

State Procurement Board



2014-2015
ANNUAL REPORT



Government of South Australia
State Procurement Board

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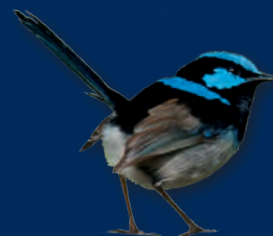
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The Annual Report is available on the
State Procurement Board website at

www.spb.sa.gov.au



Government of South Australia
State Procurement Board

**Our Commitment to the Environment**

This Annual Report was produced as an electronic version in order to keep the carbon emissions from its production to an absolute minimum.

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I am pleased to present the State Procurement Board's Annual Report for the year ending 30 June 2015.

The Board has continued to focus its efforts on furthering the object of the Act by maintaining an effective and efficient system of public procurement and by overseeing the procurement operations of public authorities.

I thank my predecessor, Mr Chris Oerman, who resigned in January 2015 after serving on the Board since 2009. Mr Oerman was a valued and respected member of the Board who contributed greatly to the Board's efforts, and his guidance and support has been missed.

In the 2014-15 year, the Board oversaw a range of activities in support of public authorities including:

- updating policies and guidelines, tools and information to improve the effectiveness of procurement operations
- delivering a capability development program that included basic procurement induction, specific policy and technical training sessions for practitioners, and higher educational opportunities for those seeking formal qualifications at the vocational and university (Masters) levels
- ensuring the effective governance model is in place to support the Board's obligations under the Act
- continuing the Board's ongoing regulatory role including reviews of public authority submissions, assurance and accreditation reviews
- implementing complaint investigation and resolution processes, noting that these processes inform the Board's capability development and policy review programs.

Significant achievements include:

- building procurement capability across the public sector by providing support and coordination of programs to deliver procurement qualifications at the tertiary and vocational levels, management of targeted training workshops and coordination of procurement forums and networks
- development of a qualitative survey tool to measure the effectiveness of the Board's targeted training program, which highlighted that the training is of a consistent high quality, effective, relevant and useful in the workplace
- implementation of five better practice handbooks, which are an important resource to assist public authorities to improve their procurement operations
- review of the Compliance Review Program and its replacement with the Assurance Review Program aimed at improving the quality of reviews
- the continuation of the Accreditation Program to revalidate public authority procurement authorities

- ongoing business activities including the review of public authority submissions to the Board, the development of new policies and guidelines, the review of existing policies and guidelines, secretariat support, complaint investigation and resolution and issuing procurement authorities to newly established public authorities.

A particularly important piece of work has been the Board's development of a three-year Strategic Plan which addresses the State's economic and budgetary priorities with the intent of focussing the Board's work programs on these priorities. The Plan will be completed and launched in the next year.

On behalf of the Board, I thank the Hon Tom Koutsantonis, Minister for Finance, for his ongoing support.

Also on behalf of the Board, I gratefully acknowledge the management and staff of Procurement Policy and Governance, Department of Treasury and Finance, who provide wide-ranging and expert support and whose hard work and diligence has greatly assisted the Board in meeting its objectives.

I acknowledge the committed and skilled service of my fellow Board members throughout the 2014-15 year, and I know that they each share my enthusiasm for successfully meeting the challenges ahead.

Judith Carr
CHAIR

A photograph showing the silhouettes of several business professionals in a modern office setting. They are positioned in front of large floor-to-ceiling windows that offer a view of a city skyline. The floor is highly reflective, creating clear mirror images of the people and the windows. The lighting is soft and even, highlighting the professional attire and collaborative postures of the individuals.

About the Board

The State Procurement Board

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

- obtaining value in the expenditure of government funds on goods and services
- providing for ethical and fair treatment of participants
- ensuring probity, accountability and transparency in procurement operations.

Board Membership

Board members bring a mix of private and public sector expertise to assist public sector procurement. The Act requires that at least one female and one male be appointed as members and that 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 service
- social inclusion.

Apart from the Chair, who is appointed in accordance with the Act, the Governor in Executive Council appoints Board members for a period of up to two years. Members can be reappointed.

Board Members

The Board Chair and members as at 30 June 2015 are listed below.

Details of Board members' experience can be found at www.spb.sa.gov.au.

Board Members



Ms Judith Carr
Chair
10 May 2007



Ms Catherine Schultz
4 October 2005



Ms Debra Contala
31 October 2013



Ms Debbie Black
4 October 2007



Mr David Henschliffe
14 November 2013



Ms Julieann Riedstra
21 November 2013



Ms Katrina Ball
10 June 2010



Ms Virginia Deegan
5 June 2008

A photograph of a business meeting. In the foreground, two men in dark suits are shaking hands. The man on the left is wearing a dark suit and a white shirt. The man on the right is wearing a dark suit and a white shirt. In the background, three other people are seated at a long table, looking at documents. The setting appears to be a modern office with large windows in the background.

Governance

Role and Functions of the Board

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

- to facilitate strategic procurement by public authorities 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 public authorities
- to develop, issue and keep under review standards for procurement by public authorities using electronic procurement systems
- to investigate and keep under review levels of compliance with the Board's procurement policies, principles, guidelines, standards and directions
- to assist in the development and delivery of training and development courses and activities relevant to the procurement operations of public authorities.

Governance Arrangements

The Board has a members' handbook which provides Board members with a framework to guide their activities. The handbook sets out the:

- role and charter of the Board
- operating principles and philosophy
- code of conduct
- governance framework.

The governance framework provides that the Board will facilitate strategic procurement by:

- establishing the policy environment and setting the policy direction
- developing and issuing procurement authorities
- monitoring and reporting on consolidated outcomes and specific control matters
- providing leadership in strategic issues such as capability development across public authorities.

Members are required to observe the public sector code of conduct with respect to conflicts of interest. At Board meetings there is a standing item on the Board's meeting agenda that requires members to declare any potential conflicts of interest.

Conflicts of duty for public sector Board members can arise when public authority procurement submissions are considered by the Board. Public sector Board members have been provided with a release of duty from their relevant Chief Executive. Where the Board considers any matter that a public sector member has direct involvement in, notwithstanding their release of duty, that Board member does not participate.

Procurement Approvals Committee

In accordance with section 13 of the Act, the Board has established the Procurement Approvals Committee (PAC) as a sub-committee to assist the Board in undertaking its functions.

The Board has delegated to the PAC consideration and approval of acquisition plans and purchase recommendations above the procurement authority of public authorities, including deviations/variations to procurements/contracts resulting from a PAC approval.

This delegation does not extend to procurements that are high in complexity and greater than \$11 million (GST inclusive), unless such transactions are referred by the Chair of the Board. The PAC can refer a transaction to the Board if it considers it to be sensitive or high risk or of strategic interest to the Board.

The PAC Terms of Reference require the scheduling of twice monthly meetings with three Board members attending on a two month rotational basis. A balance of both private and public sector members attend, and the Chair is decided at the commencement of each meeting.

Staff from Procurement Policy and Governance, Department of Treasury and Finance, attend the meetings in an advisory capacity. Appendix A contains further membership details of the PAC together with a breakdown of public authority procurement approvals at the Board, PAC and delegate level for 2014-2015.

Low Value/Risk Transactions

The Board has provided authority to the Chair and the Director, Procurement Policy and Governance for low value/risk transactions and administrative matters.

A close-up photograph of two business professionals in a meeting. They are seated at a glass table, looking at a document with financial charts. One person's hand is pointing at a pie chart, while the other's hand is pointing at a bar chart. A laptop and a calculator are also visible on the table. The background is a bright, out-of-focus office space with large windows.

The Board's Work

Background

The Board provides the Government of South Australia with independent oversight of public sector procurement. It has continued to support the Government's objective to achieve greater economic contribution to the State from procurement by ensuring its policy framework reflects the policy settings approved by Cabinet.

Capability building is an important focus of the Board and this year has seen a continuation of a range of training opportunities for those new to procurement through to experienced practitioners and non-procurement executives.

In September 2014, the Board implemented its supplier survey to elicit feedback from suppliers on their experiences with government tendering and bidding processes. This will provide the Board with important information on where further improvements can be made.

An overview of the key activities throughout 2014-15 is outlined below.

Accreditation Program

The Board undertakes an Accreditation Program, which is designed to assess the quality and appropriateness of the goods and services procurement operations of public authorities.

Public authorities are required to demonstrate clearly defined and implemented procurement strategies, governance, processes and systems in order for the Board to provide a procurement authority to the public authority's principal officer. This authority allows the public authority to undertake and approve procurements, up to a designated dollar value, without reference to the Board.

The Accreditation Program applies to all public authorities with a procurement authority of \$1.1m or greater and has a focus on the following performance categories:

- Leadership and Strategy
- Organisation and People
- Governance and Performance Management
- Processes and Systems
- Relationships – Internal and External.

In 2014-15, six public authorities completed their accreditation reviews, which were undertaken by an independent reviewer. The reviewer assessed how the public authority fulfilled each of the designated five high level procurement categories, which incorporate 35 performance principles that define good practice. Public authorities were required to prepare a development plan to address issues requiring improvement or rectification.

Further, arising from the Accreditation Program, public authorities have identified development opportunities to improve their procurement function and these are monitored and reported to the Board on a regular basis.

The Program identified several government-wide themes and improvement opportunities which the Board considered in its strategic planning deliberations. These included:

- increasing levels of capacity and capability, particularly in relation to the activities of non-procurement practitioners
- improving the strategic focus and commercial acumen across government procurement, particularly in smaller agencies

- increasing the effectiveness of contract management practices to ensure procurement outcomes are fully realised
- introducing procurement related information technology systems to better facilitate modern procurement practices.

The current Program will be completed in 2015-16.

Assurance Review Program

The review function enables the Board to meet its statutory obligations under section 12, (1)(e) of the Act, that is "to investigate and keep under review levels of compliance with the Board's procurement policies, principles, guidelines, standards and directions".

The objective of the Board's Assurance Program is to assess the performance of each public authority in complying with the Act and the Board's procurement policies, principles, guidelines and directions, and applies to all public authorities.

The program focuses on how public authorities manage their procurement risks through reviewing and validating the following areas:

- the achievement against procurement objectives identified in approved acquisition plans
- that internal procurement policies, procedures and delegations comply with the Board's policy framework and processes exist to facilitate timely approval, updating and promulgation
- compliance to the Board's policies and guidelines through a review of transactions approved by the public authority

- that public authorities continue to meet the conditions applied to their procurement authority approval, in particular their progress against action plans.

Six compliance reviews were completed during the year.

In 2014-15, the Board reviewed the effectiveness of the compliance program to further simplify and streamline the program. Key improvements implemented by the Board included:

- changing the risk focus of the program to a structured review emphasising only the key requirements in the Board's policy framework
- changing the program to a four year cycle to align it with the accreditation program to improve scheduling
- utilising existing audit and other reports to ensure issues are not re-raised and duplicated thus simplifying the process for public authorities
- simplifying the process to focus on actions that address the root causes of any non-compliances.

The Board also recognised that the assurance review requirements, appropriate for public authorities with significant procurement operations and expenditure, may be onerous for small public authorities with low levels of expenditure. To address this, the Board undertakes a much simplified, modified assurance review suitable for low spending public authorities.

Better Practice Handbooks

In 2013-14, the Board commenced development of a set of five better practice handbooks as an outcome of its Accreditation Program. The handbooks were completed and promulgated during 2014-15 and identify and document better practice for the five performance categories against which public authorities were assessed as part of the Program.

The five handbooks are an important tool to assist public authorities to benchmark themselves and improve their procurement function. The focus of the handbooks is on commercial procurement strategies to assist public authorities to identify cost savings and business improvement opportunities as well as identifying strategies to improve governance and manage risks. The handbooks are structured to provide guidance scaled for public authorities with a \$1.1m, \$4.4m or \$11m procurement authority.

Statutory Authorities Review Committee

On 4 April 2013, SA Parliament's Statutory Authorities Review Committee advised the Board's Chair of its inquiry into the Board's operations.

The Chair of the Board attended hearings of the Committee in July 2013 and June 2014 as part of the inquiry. The Board has made formal submissions to the Committee and responded to questions on notice. As at 30 June 2015, the review had yet to be concluded.

Training and Capability Development

Under the Act, the Board is required "to assist in the development and delivery of training and development courses and activities relevant to the procurement operations of public authorities". This is facilitated in a number of ways within the Board's Capability Development Program.

Masters Program

The Board continued to support individuals and agencies by matching 40% funding for nominated government employees to undertake the University of South Australia (UniSA) Masters in Management (Strategic Procurement) qualification. Six government employees were supported through the program during 2014-15.

The UniSA course aligns with the Australasian Procurement and Construction Council (APCC) 'National Professionalisation of Procurement' initiative aimed at providing academic qualifications for strategic procurement in each State and Territory jurisdiction. The course is accredited for Membership of the Chartered Institute of Purchasing and Supply (MCIPS), the recognised procurement professional body.

Vocational Qualifications

The Board continued to facilitate opportunities for employees to gain vocational qualifications in procurement. During 2014/15, a cohort of eight undertook study towards an Advanced Diploma of Government (Procurement & Contracting).

Targeted Training Program

The Board expanded its successful Targeted Procurement Training Program with 832 attendees participating in 51 workshops during 2014-15. The targeted training program includes topics focussed on increasing understanding of specific Board policies and guidelines as well as broader aspects of good procurement practice. The suite of workshops is delivered by two preferred Registered Training Organisations and caters for those new to, or with an interest in, procurement right through to experienced practitioners seeking to refresh their knowledge.

To understand the value the training is delivering, a trial of longitudinal learning effectiveness surveys was completed during the year, seeking feedback and qualitative metrics to aid continuous improvement in the training delivered.

To support the analysis, the Board commissioned an independent report which analysed the key aspects of the evaluation data. The key findings were:

- at the completion of a training course, 85% of respondents believed that the course had enhanced their subject matter knowledge and provided practical skills that could be applied in the workplace
- three to five months following a course, 38% of respondents had applied the learning frequently or all of the time and 33% had applied the practical skills acquired at the course in the workplace to the same high extent
- over half (54%) of these respondents reported feeling more confident in the workplace frequently or all of the time

- 83% of respondent supervisors reported that their staff had shown improvement at work as a result of the training.

The report concluded that based on the consistently positive response to questions about satisfaction, learning and applying knowledge, the training provided in the courses addressed in the evaluation is consistently high quality, effective and useful in the workplace.

Stakeholder Engagement

The Board held two Procurement Forums for practitioners during 2014-15, both providing a learning and networking opportunity for approximately 100 participants. A range of informative speakers, from both the public and private sector, shared their experiences and views on a variety of topical subjects.

The Board hosted an Executive Breakfast in May 2015 with 54 attendees from across government. Craig Lardner, immediate Past Global President (2014) of the Chartered Institute of Procurement and Supply, delivered thought-provoking presentations on value retention and change management.

The Board continued to host a regular forum for agency Heads of Procurement, facilitated by the Chair of the Board. The forum is an important communication mechanism for sharing ideas and discussion on procurement points of interest.

In September 2014, a new supplier survey, designed to elicit the experiences of suppliers that have tendered for government procurements, was formally promulgated on the SA Tenders and Contracts website. This

followed successful trials of a prototype survey tool by two agencies towards the end of 2013-14 and agency consultation to finalise the tool.

The Board's staff continued to represent South Australia on the APCC's Procurement Capability Development Working Group, which met regularly to develop and progress strategies aimed at building government procurement capability and enhancing the growth of the procurement profession.

Policy Development and Review

An important element of the Board's work program during the year was the review and update of a number of key policies and guidelines. These are detailed below.

Market Analysis and Acquisition Strategy

The Board developed a new *Market Analysis and Acquisition Strategy Guideline*, which outlines the requirements in relation to undertaking market analysis and developing an acquisition strategy for specific goods and/or services. In particular, the market analysis models in the guideline enable the development of a thorough understanding of the nature of the supply market and its impact upon the market approach and acquisition strategy.

Supplier Complaints

The management of supplier complaints in government procurement processes was subject to investigation during a Statutory Authorities Review Committee meeting on 26 June 2014. In order to address the Committee's concerns, the Board's *Supplier Complaints Policy* was updated to introduce a requirement for public authorities to:

- document the process for handling supplier complaints, including appropriate escalation procedures within the public authority
- ensure information regarding the supplier complaints process is publicly available to suppliers
- ensure an appropriate independent officer manages and investigates formal complaints.

Market Approaches

The *Market Approaches Guideline* was updated to make reference to and reflect the Government's *Guidelines for Assessment of Unsolicited Proposals*, which was approved by Cabinet during 2014-15. The Government's guideline provides a framework for the assessment of unsolicited proposals.

Contract Management

The Board approved a revised *Contract Management Guideline* in December 2014. The revised guideline emphasises that contract management is a key aspect of the procurement process and provides improved guidance on key contract management requirements. For contracts valued at greater than \$4.4 million or contracts deemed to be significant by the public authority, public authorities are required to:

- appoint a suitably skilled contract manager with adequate resources to undertake relevant contract management activities
- develop, implement and monitor an approved contract management plan
- develop a contract closure report.

International Obligations Policy

In December 2014, the Korea Australia Free Trade Agreement (KAFTA) entered into force and in January 2015, the Japan Australia Economic Partnership Agreement (JAEP) commenced. Both the KAFTA and the JAEP include a Government Procurement Chapter covering sub-central market access - including the South Australian Government procurement market. The Board's *International Obligations Policy* was updated to reflect the new Free Trade Agreements.

Industry Participation Policy

The Board's *Industry Participation Guideline* was reviewed during 2014-15 due to the introduction of the Industry Participation Policy (IPP) Procedural Guidelines as well as other supporting documentation by the Office of the Industry Advocate (OIA). As a consequence, the Board determined that its guideline essentially duplicated the OIA's IPP guideline. The Board rescinded its *Industry Participation Guideline* and incorporated the IPP requirements into other relevant Board guidelines, such as the Simple Procurement Guideline, the Panel Contracts Guideline and the Acquisition Planning Guideline.

Sustainability

The Board's *Sustainable Procurement Guideline* provides information and practical advice to public authorities regarding the procurement of sustainable goods and services, and supports the Government's commitment to the APCC *Australian and New Zealand Government Framework for Sustainable Procurement*. The Board's accreditation program identified that sustainability was seldom considered in a structured manner throughout the

procurement process. As a consequence, the policy was updated and now requires public authorities to undertake a sustainability impact assessment for major procurements to identify the key whole-of-life sustainability impacts, risks, and opportunities of the procurement.

Annual Board Reporting Policy

The threshold for the reporting of contracts executed was lowered from \$110,000 to \$22,000 in order to collect more complete information on government contracting activity. The \$22,000 threshold aligns with the Simple Procurement threshold and with the Industry Participation Policy reporting threshold. In consultation with the OIA, the Board agreed to utilise its annual reporting process as a mechanism to collect data required by the IPP guidelines.

A close-up photograph of a person's hands, wearing a light blue shirt, holding a blue pen over a wooden table. The table is cluttered with various documents, including a spiral-bound notebook, a yellow sticky note, and several loose sheets of paper. The background is blurred, showing other people and a blue wall. The overall scene suggests a professional or administrative setting.

Public Authority Procurement Activity

Public Authority Procurement Activity

Public Authorities Required to Report Detailed Procurement Activity

AGD	Attorney-General's Department
CAA	Courts Administration Authority
DCSI	Department for Communities and Social Inclusion
DCS	Department for Correctional Services
DECD	Department for Education and Child Development
DEWNR	Department of Environment, Water and Natural Resources
DPTI	Department of Planning, Transport and Infrastructure
PIRSA	Department of Primary Industries and Regions SA
DPC	Department of the Premier and Cabinet
DTF	Department of Treasury and Finance
DSD	Department of State Development
SA Health	SA Health
SAPOL	South Australia Police
SAFECOM	South Australian Fire and Emergency Services Commission
SAMSB	South Australian Motor Sport Board
SATC	South Australian Tourism Commission
TAFE SA	TAFE SA

The information obtained from public authorities through the annual reporting process is used by the Board to improve its policies, to feed into its review and assurance programs, and to promote dialogue with public authorities on matters of importance.

Table 1 – Procurement Spend Summary

PURCHASE TYPE	2014-15	2013-14	2012-13	2011-12	2010-11
Goods	\$1,242,363,364	\$1,190,657,695	\$1,107,618,825	\$1,398,830,014	\$1,040,535,220
Services	\$3,040,768,868	\$2,932,780,677	\$2,864,997,557	\$2,473,611,162	\$2,832,035,016
Total	\$4,283,132,231	\$4,123,438,372 ¹	\$3,972,616,382	\$3,872,441,177	\$3,872,570,236

Certificate of Compliance

As part of the Board's annual reporting regime, public authority principal officers with a procurement authority are required to complete a Certificate of Compliance. The certificate indicates the extent to which the Board's policies and guidelines have been adhered to by the public authority during the course of the reporting period.

Annual Procurement Reporting Policy

This chapter of the annual report is based on information reported by public authorities as required by the Board's Annual Procurement Reporting Policy.

The scope of the procurement information to be reported is limited by the Act and excludes construction procurement valued over \$165,000 (inclusive of GST) and procurement by prescribed public authorities. Information is reported on procurement spend and contracting activity.

Procurement Spend

In 2014-15, total spend reported by public authorities on goods and services was approximately \$4.3 billion.

Table 1 displays total spend from 2010-11 through to 2014-15 and indicates an increase in total spend of approximately 3.8% from 2013-14 to 2014-15.

The breakdown of total spend between goods and services has remained relatively stable over the past few years with around 30% spent on goods and 70% spent on services. Fluctuations are due to the cyclical nature of procurement spending and/or the influence of significant procurements in any given year.

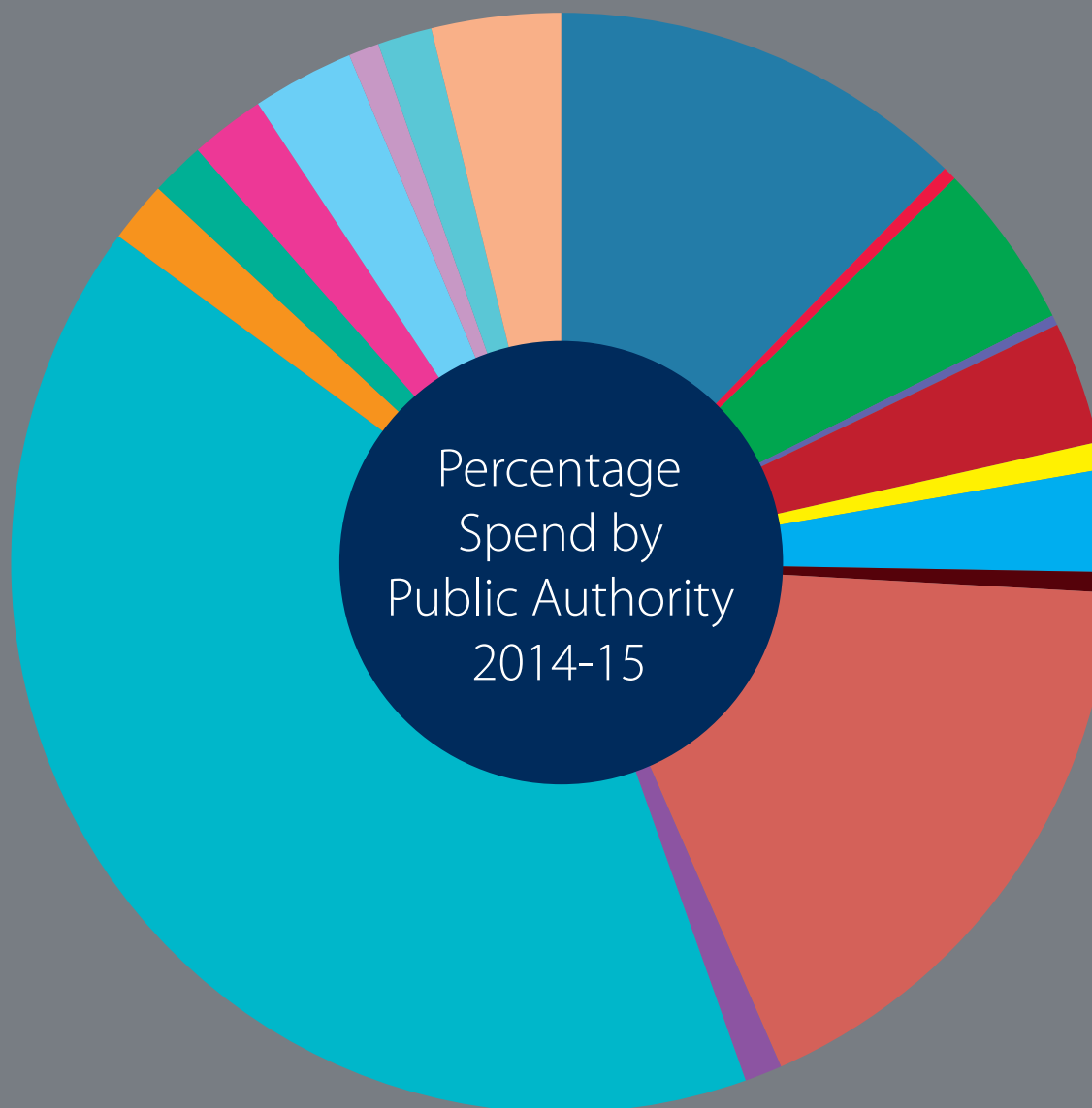
1. Procurement spend figures for TAFE SA were inadvertently excluded from the 2013-14 spend estimates in last year's annual report.

Public Authority Procurement Activity

Figure 1 shows each public authority's spend as a percentage of overall total spend. Consistent with previous years, in 2014-15 SA Health incurred the highest spend (40.6%), followed by DPTI (17.6%) and DECD (12.3%).

Figure 1 - Percentage Spend by Public Authority 2014-15

DECD	12.3%
SAMSB	0.4%
DCSI	4.9%
DSD	0.3%
DEWNR	3.6%
SATC	0.8%
DPC	3.0%
CAA	0.6%
DPTI	17.6%
DTF	1.1%
SA Health	40.6%
AGD	1.8%
DCS	1.6%
SAFECOM	2.2%
SA Police	3.0%
PIRSA	0.9%
TAFE SA	1.6%
BASE LEVEL	3.8%



Public Authority Procurement Activity

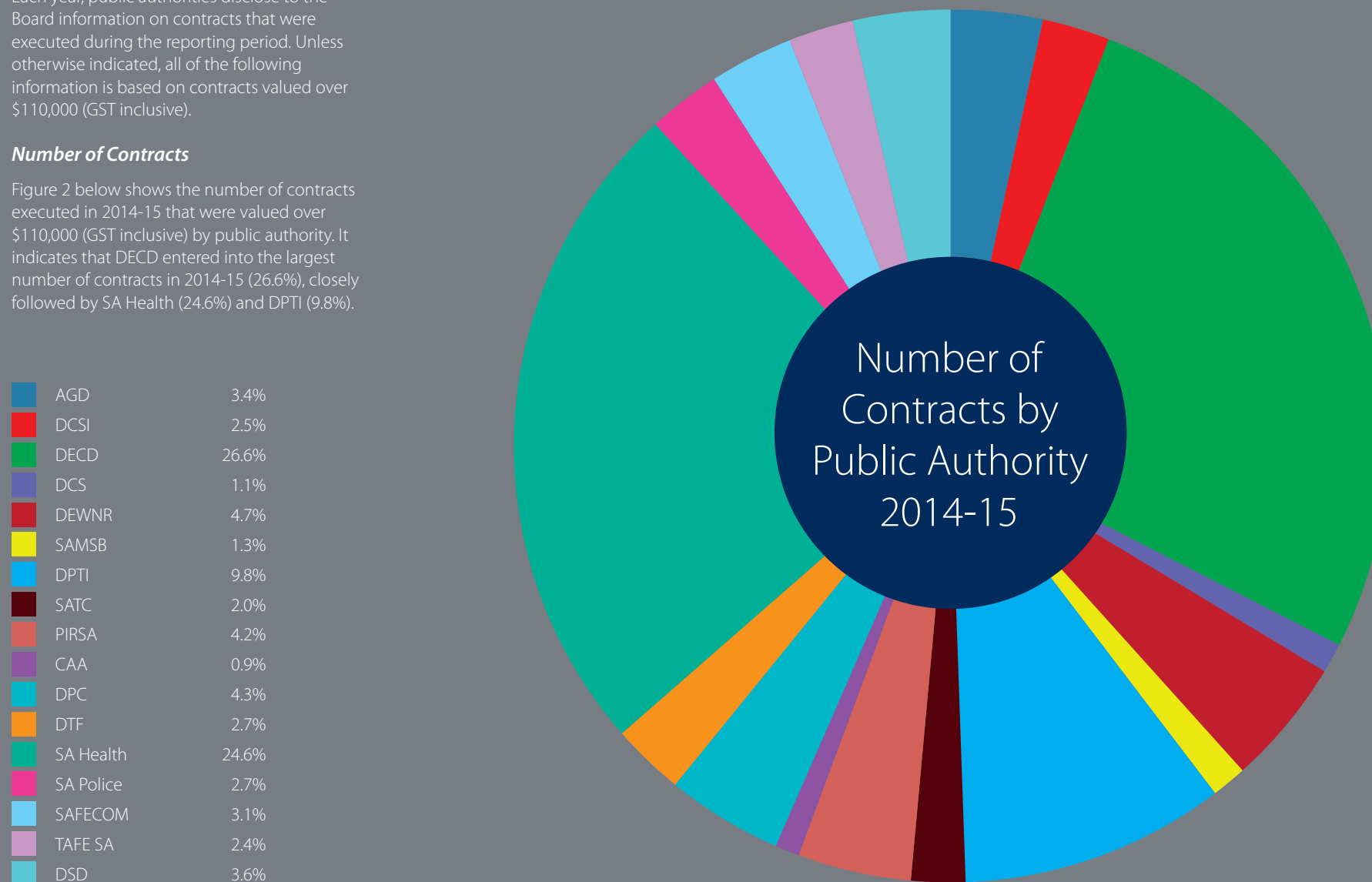
Contracting Activity

Each year, public authorities disclose to the Board information on contracts that were executed during the reporting period. Unless otherwise indicated, all of the following information is based on contracts valued over \$110,000 (GST inclusive).

Number of Contracts

Figure 2 below shows the number of contracts executed in 2014-15 that were valued over \$110,000 (GST inclusive) by public authority. It indicates that DECD entered into the largest number of contracts in 2014-15 (26.6%), closely followed by SA Health (24.6%) and DPTI (9.8%).

Figure 2 – Number of Contracts by Public Authority 2014-15



Supply Market Approach

Figure 3 shows the number of contracts by the type of market approach utilised. In 2014-15, excluding the 'other' category, contracts that were undertaken by competitive processes accounted for over 63% of the number of reported contracts entered into in that period. This is an increase from 61.3% in 2013-14. Direct negotiation accounted for 35% of the reported number of contracts executed in 2014-15, a reduction from 36.6% in 2013-14.

The proportion of request for quote market approaches was higher in 2014-15 at 37% compared to 2013-14 (23%). Part of the reason for the increase was the large number of DECD cleaning contracts (for schools) that were entered into via a request for quotation approach.

Figure 3 – Number of Contracts by Market Approach 2014-15



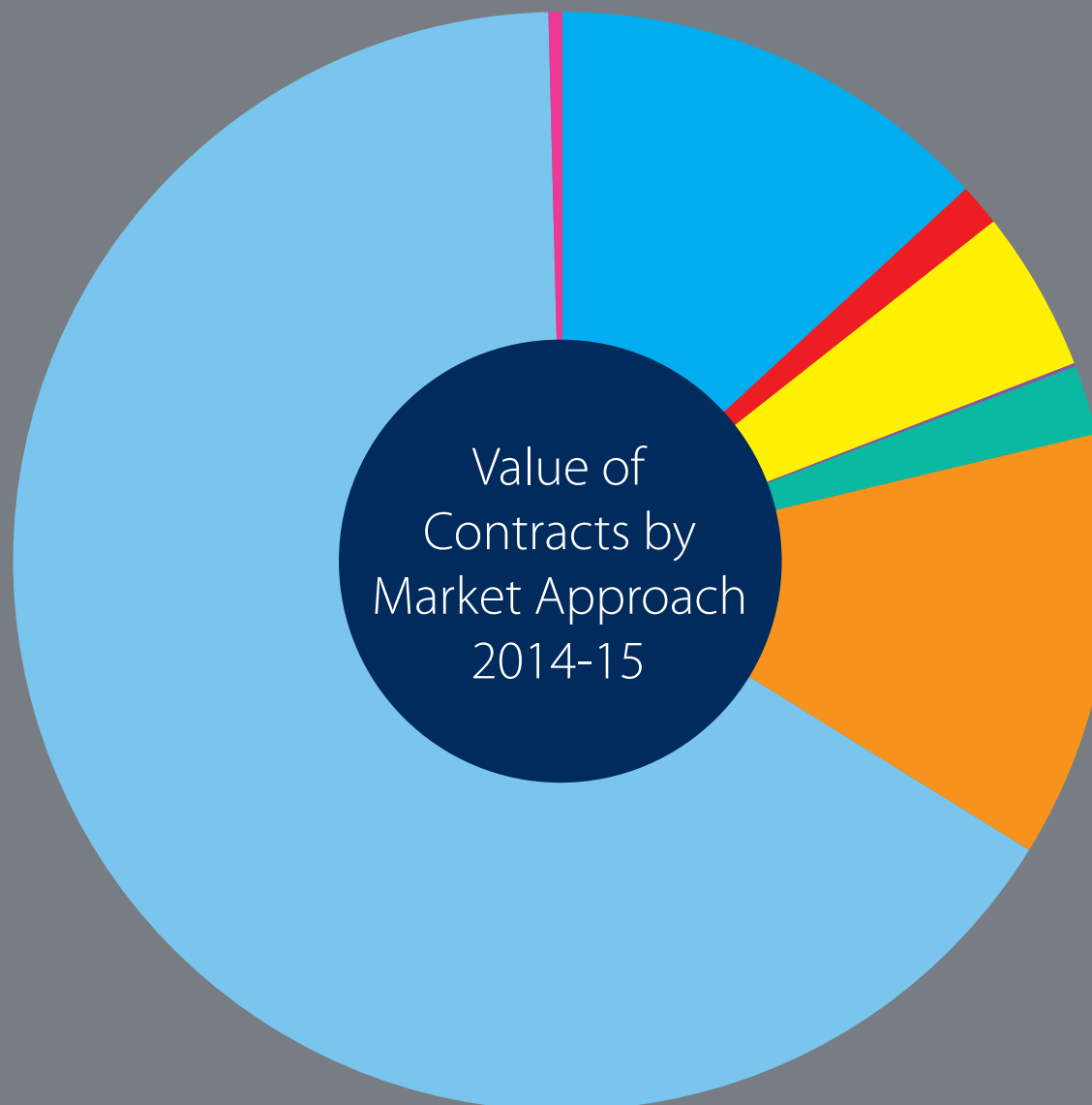
Public Request for Tender (RFT)	17.4%
Selective RFT	4.9%
Request for Proposal (RFP)	2.0%
Request for Quotation (RFQ)	37.0%
Selective RFP	0.5%
Direct Negotiation	35.3%
Multi-Stage Process (may include EOI/ROI)	1.8%
Other	1.1%

Figure 4 shows the proportion of value of contracts by the type of market approach. As indicated, in 2014-15, excluding the 'other' category, contracts that were undertaken by competitive processes made up 87% of the total value of reported contracts entered into during that period. Direct negotiations accounted for 12.5% of the total value of reported contracts executed in 2014-15.

Figures 3 and 4 show that 1.8% of the number of reported contracts used a multi-stage market approach, but they accounted for 65.7% of the value of reported contracts. Analysis of the reported data indicates that although there were a small number of contracts undertaken via multi-stage approach, nearly all were of a very high value and complex in nature. For example, of the top five highest value contracts reported as entered into in 2014-15, four of those used a multi-stage market approach process.

The reported data signifies that public authorities are applying market approaches commensurate with the nature of the contract. The Board may review market approaches undertaken by public authorities to identify key trends and impacts.

Figure 4 – Value of Contracts by Market Approach 2014-15



Public Request for Tender (RFT)	13.14%
Selective RFT	1.24%
Request for Proposal (RFP)	4.74%
Selective RFP	0.1%
Request for Quotation (RFQ)	2.04%
Direct Negotiation	12.54%
Multi-Stage Process (may include EO/ROI)	65.74%
Other	0.4%

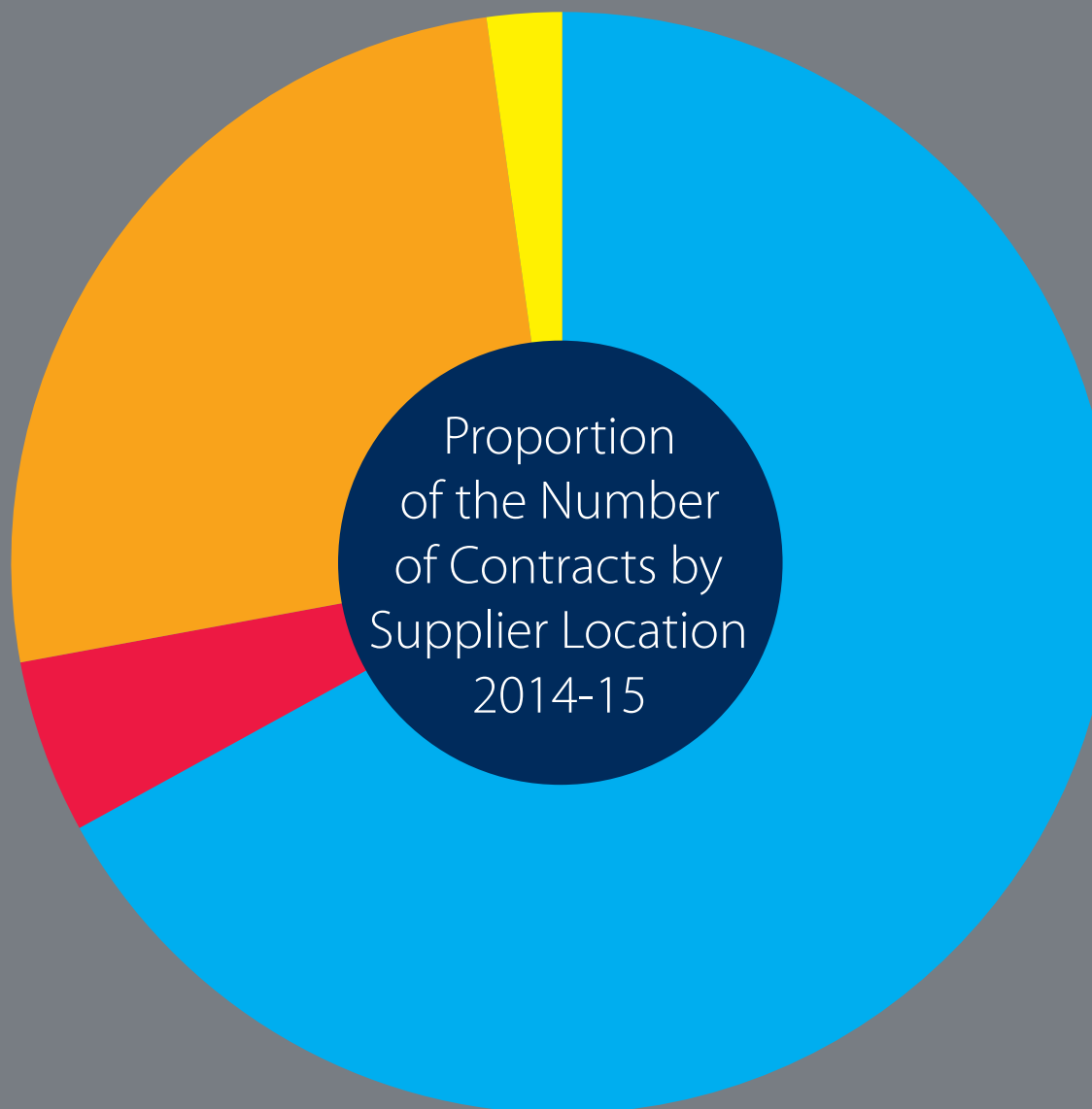
Source of Supply

Public authorities are required to report on supplier location for contracts reported during 2014-15. The key factors used to determine supplier location are the location of the office of the supplier who is actually undertaking the work to service the contract, plus where most of the employment activity under the contract was undertaken.

Figure 5 shows the proportion of reported contracts by supplier location. The majority (97.8%) of all contracts were entered into were with Australian and New Zealand suppliers (including South Australian suppliers).

According to information provided by public authorities, approximately 72.1% of the number of contracts signed off in 2014-15 were undertaken by South Australian suppliers (metropolitan and regional) compared to 68% in 2013-14.

Figure 5 – Proportion of the Number of Contracts by Supplier Location 2014-15



Metropolitan Adelaide	67.0%
Regional SA	5.1%
Other Aust States / Territories & NZ	25.7%
Overseas	2.2%

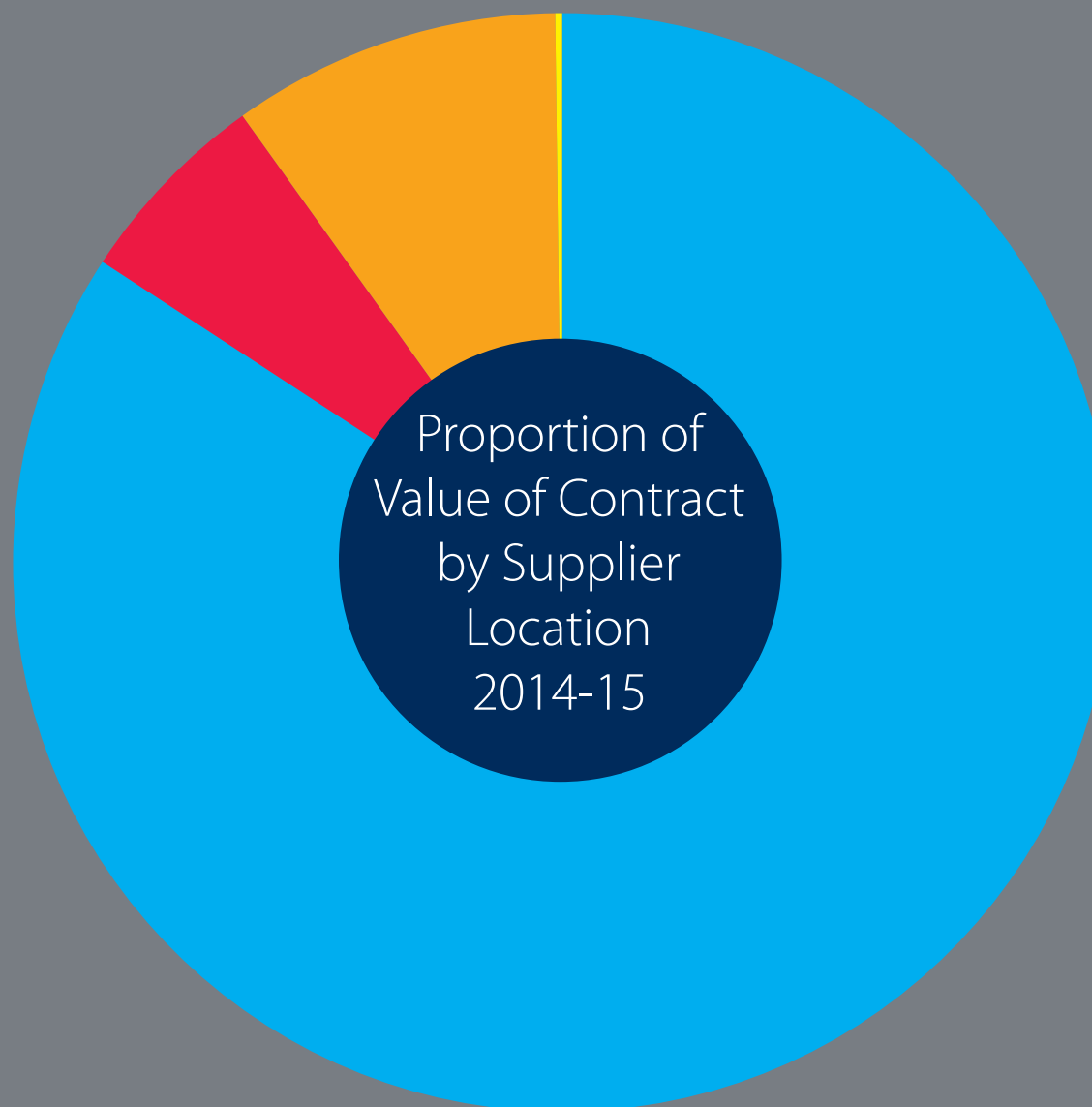
Public Authority Procurement Activity

Figure 6 displays the percentage of contracts (by value) that public authorities entered into in 2014-15, by supplier location.

Consistent with previous years, the majority of the total value of contracts (99.9% in 2014-15) were entered with Australian and New Zealand suppliers (including South Australian suppliers). According to information reported by public authorities, 90.2% of the value of contracts were entered into with suppliers located in South Australia (metropolitan and regional) in 2014-15. This compares to 79.7% in 2013-14 and 51% in 2012-13.

When considering the above data, it is important to appreciate that the cyclical nature of contract activity can have a significant impact on the contract activity data in any one year.

Figure 6 – Proportion of Value of Contract by Supplier Location 2014-15



Metropolitan Adelaide	84.3%
Regional SA	5.9%
Other Aust States / Territories & NZ	9.7%
Overseas	0.2%

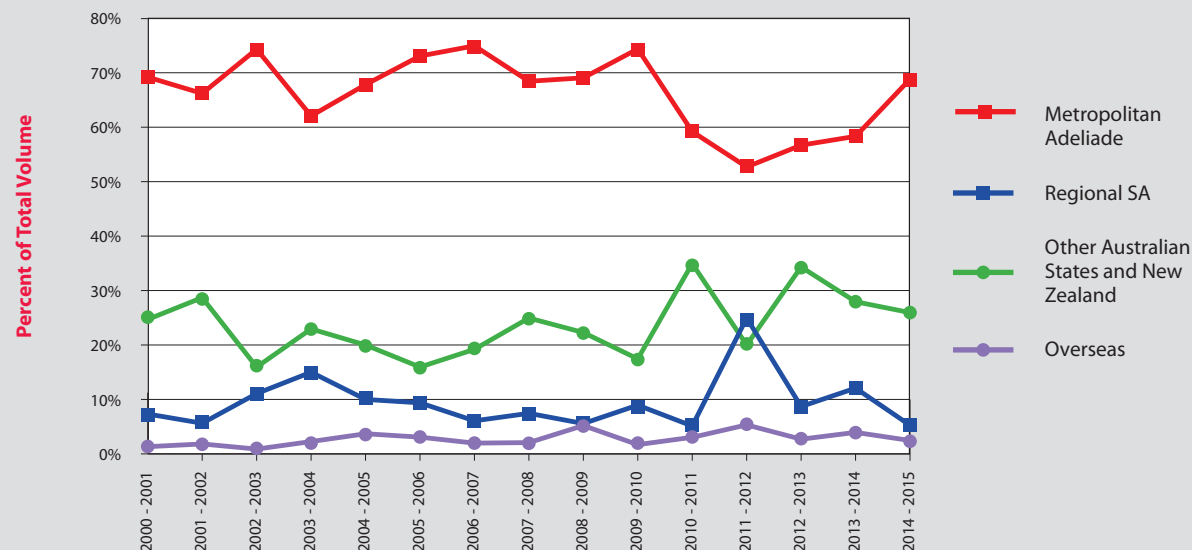
Public Authority Procurement Activity

Figures 7 and 8 below show the total value and number of contracts entered into by public authorities in the last fifteen financial years, by supplier location. Based on assessed contracts, over the period between 2000-01 and 2014-15:

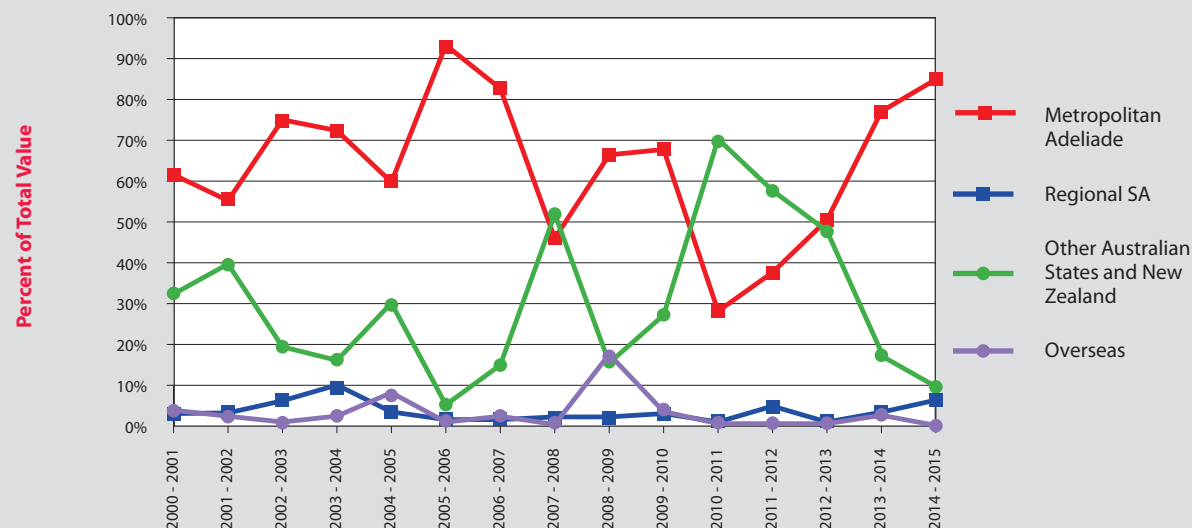
- approximately 74% of the number of contracts and 65% of the value of contracts were awarded to South Australian suppliers; and
- over 97% of the number of contracts and 98% of the value of contracts were awarded to Australian and New Zealand suppliers (including South Australian suppliers).

The figures show that despite the fluctuations from year to year in supplier location statistics due to the cyclical nature of contract establishment and renewals, South Australian supplier participation in the value and volume of SA government contracts has continued to remain high over the past fifteen years.

**Figure 7 –
Number of
Contracts
by Supplier
Location,
2000-01 to
2014-15**



**Figure 8 –
Contract Value
by Supplier
Location,
2000-01 to
2014-15**



Public Authority Procurement Activity

New Data

Since 1 January 2015, the Board has required public authorities to include contracts valued from \$22,000 in their annual reporting. This has resulted in six months' worth of data reported on those contracts that were valued from \$22,000 to \$110,000 (inclusive). Figures 2 to 8 above do not include this data given only a half year was reported for those contracts. It is anticipated that future Board annual reports will include data for contracts valued from \$22,000 once a full year's results have been reported.

An initial assessment has been undertaken on the data reported for contracts valued \$22,000 to \$110,000 and executed from 1 January to 30 June 2015. It shows that the number of contracts valued \$22,000 to \$110,000 represented over 57% of the total number of contracts reported, but only 1.1% of the total value of reported contracts executed in 2014-15.

The assessment findings on contracts valued \$22,000 to \$110,000 are similar to those reported for contracts valued over \$110,000. However, the following observations can be made:

- Compared to those contracts valued over \$110,000, a larger proportion of the number and value of those contracts valued \$22,000 to \$110,000 were DEWNR contracts
- As anticipated given the lower value range (\$22,000 to \$110,000), there were a larger proportion of contracts that were undertaken via request for quotation and direct negotiation compared to those contracts valued over \$110,000
- Regional South Australian suppliers made up a larger proportion of the number and value of contracts for contracts valued \$22,000 to \$110,000.



Other Information

Freedom of Information

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

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 Board Affecting Members of the Public

As the Government's principal procurement body for goods and services, the Board's objective is to oversee a system of procurement for public authorities 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 Board:

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

Board Documents

A detailed list of the Board's policies as at 30 June 2015 can be found in Appendix A of 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 1045
ADELAIDE SA 5001

Telephone: (08) 8226 5001

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

Public Authorities

Apart from the major public authorities, there are many small to medium public authorities that are subject to the Act. In accordance with the Board's Procurement Authority Policy, the Board is required to approve a formal procurement authority to these authorities, which enables them to undertake procurement operations to their approved authority level, without reference to the Board.

A full list of public authorities can be found in Appendix B.

Prescribed Public Authorities as at 30 June 2015

Prescribed public authorities (as defined by section 4 of the Act and declared by regulation) are not required to comply with Board policies and guidelines. The following public authorities are prescribed for the purpose of the Act:

- Adelaide Convention Centre Corporation
- Adelaide Entertainments Corporation
- Architectural Practice Board of South Australia
- Construction Industry Training Board
- Health Services Charitable Gifts Board
- Legal Profession Conduct Commissioner
- Local Government Finance Authority of South Australia
- Motor Accident Commission
- South Australian Forestry Corporation
- South Australian Housing Trust
- South Australian Water Corporation
- Superannuation Funds Management Corporation of South Australia
- Urban Renewal Authority
- WorkCover Corporation of South Australia



Appendices

Board Member Attendance at Meetings

Board Members	Eligible Full Meetings	Meetings Attended	Eligible Special Meetings	Special Meetings Attended
Judith Carr	11	9	1	1
Debbie Black	11	8	1	0
Virginia Deegan	11	8	1	0
Catherine Schultz	11	10	1	1
Katrina Ball	11	10	1	1
Debra Contala	11	11	1	1
David Henchcliffe	11	10	1	0
Julieann Riedstra^	5	4	1	0
Chris Oerman*	6	5	1	0

Procurement Approvals Committee Member Attendance at Meetings

There were 18 Procurement Approvals Committee meetings held in 2014-2015.

Board Members	PAC Meetings Attended
Judith Carr	6
Catherine Schultz	5
Debra Contala	4
Debbie Black	4
Virginia Deegan	2
David Henchcliffe	4
Katrina Ball	7
Julieann Riedstra	1
Chris Oerman	4

* Mr Chris Oerman resigned from the Board on 29 January 2015

^ Ms Julieann Riedstra was granted leave of absence from July – December 2014

Procurement Submissions Approved 2014-2015

Approval Type and Level	Number	Value (\$million)
Acquisition Plans		
Delegate	4	11.0
Procurement Approvals Committee	30	1,201.8
Board	12	1,331.5
TOTAL	46	2,544.3

Purchase Recommendations		
Delegate	0	0
Procurement Approvals Committee	0	0
Board	1	1,198.0
TOTAL	1	1,198.0

Variations		
Delegate	0	0
Procurement Approvals Committee	3	11.2
Board	2	1.2
TOTAL	5	12.4

Policy Framework as at 30 June 2015

Procurement Governance

- Procurement Authority Policy
- Procurement Accreditation Guideline
- Assurance Program Policy
- Assurance Program Guideline

Procurement Planning and Reporting

- Base Level Procurement Reporting Guideline
- Board Procurement Reporting Policy

Government Requirements

- Contract Register Policy
- Emergency Situation Procurement Policy
- International Obligations Policy
- Probity and Ethical Procurement Guideline
- Sustainable Procurement Guideline
- Use of Established Government Facilities Policy

Procurement Context

- Risk Management Guideline

Procurement Process

- Acquisition Planning Guideline
- Contract Management Guideline
- Disposal Guideline
- Market Approaches Guideline
- Market Analysis and Acquisition Strategy Guideline
- Panel Contracts Guideline
- Simple Procurement Guideline
- Standard Tender and Contract Documents Policy
- Standard Tender and Contract Documents Guideline
- Supplier Selection Guideline
- Supplier Complaints Policy

Procurement Authorities as at 30 June 2015

Name of Public Authority	Procurement Authority Level (GST Incl)
--------------------------	--

Department of Planning, Transport and Infrastructure (DPTI)	\$11,000,000
--	---------------------

Public authorities aligned under DPTI's procurement authority:

- Boundary Adjustment Facilitation Panel
- Commissioner for Kangaroo Island
- Outback Communities Authority
- South Australian Local Government Grants Commission

SA Health	\$11,000,000
------------------	---------------------

Public authorities aligned under SA Health's procurement authority:

- Balaklava and Riverton Health Advisory Council Inc.
- Barossa and Districts Health Advisory Council Inc.
- Berri Barmera District Health Advisory Council Inc.
- Bordertown and District Health Advisory Council Inc.
- Ceduna District Health Services Health Advisory Council Inc.
- Ceduna Koonibba Aboriginal Health Advisory Council Inc.
- Central Adelaide Local Health Network
- Coorong Health Service Health Advisory Council Inc.
- Country Health SA Local Health Network
- Country Health SA Local Health Network Governing Council
- Eastern Eyre Health Advisory Council Inc.
- Eudunda Kapunda Health Advisory Council Inc.
- Far North Health Advisory Council
- Gawler District Health Advisory Council Inc.
- Hawker District Memorial Health Advisory Council
- Hills Area Health Advisory Council Inc.
- Kangaroo Island Health Advisory Council Inc.
- Kingston/Robe Health Advisory Council Inc.
- Leigh Creek Health Services Health Advisory Council
- Lower Eyre Health Advisory Council Inc.
- Lower North Health Advisory Council Inc.
- Loxton and Districts Health Advisory Council Inc.
- Mallee Health Service Health Advisory Council Inc.
- Mannum District Hospital Health Advisory Council Inc.
- Mid North Health Advisory Council Inc.
- Mid-West Health Advisory Council Inc.

Name of Public Authority	Procurement Authority Level (GST Incl)
--------------------------	--

- Millicent and Districts Health Advisory Council Inc.
- Mount Gambier and Districts Health Advisory Council Inc.
- Naracoorte Area Health Advisory Council Inc.
- Northern Adelaide Local Health Network
- Northern Yorke Peninsula Health Advisory Council Inc.
- Penola and Districts Health Advisory Council Inc.
- Pika Wiya Health Advisory Council Inc.
- Port Augusta, Roxby Downs, Woomera Health Advisory Council
- Port Broughton District Hospital and Health Services Health Advisory Council Inc.
- Port Lincoln Health Advisory Council
- Port Pirie Health Service Advisory Council
- Quorn Health Services Health Advisory Council
- Renmark Paringa District Health Advisory Council Inc.
- SA Ambulance Service Volunteer Health Advisory Council
- South Australian Ambulance Service
- South Coast Health Advisory Council Inc.
- Southern Adelaide Local Health Network
- Southern Flinders Health Advisory Council
- The Murray Bridge Soldiers' Memorial Hospital Health Advisory Council Inc.
- Waikerie and Districts Health Advisory Council Inc.
- Whyalla Hospital and Health Services Advisory Council
- Women's & Children's Health Network
- Yorke Peninsula Health Advisory Council Inc.

Attorney-General's Department (AGD)	\$4,400,000
--	--------------------

Public authorities aligned under AGD's procurement authority:

- Asbestos Advisory Committee
- Child Protection Systems Royal Commission
- Construction Industry Long Service Leave Board
- Electoral Commission SA
- Employee Ombudsman
- Industrial Relations Advisory Committee
- Industrial Relations Commission
- Industrial Relations Court
- Medical Panels SA

Appendix B

Name of Public Authority	Procurement Authority Level (GST Incl)
<ul style="list-style-type: none"> ■ Mining and Quarrying Occupational Health and Safety Committee ■ Nuclear Life Cycle Royal Commission ■ Health, Safety and Welfare Act – Review Committees ■ Office for Public Integrity ■ Public Trustee ■ South Australian Health Practitioners Tribunal ■ Workcover Ombudsman ■ Workers Rehabilitation and Compensation Advisory Committee 	
Department for Education and Child Development (DECD)	\$4,400,000
<i>Public authorities aligned under DECD's procurement authority:</i>	
<ul style="list-style-type: none"> ■ Advisory Committee on Non-Government Schools ■ Child Death and Serious Injury Review Committee ■ Council for the Care of Children ■ Dame Roma Mitchell Trust Fund for Children and Young People Board ■ Education and Early Childhood Services Registration and Standards Board of South Australia ■ Ethnic Schools Board ■ Ministerial Advisory Committee: Students with Disabilities ■ Multicultural Education Committee ■ Scaling and Tertiary Selection Monitoring Committee ■ South Australian Teacher Certification Committee ■ Teachers Appeal Board ■ School Governing Councils ■ Preschool Management Committees 	
South Australia Police	\$4,400,000
TAFE SA	\$4,400,000
Department for Communities and Social Inclusion (DCSI)	\$4,400,000
<i>Public authorities aligned under DCSI's procurement authority:</i>	
<ul style="list-style-type: none"> ■ Charitable and Social Welfare Fund Board ■ Disability Advisory Council of SA ■ Gambling Advisory Committee ■ Homestart Finance ■ Housing and Urban Development Advisory Committee 	

Name of Public Authority	Procurement Authority Level (GST Incl)
<ul style="list-style-type: none"> ■ Housing Appeal Panel ■ Lifetime Support Authority of South Australia ■ Ministerial Advisory Board on Ageing ■ Minister's Strategic Housing Advisory Committee ■ South Australian Multicultural and Ethnic Affairs Commission ■ State Emergency Relief Fund Committee ■ Supported Residential Facilities Advisory Committee 	
Courts Administration Authority	\$1,100,000
Department for Correctional Services	\$1,100,000
Department of State Development (DSD)	\$1,100,000
<i>Public authorities aligned under DSD's procurement authority:</i>	
<ul style="list-style-type: none"> ■ Angas Mine Community Consultative Committee ■ Art Gallery of South Australia ■ Carrick Hill Trust ■ Education Adelaide ■ Extractive Areas Rehabilitation Fund Project Assessment Panel ■ Libraries Board of South Australia ■ Mining Act Review Steering Committee ■ Mintabie Consultative Committee ■ Office of the Technical Regulator ■ Olympic Dam Community Consultative Forum ■ Olympic Dam Environmental Consultative Committee ■ Olympic Dam Taskforce ■ Small Business Commissioner ■ Resources Industry Development Board ■ South Australian Aboriginal Advisory Council ■ South Australian Museum ■ State Aboriginal Heritage Committee ■ Training Advocate ■ Training and Skills Commission 	

Appendix B

Name of Public Authority Procurement Authority Level (GST Incl)

Department of Environment, Water and Natural Resources (DEWNR) \$1,100,000

Public authorities aligned under DEWNR's procurement authority:

- Adelaide and Mount Lofty Ranges Natural Resource Management (NRM) Board
- Alinytjara Wilurara NRM Board
- Board of the Botanic Gardens and State Herbarium
- Centre for Natural Resources Management (NRM) Board
- Coast Protection Board
- Dog and Cat Management Board
- Environment Protection Authority
- Eyre Peninsula NRM Board
- Flinders Ranges National Park Co-management Board
- General Reserves Trust
- Kangaroo Island NRM Board
- Lower South East NRM Group
- Maralinga Lands Mamungari Conservation Park Board of Management
- Native Vegetation Council
- Natural Resources Management (NRM) Council
- Northern and Yorke NRM Board
- Pastoral Board
- SA Arid Lands NRM Board
- SA Murray Darling Basin NRM Board
- South East NRM Board
- South Eastern Water Conservation and Drainage Board
- Upper South East NRM Group
- Vulkathuna-Gammon Ranges National Park Co-management Board
- Zero Waste SA

Department of the Premier and Cabinet (DPC) \$1,100,000

Public authorities aligned under DPC's procurement authority:

- Agent General
- Anzac Day Commemoration Council
- Minister's State/Local Government Forum
- Premier's Climate Change Council
- Privacy Committee of South Australia
- Public Sector Grievance Review Commission
- South Australia's Strategic Plan Community Engagement Board

Name of Public Authority Procurement Authority Level (GST Incl)

- State Emergency Management Committee
- State Records Council

Department of Primary Industries and Regions (PIRSA) \$1,100,000

Public authorities aligned under PIRSA's procurement authority:

- Advisory Board of Agriculture
- Aquaculture Advisory Committee
- Aquaculture Tenure Allocation Board
- Central Local Dog Fence Board
- Dog Fence Board
- Fisheries Council of South Australia
- Fowlers Bay Local Dog Fence Board
- Frome Local Dog Fence Board
- Genetically Modified Crop Advisory Committee
- Horticulture Industry Development Board
- Marree Local Dog Fence Board
- Meat Food Safety Advisory Committee
- Penong Local Dog Fence Board
- Pureba Local Dog Fence Board
- Rural Solutions SA
- South Australian Alpaca Advisory Group
- South Australian Cattle Advisory Group
- South Australian Goat Advisory Group
- South Australian Horse Industry Advisory Group
- South Australian Pig Industry Advisory Group
- South Australian Sheep Advisory Group

Department of Treasury and Finance (DTF) \$1,100,000

Public authorities aligned under DTF's procurement authority:

- Distribution Lessor Corporation
- Generation Lessor Corporation
- South Australian Financing Authority
- South Australian Parliamentary Superannuation Board
- South Australian Superannuation Board
- Southern Select Superannuation Corporation Board
- Transmission Lessor Corporation

Appendix B

Name of Public Authority	Procurement Authority Level (GST Incl)
South Australian Motor Sport Board	\$1,100,000
South Australian Tourism Commission (SATC)	\$1,100,000
South Australian Fire and Emergency Services Commission	\$440,000
Aboriginal Lands Trust	\$220,000
Adelaide Cemeteries Authority	\$220,000
Adelaide Festival Centre Trust	\$220,000
Adelaide Festival Corporation	\$220,000
Adelaide Film Festival	\$220,000
Anangu Pitjantjatjara Yankunytjatjara	\$220,000
Australian Children's Performing Arts Company (Windmill Performing Arts)	\$220,000
Bio Innovation SA	\$220,000
Dairy Authority of South Australia	\$220,000
Defence SA	\$220,000
Essential Services Commission of South Australia	\$220,000
History Trust of South Australia	\$220,000
Independent Gambling Authority	\$220,000
Legal Services Commission	\$220,000
Lotteries Commission of South Australia	\$220,000
Maralinga Tjarutja	\$220,000
Pharmacy Regulation Authority SA	\$220,000
Phylloxera and Grape Industry Board of South Australia	\$220,000
SACE Board of South Australia	\$220,000

Name of Public Authority	Procurement Authority Level (GST Incl)
South Australian Country Arts Trust (Country Arts SA)	\$220,000
South Australian Film Corporation	\$220,000
South Australian Police Superannuation Board	\$220,000
State Opera of South Australia	\$220,000
State Theatre Company of South Australia	\$220,000
Teachers Registration Board of South Australia	\$220,000
Veterinary Surgeons Board of South Australia	\$220,000
West Beach Trust	\$220,000

112 public authorities that do not undertake procurement operations have been issued a "nil" procurement authority.



Appendix C - Financials

For Official Use Only



Government of South Australia
Auditor-General's Department

Our ref: A15/233

29 September 2015

Ms J Carr
Chair
State Procurement Board
GPO Box 1045
ADELAIDE SA 5001

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 55208
Victoria Square
Tel +618 8226 9500
Fax +618 8226 9588
ABN 53 327 081 410
audgen@audit.sa.gov.au
www.audit.sa.gov.au

Dear Ms Carr

**The audit of the State Procurement Board
for the year ended 30 June 2015**

The audit of the accounts of the State Procurement Board for the year ended 30 June 2015 has been completed.

The scope of the audit covered the principal areas of the financial operations of the State Procurement Board and included the test review of systems and processes and internal controls and financial transactions. The main areas of audit coverage included:

- cash
- expenditure
- remuneration of Board Members
- revenue
- payables.

The audit coverage and its conduct is directed to meeting statutory audit responsibilities under the *Public Finance and Audit Act 1987* and also the requirements of Australian Auditing Standards.

In essence, three important outcomes result from the annual audit process, notably the issue:

- of the Independent Auditor's Report (IAR) on the integrity of the State Procurement Board's financial statements
- during the year or at the time of financial statement preparation and audit or close thereto, of an audit management letter advising of deficiencies/weaknesses in areas of governance, financial system and process and control and financial reporting, together with recommendations for improvement in controls
- of an opinion on the controls exercised by your agency.

For Official Use Only

In this regard, returned herewith are the financial statements of the State Procurement Board together with the IAR, which is unmodified.

The audit did not identify any matters requiring management attention.

In my opinion, the controls exercised by the State Procurement Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the State Procurement Board have been conducted properly and in accordance with law.

Finally, I would like to express my appreciation to the management and staff of the State Procurement Board and of Shared Services SA in providing assistance during the year to my officers in the conduct of the annual audit.

Yours sincerely

Andrew Richardson
Auditor-General

enc

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
GPO 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
a.g.d@sa.gov.au
www.audit.sa.gov.au

To the Chair State Procurement Board

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 22(2) of the *State Procurement Act 2004*, I have audited the accompanying financial report of the State Procurement Board for the financial year ended 30 June 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Changes in Equity for the year ended 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chair and the Director Financial Services.

The Board's Responsibility for the Financial Report

The Members of the Board are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Members of the Board determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Members of the Board, as well as the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion


In my opinion, the financial report gives a true and fair view of the financial position of the State Procurement Board as at 30 June 2015, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Andrew Richardson
Auditor-General
29 September 2015

Certification of the Financial Statements

We certify that the:

- financial statement of the State Procurement Board:
 - _ are in accordance with the accounts and records of the authority; and
 - _ comply with relevant Treasurer's instructions; and
 - _ comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the authority at the end of the financial year and the results of its operations and cash flows for the financial year
- Internal controls employed by the State Procurement Board over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.


Judith Carr
CHAIR
STATE PROCUREMENT BOARD.
28 September 2015


Paul Williams
DIRECTOR, FINANCIAL SERVICES
DEPARTMENT OF TREASURY AND FINANCE
29 September 2015

Statement of Comprehensive Income for the year ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
EXPENSES			
Employee benefit expenses	4	69	67
Supplies and services	6	375	486
Total expenses		444	553
INCOME			
Revenues from fees and charges	8	108	151
Total income		108	151
NET COST OF PROVIDING SERVICES		(336)	(402)
REVENUES FROM SA GOVERNMENT			
Grants from SA Government	9	428	418
Total Revenues from SA Government		428	418
NET RESULT		92	16
TOTAL COMPREHENSIVE RESULT		92	16

THE NET RESULT AND COMPREHENSIVE RESULT ARE ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER.

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

Statement of Financial Position as at 30 June 2015

	Note	2015 \$'000	2014 \$'000
CURRENT ASSETS			
Cash and cash equivalents	10	959	878
Receivables	11	1	—
Total current assets		960	878
TOTAL ASSETS		960	878
CURRENT LIABILITIES			
Payables	12	52	33
Other current liabilities	13	7	36
Total Current Liabilities		59	69
TOTAL LIABILITIES		59	69
NET ASSETS		901	809
EQUITY			
Retained earnings	20	901	809
TOTAL EQUITY		901	809

THE TOTAL EQUITY IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER.

Unrecognised Contractual Commitments 14

Contingent Assets and Liabilities 15

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

Statement of Changes in Equity for the year ended 30 June 2015

	Retained Earnings
	\$'000
Balance at 30 June 2013	793
Net result for 2013-14	16
Total comprehensive result for 2013-14	16
Balance at 30 June 2014	809
Net result for 2014-15	92
Total comprehensive result for 2014-15	92
Balance at 30 June 2015	901

ALL CHANGES IN EQUITY ARE ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER.

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

Statement of Cash Flows for the year ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Outflows			
Employee benefit payments		(69)	(67)
Payments for supplies and services		(356)	(639)
Cash used in operations		(425)	(706)
Cash Inflows			
Fees and charges		78	187
Cash generated from operations		78	187
Cash Flows from SA Government			
Receipts from SA Government		428	418
Cash generated from SA Government		428	418
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	16(b)	81	(101)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		81	(101)
Cash and cash equivalents at the beginning of the period		878	979
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	16(a)	959	878

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

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Notes to and forming part of the Financial Statements

1 Objective of the State Procurement Board

The State Procurement Board (the Board) was established under the *State Procurement Act 2004 (The Act)*. The Act states the Board is the same body corporate as the State Supply Board established under the *State Supply Act 1985*.

Under the Act the Board must have regard and seek to further the object of the Act by advancing government priorities and objectives by a system of procurement for public authorities 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.

The Board is serviced for administrative and financial functions, together with strategic and managerial support by the Department of Treasury and Finance, Public Finance Branch and Shared Services SA.

2 Summary of Significant Accounting Policies

2.1 Statement of Compliance

These financial statements have been prepared in compliance with section 23 of the Public Finance and Audit Act 1987.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the Public Finance and Audit Act 1987.

The Board has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Board is a not-for-profit entity.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Board for the period ending 30 June 2015 (refer note 3).

2.2 Basis of Preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Board's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with accounting policy statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:
 - a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature;
 - b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income);
 - c) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Board's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention.

The financial statements have been prepared based on a twelve month period and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented.

2.3 Reporting Entity

The Board is a body corporate established by statute. Its financial arrangements are administered, but not controlled, by the Department of Treasury and Finance through a non-interest bearing Deposit Account named the 'State Procurement Board Account'. The account is established for the purpose of recording all the activities of the Board including recurrent and capital expenditures, income from various activities, injections of funds provided from the Consolidated Account and borrowings.

2.4 Comparative Information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific revised accounting standards and/or accounting policy statements has required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation in these financial statements unless impracticable.

2.5 Rounding

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

2.6 Taxation

The Board is not subject to income tax. The Board is liable for payroll tax, fringe benefits tax, goods and services tax (GST).

The Department of Treasury and Finance (DTF) prepares the Business Activity Statement on behalf of the Board under the grouping provisions of the GST legislation. Under these provisions, DTF is liable for the payments and entitled to the receipt of GST. As such, GST applicable to the Board forms part of the Statement of Comprehensive Income and Statement of Financial Position of DTF.

2.7 Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the result of subsequent years.

2.8 Income

Income is recognised to the extent that it is probable that the flow of economic benefits to or from the Board will occur and can be reliably measured.

Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The notes accompanying the financial statements disclose income where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

Contributions received

Grants for program funding are recognised as revenues when the Board obtains control over the funding. Control over appropriations is normally obtained upon receipt.

Fees and charges

Revenues from fees and charges are derived from the provision of training to other SA Government agencies and to the public. The revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

2.9 Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Board will occur and can be reliably measured.

Expenses have been aggregated according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

Employee benefit expenses

Employee benefit expenses includes all costs related to employment including wages and salaries and leave entitlements. These are recognised when incurred.

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Board to the superannuation plan in respect of current services of current Board staff.

2.10 Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature. The 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.

2.11 Assets

Assets have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash at bank and deposits at call that are readily converted to cash and which are subject to insignificant risk of change in value.

Cash is measured at nominal value.

The Board's physical cash balance is included within a bank account, namely the Department of Treasury and Finance Support Operations Account, which comprises of cash balances for several deposit accounts and is managed in accordance with Treasurer's Instruction 6 *Deposit Accounts and Banking*.

2.12 Liabilities

Liabilities have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

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 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 payables 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.

3 New and Revised Accounting Standards and Policies

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Board for the period ending 30 June 2015. The Board has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Board.

4 Employee benefit expenses	2015	2014
	\$'000	\$'000
Board fees	50	59
Employment on-costs - superannuation	5	5
Employment on-costs - payroll tax	3	3
Total Employee benefit expenses	59	67

The Board has no other employee expenses.

5 Remuneration of Board Members
Board membership during the 2014-15 financial year were:

State Procurement Board	Date Appointed/Resigned
Chris Oerman*	29/01/2015 (Resigned)
Judith Carr (Chair)*	1-Mar-15
Katrina Ball*	10-Jun-14
Dietrich Black	3-Oct-13
Catherine Schultz	3-Oct-13
Virginia Deegan	10-Jun-14
Debra Contala *	31-Oct-13
David Henchcliffe	14-Nov-13
Julieann Riedelra *	21-Nov-13

The members named above also belong to the Procurement Approval Committee (PAC) and their remuneration is included in Note 4.

The number of members whose remuneration received or receivable falls within the following bands:

	2015	2014
\$0	5	5
\$1 - \$9,999	-	1
\$10,000 - \$19,999	4	4
Total Number of Board Members	9	10

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, fringe benefits tax and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$85,000 (\$84,000).

Amounts paid to a superannuation plan for board/committee members was \$6,000 (\$5,000).

* In accordance with the Department of Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board/committee duties during the financial year.

Unless otherwise disclosed, transactions with members are on conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

6 Supplies and services	2015	2014
	\$'000	\$'000
Supplies and services		
Professional fees	308	444
Information technology	4	1
Advertising/marketing and promotions	5	6
Training and development	-	5
General administration and consumables	40	26
Other	18	4
Total Supplies and services	375	486

7 Auditor's Remuneration	2015	2014
	\$'000	\$'000
Audit Fees paid or payable to the Auditor-General's Department	10	7
Total Audit Fees	10	7

Other Services
No other services were provided by the Auditor-General's Department.

8 Revenues from fees and charges	2015	2014
	\$'000	\$'000
Fees and charges received/receivable		
Other fees and charges	108	151
Total Fees and charges	108	151

9 Revenues from SA Government	2015	2014
	\$'000	\$'000
Grants, subsidies and transfers	428	418
Total Revenues from SA Government	428	418

10 Cash and cash equivalents	2015	2014
	\$'000	\$'000
Deposits with the Treasurer	959	878
Total Cash and cash equivalents	959	878

Interest rate risk
Deposits with the Treasurer are non-interest bearing. The carrying amount of cash and cash equivalents represents fair value.

11 Receivables	2015	2014
	\$'000	\$'000
Current Receivables	1	-
Total Current Receivables	1	-
Total Receivables	1	-

Interest rate and credit risk
Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables and accrued revenues are non-interest bearing.

Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Maturity Analysis of Receivables - refer to Table 18.2 in Note 18.

Categorisation of financial instruments and risk exposure information - refer to Note 18.

12 Payables	2015	2014
	\$'000	\$'000
Current		
Accrued Expenses	52	33
Total Current Payables	52	33
Total Payables	52	33

Interest rate and credit risk

All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand. There is no concentration of credit risk.

(a) Maturity Analysis of Payables - refer to Table 16.2 in Note 18.

(b) Categorisation of financial instruments and risk exposure information - refer to Note 18.

13 Other liabilities	2015	2014
	\$'000	\$'000
Current		
Unearned revenue	7	36
Total Current Other liabilities	7	36

14 Unrecognised Contractual Commitments

Commitments for the payment of consultants and contractors in existence at the reporting date but not recognised as liabilities are payable as follows:

	2015	2014
	\$'000	\$'000
Within one year	46	55
Total Other commitments	46	55

15 Contingent Assets and Contingent Liabilities

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

16 Cash Flow Reconciliation	2015	2014
	\$'000	\$'000

(a) Reconciliation of Cash and Cash Equivalents at the end of the reporting period:

Statement of Cash Flows	959	979
Statement of Financial Position	959	979

(b) Reconciliation of Net Cash provided by Operating Activities to Net Cost of providing Services

Net cash provided by operating activities	81	(101)
Less revenues from SA Government	(428)	(418)
Changes in Assets / Liabilities		
(Decrease) Increase in receivables	1	—
(Decrease) (Increase) in payables	(19)	153
(Increase) decrease in other liabilities	29	(36)
Net Cost of Providing Services	(336)	(402)

17 Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Note	SA Government		Non-SA Government		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
EXPENSES						
4 Employee benefits expenses	—	—	69	67	69	67
5 Supplies and services	—	—	4	1	4	1
Information technology expenses	—	—	18	26	18	26
Legal costs	—	—	250	271	278	354
Contractors	25	83	—	—	—	—
General administration and consumables	—	—	40	76	40	76
Other	16	3	19	26	35	29
7 Auditors Remuneration	—	—	10	7	10	7
TOTAL EXPENSES	41	86	410	474	454	560
INCOME						
8 Revenues from fees and charges	—	—	—	—	—	—
Other fees and charges	108	151	—	—	108	151
9 Revenues from SA Government	428	418	—	—	428	418
TOTAL INCOME	536	569	—	—	536	569
FINANCIAL ASSETS						
11 Receivables	—	—	1	—	1	—
TOTAL FINANCIAL ASSETS	—	—	1	—	1	—
FINANCIAL LIABILITIES						
12 Payables	—	—	—	—	—	—
Accrued expenses	8	10	44	23	52	33
13 Other financial liabilities	—	—	7	36	7	36
TOTAL FINANCIAL LIABILITIES	8	10	51	59	59	69

18 Financial Instruments/Financial Risk Management

Table 18.1: Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 2 Summary of Significant Accounting Policies.

2015						
Category of financial asset and financial liability	Statement of Financial Position line item		Note	Carrying amount	Fair value	
				2015	2015	
				\$'000	\$'000	
Financial assets						
Cash and cash equivalents	Cash and cash equivalents		10	959	959	
Receivables	Receivables ⁽¹⁾		11	1	1	
	Total Financial Assets			960	960	
Financial liabilities						
Financial liabilities at cost	Payables ⁽¹⁾		12	42	42	
Other financial liabilities	Unearned Revenue		13	7	7	
	Total Financial Liabilities			49	49	

2014						
Category of financial asset and financial liability	Statement of Financial Position line item		Note	Carrying amount	Fair value	
				2014	2014	
				\$'000	\$'000	
Financial assets						
Cash and cash equivalents	Cash and cash equivalents		10	878	878	
	Total Financial Assets			878	878	
Financial liabilities						
Financial liabilities at cost	Payables ⁽¹⁾		12	27	27	
Other financial liabilities			13	36	36	
	Total Financial Liabilities			63	63	

⁽¹⁾ Receivable and payment amounts disclosed here exclude amounts relating to statutory receivables and payables. In Government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax, audit receivables/payables etc. they would be excluded from the disclosure. The standard defines contract as an enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost) except for employee on cost which are determined via reference to the employee benefit liability to which they relate.

Credit risk

Credit risk arises when there is the possibility of the Board's debtors defaulting on their contractual obligations resulting in financial loss to the Board. The Board measures credit risk on a fair value basis and monitors risk on a regular basis.

The Board has minimal concentration of credit risk. The Board does not engage in high risk hedging for its financial assets.

The following table discloses the maturity analysis of financial assets and financial liabilities.

Table 18.2: Maturity analysis of financial assets and liabilities

	Carrying amount \$'000	Contractual Maturities		
		< 1 year \$'000	1-5 years \$'000	> 5 years \$'000
2015				
Financial assets				
Cash and cash equivalents	959	959	—	—
Receivables	1	1	—	—
Total financial assets	960	960	—	—
Financial liabilities				
Payables	42	42	—	—
Other financial liabilities	7	7	—	—
Total financial liabilities	49	49	—	—

	Carrying amount \$'000	Contractual Maturities		
		< 1 year \$'000	1-5 years \$'000	> 5 years \$'000
2014				
Financial assets				
Cash and cash equivalents	878	878	—	—
Total financial assets	878	878	—	—
Financial liabilities				
Payables	27	27	—	—
Other financial liabilities	36	36	—	—
Total financial liabilities	63	63	—	—

Liquidity risk

Liquidity risk arises where the Board is unable to meet its financial obligations as they fall due. The continued existence of the Board is dependent on State Government policy and on continuing grants by Parliament for the Board's administration and programs. The Board settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The State Procurement Board's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in Table 18.1 represent the Board's maximum exposure to financial liabilities.

Market risk

The Board does not have exposure to interest rate risk. There is no exposure to foreign currency or other price risks.

19 Events after the reporting period

There were no events occurring after the end of the reporting period that had a material financial implication on these financial statements.

20 Equity

	2015 \$'000	2014 \$'000
Retained earnings	901	808
Total Equity	901	808



Government of South Australia
State Procurement Board