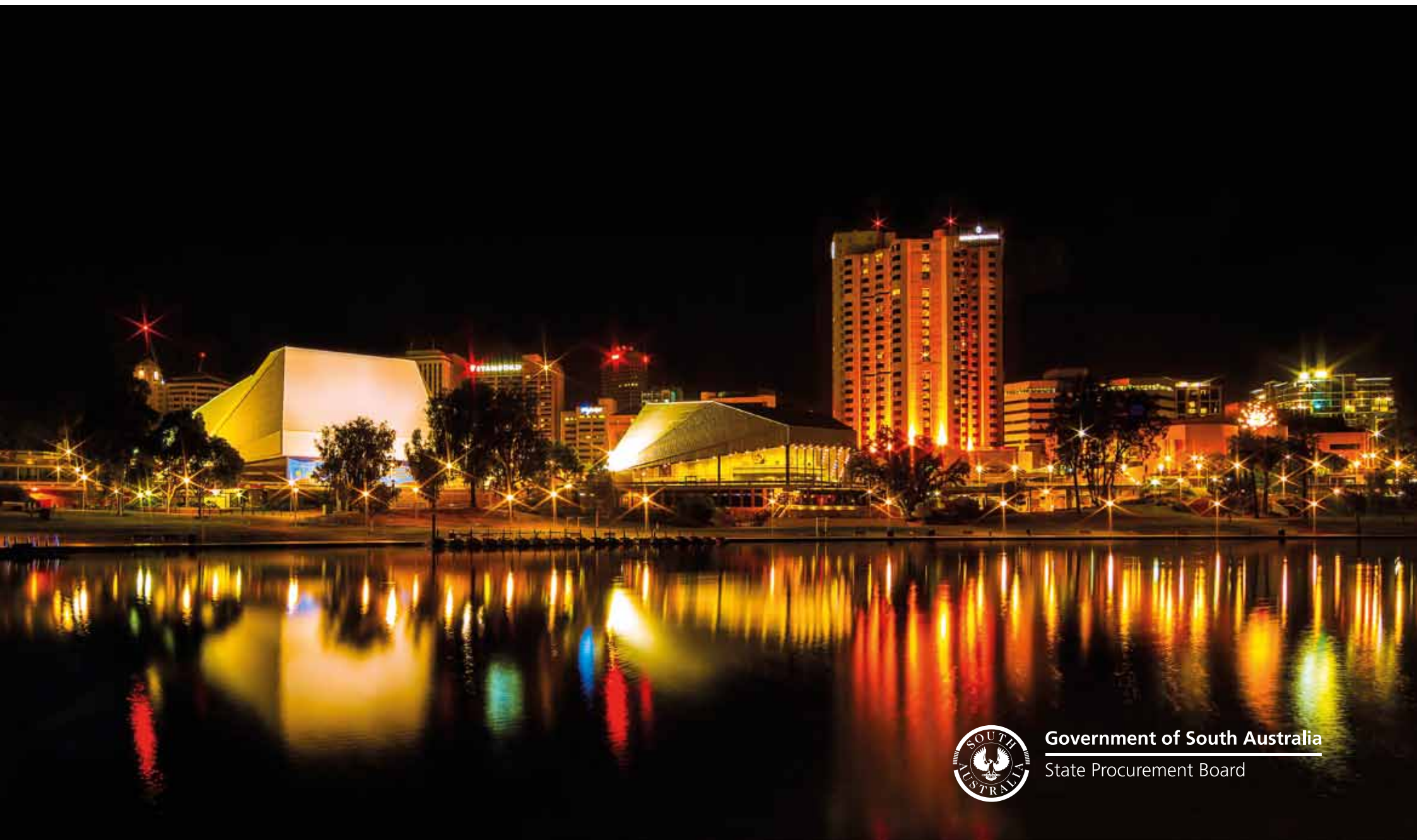


State
Procurement
Board Annual
Report

ANNUAL REPORT 2011-12



Government of South Australia
State Procurement Board

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In accordance with section 23 of the *State Procurement Act 2004* (Act), I am pleased to present the State Procurement Board's Annual Report for the year ending 30 June 2012.

The Board continues to build on achievements to improve the procurement function in the Government of South Australia. A fundamental role of the Board is to oversee the system of procurement across government and continually improve the quality of procurement outcomes. In light of the purchase of toner cartridges (with personal benefits) by officers of some public authorities and the receipt of gifts related to the SA Health food loyalty program, the Board has stepped up its active oversight role.

One key aspect of the Board's oversight role is the procurement compliance review program. The program provides a mechanism to oversee and review procurement operations, and to identify opportunities for improvement. Following the successful completion of the first cycle of procurement compliance reviews, the Board undertook a review of the program to ensure its effectiveness in meeting the Board's obligations under the Act. The program will focus on agency procurement controls that manage risk and will closely align to an assurance process, focusing on more qualitative aspects of procurement operations across government.

The Board has instigated the development of an accreditation program to validate public authority procurement authorities. The principles based approach will provide a flexible framework that can be tailored to meet the specific needs of public authorities. It is anticipated that the accreditation program will be implemented in the second half of 2012-2013.

In recognition of the importance of capability building to support effective procurement operations, the Board and agencies have funded eight employees to undertake the Masters in Management (Strategic Procurement) qualification in partnership with the University of South Australia. The Board has continued its partnership with TAFE SA to support over 100 government procurement officers to work towards achieving a Certificate IV or Diploma in Government (Procurement and Contracting).

On behalf of the Board, I would like to thank the Hon Michael O'Brien, Minister for Finance, as Minister responsible for the Board, for his support during the year.

I also acknowledge the commitment and contribution of my fellow Board members over the past twelve months.

The Board expresses its gratitude to the management and staff of Procurement Policy and Governance, Department of Treasury and Finance, who provide secretariat support to the Board and whose hard work and input has greatly assisted the Board.

Gino DeGennaro
CHAIR



The State Procurement Board

The *State Procurement Act 2004* (Act) establishes the 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; and
- 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 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 service; and
- 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 re-appointed.

The Act also requires that at least one female and one male be appointed as members.

Board Members

Current Board Members / Appointed



Mr Gino DeGennaro
Chair
10 July 2006



Mr Steven Archer
5 June 2008



Mr Roy Arnold
4 October 2005



Ms Katrina Ball
10 June 2010



Ms Debbie Black
4 October 2007



Mrs Judith Carr
10 May 2007



Ms Virginia Deegan
5 June 2008



Mr Christopher Oerman
11 November 2009



Ms Catherine Schultz
4 October 2005

More extensive details of Board members' experience can be found at www.spb.sa.gov.au.



Role and Functions of the Board

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

- 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; and
- 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; and
- 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; and
- providing leadership in strategic issues such as capability development across public authorities.

Sub-Committees of the Board

In accordance with section 13 of the Act, the Board has established two sub-committees to assist the Board in undertaking its functions.

Procurement Approvals Committee

The Board has delegated to the Procurement Approvals Committee (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 greater than \$11 million (GST inclusive) or contracts in the name of the Board, 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 Terms of Reference requires 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 within the Department of Treasury and Finance also attend the meetings in an advisory capacity.

Further membership details of the PAC can be found in Appendix A.

Stakeholder Engagement Committee

The Stakeholder Engagement Committee (SEC) was established to facilitate public authority collaboration, consultation and the advancement of procurement.

The SEC provides a direct communication link between the Board and public authorities and is used as the mechanism to consult on matters that will continuously improve procurement across government.

Membership of SEC is comprised of representatives of large public authorities, nominated by their chief executives. The Chair of the Board chairs the SEC.

STRATEGIC PRIORITIES



STRATEGIC PRIORITIES

Background

The Board provides the Government of South Australia with independent oversight of the objects of the Act.

The Board has established a number of policies, strategies and initiatives to address and further the objects under the Act. These support the achievement of South Australia's Strategic Plan initiatives relating to the performance of the public sector, specifically the area of government decision-making (T1.8).

Strategic Plan 2011-2013

The Board's Strategic Plan 2011-2013 focuses on supporting public authorities in four key result areas:

- provide support to public authorities, in the form of improved policies and guidelines, tools and information, to assist them to improve their procurement operations;
- establish a capability development program, from basic procurement induction, through to specific policy and technical training sessions for practitioners, and higher educational opportunities for those seeking formal qualifications. The plan also focuses on non-procurement participants and decision makers at the executive levels of government;
- ensure the most effective governance model is in place that best facilitates the Board's future direction in line with the Board's obligations under the Act; and
- continue the Board's ongoing business activities including reviews of public authority submissions to the Board and complaint investigation and resolution processes. These processes also inform the Board's capability development and policy review program.

Strengthening Board Oversight

The Board has a fundamental role in overseeing the system of procurement across government and continually improving the quality of procurement outcomes. In light of the purchase of toner cartridges (with personal benefits) by officers of some public authorities and the receipt of gifts related to the SA Health food loyalty program, the Board has further strengthened its active oversight role.

Specific initiatives to support this objective include:

- an enhanced compliance review program as a means to pursue improvement in public authority procurement performance;
- revised accreditation standards and the re-accreditation of public authorities;
- the establishment of a more comprehensive program of capability development; and
- the provision of guidance on supplier evaluation and value for money outcomes.

In addition, where the Board identifies issues or concerns across multiple public authorities, it will follow up and address the issue on a whole of government basis.

Public Authority Compliance Review Program

The review function is an important element of the Board's operations as it:

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

- provides a mechanism to oversee procurement operations in public authorities and potential improvement opportunities;
- assists in identifying trends over time and informs policy and training program development; and
- provides an opportunity for shared learning across government where areas of excellence are identified.

The review program involves assessments in the following areas including:

- the achievement against procurement objectives identified in approved acquisition plans;
- that internal procurement policies, procedures and delegations comply with the Board's policies and guidelines, and processes exist which facilitate timely approval, updating and promulgation;
- compliance to the Board's policies and guidelines through a review of transactions approved in the public authority; and
- that public authorities continue to meet the conditions applied to their procurement authority approval, in particular their progress against action plans.

A total of four base level authorities were reviewed by the Board during the 2011-12 financial year.

The 2011-12 reviews undertaken conclude the first cycle of the compliance program, in which 23 public authorities were reviewed.

The Board also engaged external expertise to review the existing program and provide

options for improvement for its consideration. The Board subsequently approved the development of a new compliance program for the 2012 - 2015 cycle. The new program will focus on how public authorities manage their procurement risks through reviewing and validating public authority controls. It now aligns more closely to an assurance approach. A pilot was conducted with two public authorities to test the new methodology. It was well received by the authorities, who appreciated the opportunity to provide feedback on the program methodology while validating and improving their procurement operations.

Procurement Authority Program

The Board has commenced the development of an accreditation program to validate public authority procurement authorities that were last validated in 2006. The purpose is to ensure there is sufficient capability and appropriate systems/processes in place to provide the Board with confidence that procurement is being effectively managed.

A principles-based approach is being developed which provides a flexible framework that can be tailored to meet the specific needs of public authorities.

The accreditation program will focus on the following performance categories:

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

The accreditation program is planned for implementation in the second half of 2012-13.

Training and Capability Development

The Strategic Plan supports the efforts in achieving the Board's obligations under the Act, in particular, the requirement "to assist in the development and delivery of training and development courses and activities relevant to the procurement operations of public authorities". This has been undertaken in a number of ways.

The Board is supporting agencies by matching 40% funding for up to 10 government employees to undertake the University of South Australia's Masters in Management (Strategic Procurement) qualification over a three-year staggered intake. In January 2012, four employees commenced study bringing the total supported employees to eight.

This University of South Australia course aligns with the Australasian Procurement and Construction Council's (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.

The Board continued to partner with TAFE SA (Adelaide North Institute) which is delivering full qualifications in Certificate IV and Diploma in Government (Procurement and Contracting). One hundred government procurement officers are working towards these qualifications with the assistance of Productivity Places Program for Existing Workers (PPPEW) government funding, which was secured by the Board. As at 30 June 2012, 10 certificates and 26 diplomas have been received with the remainder of the qualifications expected to be awarded in the second half of 2012.

The Board continued its successful Targeted Procurement Training Program with 770 attendees participating in 52 workshops during 2011-12. During the year the program was expanded to 13 topics with the following new workshops introduced:

- Procurement Fundamentals;
- Market Research and Analysis Tools;

- Alignment of Procurement Objectives with the Business;
- Approvals Process Policy and Guideline;
- Panel Contracts Guideline;
- Tactical Negotiation; and
- Strategic Negotiation.

In March 2012, 66 executives attended a seminar entitled "CEO Perspective: Looking at Procurement from the Executive Level". The key note presentation was delivered by Mr Andrew Milazzo, Deputy Chief Executive, Department of Planning, Transport and Infrastructure.

The Board's staff represented 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.

Use of Direct Negotiation Market Approaches

The Board's 2010-11 annual report indicated that a number of procurements had been undertaken by public authorities through direct negotiation. In response, the Board instigated an independent examination of a sample of procurements undertaken through direct negotiation.

Based on the examination, the Board considers that a decision not to go to market warrants a thorough review by public authorities and requires the approval of the Chief Executive. The Board's Market Approaches Guideline will be updated to require more detailed justification when undertaking procurement by direct negotiation and to require public

authorities to obtain approval from the principal officer when seeking to adopt a direct negotiation market approach.

The Board will take the opportunity to clarify definitions and guidance notes for reporting requirements to further improve data accuracy and integrity.

Review of Enterprise Patient Administration System (EPAS)

Over a period of time the Board noted the significant strategy shift by SA Health in relation to its EPAS procurement from originally advocating a systems integrator as the essential requirement for the project's success, to setting up an internal project office to manage the integration, with assistance from external specialists as required.

In accordance with its responsibilities under the Act, the Board undertook an independent review of SA Health's EPAS procurement to better understand the key strategies and decisions taken by SA Health and to identify improvement opportunities.

Purchases of Toner Cartridges

Following allegations of inappropriate purchases of printer cartridges, the Minister for Finance established a working group to coordinate investigations being undertaken across public authorities and to recommend whole of government actions to enhance government controls and processes.

The final report of the working group indicated that a number of public authorities purchased printer cartridges, at significantly inflated prices with evidence of staff receiving gifts. An investigation into these matters has been undertaken by the Crown Solicitor's Office and the South Australia Police.

The Board strengthened procurement management processes by compelling public authorities to use the current across government stationery contract, and by including a statement seeking a commitment to ethical practices by suppliers in all government purchase orders and standard contract documents.

The Board will continue to take a leadership role to ensure the Government achieves the objectives of the Act.

Food Services Loyalty Program

In November 2011, SA Health notified the Board of the existence of a loyalty rewards program found to be operating within their General Food Provisions lead agency panel contract, which is accessible by other public authorities and which allows for the accumulation of loyalty points to be redeemed for gifts.

The Board subsequently requested that all public authorities investigate and report on any inappropriate practices that may involve the use

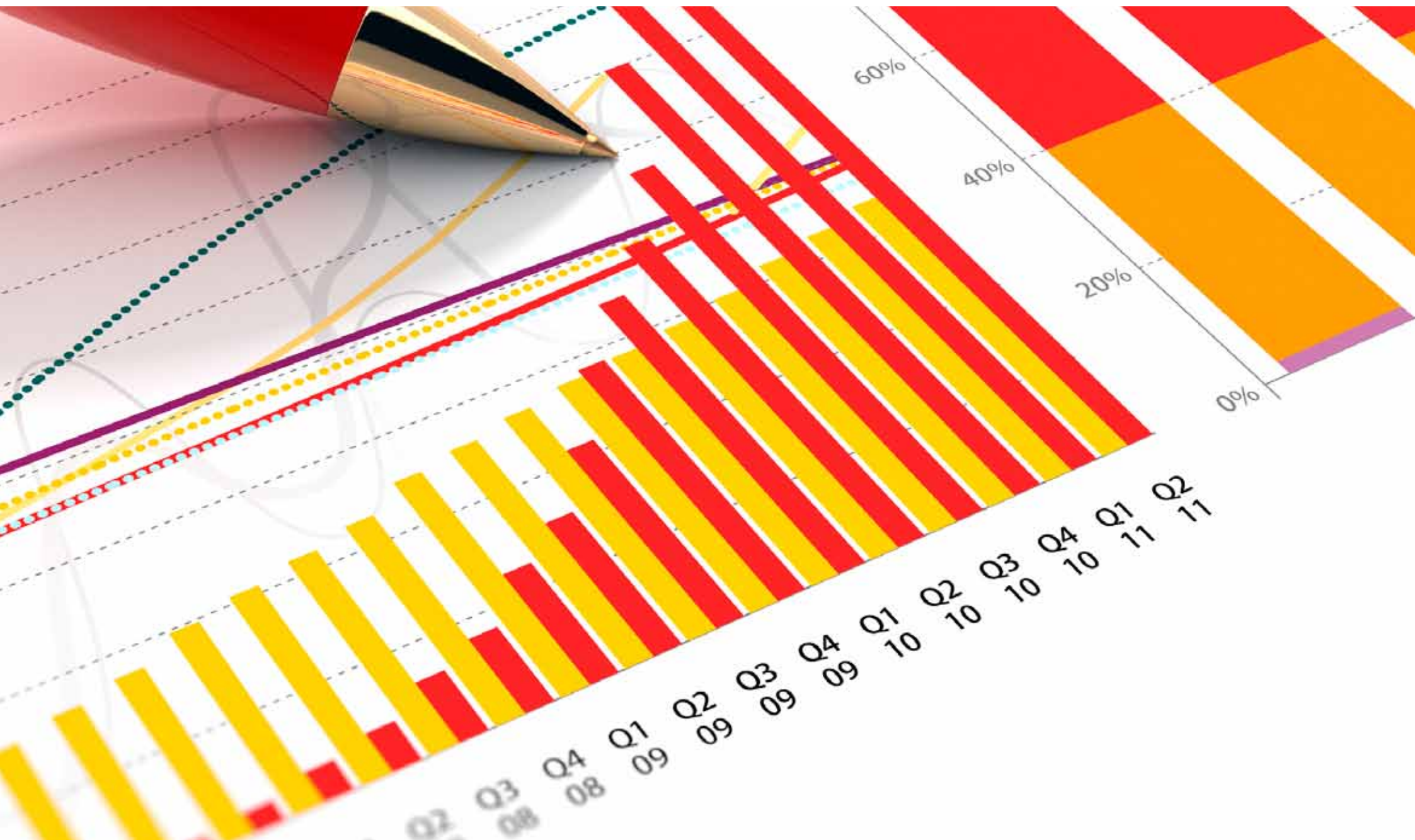
of reward programs operating within this or any other contract within their public authority.

Responses indicated that the total value of gifts and rewards provided to staff under this contract was approximately \$135,000 over a three year period.

No evidence was reported of any other public authority contracts having a similar reward program.

The Crown Solicitor's Office is working with relevant public authorities to facilitate investigations related to evidence where gifts were personally received by staff.

OPERATIONAL PRIORITIES



OPERATIONAL PRIORITIES

Policy Development and Review

In 2011-12, the Board released revised versions of the:

- Acquisition Planning Guideline;
- Base Level Procurement Reporting Guideline;
- Base Level Procurement Authority Policy;
- Approvals Process Policy;
- Approvals Process Guideline;
- Supplier Complaints Policy;
- International Obligations Policy; and
- Board Procurement Reporting Policy.

The Board rescinded the Forward Procurement Planning policy and the Common ID policy. Relevant parts of these policies were incorporated into others.

A Reviewer's Guide (adjunct to the Acquisition Planning Guideline) was developed in July 2011 which provided guidance in evaluating acquisition plans.

Future Policy Development

In 2012-13, the Board will further progress the policy framework by providing guidance to public authorities on supplier selection and ethical procurement practices.

All policies and guidelines are reviewed biennially to ensure they are relevant and effective. Scheduled reviews will continue throughout 2012-13, in consultation with public authorities. A copy of the Board's policies can be found at: www.spb.sa.gov.au. A listing of current policies (as at 30 June 2012) is provided in Appendix A of this report.

Across Government Contracts

The Board is a signatory to a number of strategic across-government contracts for the supply of certain goods and services. Shared Services SA, Department of the Premier and Cabinet, is responsible for the establishment and management of these and other across government contracts:

- Audit & Related Services;
- Fuel Supplies (Fuel Card);
- Fuel Supplies (Bulk);
- Large Market Natural Gas (sites consuming greater than 10 TJ per annum);
- State Government Large Market Electricity (sites consuming greater than 160 MWh per annum);
- State Government Small Market Electricity (sites consuming less than 160 MWh per annum and Unmetered Lighting Assets); and
- Travel Management Services.

The Board, in assuming a more strategic role has requested that Shared Services SA arrange for future contracts (upon renewal) to be in the name of the responsible Minister.

The Board continues to encourage improved government efficiencies through collaboration with other jurisdictions and the APCC. Accordingly, Shared Services SA is actively participating in the following cross-jurisdictional contract initiatives:

- Cross Jurisdictional Procurement Collaborative Arrangements Project - investigating opportunities for jurisdictions to deliver benefits through the establishment of cross jurisdictional arrangements for goods and services;

- Travel Management Working Group - investigating opportunities in the procurement of travel services and related commodities;
- Strategic Fuel Working Group - examining opportunities to improve and leverage procurement capability in the fuel market and establish a cross jurisdictional arrangement;
- Electricity Networking Group - sharing information relating to the electricity market and supply market strategies; and
- Paper Specifications - investigating opportunities to standardise the specification for paper across jurisdictions and undertake collaborative activities.

PUBLIC AUTHORITY PROCUREMENT ACTIVITY



PUBLIC AUTHORITY PROCUREMENT ACTIVITY

Public Authorities Required to Report Detailed Procurement Activity

AGD	Attorney-General's Department (includes SAPOL, SAFECOM, DCS and CAA)
DCSI	Department for Communities and Social Inclusion
DENR	Department of Environment and Natural Resources
DECD	Department for Education and Child Development
DFW	Department for Water
DFEEST	Department of Further Education, Employment, Science and Technology
DPC	Department of the Premier and Cabinet
DMITRE	Department for Manufacturing, Innovation, Trade, Resources and Energy
DPTI	Department of Planning, Transport and Infrastructure
DTF	Department of Treasury and Finance
SA Health	Department of Health
PIRSA	Department of Primary Industries and Regions SA
SA Lotteries	Lotteries Commission of South Australia
SATC	South Australian Tourism Commission
SAMSB	South Australian Motor Sport Board

Certificate of Compliance

As part of the Board's review and compliance approach, public authority principal officers with a procurement authority are required to complete a Certificate of Compliance annually. 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.

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 compliance program, and to promote dialogue with public authorities on matters of importance.

Across Government Procurement Timeline Measurement

The Board monitors an ongoing timeline measurement program to quantify the median process duration for procurements.

It is important to note that the timeline data for 2011-2012 only includes those procurements valued in excess of \$220,000 (including GST). The threshold was increased consistent with the simple procurement threshold and reflects the procurement process undertaken for simple procurements.

In 2011-2012, there has been an overall increase in the median time taken to complete both public and selective tendering processes. A key reason for this increase is due to the 2011-12 data only including procurement contracts valued more than \$220,000 (including GST). Such procurements are likely to be more complex in nature and will therefore take longer to complete.

The Board will continue to monitor the variation in processes completion times, and work with public authorities to improve process timeframes.

Table 1: Median number of days to complete the procurement process^(a) via public tendering (contracts completed during the 2011-12 financial year)

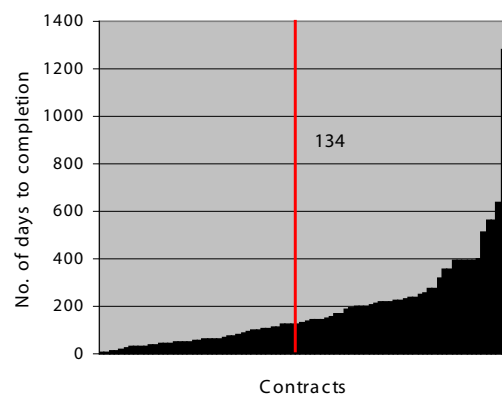
	Quadrant 1 Low Complexity / Low Value		Quadrant 2 High Complexity / Low Value		Quadrant 3 Low Complexity / High Value		Quadrant 4 High Complexity / High Value		Overall	
	10-11	11-12	10-11	11-12	10-11	11-12	10-11	11-12	10-11	11-12
Public Tendering										
Median number of days	175	234	165(b)	258(b)	330	360	515(b)	218	204	230
Number of contracts	188	137	11	6	56	46	8	189	243	378
Selective Tendering										
Median number of days	59	106	86(b)	141(b)	121(b)	266(b)	70(b)	n/a(b)	67	134
Number of contracts	173	63	15	4	24	14	14	2	226	83

Notes: (a): The number of days to complete a procurement process is measured from commencement of acquisition planning to contract execution.

(b): Due to the number of contracts being very small, the reported median may not provide a reliable basis for comparison.

PUBLIC AUTHORITY PROCUREMENT ACTIVITY

Selective Tendering - median



Public Tendering - median

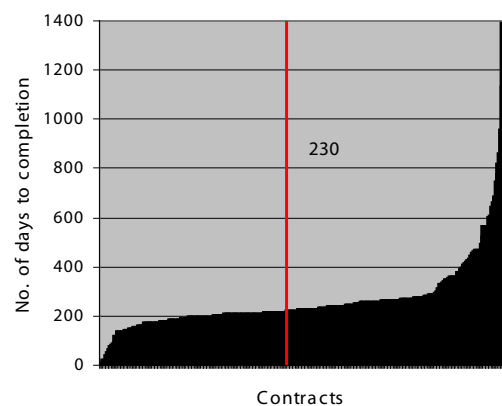


Figure 1: Comparison of the median number of days to complete the procurement process

Procurement Spend

In 2011-2012, the total spend reported by public authorities on goods and services was approximately \$3.87 billion.

Table 2 displays total spend from 2007-08 through to 2011-12. Total spend in 2011-12 decreased by approximately \$129,000 compared to 2010-11.

Table 2 – Procurement Spend Summary

PURCHASE TYPE	2011-12	2010-11	2009-10	2008-09	2007-08
Goods	\$1,398,830,014	\$1,040,535,220	\$1,070,837,356	\$938,308,691	\$881,007,367
Services	\$2,473,611,162	\$2,832,035,016	\$2,713,798,753	\$2,470,264,982	\$2,708,725,124
Total	\$3,872,441,177	\$3,872,570,236	\$3,784,636,109	\$3,408,573,673	\$3,589,732,491

PUBLIC AUTHORITY PROCUREMENT ACTIVITY

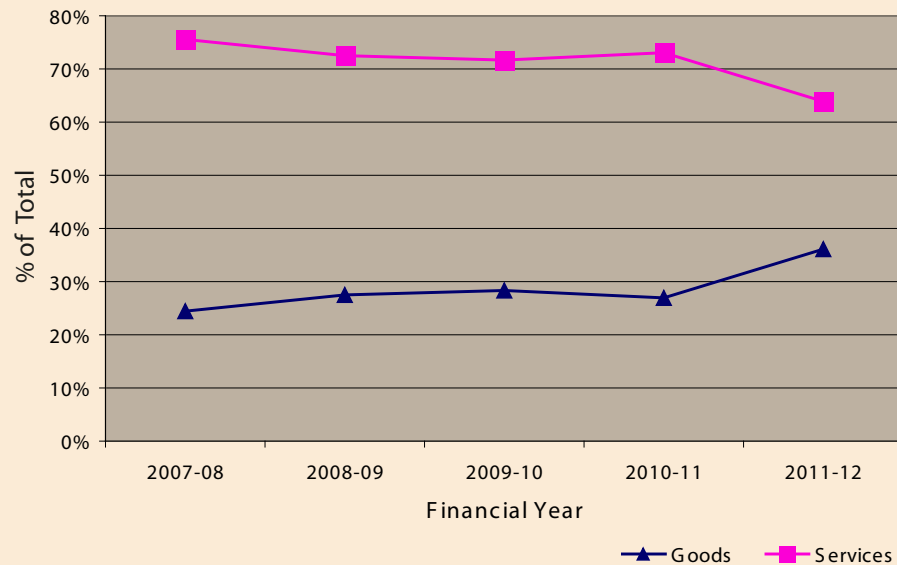


Figure 2 displays the percentages of total spend by purchase type for the last five financial years. Although the breakdown of total spend between goods and services has remained relatively stable over the past few years, there may be fluctuations from year to year. Fluctuations may be attributed to significant procurements in any given year and/or the cyclical nature of procurement spending.

◀ **Figure 2 - Spend by Purchase Type from 2006-07 to 2011-12**

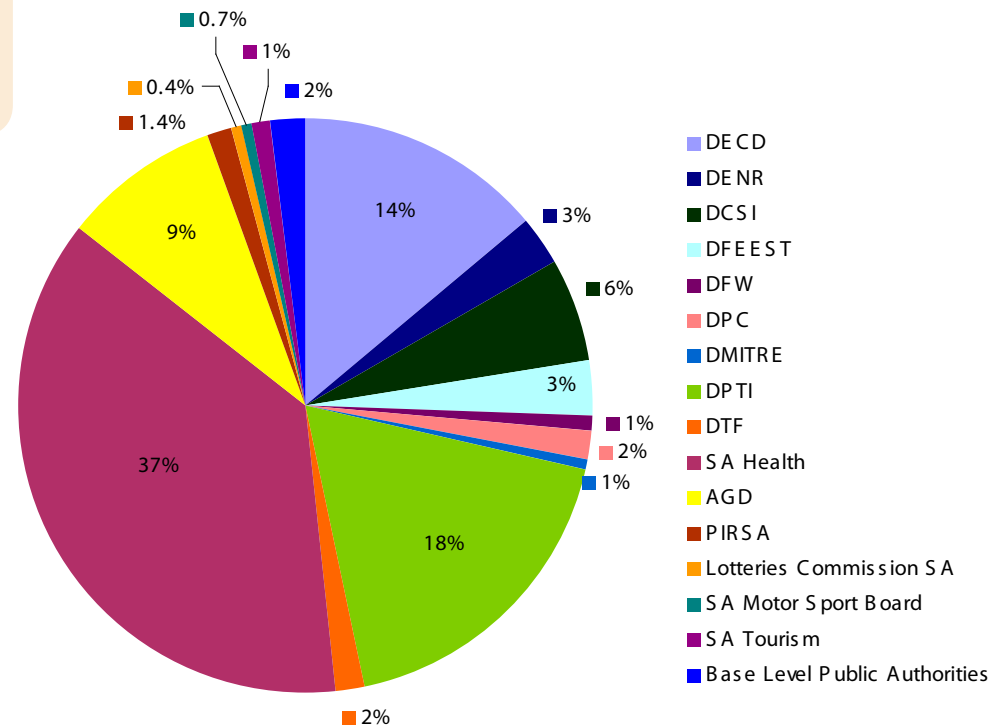


Figure 3 reflects each public authority's spend as a percentage of total spend. In 2011-12 SA Health incurred the highest spend (37% of the total spend), followed by DPTI (18% of the total spend).

Figure 3 - Percentage Spend by Public Authority 2011-12 ▶

Contracting Activity

Each year, public authorities disclose to the Board information on contracts executed during the reporting period that are valued over \$110,000 (GST inclusive). The information to the right refers to this data.

Supply Market Approach (by number of procurements)

In 2011-12 public authorities undertook procurements using various market approaches, as displayed in Figure 4. Public Request for Tender and Multi-Stage Approach were the most widely used market approaches, accounting for over 60% of the number of contracts entered into sourced through these market approaches.

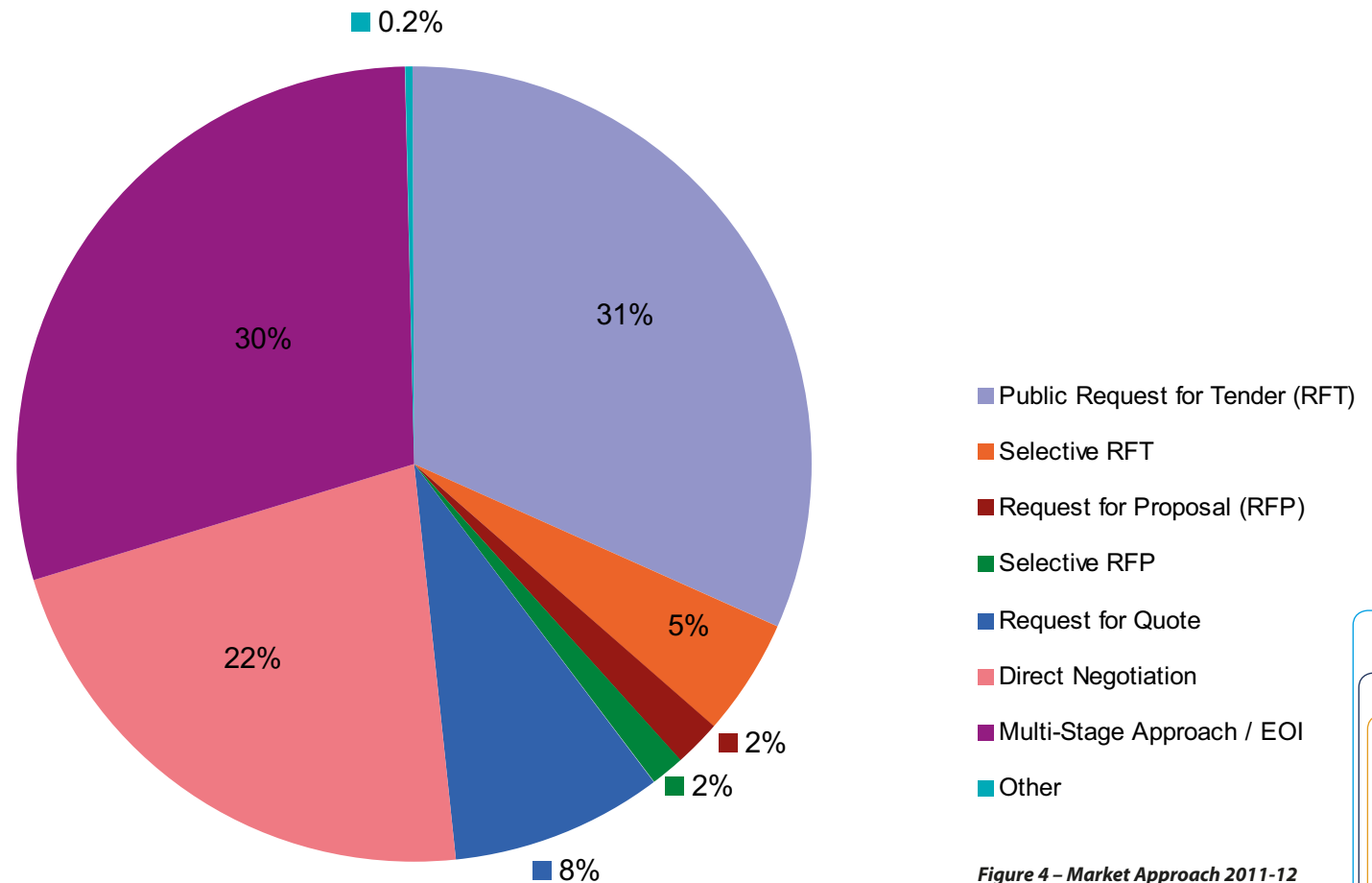
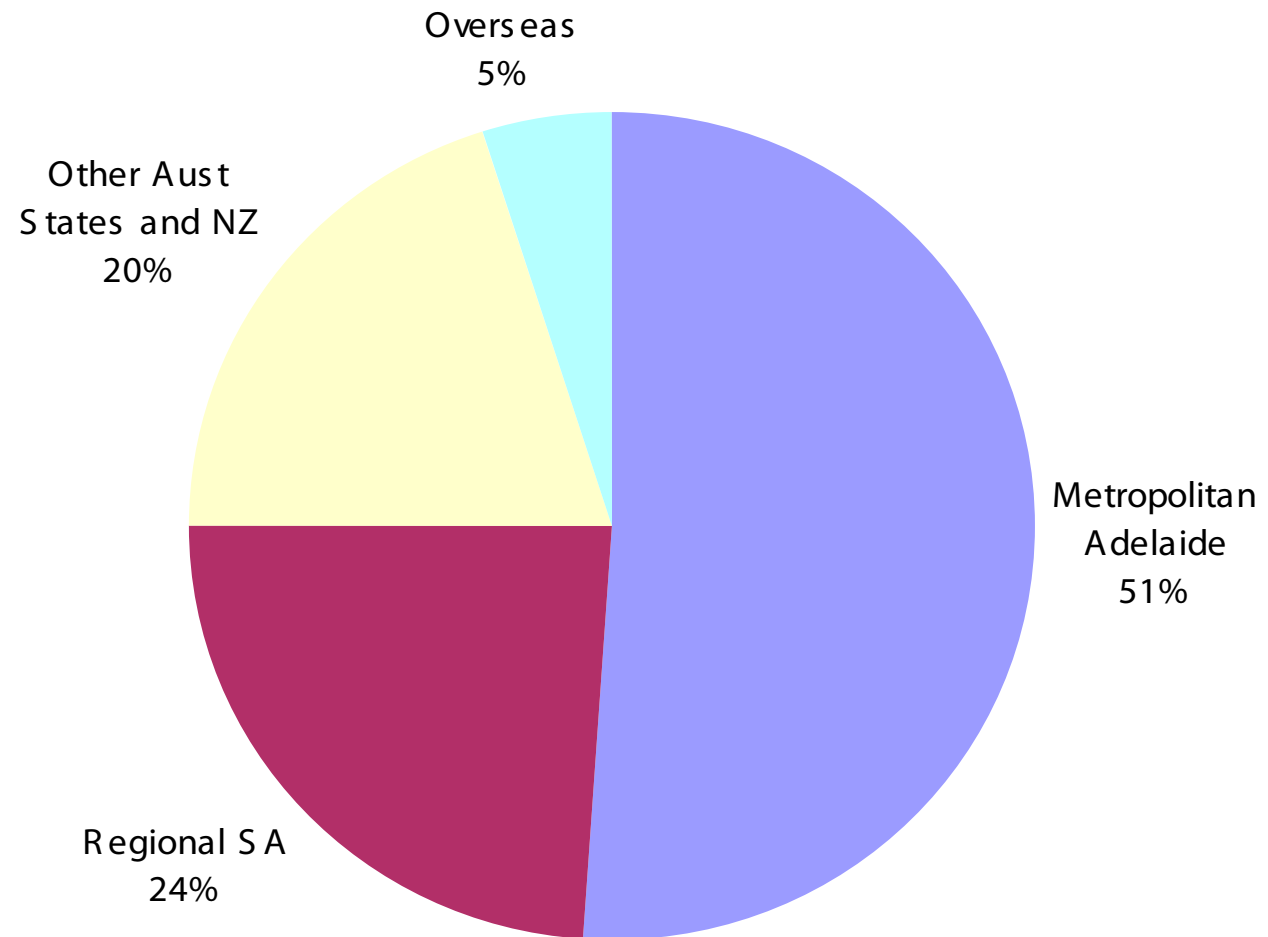


Figure 4 – Market Approach 2011-12



Source of Supply

Figure 5 displays the percentage of contracts public authorities entered into during 2011-12, categorised by supplier location.

The majority (95%) of all contracts were entered into with Australian and New Zealand suppliers (including South Australian suppliers). Approximately 75% of all contracts were entered with South Australian suppliers, an increase over 63% in 2010-11.

Figure 5 – Contract Number by Supplier Location 2011-12

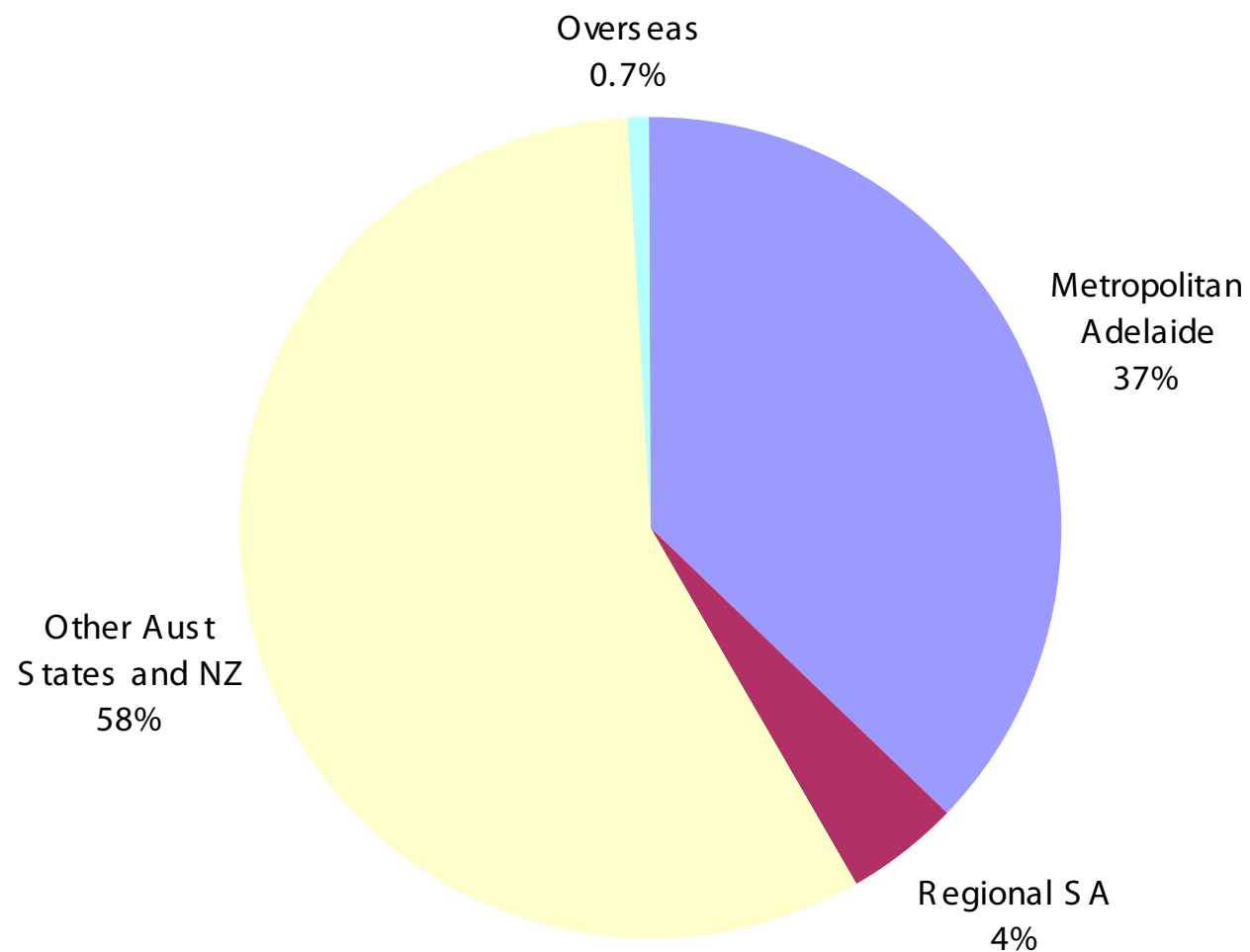


Figure 6 displays the percentage of contracts (by value) that public authorities entered into in 2011-12, by supplier location.

Consistent with 2010-11, over 99% of the total value of contracts were entered with Australian and New Zealand suppliers (including South Australian suppliers).

Figure 6 – Contract Value by Supplier Location 2011-12

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 12 financial years, by supplier location.

Based on assessed contracts, between 2000-01 and 2011-12:

- approximately 75% of the volume of contracts and 59% of the value of contracts were awarded to South Australian suppliers; and
- over 97% of the volume and value of contracts were awarded to Australian and New Zealand suppliers (including South Australian suppliers).

It is important to note that from year to year, results of analysis of supplier location often vary significantly between reporting periods. Fluctuations can be attributed to significant procurements, which occur from time to time, that may heavily influence the results in a particular supplier region in the given period. Fluctuations may also be due to the cyclical nature of contract establishment and contract renewals, rather than any trend that might indicate that local South Australian suppliers are less competitive. The data over many years demonstrates that local South Australian suppliers consistently participate in the vast majority of government contracts, both by number and by value. There continues to be a high participation of Australian based suppliers, notwithstanding the open nature of the Australian market to overseas suppliers.

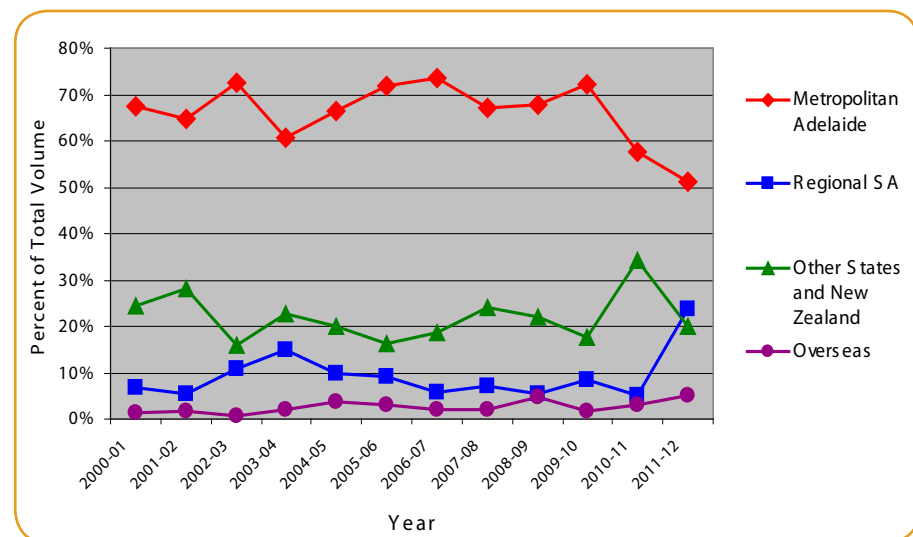


Figure 7 - Contract Volume by Supplier Location

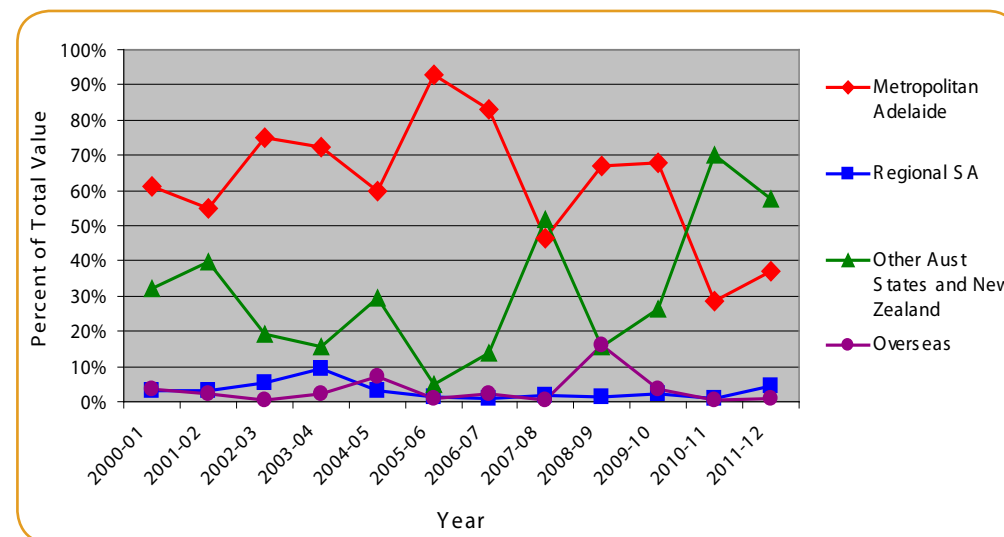


Figure 8 - Contract Value by Supplier Location



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 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; and
- Tender Documentation.

State Procurement Board Documents:

A detailed list of the Board's policies as at 30 June 2012 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 bodies, 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

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:

- Superannuation Funds Management Corporation of South Australia
- The Architects Board of South Australia
- WorkCover Corporation of South Australia
- Adelaide Convention Centre Corporation
- Adelaide Entertainments Corporation
- Construction Industry Training Board
- Legal Practitioners Conduct Board
- Local Government Finance Authority of South Australia
- Motor Accident Commission
- Occupational Therapy Board of South Australia
- South Australian Centre for Trauma and Injury Recovery Incorporated
- South Australian Forestry Corporation
- South Australian Housing Trust
- South Australian Water Corporation



APPENDIX A

State Procurement Board Member Attendance at Meetings

Current Board Members	Eligible Full Meetings	Meetings Attended	Eligible Special Meetings	Special Meetings Attended
Gino DeGennaro	12	10	2	2
Steven Archer	12	11	2	2
Roy Arnold	12	10	2	1
Debbie Black	12	6	2	1
Judith Carr	12	9	2	2
Virginia Deegan	12	10	2	1
Catherine Schultz	12	12	2	1
Chris Oerman	12	12	2	1
Katrina Ball	12	11	2	2

Procurement Approvals Committee Member Attendance at Meetings

There were 12 Procurement Approvals Committee meetings held in 2011-12.

Current Board Members	PAC Meetings Attended
Gino DeGennaro	2
Steven Archer	3
Roy Arnold	2
Debbie Black	4
Judith Carr	5
Virginia Deegan	4
Catherine Schultz	4
Chris Oerman	4
Katrina Ball	2

APPENDIX A

Policy Framework as at 30 June 2012

Procurement Governance

- Procurement Authority Policy
- Base Level Procurement Authority Policy
- Base Level Procurement Reporting Guideline

Procurement Planning and Reporting

- Board Procurement Reporting Policy

Government Requirements

- Approvals Process Policy
- Procurement Approvals Guideline
- Emergency Situation Procurement Policy
- Sustainable Procurement Guideline
- Use of Established Government Facilities Policy
- International Obligations Policy

Procurement Context

- Lifecycle Costing Guideline
- Risk Management Guideline
- Unsolicited Proposals Policy

Procurement Process

- Acquisition Planning Guideline
- Contract Management Guideline
- Disposal Policy
- Disposal Guideline
- Late Tenders Policy
- Market Approaches Guideline
- Panel Contracts Guideline
- Simple Procurement Guideline
- Standard Tender and Contract Document Policy
- Standard Tender and Contract Document Guideline
- Supplier Complaints Policy

APPENDIX B

Procurement Authorities as at 30 June 2012

Name of Public Authority

Procurement Authority Level (GST Incl)

Department of Planning, Transport and Infrastructure (DPTI)

Public authorities aligned under DPTI's procurement authority:

- Building Advisory Committee
- Development Assessment Commission
- Development Policy Advisory Committee
- Local Heritage Advisory Committee
- Public Space Advisory Committee
- Boxing and Martial Arts Advisory Committee

\$11,000,000

Attorney-General's Department (AGD)

Public authorities aligned under AGD's procurement authority:

- Community Protection Panel
- Courts Administration Authority
- Department of Correctional Services
- Employee Ombudsman
- Forensic Science Advisory Committee
- Industrial Relations Commission
- Industrial Relations Court
- Legal Services Commission
- Medical Panels SA
- Public Trustee
- South Australian Fire and Emergency Services Commission
- South Australian Health Practitioners Tribunal
- South Australian Multicultural and Ethnic Affairs Commission
- South Australian Police
- State Electoral Office
- Workcover Ombudsman
- Workers Compensation Tribunal

\$11,000,000

APPENDIX B

SA Health

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 Northern Adelaide Health Service Incorporated
- Children, Youth and Women's Health Service Incorporated
- Coorong Health Service Health Advisory Council Inc.
- Country Health SA Board Health Advisory Council Inc.
- Country Health SA Hospital Incorporated
- 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.
- Millicent and Districts Health Advisory Council Inc.
- Mount Gambier and Districts Health Advisory Council Inc.
- Naracoorte Area Health Advisory Council Inc.
- 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

APPENDIX B

- 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 Health Service Incorporated
- 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
- Yorke Peninsula Health Advisory Council Inc.

\$11,000,000

Department for Communities and Social Inclusion (DCSI)

Public authorities aligned under DCSI's procurement authority:

- Charitable and Social Welfare Fund Board
- Dame Roma Mitchell Trust Fund Board
- Disability Advisory Council of SA
- Homestart Finance
- Housing and Urban Development Advisory Committee
- Housing Appeal Panel
- Ministerial Advisory Board on Ageing
- Minister's Strategic Housing Advisory Committee
- State Emergency Relief Fund Committee
- Supported Residential Facilities Advisory Committee

\$4,400,000

APPENDIX B

Department for Education and Child Development (DECD)

Public authorities aligned under DECD's procurement authority:

- Advisory Committee on Non-Government Schools
- Child Death and Serious Injury Review Committee
- Children's Services Consultative Committee
- Council for the Care of Children
- Education and Early Childhood Services Registration and Standards Board of South Australia
- Ethnic Schools Board
- Ministerial Advisory Committee: Students with Disabilities
- Multicultural Education Committee
- National Partnerships Council - Schooling
- Non-Government Schools Registration Board
- Planning Committee for Non-Government Schools
- Scaling and Tertiary Selection Monitoring Committee
- School Loans Advisory Committee
- Teachers Appeal Board
- School Governing Councils (571 in total)
- Preschool Management Committees (447 in total)

\$4,400,000

Department of Further Education, Employment, Science and Technology (DFEEST)

Public authorities aligned under DFEEST's procurement authority:

- Education Adelaide
- TAFE SA Adelaide North
- TAFE SA Adelaide South
- TAFE SA North Council
- TAFE SA Regional
- TAFE SA Regional Council
- TAFE SA South Council
- Training Advocate
- Training and Skills Commission

\$4,400,000

APPENDIX B

Department for Environment and Natural Resources (DENR)

Public authorities aligned under DENR's procurement authority:

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

\$1,100,000

Department of Primary Industries and Regions, SA (PIRSA)

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
- Pig and Poultry Institute Advisory Board
- Pureba Local Dog Fence Board

APPENDIX B

- Rural Assistance Appeals Committee
- Rural Solutions SA
- South Australian Alpaca Advisory Group
- South Australian Apiary Industry Advisory Group
- South Australian Cattle Advisory Group
- South Australian Deer Advisory Group
- South Australian Goat Advisory Group
- South Australian Horse Industry Advisory Group
- South Australian Pig Industry Advisory Group
- South Australian Sheep Advisory Group

\$1,100,000

Department of the Premier and Cabinet (DPC)

Public authorities aligned under DPC's procurement authority:

- Agent General
- Anzac Day Commemoration Council
- Art Gallery of South Australia
- Asbestos Advisory Committee
- Boundary Adjustment Facilitation Panel
- Carrick Hill Trust
- Construction Industry Long Service Leave Board
- Industrial Relations Advisory Committee
- Libraries Board of South Australia (State Library of South Australia)
- Mining and Quarrying Occupational Health and Safety Committee
- Minister's State/Local Government Forum
- Occupational Health, Safety & Welfare Act - Review Committees
- Outback Communities Authority
- Premier's Climate Change Council
- Privacy Committee of South Australia
- Public Sector Grievance Review Commission
- South Australian Local Government Grants Commission
- South Australian Museum
- South Australia's Strategic Plan Community Engagement Board
- State Aboriginal Heritage Committee
- State Emergency Management Committee
- State Records Council
- Workers Rehabilitation and Compensation Advisory Committee

\$1,100,000

APPENDIX B

Department of Treasury and Finance (DTF)

Public authorities aligned under DTF's procurement authority:

- Distribution Lessor Corporation
- Generation Lessor Corporation
- RESI Corporation
- South Australian Asset Management Corporation
- South Australian Financing Authority
- South Australian Parliamentary Superannuation Board
- South Australian Superannuation Board
- Transmission Lessor Corporation

\$1,100,000

Department for Water (DFW)

Public authorities aligned under DFW's procurement authority:

- South Eastern Water Conservation and Drainage Board

\$1,100,000

Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE)

Public authorities aligned under DMITRE's procurement authority:

- Energy Consumer's Council
- Office of the Technical Regulator
- Angas Mine Community Consultative Committee
- Board of Examiners for Mine Managers
- Brukung Minesite Remediation Board
- Extractive Areas Rehabilitation Fund Project Assessment Panel
- Industry Development Boards - Resources
- Mining Act Review Steering Committee
- Mintabie Consultative Committee
- Olympic Dam Community Consultative Forum
- Olympic Dam Environmental Consultative Committee
- Olympic Dam Taskforce

\$1,100,000

Lotteries Commission of South Australia

\$1,100,000

South Australian Motor Sport Board

\$1,100,000

South Australian Tourism Commission (SATC)

Public authorities aligned under SATC's procurement authority:

- Office of Venue Management

\$1,100,000

Aboriginal Lands Trust

\$110,000

APPENDIX B

<i>Adelaide Cemeteries Authority</i>	\$110,000
<i>Adelaide Festival Centre Trust</i>	\$110,000
<i>Adelaide Festival Corporation</i>	\$110,000
<i>Adelaide Film Festival</i>	\$110,000
<i>Australian Children's Performing Arts Company (Windmill Performing Arts)</i>	\$110,000
<i>Bio Innovation SA</i>	\$110,000
<i>Dairy Authority of South Australia</i>	\$110,000
<i>Defence SA</i>	\$110,000
<i>Essential Services Commission of South Australia</i>	\$110,000
<i>History Trust of South Australia</i>	\$110,000
<i>Independent Gambling Authority</i>	\$110,000
<i>Phylloxera and Grape Industry Board of South Australia</i>	\$110,000
<i>SACE Board of South Australia</i>	\$110,000
<i>South Australian Citrus Industry Development Board</i>	\$110,000
<i>South Australian Country Arts Trust (Country Arts SA)</i>	\$110,000
<i>South Australian Film Corporation</i>	\$110,000
<i>South Australian Police Superannuation Board</i>	\$110,000
<i>State Opera of South Australia</i>	\$110,000
<i>State Theatre Company of South Australia</i>	\$110,000
<i>Teacher's Registration Board</i>	\$110,000
<i>Veterinary Surgeons Board of South Australia</i>	\$110,000
<i>West Beach Trust</i>	\$110,000

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





Government of South Australia
Auditor-General's Department

Our ref: A12/233

25 September 2012

Mr G DeGennaro
Chair
State Procurement Board
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Dear Mr DeGennaro

State Procurement Board 2011-12 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, and included a review of the position status and results of the Board's compliance review program of public sector agencies' procurement practices.

The financial statements of the Board for the year ended 30 June 2012 are returned herewith together with my Independent Auditor's Report.

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

Yours sincerely

A handwritten signature in dark ink, appearing to read "S O'Neill".

S O'Neill
AUDITOR-GENERAL

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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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 2012. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2012
- a Statement of Financial Position as at 30 June 2012
- a Statement of Changes in Equity for the year ended 30 June 2012
- a Statement of Cash Flows for the year ended 30 June 2012
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chair, State Procurement Board and the Director, Financial Services, Department of Treasury and Finance.

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 State Procurement 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 2012, 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.

S O'Neill
AUDITOR-GENERAL
25 September 2012

State Procurement Board

Certification of the Financial Statements

We certify that the:

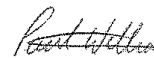
- financial statements of the State Procurement Board
 - are in accordance with the accounts and records of the Board; and
 - comply with relevant Treasurer's instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the State Procurement Board 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.



Gino DeGennaro
CHAIR
STATE PROCUREMENT BOARD

4 September 2012



Paul Williams
DIRECTOR, FINANCIAL SERVICES
DEPARTMENT OF TREASURY AND FINANCE

21 September 2012

State Procurement Board

Statement of Comprehensive Income for the year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
EXPENSES			
Employee benefit expenses	4	68	69
Supplies and services	6	422	433
Total expenses		490	502
INCOME			
Revenues from fees and charges	8	94	121
Total income		94	121
NET COST OF PROVIDING SERVICES		(396)	(381)
REVENUES FROM SA GOVERNMENT			
Grants from SA Government	9	399	390
Total Revenues from SA Government		399	390
NET RESULT		3	9
TOTAL COMPREHENSIVE RESULT		3	9

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.

State Procurement Board

Statement of Financial Position as at 30 June 2012

	Note	2012 \$'000	2011 \$'000
CURRENT ASSETS			
Cash and cash equivalents	10	803	919
Total current assets		803	919
TOTAL ASSETS		803	919
CURRENT LIABILITIES			
Payables	11	29	148
Total Current Liabilities		29	148
TOTAL LIABILITIES		29	148
NET ASSETS		774	771
EQUITY			
Retained earnings		774	771
TOTAL EQUITY		774	771

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

Unrecognised Contractual Commitments 12

Contingent Assets and Liabilities 13

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 2012

	Retained Earnings
	\$'000
Balance at 30 June 2010	762
Net result for 2010-11	9
Total comprehensive result for 2010-11	9
Balance at 30 June 2011	771
Net result for 2011-12	3
Total comprehensive result for 2011-12	3
Balance at 30 June 2012	774

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

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

State Procurement Board

Statement of Cash Flows for the year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Outflows			
Employee benefit payments		(68)	(70)
Payments for supplies and services		(541)	(401)
Cash used in operations		(609)	(471)
Cash Inflows			
Fees and charges		94	137
Cash generated from operations		94	137
Cash Flows from SA Government			
Receipts from SA Government		399	390
Cash generated from SA Government		399	390
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	14(b)	(116)	56
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(116)	56
Cash and cash equivalents at the beginning of the period		919	863
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	14(a)	803	919

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

State Procurement Board

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Note 1	Objective of the State Procurement Board
Note 2	Summary of Significant Accounting Policies
Note 3	New and Revised Accounting Standards and Policies

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Note 4	Employee benefit expenses
Note 5	Remuneration of Board Members
Note 6	Supplies and services
Note 7	Auditor's Remuneration

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Note 9	Revenues from SA Government

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Liability Notes

Note 11	Payables
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Note 13	Contingent Assets and Contingent Liabilities
Note 14	Cash Flow Reconciliation
Note 15	Financial Instruments/Financial Risk Management
Note 16	Events after the reporting period

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)*. 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*.

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, Government Accounting, Reporting and Procurement Branch and Shared Services SA.

2 Summary of Significant Accounting Policies

2.1 Statement of Compliance

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 provision 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 Department 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 2012. These are outlined in 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. A threshold of \$100 000 for separate identification of these items applies;
 - b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income);
 - c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees; and
 - d) 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, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

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 2012 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". 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.

Where the Board has applied an accounting policy retrospectively; retrospectively restated items in the financial statements; reclassified items in the financial statements it has provided three Statements of Financial Positions and related notes.

The restated comparatives amounts do not replace the original financial statements for the preceding period.

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 notes accompanying the financial statements disclose expenses 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:

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.

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

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*.

Receivables

Receivables include amounts receivable from goods and services, prepayments and other accruals.

Receivables arise in the normal course of selling goods and services to other Government agencies and to the public. Receivables are generally settled within 30 days of the invoice date provided the goods and services have been received.

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Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Board will not be able to collect the debt.

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.

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

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.

2.13 Gaming Machines

Under the Gaming Machines (Miscellaneous) Amendment Bill 2010, passed in both Houses on November 2010 and proclaimed 1 July 2011, the purchase and sale of gaming machines has been eliminated from the Board's role.

3 New and Revised Accounting Standards and Policies

The Board did not voluntarily change any of its accounting policies during 2011-12.

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 2012. 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.

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4 Employee benefit expenses

	2012 \$'000	2011 \$'000
Board fees	61	62
Employment on-costs - superannuation	4	4
Employment on-costs - payroll tax	3	3
Total Employee benefit expenses	68	69

The Board has no other employee expenses.

5 Remuneration of Board Members

Members that were entitled to receive remuneration for membership during the 2011-12 financial year were:

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 - Mr Gino DeGennaro (Chair)*
 - Mr Steven Archer* (Re-appointed 10/06/2012)
 - Mr Roy Arnold (Re-appointed 04/10/2011)
 - Ms Katrina Ball* (Re-appointed 10/06/2012)
 - Ms Deborah Black (Re-appointed 04/10/2011)
 - Ms Judith Carr*
 - Ms Virginia Deegan (Re-appointed 10/06/2012)
 - Mr Christopher German* (Re-appointed 12/11/2011)
 - Ms Catherine Schultz (Re-appointed 04/10/2011)

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

	2012	2011
\$0	5	5
\$10 000 - \$19 999	4	4
Total Number of Board Members	9	9

Remuneration of members reflects all costs of performing board 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 **\$65 000** (\$66 000).

Amounts paid to a superannuation plan for board members was **\$4 000** (\$4 000).

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

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that 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

	2012 \$'000	2011 \$'000
Supplies and services	307	368
Professional fees *	6	5
Information technology	2	15
Advertising/marketing and promotions	17	5
General administration and consumables	65	39
Consultants	25	1
Other	422	433
Total Supplies and services	422	433

Supplies and services provided by entities within the SA Government

Professional fees	122	133
Other	1	1
Total Supplies and services by entities within the SA Government	123	134

* Professional fees include the \$94 000 (\$122 000) incurred for the Productivity Places Program. A commitment for the engagement of TAFE Adelaide North to provide this training has been included in note 12.

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The total supplies and services amount includes GST amounts not recovered from the Australian Taxation Office due to the Board not holding a valid tax invoice.

Consultants

The number of, and dollar amount paid or payable to consultants for projects undertaken are within the following bands:

	2012 Number	2011 Number	2012 \$'000	2011 \$'000
Between \$10 000 and \$50 000	—	1	—	39
Above \$50 000	1	—	65	—
Total Paid or Payable to Consultants	—	1	65	39

7 Auditor's Remuneration	2012	2011
	\$'000	\$'000
Audit Fees paid or payable to the Auditor-General's Department	9	7
Total Audit Fees	9	7

Other Services

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

8 Revenues from fees and charges	2012	2011
	\$'000	\$'000
Fees and charges received/receivable		
Other fees and charges	94	121
Total Fees and charges	94	121
Fees and charges received/receivable from entities within the SA Government:		
Other fees and charges	94	121
Total Fees and charges from entities within the SA Government:	94	121

9 Revenues from SA Government	2012	2011
	\$'000	\$'000
Grants, subsidies and transfers	399	390
Total Revenues from SA Government	399	390

10 Cash and cash equivalents	2012	2011
	\$'000	\$'000
Deposits with the Treasurer	803	919
Total Cash and cash equivalents	803	919

Interest rate risk

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

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11 Payables	2012	2011
	\$'000	\$'000
Current		
Accrued Expenses *	29	148
Total Current Payables	29	148
Total Payables	29	148
Payables to SA Government Entities	2012	2011
	\$'000	\$'000
Accrued Expenses *	29	144
Total Payables to SA Government Entities	29	144

* Accrued expenses incurred for the Productivity Places Program have reduced to nil (2012) from \$122 000 (2011). The Board had a total commitment of \$304 000 for the engagement of TAFE Adelaide North to provide training for this program. The remaining \$87 000 has been included in note 12 as an unrecognised contractual commitment.

Interest rate and credit risk

Creditors are raised for all amounts billed but unpaid. Creditors are normally settled within 30 days of the invoice date provided the goods and services have been received. 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.

Maturity Analysis of Payables - refer to Table 15.2 in Note 15.

Categorisation of financial instruments and risk exposure information - refer to Note 15.

12 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:		
	2012	2011
	\$'000	\$'000
No later than one year	87	123
Later than one year and not later than five years	—	61
Total Other commitments	87	184

Other commitments include the engagement of TAFE Adelaide North to provide training for the Productivity Places Program of which \$87 000 is scheduled for payment in 2012-13.

13 Contingent Assets and Contingent Liabilities

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

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14 Cash Flow Reconciliation	2012	2011
	\$'000	\$'000
(a) Reconciliation of Cash and Cash Equivalents at the end of the reporting period		
Statement of Cash Flows	803	919
Statement of Financial Position	803	919
(b) Reconciliation of Net Cash provided by Operating Activities to Net Cost of providing Services		
Net cash provided by operating activities	(116)	56
Less revenues from SA Government	(399)	(390)
Add Non cash items		
Bad and doubtful debts expenses	—	1
Changes in Assets / Liabilities		
(Decrease) Increase in receivables	—	(21)
Decrease (Increase) in payables	119	(28)
Decrease in employee benefits	—	1
Net Cost of Providing Services	(396)	(381)

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15 Financial Instruments/Financial Risk Management

Table 15.1 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.

2012				
Category of financial asset and financial liability	Statement of Financial Position line item	Note	Carrying amount	Fair value
			2012 \$'000	2012 \$'000
Financial assets				
Cash and cash equivalents	Cash and cash equivalents	10	803	803
	Total Financial Assets		803	803
Financial liabilities				
Financial liabilities at cost	Payables ⁽¹⁾	11	20	20
	Total Financial Liabilities		20	20

2011				
Category of financial asset and financial liability	Statement of Financial Position line item	Note	Carrying amount	Fair value
			2011 \$'000	2011 \$'000
Financial assets				
Cash and cash equivalents	Cash and cash equivalents	10	919	919
	Total Financial Assets		919	919
Financial liabilities				
Financial liabilities at cost	Payables ⁽¹⁾	11	141	141
	Total Financial Liabilities		141	141

⁽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 15.2: Maturity analysis of financial assets and liabilities

	Carrying amount \$'000	Contractual Maturities		
		< 1 year \$'000	1-5 years \$'000	> 5 years \$'000
2012				
Financial assets				
Cash and cash equivalents	803	803	—	—
Total financial assets	803	803	—	—
Financial liabilities				
Payables	20	20	—	—
Total financial liabilities	20	20	—	—

	Carrying amount \$'000	Contractual Maturities		
		< 1 year \$'000	1-5 years \$'000	> 5 years \$'000
2011				
Financial assets				
Cash and cash equivalents	919	919	—	—
Total financial assets	919	919	—	—
Financial liabilities				
Payables	141	141	—	—
Total financial liabilities	141	141	—	—

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 appropriations 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 16.1 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.

16 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.



Government of South Australia

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