

2005-06 Annual Report

State Procurement Board



Government of South Australia
State Procurement Board

Office Address

Level 10 Wakefield House
30 Wakefield Street
Adelaide SA 5000

Telephone

08 8226 5001

Email

<http://www.spb.sa.gov.au>

© Government of South Australia, November 2006

The Annual Report is available on the
State Procurement Board website at www.spb.sa.gov.au



Government of South Australia

State Procurement Board

Our Commitment to the Environment

This Annual Report was produced by an environmentally conscious,
carbon neutral printer using internationally accredited processes and practices.
It has been printed on 100% recycled paper using vegetable based inks.

Contents

Chair's Report	3
About the Board	
Finalisation of the State Supply Board	4
State Procurement Board Members	4
Introduction to the State Procurement Board	5
Board Membership	5
South Australia's Strategic Plan	
State Procurement Board - Linkages to the South Australia's Strategic Plan	6
Strategic Priorities 2005-06	
The Board's Strategic Direction	7
Procurement Reform	8
Training and Competency Development	9
Supplier Engagement	9
Across Government Contracts	9
The Board's Policies	10
Governance	
State Procurement Board's Role and Functions	11
The Board's Functions under the <i>Gaming Machines Act 1992</i>	11
Governance Arrangements	12
Agency Procurement Activity	
Certificate of Compliance	13
Agency Initiatives	13
South Australian Government Procurement Spend	14
Other Information	
Freedom of Information	15
Prescribed Public Authorities	16
Glossary of Terms	16
Financials	
State Procurement Board 2005-06 Audit	20
Independent Audit Report	21
Income Statement	22
Balance Sheet	23
Statement of Changes in Equity	24
Cash Flow Statement	25
Notes to and forming part of the financials	26
State Procurement Board Certification	30
Appendices	
Appendix A	32
Appendix B	34
Appendix C	35
Appendix D	36
Appendix E	39



Chair's Report

In accordance with section 23 of the *State Procurement Act 2004*, I am pleased to present the State Procurement Board's Annual Report for the year ending 30 June 2006.

The last financial year has seen the *State Supply Act 1985* being replaced with the *State Procurement Act*. I would like to take this opportunity to thank the former State Supply Board members for their support in promulgating procurement reform across government and taking the first steps to ensure that the procurement authority levels for government agencies were increased significantly.

I would also like to extend my gratitude to Mr Barry Miller, former Chair of the State Supply Board and Chair of the State Procurement Board until 10 July 2006. Mr Miller provided both the State Procurement Board and the State Supply Board with a wealth of experience and knowledge of procurement in the South Australian Government.

On behalf of the Board I would like to thank the Hon. Michael Wright, MP Minister for Administrative Services and Government Enterprises, for his support as the Minister responsible for the Board, and to Mr Paul Case, Chief Executive, Department for Administrative and Information Services for his invaluable input and ongoing support of the Board and procurement reform.

I wish to acknowledge government agency chief executives and procurement practitioners within the South Australian Government for their professional approach to procurement and its ongoing reform across government.

I would also like to express my appreciation for the dedication and contributions of my fellow Board members throughout the year.

It must be acknowledged that the Board could not fully function if it were not for a group of committed staff from Contract Services within the Department for Administrative and Information Services whose role it is to provide secretariat support to the Board. The Board has been well supported by these staff and other government agencies have also benefited from their advice and assistance. I would like to express the Board's gratitude for their enthusiasm, creative input and hard work, greatly assisting the Board in achieving its objectives over the last 12 months.

I would like to take this opportunity to personally thank Mr Jim McGuire, Director Contract Services for his support for the Board during the past six years and wish him well, following the announcement of his resignation, in his future endeavours.

Gino DeGennaro
CHAIR



Finalisation of the State Supply Board

The State Supply Board was the predecessor to the State Procurement Board. The State Supply Board held its final meeting on 26 September 2005, where it considered and approved two new key policies, the Procurement Authority Policy and the Approvals Process Policy. These two policies were key enablers for procurement reform.

The State Supply Board is comprised of the following members:

Mr Barry Miller - Chair
Dr Patricia Crook AO - Member
Ms Fij Miller - Member
Mr Lindsay Oxlad - Member
Mr Lindsay Thompson - Member
Ms Julieann Riedstra - Member
Mr Jim Fitzpatrick - Deputy Member to Mr L Oxlad

Appendix A outlines the State Supply Board members' attendance at Board meetings for 2005-06.

About the Board

State Procurement Board Members



Mr Gino DeGennaro

Chair
 10 July 2006 - Current
 Member
 4 Oct 2005 - 10 July 2006

Gino DeGennaro is the Executive Director, Business and Resource Management in the Department of Education and Children's Services.



Mr Barry Miller

Chair
 4 Oct 2005 - 10 July 2006

Barry Miller is the Executive Director of State Procurement and Business Development for the Department for Administrative and Information Services.



Mr Roy Arnold

Member
 4 Oct 2005 - Current

Roy Arnold is the President of Minda Incorporated and Chair of the Minda Board.

Introduction to the State Procurement Board

The *State Procurement Act 2004* (the Act) establishes the State Procurement Board. Under this Act the Board must have regard and seek to further the object of that Act by advancing government priorities and objectives by a system of procurement for government agencies directed towards:

- Obtaining value for money in the expenditure of Government funds;
- Providing for ethical and fair treatment of participants; and
- Ensuring probity, accountability and transparency in procurement operations.

Board Membership

Pursuant to the Act, the Board is a body corporate. Board members bring a mix of private and public sector expertise, which assist public sector procurement. The Act requires that Board members together have a practical knowledge of, and experience in:

- Procurement;
- Private Commerce or Industry;
- Industry Development;
- Industrial Relations;
- Information Technology;
- Risk Management;
- Environmental Protection and Management;
- Community Services; and
- Social Inclusion.

Apart from the Chairperson, the Governor in the Executive Council appoints the Board members for a period of up to two years.

The Act also states that there must be at least one female and one male appointed member. The new Board, appointed by the Governor in October 2005 consists of four women and four men.



Ms Leanne Burch

Member
4 Oct 2005 - Current

Leanne Burch is the Deputy Director (Policy), Natural and Cultural Heritage, Department for Environment and Heritage.



Dr Patricia Crook AO

Member
4 Oct 2005 - Current

Patricia Crook is the Managing Director of Dynek Pty Ltd.



Ms Virginia Deegan

Member
4 Oct 2005 - Current

Virginia Deegan is the General Manager, Royal Adelaide Hospital.



Mr John Gresty

Member
4 Oct 2005 - Current

John Gresty is the Assistant State Secretary of the Australian Manufacturing Workers Union.



Mr Tim O'Loughlin

Member
4 Oct 2005 - 18 July 2006

Tim O'Loughlin is the Executive Director, Sustainability and Climate Change Division, Department of the Premier and Cabinet.



Ms Catherine Schultz

Member
4 Oct 2005 - Current

Catherine Schultz is the General Manager of Wallmans Lawyers.

Appendix A outlines the Board members' attendance at Board meetings for 2005-06.

More extensive details of Board members' experience can be found at:
<http://www.spb.sa.gov.au/abouttheboard.asp>



Moving forward together



South Australia's Strategic Plan

State Procurement Board – Linkages to the South Australia's Strategic Plan

The two target areas of South Australia's Strategic Plan in which the Board makes the greatest contribution are *Leading the nation in cost effectiveness of government services (T1.18)* and *Lead Australian government in timely and transparent government decision-making (T1.19)*. The Board has identified key objectives for 2006 and 2007. Achievement of these objectives will support the delivery of the identified South Australia's Strategic Plan targets.

In supporting South Australia's Strategic Plan, the Board will concentrate on the reforms that are likely to deliver the greatest value for money to government in the immediate future.

A key driver of this focus will be on strategic sourcing. This will focus on existing across government contracting arrangements to improve their efficiency and utilisation to maximise the benefits to government, and developing new across government contracts for goods and services currently being purchased under individual arrangements by agencies. The Board will assist agencies to better analyse their buying patterns and behaviours in order to identify potential savings and outcome improvements.

The Board expects that its across government contracts will be supported and utilised by all agencies and public authorities where these contracts provide better value and lower costs. The Board will develop standards around monitoring and reporting by agencies to assess the high level of contract utilisation.

In addition, the Board will develop standard contract and invitation documents for use across government. This will create consistency in agencies and support improved contract relationships with suppliers. The Board is continuing to develop a comprehensive suite of policies, guidelines and tools, where appropriate, to support procurement practitioners in government. The Board also recognises that procurement processes can be further refined to improve timeliness of processes.

The development of a workforce capability plan will support the development of procurement skills across agencies with a further objective to build a greater understanding of the role of the Board and the benefits that strategic procurement offers to agency effectiveness.

These objectives will not only support South Australia's Strategic Plan targets identified above, they will assist agency executives to utilise their procurement capability to support plan targets specific to their own agencies.



Strategic Priorities 2005-06

The Board's Strategic Direction

The Board undertook its strategic planning sessions in 2006. The Board discussed a broad range of issues relating to the Board's future directions and how it could assist the Government in meeting its broader government objectives and aligning with South Australia's Strategic Plan. In developing the Strategic Plan the Board engaged with other jurisdictions and held meetings with representatives from major corporations including BHP Billiton and Coles Myer.

The Board provides the Government with an independent arm to oversee procurement with the aim of developing a system of procurement where all stakeholders see procurement processes as efficient, fair, equitable and professional. This system of procurement will support the Government's policy objectives and deliver value for money.

The Board will be focussing on a broad range of areas during 2006-07 as it positions government to undertake the second stage of procurement reform following the successful implementation of stage one during 2005-06. As part of the 2006 State Budget, the Board will have a new administrative relationship with the Department of Treasury and Finance (DTF). The Board will work closely with DTF during the development of the next phase of the procurement reform program.

The Board will be working with government agencies to identify strategies to consider and address how procurement can support the Government's efficiency requirements. To date, issues that have been identified include:

- Preventing duplication of functions and procedures within government agencies by standardising wherever possible;
- Challenging business practices where they appear inefficient;
- Requiring government agencies to focus on business goals, using processes designed to promote the achievements of those goals; and
- Improving the supply market's experience in dealing with the South Australian Government.

In order to reach these objectives during 2006-07 the Board will be standardising processes and procurement documentation wherever possible and will develop target measures and benchmarks for procurement. The Board will be targeting efficiencies through better contracts and through improved processes by expanding the suite of across government contracts.

The Board will also be working towards developing, marketing and implementing a workforce capability plan that addresses the current and future needs of the procurement community within the South Australian public sector.

Procurement Reform

On 14 June 2005, Cabinet approved plans for greater devolution of procurement authority and responsibility to government agencies, together with increased accountability mechanisms. The overall aim of the procurement reform program is to establish confidence for all stakeholders that government agencies are using best practice procurement to deliver better procurement outcomes and to ensure government agencies adopt a strategic approach to procurement to achieve both agency program outcomes and the Government's objectives.

To achieve these aims, the procurement reform process identified that the following changes should be implemented:

- provide greater authority and accountability to agency chief executives;
- the Board setting more strategic direction;
- improved value for money in government procurement;
- more use of procurement to support broader government priorities and objectives; and
- reduction of unnecessary processes in procurement.

A key aspect of the procurement reform program is supporting South Australia's Strategic Plan initiatives in the area of improving government decision-making and improving productivity by reducing unnecessary processes from procurement.

There will be a substantial reduction in the number of agency procurement transactions forwarded to the Board, significantly reducing the Board review and process time previously required in government procurement processes.

A measurement project undertaken in May 2006 demonstrated that, with the full application of the revised approval policy and increased agency procurement authorities, only seven percent of the transactions considered by the Board in 2004, the financial year leading into the reform program, would have been subject to Board approval processes. This would result in the Board considering only 11 transactions out of the 155 considered by the Board in 2004. Whilst this is a reduction of 93% the remaining 7% represents 64% of the total value.

Subsequently, by reducing the number of transactions considered by the Board, the time taken to undertake procurement processes will be reduced by an average of 14 days per transaction. The Board is currently undertaking a process to establish benchmarks for timeframes and, where appropriate,

will decrease the time taken to undertake procurement transactions.

The Board has approved increased procurement authorities for most government agencies. The new approvals system has enabled Chief Executives of major government agencies to achieve increased procurement authorities up to \$11 million, depending on their business needs and procurement capability.

The most significant impact of these new higher procurement authorities is that government agencies will now approve the majority of their procurement transactions, rather than having to obtain approval from the Board. The Board held a total of 20 meetings during the financial year of which 10 were held to specifically consider agency procurement authority applications.

These types of meetings will no longer occur on a regular basis as agency authority levels are now in place. In previous years the Board has held an average of 25 meetings a year to consider both transactions and policies. The increases to procurement authorities will not only reduce the number of meetings but will also enable the Board to focus more effectively on setting strategic direction for government procurement.

The procurement reform program is making a significant difference to the way procurement is undertaken and managed across government agencies. The program is raising the profile and importance of procurement across government, especially at senior management levels, and is facilitating a more strategic approach to procurement operations.

Under the new procurement authority policy, Chief Executives have developed targeted action plans, with a strong focus on building procurement capability within agencies.

The increase in the levels of authorities has required government agencies to determine what procurement authority level should be sought commensurate with their business needs and to assess their capability against set criteria. All major government agencies have embraced this process, with the Board establishing increases to 17 of the 19 existing government agencies; this includes three government agencies, which previously had no formal procurement authority from the Board.

As part of the annual reporting process, the Chief Executive of each agency will be required to complete a compliance certificate to certify that their government agency has complied with Board policies.

During 2005-06 only 14 government agencies were required to complete certificates of compliance due to the timing of issuing the increases to their procurement authority. Further details of compliance can be found under Agency Procurement Activity.

Current procurement authorities held by government agencies can be found in Appendix B.

Stage 2 of the reform program will focus on assisting agencies to identify further savings opportunities and improving processes. A key element of this process will be the capture and analysis of procurement data from across government, which will provide the basis for future opportunities.

Training and Competency Development

A primary focus of the Board in undertaking its functions under the *State Procurement Act 2004*, is improving capability within agencies in procurement.

As part of the Board's Strategic Plan, the Board will be developing a workforce capability plan that addresses the current and future needs of the procurement community within the South Australian public sector.

During 2005-06 the Board continued to focus on its Procurement Capability Development Program, which is a nationally recognised training and assessment regime, which is consistent with training and development procurement programs in other jurisdictions. The Board is also implementing a Procurement Graduate Development Program.

The Board held seven awareness workshops for the Procurement Approvals Policy conducted in October, November and December 2005 with 200 procurement practitioners in attendance.

Twenty-eight workshops of the Procurement Capability Development (pCAPd) Program were run during the 2005-06 year with 311 participants in attendance. The program provides an effective method of developing capability within the public sector procurement profession.

In January 2006, the Board and the Office for Public Employment (OPE) commenced the recruitment of graduates for the Procurement Graduate Development Program. The program is aimed at providing graduates with the skills and knowledge required in procurement and ensuring continuing growth of the procurement profession. The program will operate over an 18-month period and involve a

rotation of graduates through three government agencies. At the end of the program, the graduates will have completed a Certificate IV in Government (Procurement).

Supplier Engagement

The Board is preparing a strategic communications plan that focuses on the engagement and understanding of stakeholders in the role, value and strategies of the Board. In doing this the Board recognises that a key stakeholder in government procurement is the supplier.

Representatives from the Department for Administrative and Information Services (DAIS) met with and surveyed key suppliers, on behalf of the Board, during 2006 and the feedback identified a number of issues and concerns including:

- Supplier understanding of Government procurement processes;
- Earlier notification of Government's requirements; and
- Better feedback to unsuccessful respondents.

The Board is now working with government agencies to develop strategies for those areas highlighted by suppliers.

Across Government Contracts

As stated previously, a key component of the Board's strategic plan is to expand the suite of across government contracts to reduce and eliminate duplication of effort in government. A plan has been developed to increase the number of contracts over the next 18 months.

The South Australian Government is pursuing increased cost efficiency and productivity as key deliverables under South Australia's Strategic Plan. These objectives can be supported by greater efficiency in public sector procurement in those specific spend categories where aggregation or uniformity of arrangements can be achieved. Contract Services, DAIS has been working with agencies to identify those spend categories which would benefit from whole of government arrangements.

Current arrangements cover spend categories that tend to be either high risk and/or high value, the spend categories being considered may also fit into these groups or will be categories that will benefit

from aggregation. These categories are currently being identified. Similar processes in other jurisdictions have resulted in improved business processes and savings to government.

Further details of existing Across Government Contracts can be found in Appendix C.

The Board's Policies

As part of the Board's role in supporting South Australia's Strategic Plan, it has developed a number of policies which recognise the flexibility required in procurement transactions depending on a risk and value profile. The policies aim to ensure that the cost of procurement processes is commensurate with procurement risk, value and benefit.

The Board's revised policy framework is facilitating greater flexibility, increasing efficiencies, improving risk management processes and enabling government agencies to determine their own specific requirements in terms of internal procurement management arrangements and acquisition planning.

In addition the Board has streamlined approval processes in line with the Government's objective to further reduce process time and ensure a speedy delivery of goods and services to the Government.

The Board is developing a 2006-07-policy development and review program, which will incorporate more strategic policies and will look to facilitate the Board's responsibility in advancing government objectives.

A copy of all Board policies can be found at:
<http://www.spb.sa.gov.au/policiesandguides.asp>

A table of Board policies as at 30 June 2006 can be found in Appendix A.



South Australia

State Procurement Act 2004

An Act to regulate the procurement operations of public authorities; to amend the Gaming Machines Act 1992; to repeal the State Supp

Contents

Part 1—Preliminary

- 1 Short title
- 2 Commencement
- 3 Object of Act
- 4 Interpretation
- 5 Act not to apply to local government bodies and univer

Part 2—State Procurement Board

- 6 Establishment of Board
- 7 Composition of Board
- 8 Terms and conditions of membership
- 9 Vacancies or defects in appointment of members
- 10 Allowances and expenses
- 11 Staff of Board
- 12 Functions of Board
- 13 Committees
- 14 Delegations
- 15 Board's procedures
- 16 Duty of members of Board with respect to
- 17 Common seal and execution of document

Part 3—Miscellaneous

- Undertaking or arranging procurement
- ...ound by direction
- ...fficers i

State Procurement Board's Role and Functions

The Board's functions are set out in section 12 of the *State Procurement Act 2004*, and can be summarised as:

- To facilitate strategic procurement by government agencies by setting the strategic direction of procurement practices across government;
- To develop, issue and keep under review policies, principles and guidelines relating to the procurement operations of government agencies;
- To develop, issue and keep under review standards for procurement by government agencies using electronic procurement systems;
- To investigate and keep under review levels of compliance with the Board's procurement policies, principles, guidelines, standards and directions; and
- To assist in the development and delivery of training and development courses and activities relevant to the procurement operations of government agencies.

The Board's Functions under the *Gaming Machines Act 1992*

The State Procurement Board has responsibility for administering the following licences under the *Gaming Machine Act 1992* as amended:

Gaming machine supplier's licence:

Subject to this Act and the conditions of the licence a gaming machine supplier's licence authorises the licensee, acting through an approved agent, to purchase from a licensed gaming machine dealer, and to sell or supply to the holders of gaming machine licences, approved gaming machines, prescribed gaming machine components and gaming equipment.

In total, the Board approved:

726	new machines
2578	game/denomination changes to installed machines
430	second hand machines sold from Dealers
1156	second hand machines sold to or traded-into Dealers
195	second hand machines sold from venue to venue
1317	machines sold through sale of venues

Governance

Gaming machine service licence (until June 30 2006):

Subject to this Act and the conditions of the licence, a gaming machine service licence authorises the licensee to install, service and repair approved gaming machines, prescribed gaming machine components and gaming equipment.

As a condition of the Agreement between the Board and the Service Agents a customer satisfaction survey is to be conducted. The purposes of the survey are to establish and maintain a high level of licence holder satisfaction and monitor the degree of improvement and performance provided by the service agents. The service agent's level of satisfaction can be considered very good with a result of 76.8% being achieved.

Governance Arrangements

The State Procurement Board has established a Handbook for Members 2006. This Handbook provides members with a framework to guide their activities. It sets out the:

- Role and Charter of the Board;
- Operating Principles and Philosophy;
- Code of Conduct; and
- Governance Framework.

The Governance Framework provides that the Board will facilitate strategic procurement by:

- Establishing the policy environment and setting the direction, defining the priorities and boundaries of procurement authorities;
- Developing and issuing procurement authorities;
- Monitoring and reporting on consolidated outcomes and specific control matters; and
- Providing leadership in strategic issues such as capability development across agencies.

Sub-Committees of the Board

In accordance with section 13 of the *State Procurement Act 2004*, the Board has established two sub-committees to assist the Board in meeting its functions under the Act.

Procurement Approvals Committee

The Procurement Approvals Committee (PAC) has been established to consider and approve government agency procurement transactions on behalf of the Board. It has the authority to approve acquisition plans and purchase recommendations above the procurement authority of government agencies on the following basis:

- Approval of acquisition plans to a value of \$11 million (including GST); and

- Approval of purchase recommendations to a value of \$11 million (including GST).

The PAC meets on a fortnightly basis to assist government agencies, by providing an effective and efficient decision-making arm of the Board. This enables procurement decisions to proceed without the need to wait for a monthly Board meeting.

The PAC assists the Board in implementing key targets of the South Australian Strategic Plan by facilitating faster and more efficient decision-making processes.

The PAC provides a monthly summary to the Board of transactions it has considered and approved.

Membership details of the PAC can be found in Appendix A.

Stakeholder Engagement Committee

The Stakeholder Engagement Committee (SEC) has been established in the interest of inter-agency collaboration, consultation and the advancement of procurement. The SEC provides a direct communication link between the Board and government agencies and is used as the mechanism to consult and develop initiatives that will further stage one of procurement reform.

Membership of the SEC is comprised of nominations from all major government agencies as nominated by their Chief Executives and also comprises the Chair of the State Procurement Board. Details of membership of the SEC can be found in Appendix A.

The SEC ensures that the advancement of procurement considers:

- Government objectives;
- The *State Procurement Act 2004* and the State Procurement Board policies;
- Treasurer's Instructions; and
- Business needs of all government agencies.

The SEC develops strategies and initiatives that increase the awareness of procurement by raising the profile of procurement within Government and the private sector.



Agency Procurement Activity

Certificate of Compliance

The Board required 14 of the 19 government agency chief executives with procurement authorities to complete a Certificate of Compliance. The remaining five government agencies were not required to complete a Certificate of Compliance. Two government agencies did not receive their increased procurement authority until 30 June 2006 and three public authorities hold interim procurement authorities that did not require a Certificate of Compliance to be completed during the reporting year.

Of the 14 government agencies that completed a Certificate of Compliance three provided non-compliance reports noting minor delays in achieving several action plan items. These reports outlined the reasons for the delay and the revised timeframes.

Agency Initiatives

Agencies have indicated that they will be focusing on a range of initiatives during 2006-07 as they progress the role of procurement within their agency. These include:

- Developing a formal strategic plan for procurement which incorporates continuous improvement strategies;
- Preparation of annual procurement plans;
- Developing key targets and performance measures for procurement;
- Developing mechanisms to capture procurement performance data; and
- Further developing and enhancing contract registers.

Appendix E provides an outline of agency activity and initiatives for 2005-06.

South Australian Government Procurement Spend

During 2005-06 the Board oversaw purchases for goods and services (excluding capital works) amounting to approximately \$3.1 billion in value.

Table 1 below compares total expenditure and its components, for the last four financial years.

Further details and breakdowns of the Government's spend can be found in Appendix D.

Table 1 - Total Expenditure by Purchase Type

Purchase Type	2005-06	2004-05	2003-04	2002-03
Goods	\$985,763,392	\$751,818,175	\$760,931,787	\$437,371,128
Consultancy Services	\$11,721,306	\$18,263,254	\$14,931,262	\$12,974,483
Other services	\$2,093,194,265	\$1,900,606,539	\$1,918,828,708	\$1,427,589,158
Total	\$3,090,678,962	\$2,670,687,968	\$2,694,691,756	\$1,877,934,768

Notes: The 2005-06 total includes:

1. Goods expenditure includes spend on SA Government motor vehicles of approximately \$136 million. This expenditure item had not been included in previous years' totals; and
2. ForestrySA expenditure on goods, consultancy and other services of approximately \$16.5 million for the period of July to September 2005 only. After this time ForestrySA became a prescribed public authority and was therefore not required to report annual spend data to the Board. Its total spend in 2004/05 was approximately \$63 million.



Freedom of Information

Freedom of Information Statement

This information is published pursuant to section 9 of the Freedom of Information Act 1991.

State Procurement Board Functions

Details of the Board's functions are set out elsewhere in this annual report.

The Board's website (www.spb.sa.gov.au) provides an overview of the functions and structure of the Board and provides general information relating to the Board.

Functions of the State Procurement Board Affecting Members of the Public

As the Government's principal procurement body, the Board's objective is to advance government priorities and objectives by a system of procurement for government agencies directed towards obtaining value for money in the expenditure of public money, providing for ethical and fair treatment of participants and ensuring probity, accountability and transparency in procurement operations. The role of the Board is detailed throughout this annual report.

Public Participation

The Board's membership includes members of the public who contribute to the development of policies on a range of programs and issues.

Description of documents held by the State Procurement Board:

- Administrative Records;
- Strategic Planning Records;
- Correspondence Files;
- Financial Records;
- Policy Documents; and
- Tender Documentation.

State Procurement Board Documents

A detailed list of the Board's policies as at 30 June 2006 can be found elsewhere in this annual report. The Board's policies are also available on the Board's website (www.spb.sa.gov.au).

Arrangements for Seeking Access to Records and Policies

Applications or inquiries regarding access to documents and policies in the possession of the Board should be addressed to:

State Procurement Board Secretariat
GPO Box 549
ADELAIDE SA 5001
Telephone: (08) 8226 5001

Office hours are between 9:00 am and 5:00 pm, Monday to Friday.

Other Information

Prescribed Public Authorities

Prescribed public authorities (as defined by section 4 of the Act and declared by regulation) have a different relationship to the Board than those public authorities to which the Act applies. The following public authorities are prescribed for the purpose of the Act:

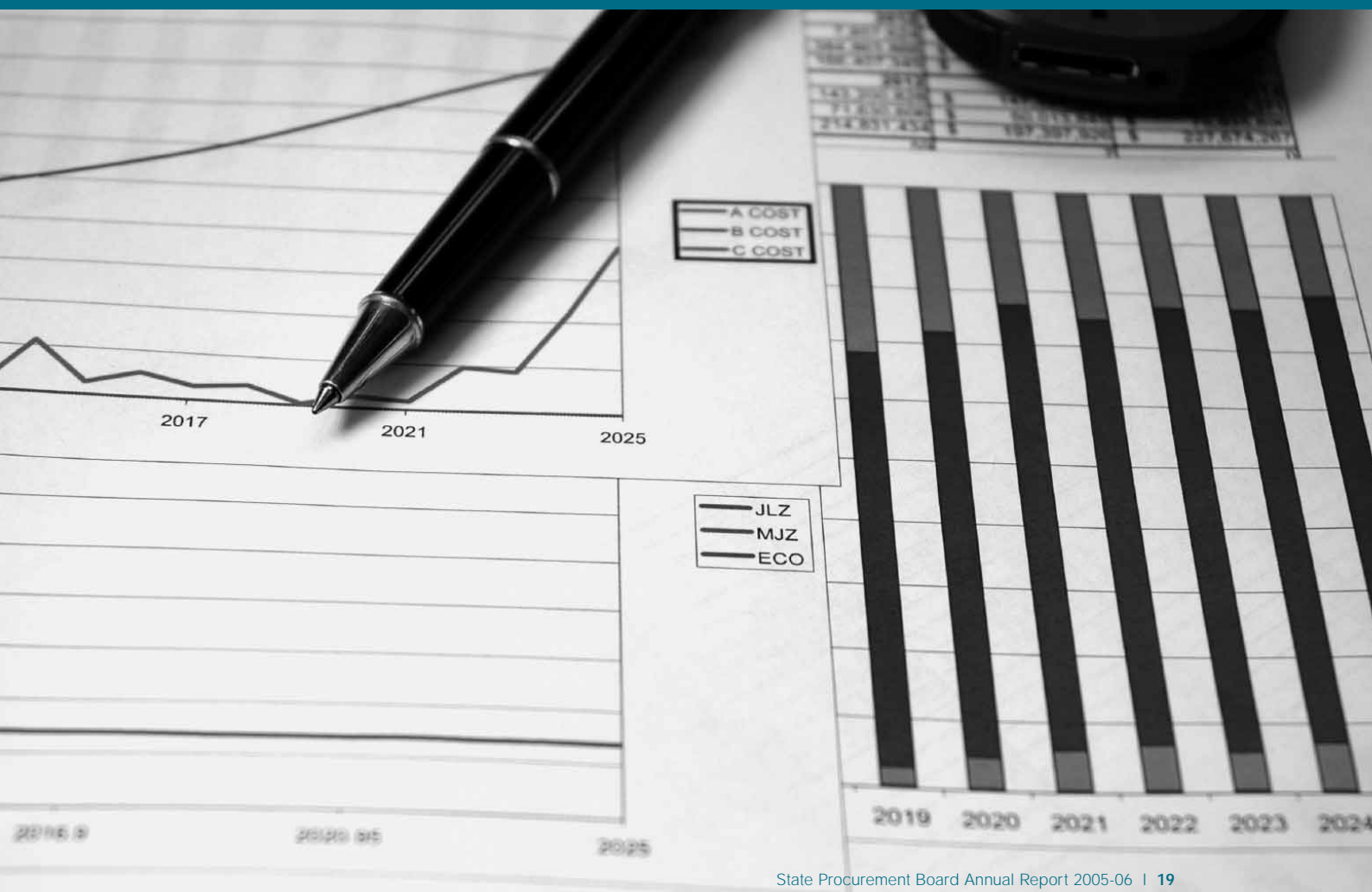
- Local Government Finance Authority;
- Local Government Superannuation Board;
- South Australian Forestry Corporation;
- South Australian Housing Trust;
- South Australian Water Corporation;
- Superannuation Funds Management Corporation of South Australia; and
- TransAdelaide.

Glossary of Terms

Act	<i>State Procurement Act 2004</i>
ANZ	Australian States (excluding South Australia) and New Zealand
ANZGPA	Australia and New Zealand Government Procurement Agreement
AP	Acquisition Plan
APCC	Australian Procurement Construction Council
APU	Accredited Purchasing Unit
AUSFTA	Australia - United States Free Trade Agreement
Board	State Procurement Board
DAIS	Department for Administrative and Information Services
DECS	Department of Education and Children's Services
DEH	Department for Environment and Heritage
DFC	Department for Families and Communities
DFEEST	Department for Further Education, Employment, Science and Technology
DPC	Department of the Premier and Cabinet
DTED	Department for Trade and Economic Development
DTF	Department of Treasury and Finance
DTEI	Department for Transport, Energy and Infrastructure
DWLBC	Department of Water, Land and Biodiversity Conservation
Government	Government of South Australia
Government Agency	In this report means Public Authority
Health	Department of Health
ICT	Information, Communication and Technology
Justice	Department of Justice including: <ul style="list-style-type: none"> • Department for Correctional Services; • Courts Administration Authority; • Emergency Service Administration Unit; • SA Police; • Country Fire Service; • SA Metropolitan Fire Service; and • Public Trustee
OS	Overseas

pCAPd	Procurement Capability Development
PIRSA	Department of Primary Industries and Resources SA
PR	Purchase Recommendation
Procurement Operations	<p>As defined by section 4 of the <i>State Procurement Act 2004</i>.</p> <p>Procurement operations, in relation to an authority, means-</p> <ul style="list-style-type: none"> (a) the procurement of goods or services required by the authority for its operations, including (without limitation) the procurement of: <ul style="list-style-type: none"> (i) a supply of electricity, gas or any other form of energy; or (ii) intellectual property; (b) the management of goods of the authority, including (without limitation) the care, custody, storage, inspection, stocktaking or distribution of goods of the authority; or (c) the management of the authority's contracts for services; or (d) the disposal of goods surplus to the authority's requirements, <p>but does not include operations excluded from this definition by regulations.</p>
Public Authority	<p>As defined by section 4 of the <i>State Procurement Act 2004</i>.</p> <p>Public authority means-</p> <ul style="list-style-type: none"> (a) an administrative unit or other agency or instrumentality of the Crown; or (b) any incorporated or unincorporated body: <ul style="list-style-type: none"> (i) established for a public purpose by an Act; or (ii) established for a public purpose under an Act (other than an Act providing for the incorporation of companies or associations, co-operatives, societies or other voluntary organisations); or (iii) established or subject to control or direction by the Governor, a Minister of the Crown, or any instrumentality or agency of the Crown (whether or not established by or under an Act or an enactment); or (c) a person or body declared by regulations to be a public authority for the purposes of this Act; <p>but does not include a prescribed public authority.</p>
SPB	State Procurement Board

Financials





Our Ref: A06/233

5 October 2006

Mr G DeGennaro
Chair
State Supply Board
Level 10 Wakefield House
30 Wakefield Street
ADELAIDE SA 5001

9th Floor
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

Dear Mr DeGennaro

STATE PROCUREMENT BOARD 2005-06 AUDIT

The audit of the State Procurement Board (the Board) has recently been completed. The scope of the audit covered the Board's major accounting functions and included the test verification of financial transactions processed and recorded during the year.

~~2006 are returned herewith together with my Independent Audit Report. The financial statements of the Board for the year ended 30 June 2006 are returned herewith together with my Independent Audit Report.~~

I wish to express my appreciation for the assistance afforded to Audit staff during the conduct of the audit.

Yours sincerely

K I MacPherson
AUDITOR-GENERAL

INDEPENDENT AUDIT REPORT



Government of South Australia

Auditor-General's Department

9th Floor
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

TO THE CHAIR

SCOPE

As required by section 31 of the *Public Finance and Audit Act 1987* and subsection 22(2) of the *State Procurement Act 2004*, I have audited the financial report of the State Procurement Board for the financial year ended 30 June 2006. The financial report comprises:

- An Income Statement;
- A Balance Sheet;
- A Cash Flow Statement;
- A Statement of Changes in Equity;
- Notes to the Financial Statements;
- Certificate by the Chair and the Chief Finance Officer, Corporate Services.

The State Procurement Board are responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to the Chair.

The audit has been conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing and Assurance Standards to provide reasonable assurance whether the financial report is free of material misstatement.

Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with my understanding of the State Procurement Board's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the State Procurement Board as at 30 June 2006, the results of its operations and its cash flows for the year then ended.

A handwritten signature in black ink, appearing to read "K I MacPherson".

K I MacPherson
Auditor-General
5 October 2006

State Procurement Board

Income Statement for the Year Ended 30 June 2006

	Note	2006 \$'000	2005 \$'000
Expenses			
Board Member Fees		41	20
Supplies and services	5	649	539
Total Expenses		690	559
Income			
Fees for Provision of Training Courses		127	163
Total Income		127	163
Net Cost of providing Services		563	396
Revenues from SA Government			
Grants from SA Government		447	436
Net Result		-116	40

The net result is attributable to the SA Government as owner

The above Statement should be read in conjunction with the accompanying notes.

State Procurement Board

Balance Sheet as at 30 June 2006

	Note	2006 \$'000	2005 \$'000
Current Assets			
Cash		243	332
Receivables	7	15	7
Total Current Assets		258	339
Total Assets		258	339
Current Liabilities			
Payables	8	60	25
Total Current Liabilities		60	25
Total Liabilities		60	25
Net Assets		198	314
Equity			
Retained Earnings		198	314
Total Equity		198	314

The above Statement should be read in conjunction with the accompanying notes.

State Procurement Board

Statement of Changes in Equity for the Year Ended 30 June 2006

	Note	2006 \$'000	2005 \$'000
Balance at 1st July		314	274
Net income recognised directly in equity		-116	40
Balance at 30 June		198	314

The above Statement should be read in conjunction with the accompanying notes.

State Procurement Board

Cash Flow Statement for the year ended 30 June 2006

	Note	2006 Inflows (Outflows) \$'000	2005 Inflows (Outflows) \$'000
Cash flows from Operating Activities			
Supplies and services		(655)	(506)
Fees and charges		119	156
Receipts from SA Government		447	436
Net cash provided by operating activities	11	(89)	86
Net Increase in cash		(89)	86
Cash at the beginning of the financial year		332	246
Cash at the end of the financial year	11	243	332

The above Statement should be read in conjunction with the accompanying notes.

State Procurement Board

Notes to and forming part of the financials

Note 1 Objectives of the State Procurement Board

The State Procurement Board was established under the *State Procurement Act 2004* (The Act). On 4 October 2005 the *State Procurement Act 2004* came into operation to repeal the *State Supply Act 1985*. The Act states the Board is the same body corporate as the State Supply Board established under the *State Supply Act 1985*.

The Board's mission is to guide, manage and control the supplies acquisition, management, distribution and disposal activities of public authorities by direct action on behalf of agencies, where appropriate, and by the development and promulgation of supply policies and guidelines for application by those agencies subject to the *State Procurement Act 2004*.

The Board is serviced for administrative and financial functions, together with strategic and managerial support by the Department for Administrative and Informative Services (DAIS) under a fee for service arrangement.

Note 2 Summary of Significant Accounting Policies

2.1 Basis of Accounting

The financial report is a general purpose financial report. The statements have been prepared in accordance with:

- Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.
- Applicable Australian Accounting Standards.

These Financial Statements are the first statements to be prepared in accordance with Australian Equivalent to International Financial Reporting Standards (AIFRS). AASB 1 *First time adoption of AIFRS* has been applied in the preparing these statements. Previous Financial Statements were prepared in accordance with Australian Generally Accepted Accounting Principles.

The State Procurement Board's Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention.

The Cash Flow Statement has been prepared on a cash basis.

The financial report has been prepared based on a twelve month operating cycle and presented in Australian Currency.

The Board's principal source of funds is grant monies provided by Treasury received through DAIS. Grants are recognised as revenues in the period in which the Board gains control of the funds.

2.2 Comparative Information

The presentation and classification of items in the financial report are consistent with prior periods except where a specific Accounting Policy Statement or Australian Accounting Standard have required a change.

2.3 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

2.4 Income and Expenses

Income and expenses are recognised in the State Procurement Board's Income Statement when and only when it is probable that the flow of economic benefits to or from the entity will occur and can be reliably measured.

Income and expenses have been classified according to their nature in accordance with Accounting Policy Framework II *General Purpose Financial Reporting Framework* paragraph APS 3.5 and have not been offset unless required or permitted by a specific accounting standard.

In accordance with Accounting Policy Framework II *General Purpose Financial Reporting Framework* paragraph 4.1 and 4.2 the financial report's notes disclose revenue, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Revenue from Training is derived from the provision of services to other SA Government agencies. This revenue is recognised upon delivery of the service to the clients.

State Procurement Board

Notes to and forming part of the financials

2.5 Revenues from SA Government

Grants for program funding are recognised as revenues when the State Procurement Board obtains control over the funding. Control over the grants is normally obtained upon receipt. Grant receipts are accounted for in accordance with Treasurer's Instruction 3 *Appropriation*.

2.6 Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature. The State Procurement Board has a clearly identifiable operating cycle of twelve months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.7 Cash

Cash includes cash on hand and deposits held at call and are used in the cash management function on a day-to-day basis.

Cash is measured at nominal value.

2.8 Receivables

Receivables include amounts receivable from trade, prepayments and other accruals.

2.9 Payables

Payables include creditors and accrued expenses.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of the State Procurement Board.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All amounts are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received, in accordance with TI 11 *Payment of Creditors Accounts*.

2.10 Goods and Services Tax

The Department for Administrative and Information Services (DAIS) prepares a Business Activity Statement on behalf of the Board under the grouping provisions of the GST legislation. Under these provisions, DAIS is liable for the payments and entitled to the receipt of GST. As such, the GST applicable to the Board forms part of the Balance Sheet and Cash Flow Statement of DAIS.

2.11 Gaming Machines

The State Procurement Board is also responsible for the purchase and on-selling of gaming machines under the *Gaming Machine Act 1992*. The administration of the responsibilities of the Board is undertaken by the Contract Services Business Unit of DAIS.

2.12 Superannuation

During 2005/2006, amount paid or payable by the Board to the Department of Treasury and Finance towards the accruing Government liability for superannuation in respect of its Board members was \$388 (\$1,621).

Note 3 Financial Risk Management

The State Procurement Board has non-interest earning assets and liabilities. The department's exposure to market risk and cash flow interest risk is minimal.

The State Procurement Board has no significant concentration of credit risk. The Board has policies and procedures in place to minimize this risk.

In relation to liquidity/funding risk, the continued existence of the State Procurement Board in its present form, and with its present programs, is dependent on the Government policy and on continuing appropriations by Parliament for the Board's administration and outputs.

State Procurement Board

Notes to and forming part of the financials

Note 4 Changes in Accounting Policy

Explanation of transition to Australian Equivalents to International Financial Reporting Standards

The State Procurement Board has adopted the AIFRS for the first time for the year ended 30 June 2006.

The adoption of AIFRS has not resulted in any material adjustments to the Income Statement or Cash Flow Statement.

Note 5 Supplies and Services

	2006 \$'000	2005 \$'000
Supplies and services provided by entities within the SA Government		
* Administration Services	181	181
IT Expenses	1	1
* Management Services	72	70
Professional Fees	20	7
Other	13	7
Total Supplies and Services-SA Government entities	287	266
Supplies and services provided by entities external to the SA Government		
Advertising/Marketing/Promotions	10	90
IT Expenses	9	-
Printing / Postage / Stationery	42	26
Professional Fees	87	1
Training & Development	184	121
Other	30	35
Total Supplies and Services-Non SA Government entities	362	273
Total Supplies and Services	649	539

* Administration Services represent clerical, record keeping, financial and payroll services provided by DAIS.

* Management Services represent managerial support (delegated by the Board) and strategic advice and planning provided by DAIS.

The number and dollar amount of Consultancies paid/payable (included in supplies and services expense) that fell within the following band:

	No.	\$	No.	\$
Below \$10,000	1	4	1	1

Note 6 Auditor's Remuneration

Audit Fees payable to the Auditor-General's Department

6	5
---	---

Note 7 Receivables

Current Receivables

15	7
----	---

State Procurement Board

Notes to and forming part of the financials

Note 8 Payables

Current Liabilities		
Creditors	35	5
Accrued Expenses	25	20
Total Payables	60	25

Note 9 Commitments

There is no capital expenditure contracted at the reporting date.

Note 10 Contingent Assets and Liabilities

The State Procurement Board is not aware of any contingent assets or liabilities. In addition the Board has made no guarantees.

Note 11 Cash Flow Reconciliation

Reconciliation of Cash - Cash at year end as per:

Cash Flows Statement	243	332
Balance Sheet	243	332
Reconciliation of Net Cash provided by		
Operating Activities to Net Cost of providing services		
Net cash provided by operating activities	(89)	86
Less Revenues from Government	(447)	(436)
Less non cash items		
Depreciation of Property, Plant and Equipment	-	-
Changes in Assets / Liabilities		
Increase in Receivables	8	7
Increase(Decrease) in Other Assets	-	(36)
(Increase)Decrease in Payables	(35)	(17)
Net Cost of providing Services from Ordinary Activities	563	396

Note 12 Related Party Disclosures

During the financial year, the following persons occupied the position of Board Member (or Deputy Board Member) of the State Procurement Board:

Mr Gino DeGennaro (Chair)	Dr Patricia Crook AO
Mr Roy Arnold	Ms Leanne Burch
Ms Virginia Deegan	Mr John Gresty
Mr Barry Miller	Mr Tim O'Loughlin
Ms Catherine Schultz	

The appointment of the above Members was approved by the Governor on 15 September 2005 except for the Chair who was nominated by Paul Case

Total income received, or due and receivable, by the Board Members as Board fees was \$40,271 (\$18,514)

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Note 13 Events After Balance Sheet Date

The State Procurement Board is not aware of any after Balance Date events.

State Procurement Board

We certify that;

- a) the attached General Purpose Financial Report for State Procurement Board presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in South Australia, the financial position of the State Procurement Board as at 30 June 2006 and the result of its operations and its cash flows for the year then ended; and
- b) the financial statements are in accordance with the accounts and records of the State Procurement Board and give an accurate indication of the financial transactions of the Board for the year then ended; and
- c) internal controls over financial reporting have been effective throughout the reporting period.



Gino DeGennaro
Chair
State Procurement Board
4/10/2006



Robert Ruse
Chief Finance Officer
Corporate Services
4/10/2006

Appendices

APPENDIX A

APPENDIX B

APPENDIX C

APPENDIX D

APPENDIX E

Appendix A

State Supply Board Member Attendance at Meetings

	Eligible Full Meetings	Meetings Attended	Eligible Special Meetings*	Special Meetings Attended
Patricia Crook	3	1	3	1
Barry Miller (Chair)	3	3	3	3
Fij Miller	3	2	3	2
Julieann Riedstra	3	1	3	0
Lindsay Thompson	3	2	3	2
Lindsay Oxlad	3	3	3	3
Jim Fitzpatrick (Deputy)	3	3	3	3

* Generally only a quorum of members were required to attend special meetings.

State Procurement Board Member Attendance at Meetings

	Eligible Full Meetings	Meetings Attended	Eligible Special Meetings	Special Meetings Attended
Roy Arnold	8	8	7	7
Leanne Burch	9	9	11	9
Patricia Crook	8	7	11	4
Virginia Deegan	9	7	11	9
Gino DeGennaro	9	8	11	9
John Gresty	9	6	11	7
Barry Miller	7	7	5	5
Tim O'Loughlin	9	8	11	6
Catherine Schultz	7	7	11	8

PAC Membership

The PAC comprises four voting members that include two State Procurement Board members and the Director Contract Services and the Manager, Policy and Governance, Contract Services, Department for Administrative and Information Services (DAIS). All Board members participate as members of the PAC on a rotating bi-monthly membership roster.

The following table identifies PAC Member attendance:

	Eligible PAC Meetings	Meetings Attended
Roy Arnold	6	6
Leanne Burch	3	3
Patricia Crook	1	1
Virginia Deegan	0	0
Gino DeGennaro	4	4
John Gresty	2	1
Barry Miller	1	1
Tim O'Loughlin	3	1
Catherine Schultz	2	2
Jim McGuire	9	9
Peter Psaroulis	9	9

SEC Members

- John O'Malley, Manager, Business Operations Branch, Business Services, DEH;
- Steve Moro, Director Strategic Procurement, Health;
- Angela Allison, Director, Corporate Services, DTED;
- Gess Carbone, A/Director Resources, DFEEST;
- John Scalzi, Assistant Director, Procurement and Contracting, DECS;
- Andrew Richmond, Director, Procurement DFC;
- Mark O'Shea, A/Manager Business Services, PIRSA;
- Neil Nosworthy, Manager Prudential Management, DWLBC;
- Phil Zubrinich, Attorney-General's Department (for Justice);
- Joe Kavanagh, General Manager, Corporate Procurement Services, DAIS;
- Mark Pickford, A/Manager Administration, DTF;
- Luigi Rossi, Chief Contract and Procurement Officer, DTEI; and
- Gino DeGennaro, Chair, State Procurement Board.

Appendix A continued

Table of Existing Board Policies as at 30 June 2006

Procurement Authorities

- Procurement Authority Application
- Agency Procurement Reporting

Planning and Compliance with Government Initiatives

- Implementation of the Australia – United States Free Trade Agreement
- Approvals Process Policy
- Acquisition Planning Guideline
- Simple Procurement Guideline
- Common Identification Systems
- Supplier Communication and Complaints
- ANZGPA Policy Combined
- Environmental Impact
- InSkill SA

Procurement Process and Contracting

- Panel Contracts
- Strategic Across Government Contracts
- Waivers of Competitive Process
- Purchases with Imported Content
- Salvage and Disposal

Appendix B

Procurement Authorities

Department	Value (GST Inclusive)
Australian Energy Market Commission	\$55,000
Port Adelaide Maritime Corporation	\$55,000
Department for Environment and Heritage	\$385,000
Department of the Premier and Cabinet	\$1,100,000
Department of Primary Industries and Resources SA	\$1,100,000
Department of Trade and Economic Development	\$1,100,000
Department of Treasury and Finance	\$1,100,000
Department of Water, Land and Biodiversity Conservation	\$1,100,000
SA Lotteries	\$1,100,000
South Australian Tourism Commission	\$1,100,000
South Australian Motor Sport Board	\$1,100,000
Department of Education and Children's Services	\$4,400,000
Department for Families and Communities	\$4,400,000
Department of Further Education, Employment, Science and Technology	\$4,400,000
Motor Accident Commission	\$7,500,000
Department for Administrative and Information Services	\$11,000,000
Department of Health	\$11,000,000
Department of Justice	\$11,000,000
Department for Transport, Energy and Infrastructure	\$11,000,000

Appendix C

Details of Across Government Contracts

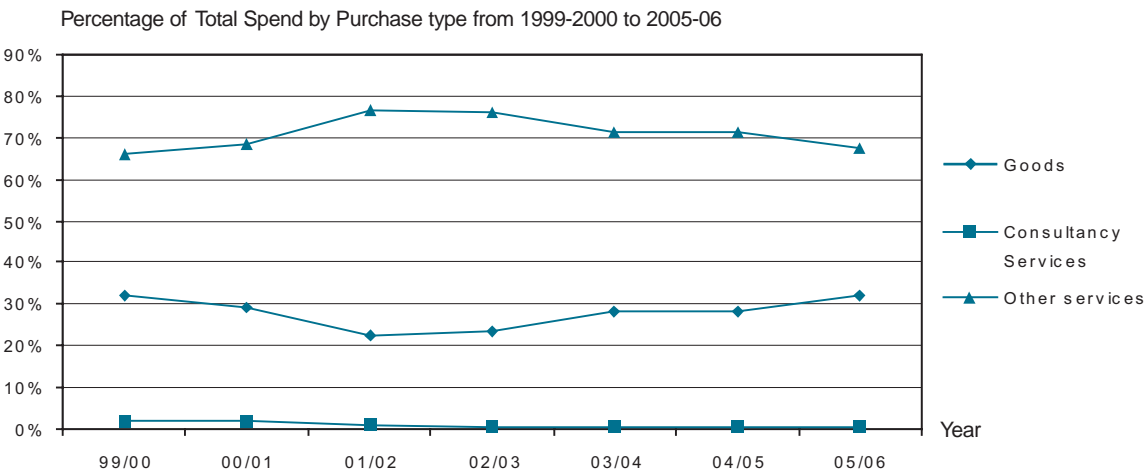
Name of Contract	Owned
State and Local Government Retail Electricity - General Sites	SPB
State and Local Government Retail Electricity - Un-metered Sites	SPB
Fuels and Lubricants	SPB
Industrial Gases	SPB
LPG and Associated Services	SPB
Bulk and Compressed Medical Gases and Associated Services	SPB
Temporary Staff Placement Services	SPB
Managed Travel Services	SPB
Master Media Services Contract	SPB
Electronic Document and Record Management Systems (EDRMS)	SPB
Auction Services for the Disposal of General Equipment and Furniture	DAIS
SA Government Salary Sacrifice	DAIS
Microsoft Open License Program (MOLP)	DAIS
SAGEMS New Services Agreement	DAIS
Telephony Services	DAIS
Supply of Mobile Telephone Services	DAIS
Photocopiers and Associated Multi-functional Office Machines	DAIS
Telecommunications Services Agreement (TSA)	DAIS
Information Technology and State Economic Development Agreement	DAIS
Storage, Retrieval and Destruction of Temporary Value Records	DAIS
Electricity > 160MWh (State Government)	MAS
Transaction Banking Services	DTF
VISA Purchasing Cards	DTF
Masterpiece Contract	DTF
Financial Reporting Tool	DTF
Merchant Transactions	DTF
Meat, Poultry and Smallgoods	DH
General Foods Provision	DH

Appendix D

Percentage Breakdown of Total Spend

Figure 1 displays the percentage of total expenditure by purchase type for the last seven financial years. As can be seen, the comparative breakdown of total expenditure has remained relatively stable during the period displayed.

Figure 1 – Percentage of Total Spend by Purchase Type

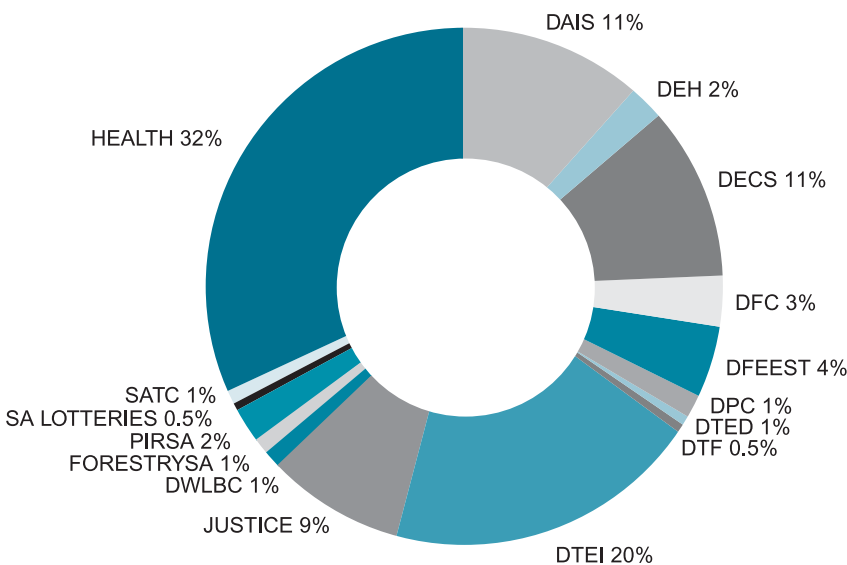


Percentage Breakdown of Spend by Government Agency

Figure 2 reflects government agencies' expenditure as a percentage of total expenditure. Health incurred the highest level of expenditure with approximately one third of the total. The next highest level was attributed to DTEI with one fifth of total expenditure.

Figure 2 - Percentage Spend by Government Agency

Percentage Spend by Public Authority for 2005-06



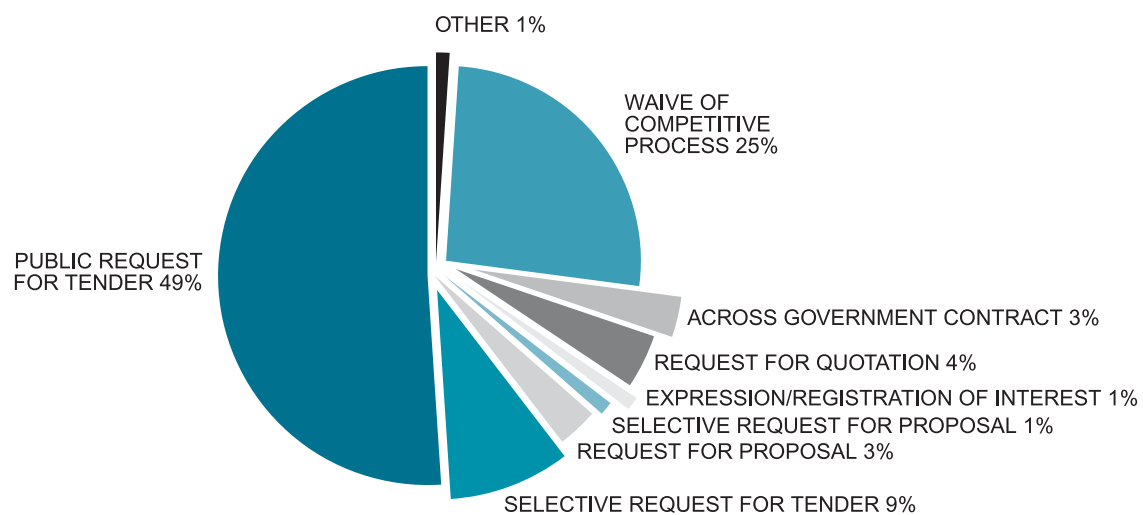
Supply Market Approach

A diverse range of market approaches was utilised in undertaking procurements in 2005-06. Please refer to Figure 3, which displays the mix of supply market approaches used.

The breakdown of approaches used was relatively similar to that of 2004-05. The Public Request for Tender continues to be the most widely used market approach. Worthy of note is the fact that a diverse range of market approaches was utilised during the reporting year, which demonstrates that agencies are applying appropriate approaches, taking into account the nature of the market.

Figure 3 - Market Approach 2005-06

Market Approach 2005-06 (> \$100,000)



Appendix D continued

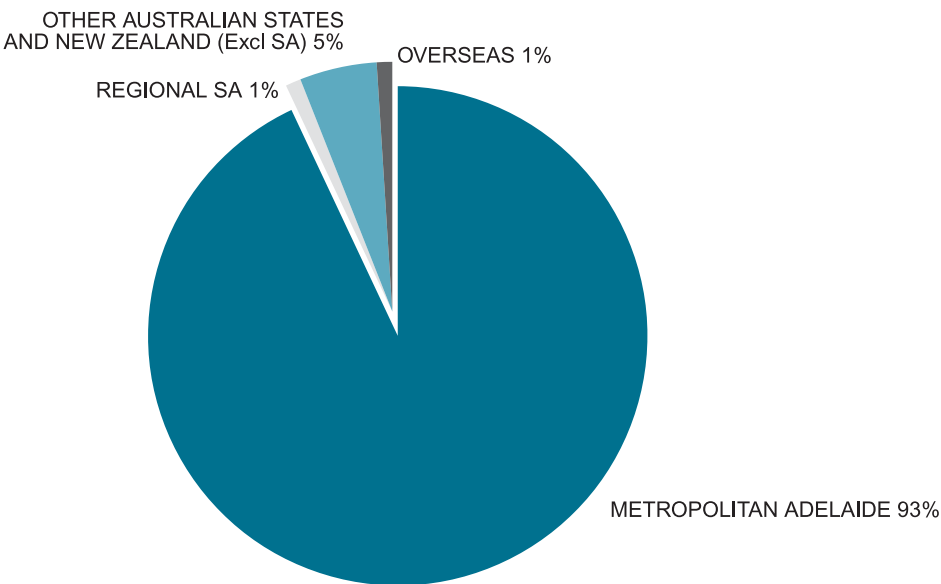
Source of Supply

Figure 4 displays agency procurement expenditure by supplier location.

In 2005-06 the overwhelming majority of significant purchasing activity was undertaken through South Australian suppliers, a substantial increase of 30% from the previous financial year. This demonstrates that more government expenditure will be invested in South Australia over the coming years (during the life of these contracts) rather than overseas and other Australian States, which accounted for 36% of the value of government contracts in 2004-05.

Figure 4 - Contract Expenditure by Supplier Location

Contract Value by Supplier Location *



* Figure represents contracts greater than \$100,000 in value by supplier location for contracts entered into during 2005-06

Appendix E

Agency Activity and Initiatives

Agency	APU Activity and Initiative
SATC	Mr Bill Spurr is the APU Chair for SATC. Some of the activities and initiatives undertaken by SATC include: <ul style="list-style-type: none"> Increased awareness of procurement and the role of the SATC APU among staff.
SA Lotteries	The Chief Executive and Lotteries Commission perform the equivalent function of an agency APU for SA Lotteries.
PIRSA	Mr Steve Archer is the APU Chair for PIRSA. Some of the activities and initiatives undertaken by PIRSA include: <ul style="list-style-type: none"> Further developed PIRSA's Procurement Development Strategy and associated Operations Plan to guide procurement improvement; Work commenced on reviewing PIRSA's purchasing approval framework; and Improved awareness of procurement within the agency.
Justice	Mr Peter Severin is the APU Chair for Justice. Some of the activities and initiatives undertaken by Justice include: <ul style="list-style-type: none"> Development of a Justice Procurement website which is accessible to all Justice agencies; Development of an Across Justice Acquisition and Contracts Database which has been established to allow access to accurate procurement data and supplier information across the Portfolio; and Progressed the development and implementation of agency- wide Justice contracts.
Health	Dr Ian Halkett is the APU Chair for Health. Some of the activities and initiatives undertaken by Health include: <ul style="list-style-type: none"> Planning was undertaken on the role and structure of the APU; Procurement Intranet was redeveloped to assist staff involved in procurement; Established significant across Health contracts; Appointed procurement account managers to key stakeholder groups within Health; Commenced work on a Supply Chain Reform project; and Focus on consolidation of requirements.
DTEI	Mr Chris Oerman is the APU Chair for DTEI. Some of the activities and initiatives undertaken by DTEI include: <ul style="list-style-type: none"> Updated procurement policies, procedures and practices; Developed "Early Contractor Involvement", "Managing Contractor" and "Alliance Contracting" procurement delivery models.
DTF	Mr Rick Persse is the APU Chair for DTF.
DWLBC	Mr Adrian Gargett is the APU Chair for DWLBC. Some of the activities and initiatives undertaken by DWLBC include: <ul style="list-style-type: none"> Developing a strategic plan for procurement; Reviewed DWLBC's procurement accountability framework; Natural Resource Management Boards incorporated under the DWLBC Procurement Authority.
ForestrySA	Mr Grant Kensington is the APU Chair for ForestrySA. ForestrySA became a prescribed public authority from 4 October 2005.
DFC	Mr Peter Bull is the APU Chair for DFC. Some of the activities and initiatives undertaken by DFC include: <ul style="list-style-type: none"> Expenditure review, including procurement profiling undertaken and nine priority procurement projects identified to deliver targeted cost savings during 2006/2007; Contracts database established to record contracts and measure procurement performance; and Established procurement intranet site for agency staff.

Appendix E continued

Agency	APU Activity and Initiative
DFEEST	<p>Ms Elaine Bensted is the APU Chair for DFEEST. Some of the activities and initiatives undertaken by DFEEST include:</p> <ul style="list-style-type: none"> • Developed a consistent set of templates and procedures for the tendering and contracting processes; • Updated DFEEST Procurement website; and • Undertook expenditure profile identifying key suppliers and commodity spend.
DPC	Ms Rachel Read is the APU Chair for DPC.
DAIS	<p>Mr Paul Case is the APU Chair for DAIS. Some of the activities and initiatives undertaken by DAIS include:</p> <ul style="list-style-type: none"> • Establishment of a procurement network group across DAIS; • Launch of a Procurement Intranet for agency staff; • Released and reviewed procurement policies, guidelines and checklists; and • Implemented an upgraded Central Contract Register.
DECS	<p>Ms Julieann Riedstra is the APU Chair for DECS. Some of the activities and initiatives undertaken by DECS include:</p> <ul style="list-style-type: none"> • Contracts Database reviewed and further developed; • Participated in the SPB pilot program for increased procurement authorities; • Sample procurement survey undertaken with schools; • Updated and improved standard procurement templates; and • Further developed KPI's for procurement activity.
DEH	<p>Mr Rick Janssan is the APU Chair for DEH. Some of the activities and initiatives undertaken by DEH include:</p> <ul style="list-style-type: none"> • Development of a detailed online web based contract register.
DTED	Ms Angela Allison is the APU Chair for DTED.



Government of South Australia
State Procurement Board