has a coherent suite of policies, guidelines and templates to support the procurement process.
2	Policies, guidelines and templates are: – written in a style that is accessible for part-time participants in the procurement process, for example, minimising the use of jargon, and explaining any technical terms and acronyms used – as simple as is practicable – used consistently across the public authority, without localised adaptations – 'easily-accessible for 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 – updated whenever the State Procurement Board revises its policies, guidance or templates.
3	Procurement guidance: – balances concern for process compliance with concern for achieving outcomes – includes practical examples to animate the content and explain the application of the guidance material.

Principle 9 – Ethical Policy

Principle	Ethical behaviour standards, probity, accountability and transparency receive prominence in procurement policy documents.
Key Review Points	– Ethical behaviour standards, probity, accountability and transparency requirements are clearly defined in the procurement framework. – A fraud prevention policy, fraud risk management framework and plan is in place for procurement. – Confidential reporting channels are available for whistle-blowers to report misconduct by public authority personnel. – There is consistency and transparency in all interactions with third parties.
Outputs and Evidence	– 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

Guidance Notes

1	Procurement governance and/or guidance material: – 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 procurement – describe the need for accountability and transparency in decision-making by stakeholders involved in the procurement process.
2	Procurement governance and/or guidance material: – creates a practical framework of coherent policy, guidance and reviews that set standards for the behaviour of staff involved in the procurement process – explains how the procurement governance environment in the public authority operates – defines the circumstances under which an external probity advisor is to be consulted and/or appointed – includes a fraud prevention policy, fraud risk management framework, and practical mechanisms to detect potential frauds – describes how whistle-blowers may report misconduct by public authority personnel using confidential reporting channels – maintains a system of controls to monitor the effectiveness of governance mechanisms.
3	Staff involved in the procurement process ensure that: – suppliers are treated consistently – decisions are retrospectively transparent – the standards of behaviour defined by the public authority have been observed.

Principle 10 – Effective Processes and Systems

Principle	There are efficient and robust systems and processes to support procurement activity including purchasing, sourcing and contract management.
Key Review Points	– Effective processes and systems appropriate to the size of the public authority and the scale and extent of their current and anticipated procurement activities are utilised. – Processes are standardised as far as possible and integrated into an end-to-end process. – An appropriate balance between efficiency, effectiveness and internal control in processes and systems is in place. – Appropriate use of technology is in place for procurement processes including appropriate integration between the operational systems and financial systems. – Financial systems support provision of appropriate management information to the procurement function.
Outputs and Evidence	– information on purchasing, sourcing and contract management systems utilised by the public authority – procurement process documentation – procurement process documentation/models/flow charts.

Guidance Notes

1	The public authority has processes in place to ensure that: – low value transactions are well managed, with clerical intervention minimised – invoices are approved appropriately and efficiently – contracts are managed systematically and consistently – standardised templates and tools are utilised for routine procurement tasks such as bid evaluation, contract review, contract reports – local procurement arrangements such as panel arrangements or period agreements are in place that allow officers to buy against existing agreements or facilitate efficient secondary processes (where applicable).
2	Processes are in place to improve efficiency, such as: – reducing the total number of invoices – using reports from contracted suppliers such as stationery, contingent labour or travel services to identify low value transactions that might be consolidated – identifying transactions with an order value below a certain amount (for example $200) and taking managerial action to reduce the incidence of recurrence – identifying suppliers on the vendor file with a total spend of less than $5,000 per annum and exploring opportunities to consolidate the spend, or, if they are small, regional suppliers, increasing the spend where appropriate – periodic reports addressing non-contracted spend and considering which solutions might be most appropriate to address the opportunity.
3	The public authority has strategies for securing the efficiency of the procurement process by managing low value, low risk transactions so that processes minimise the transaction cost by using appropriate mechanisms for order and invoice processing.

Principle 11 – Internal Stakeholder Relationships

Principle	Relationships with internal stakeholders need to be managed to ensure an effective procurement process.
Key Review Points	– Internal stakeholders have been identified. – Internal stakeholders share a common view of the role, responsibility and value added by the procurement function. – Channels of communication for addressing procurement related queries are available to all stakeholders in the public authority.
Outputs and Evidence	– stakeholder engagement or communication plans – procurement framework document/policy identifying key stakeholders – communication documents advising key stakeholders of procurement matters – documentation from stakeholders acknowledging procurement as a value adding function that supports the achievement of business objectives

Guidance Notes

1	The public authority maintains lists of key stakeholders. These key stakeholders could include: – officers with delegated procurement authority to approve acquisitions – authors of the acquisition plans for recurring contracts – contract managers for contracts let by the public authority – major users or key budget/financial delegates for specific categories – stakeholders who represent the user on whole-of-government consultation mechanisms – recipients of updates to State Procurement Board governance.
2	The public authority maintains an intranet site allowing access to a variety of resources about procurement, including but not limited to: – local procurement governance – templates for acquisition plans and contract management plans – user-level guidance on completing the templates – user-level guidance in basic procurement processes – signposts to other sources of information – contact points for asking questions or seeking additional information. Communication with stakeholders does not rely solely on the intranet, and there is a mix of informal and formal communication channels.
3	Formal or informal networking meetings between participants in the procurement process and key stakeholders are held to discuss, where relevant: – contract performance – opportunities for variety reduction or standardisation of specifications – opportunities for better co-ordination or aggregation – developments in local procurement governance – training needs and/or training courses planned – sharing effective practices.

Principle 12 – Key Suppliers

Principle	Key suppliers are identified and relationships between these suppliers and the public authority are managed in an ethical and professional manner.
Key Review Points	– What constitutes an ethical and transparent process with suppliers has been defined and has been followed appropriately. – Feedback from suppliers and potential suppliers on how procurement relationships are managed is sought where appropriate. – Confidential reporting channels are available for whistle-blowers, including suppliers, to report misconduct by public authority personnel.
Outputs and Evidence	– contract management or ethical and probity related policies and procedures including gift and hospitality policy – documentation of confidential reporting channels for supplier feedback – feedback from suppliers – procurement policies and procedures related to ethical behaviour standards, probity and transparency – fraud prevention policies, risk management framework or plan.

Guidance Notes

1	The public authority identifies its key suppliers, noting that the definition of which suppliers are 'key' depends on the public authority's own judgement, sophistication and resourcing.
2	The public authority has on their intranet site, available to stakeholders: – ethical and probity policy and guidance – hospitality and gift register policy – guidance on dealing with existing or perceived conflicts of interest – relevant templates such as a conflict of interest declaration.
3	The public authority treats its suppliers in an objective and transparent manner.