



VGPB

Annual Report 2002 – 2003

VICTORIAN GOVERNMENT PURCHASING BOARD



Achieving Excellence in
Government Procurement

www.vgpb.vic.gov.au

Mission: To provide a framework within which the Victorian Government can use its purchasing power to achieve value for money purchasing with minimum risk and maximum participation from Australian and New Zealand suppliers, for the benefit of all Victorian citizens.



Victorian Government Purchasing
Board Annual Report 2002-03

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Vision: To achieve best practice in the purchasing of goods and services which will deliver value for money, cost savings, effective implementation of government policy, integrity, ethics and probity in government purchasing.

Mission: To provide a framework within which the Victorian Government can use its purchasing power to achieve value for money purchasing with minimum risk and maximum participation from Australian and New Zealand suppliers, for the benefit of all Victorian citizens.



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As required by section 54M of the *Financial Management Act 1994*, this annual report describes the work and activities of the Victorian Government Purchasing Board from 1 July 2002 to 30 June 2003. Information about purchasing activity by departments is provided in the *Departmental Procurement Activities* section at the end of this report.





CHAIRPERSON'S REPORT

Achievements in 2002-03

The Victorian Government Purchasing Board (VGPB) achieved all key components of its strategic priorities for 2002-03. Achievements include:

- Completion of the *Revision of VGPB Procurement Policies*. The objectives of this major review project included realigning purchasing policies to ensure consistency with government policies, and improving clarity and usability. This was the first major review of policies since the establishment of the VGPB in 1995. The revised policies came into effect on 6 December 2002.
- As part of the policy review, major changes were introduced to the *Accreditation of Departments* program. Under the program, the VGPB delegates its power to approve procurement processes to Accredited Purchasing Units (APUs) within departments.
- Another of the VGPB's strategic priorities, *Redevelopment of the VGPB Website*, was closely related to the review of policies. The new policies are now accessible online through the redeveloped, easy to use VGPB website. The website also contains links to a range of other procurement related information.
- The VGPB implemented its communications strategy in 2002-03. The strategy highlighted the importance of meeting the information and advice requirements of departments and other stakeholders. This will continue to be a focus for the VGPB during 2003-04.

- In early 2002-03, the VGPB approved the replacement of the Purchasing Information System (PURIST) with a redeveloped Contracts Publishing System (CPS) website. The redeveloped CPS website will provide departments and other interested parties with a better source of statistical information on purchasing within departments.
- The VGPB *eBusiness Strategy* project investigated future directions in eProcurement and considered initiatives that could foster future developments.
- PACCER (Procurement and Contracting Centre for Education and Research) Victoria delivers competency-based procurement training courses on behalf of the VGPB. Courses are developed against PSETA (Public Service Education and Training Australia) standards. When PSETA undertook a national review of all its competency standards, PACCER Victoria coordinated a response from member jurisdictions (Australian Capital Territory, Northern Territory, Western Australia, South Australia, and Tasmania).

Future Developments

The VGPB will focus primarily on two key projects in 2003-04—ethical purchasing, and regional suppliers. The objective of the ethical purchasing project is to ensure that contractors to government meet their obligations to employees under industrial relations and occupational health and safety legislation.

The regional suppliers project will investigate whether there are barriers faced by regional suppliers in winning government business, and if so, what measures should be put in place to ensure greater access for regional suppliers.

Appreciation

On behalf of the VGPB, I would like to thank Mr John Lenders MP, Minister for Finance, for his support as the Minister responsible for government procurement. Thanks also to Warren Hodgson, Deputy Secretary, Commercial Division, for his valuable input and ongoing support of the VGPB.

In addition, I would like to express my appreciation of the dedication and excellent contributions of my fellow Board members. Thanks go to Jenny Melican, Director Procurement, for her most competent leadership of Procurement Group, and to all the members of Procurement Group for their enthusiasm, creative input and hard work. And finally, to the Accredited Purchasing Units for their pro-active, professional approach to procurement and its ongoing reform across government over the past year and into the future.



Robin Jervis-Read
Chairperson

ABOUT THE VGPB

Overview

The VGPB was established under the *Financial Management Act 1994* (the Act) and replaced the State Tender Board from 1 February 1995.

The VGPB has eight members and meets monthly to develop and approve policies, approve major departmental procurement processes, and discuss related procurement policy and practice matters. Six of the VGPB members, including the Chairperson, are external appointees, and two are appointed from government departments.

Functions

The VGPB has the following functions as defined by section 54B of the Act:

- a) in relation to the supply of goods and services to departments and the management and disposal of goods by departments –
 - i) to develop, implement and review policies and practices; and
 - ii) to provide advice, staff training and consultancy services;
- b) to monitor departmental compliance with supply policies and Ministerial directions and to report irregularities to the relevant Minister, and the Minister for Finance;
- c) to foster improvements in the use and application of purchasing systems and electronic trading;
- d) to establish and maintain a comprehensive database of purchasing data of departments and supply markets for access by departments;
- e) any other functions conferred on the Board by this Part.

Powers

The VGPB has the following powers under section 54C of the Act:

1. The Board has all the powers necessary to perform its functions.
2. Without limiting sub-section (1), the Board may –
 - a) enter into contracts or arrangements on its own behalf, on behalf of the State or on behalf of departments;
 - b) call and award tenders and advertise;
 - c) consider and approve requisitions for the purchase of goods and services by departments;
 - d) require accountable officers to audit departmental compliance with supply policies and Ministerial directions and provide audit reports to the Board;
 - e) require accountable officers to provide information and data relating to the supply of goods and services and the management and disposal of goods;
 - f) exercise any other powers conferred on the Board by the Act or the regulations.
3. An accountable officer must provide to the Board on request –
 - a) audit reports referred to in sub-section (2)(d);
 - b) information and data referred to in sub-section (2)(e).

Reporting Relationship

The VGPB reports to the Minister for Finance, and is supported by Procurement Group, Department of Treasury and Finance (DTF) which provides secretariat and other services to the VGPB. Procurement Group also has a direct reporting line through DTF to the Minister for Finance on procurement policy and practice issues.

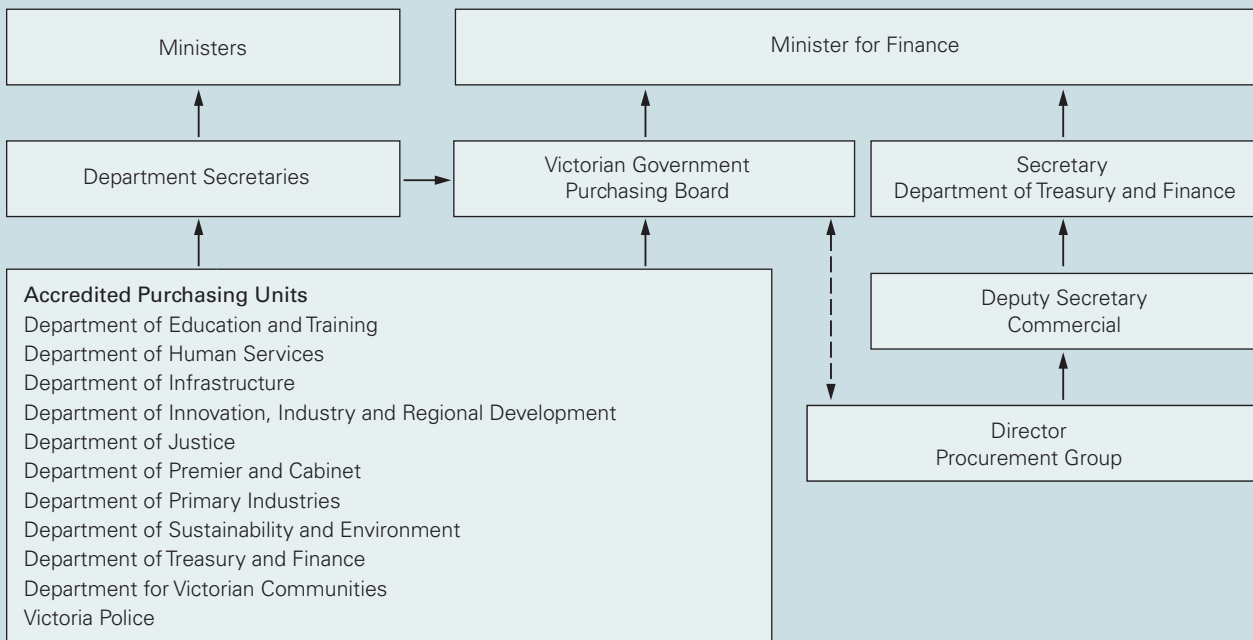
The VGPB has delegated authority to Accredited Purchasing Units (APUs) to approve procurement processes up to each department's level of accreditation. Each APU also reports to its departmental Secretary on procurement policy and practice issues. Secretaries are required to report to the VGPB each year on the department's procurement activities. The following diagram illustrates this relationship.

Scope of VGPB Policies

The VGPB's policies apply to the ten government departments as well as the following Offices:

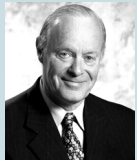
- a) Victorian Auditor-General's Office
- b) Office of Public Prosecutions
- c) Victorian Electoral Commission
- d) Office of the Chief Commissioner of Police
- e) Office of the Ombudsman
- f) Office of the Commissioner for Public Employment
- g) Essential Services Commission
- h) Office of the Legal Ombudsman
- i) Office of the Privacy Commissioner

REPORTING RELATIONSHIP



VGPB Members

Chairperson



Robin Jervis-Read

Mr Jervis-Read has been Chairperson of the VGPB since its inception in 1995. Currently, he is head of Group Procurement at Goodyear Australia.

He has 16 years general management experience with Australian corporations and 12 years high-level strategic procurement experience with Ford Motor Company and the automotive component supply industries of Europe, Asia and the United States of America.

Members



Mark Burford

Appointed 1 October 2000, Mr Burford is Director of Contemporary Green Design, a design and property development

company focused on ecologically sustainable development. He has over 12 years experience in the State and Commonwealth Governments, including nine years with the Victorian Government in the Cabinet Office, Education, Industry Development, and Health. Mr Burford has also provided public policy advice to a wide range of Commonwealth and State Government Ministers, Departments and Authorities.



Karen Cleave

Appointed 1 January 2000, Ms Cleave is Director, Secretariat, Inquiry into the 2002-2003 Victorian Bushfires, Department of Premier

and Cabinet. She was previously Director, Office of Departmental Services, Department of Education and Training. Ms Cleave has extensive experience in direct service delivery, resource management and strategic project management.



Geoff Fary

Appointed 1 April 2003, Mr Fary is the Employee Relations Manager for Victoria, at Nestle Australia Ltd. He has extensive experience in the areas

of policy advice, formulation of strategy and legislation, liaison and marketing, and procurement and contracting. He has held senior positions in corporations, and in the Victorian and Commonwealth public service, including George Weston Foods Limited and Industrial Relations Victoria.



Faith FitzGerald

Appointed 1 October 2000, Ms FitzGerald is currently Chief Executive Officer, RMIT Training Pty Ltd, the commercial arm of RMIT

University. Prior to taking up this position, Ms FitzGerald has 12 years experience in management and marketing in a high-technology company (Genasys II Pty Ltd) and strong IT implementation achievements. Prior to working in industry, she had ten years experience in senior management and policy roles in the Victorian and Australian Capital Territory Governments.



Bruce Hartnett

Appointed 1 April 2000, Mr Hartnett is a former Chief Executive Officer of the Australian Government Employees Superannuation Trust

and former Head of Employee Relations, National Australia Bank. He has extensive senior public service experience as Deputy Director-General of the Victorian Department of Industry, Technology and Resources, and in the Victorian Ministry of Transport.



Marissa Di Pasquale

Appointed 1 October 2000, Ms Di Pasquale is a specialist in the commercialisation of innovations and business opportunities. She has studied and worked in Australia, the United Kingdom and the United States, and has qualifications in science, law and management. She has extensive experience in business development, marketing, corporate and government business, and project management in the information communications technology and finance industries, and the public sector.



Allan Stewart

Appointed 1 January 2000, Mr Stewart was General Manager Corporate Services, Department of Natural Resources and Environment, and then became Director, Shared Services, Department of Sustainability and Environment (DSE). DSE is a leader in the implementation of electronic commerce in government and other e-government initiatives. Mr Stewart resigns from the VGPB at the end of June 2003.

VGPB Meeting Attendance

The VGPB held 11 Board Meetings in the year to 30 June 2003. The following table shows the record of attendance by members.

Table 1: MEETING ATTENDANCE

Board Member	Meetings Attended	Eligible Meetings
Robin Jervis-Read	11	11
Mark Burford	10	11
Karen Cleave	8	11
Geoff Fary*	2	3
Faith FitzGerald	10	11
Bruce Hartnett	9	11
Marissa Di Pasquale	10	11
Allan Stewart	9	11

* New member appointed from 1 April 2003



VGPB Board Meeting, 29 May 2003

Left to right: Marissa Di Pasquale, Geoff Fary, Bruce Hartnett, John Lenders MP (Minister for Finance), Robin Jervis-Read (Chairperson), Faith FitzGerald and Allan Stewart

STRATEGIC PRIORITIES 2002-03

In 2002-03 the VGPB set a number of strategic priorities. These priorities are described in detail below.

1. Implementation of the Communications Strategy

The VGPB identified the need for a communications strategy to meet the information and advice needs of the VGPB's key customers and stakeholders: the Minister and Government; departmental Secretaries; APUs; departmental Officers and other public sector customers; and, suppliers to government. The development of a communications strategy was completed in 2001-02 as a VGPB strategic priority and implemented in 2002-03.

A number of sub-projects were undertaken to address the communication gaps identified in the stakeholder survey that was conducted at the beginning of 2002. They were to:

- develop a Procurement Communications Framework
- develop Procurement Communications Guidelines
- develop an induction package and survival guide for new staff
- introduce monthly mapping and discussion of communication projects and activities across Procurement Group
- introduce an electronic Procurement Communications Activities Calendar accessible to all staff

- develop key messages and a tagline for external communications
- review communications channels and suggest improvements
- improve information exchange at APU forums.

Due to limited staff and financial resources in 2002-03, the sub-project *Frequently Asked Questions and Innovation Register* was only partially completed. It is expected that the remainder of the project will be completed in 2003-04.

Stakeholder communications have become part of Procurement Group's everyday business with the Procurement Communications team responsible for identifying areas for continuous improvement.

The Procurement Communications team also assisted other work units in developing communication plans and, where appropriate, in managing special events and communication tasks. The team worked closely with DTF's Corporate Communications Unit to ensure compliance with departmental communication requirements.

2. Revision of Victorian Government Purchasing Board Procurement Policies

Background

The VGPB determined that the review of all purchasing policies was to be a strategic priority for 2002-03. The VGPB policies relate to the purchase of goods and services by all departments and the nine designated Offices (see page 9).

There had been no comprehensive review of procurement policies since the inception of the VGPB in 1995, although there had been significant incremental change during that time.

The expansion of information on the VGPB website over time meant that procurement policy was becoming mixed with practice notes, guidelines and other tools thereby making it difficult for departments undertaking purchases to identify mandatory elements.

Key Objectives for the Review Policy

The VGPB applied the following objectives in the revision of all policies:

- ensure that the VGPB policies are consistent with the Bracks Government's policies
- clearly identify procurement actions and processes that are mandatory
- ensure a consistent application of policy by adopting a standard policy framework
- incorporate the requirements of an online web environment.

Policy Implementation

The outcomes of the review include:

- a restructure of all policies into a standard format
- a clear statement of mandatory procurement requirements
- the provision of new policy where gaps were identified
- the linking of policies with procurement information in other States and national sources.

The policy review project was undertaken in consultation with departments.

The revised policies have been designed to ensure that departments apply consistent processes in the sourcing of goods and services, and that the procurement decision-making system is transparent. The policies focus purchasing decisions on the principle of value for money.

Departments have indicated a high degree of satisfaction with the revised VGPB policies that came into effect on 6 December 2002.

Further Information

The revised policies can be viewed on the VGPB website (<http://www.vgpb.vic.gov.au>).

3. Redevelopment of the VGPB Website

A new version of the VGPB website was launched on 6 December 2002. A usability expert was engaged to design the new look and feel of the site with the assistance of departmental stakeholders. The VGPB website has undergone various changes in the past, but the recent redevelopment was by far the most extensive.

The aim of redeveloping the VGPB website was to ensure that it met user expectations, that information was easy to find, and that content was written in a web friendly format. The VGPB website receives more than 200,000 visits annually and this figure continues to grow.

For the latest information about procurement policies, visit the new VGPB website at <http://www.vgpb.vic.gov.au>. The website offers the following features:

- an intuitive and easy to use navigation system
- new VGPB policies published in web friendly format
- a *Find a Policy* tool which is available on the homepage
- a new *Procurement Process Guide* which is a practical guide to procurement and contracting
- templates and tools to undertake procurement tasks
- a utilities menu which consists of a Site map, Contact Us, FAQs (Frequently Asked Questions), Glossary and Help pages
- a keyword search facility on all the web pages

- improved *breadcrumb* navigation throughout the site
- internal page navigation consisting of anchor links and top buttons to provide efficient navigation to content on the page
- improved links to external sites. To comply with accessibility and usability principles, an arrow symbol (graphic) precedes each external link and opens a new window.

4. VGPB eBusiness Strategy

One of the functions of the VGPB is to foster improvements in the use and application of purchasing systems and electronic trading. With the finalisation of the Electronic Commerce for Procurement (EC4P) model, and the commencement of implementation in departments, the VGPB agreed that it would be timely to investigate the key future directions in eProcurement. From this, the VGPB could identify what role it should play in ensuring the Victorian Government remains at the forefront of eProcurement over the next two to five years.

A research paper was commissioned by the VGPB to examine what opportunities and/or specific requirements are likely to present themselves to organisations such as the Victorian Public Sector over the next two to five years.

The paper concluded that there were three key imperatives:

- interoperability and standards
- electronic payment
- supplier engagement.

The VGPB agreed that its focus should be on its policy framework and that during 2003-04 it would investigate policy options to foster departmental and supplier uptake of ecommerce.

5. Review of the Purchasing Database

In 1997 the VGPB established the Purchasing Information System (PURIST) to collect and collate information on departmental purchasing activity. The PURIST system was designed to meet the VGPB's responsibility under section 54B(d) of the *Financial Management Act 1994*, to:

establish and maintain a comprehensive database of purchasing data of departments and supply markets for access by departments

The information was collected on a department-by-department basis, and matched departmental expenditure codes against categories under the Australia New Zealand Standard Commodity Classification (ANZSCC) system. PURIST thus enabled the aggregation of information on whole of government expenditure.

Since the inception of PURIST, there have been significant changes that have impacted on the operation of the system.

First, departments now have far more sophisticated financial and accounting systems. They are able to interrogate these systems directly to obtain purchasing data and to carry out their own strategic analysis. Departments prefer to rely on this information rather than on the data generated by PURIST.

Second, the ANZSCC is out-of-date. The United Nations Standard Products and Services Code (UNSPSC) is now the standard classification system. The UNSPSC classification has been endorsed by the Australian Procurement and Construction Ministerial Council and has been adopted in the implementation of the Electronic Commerce for Procurement (EC4P) project.

In early 2002-03, the VGPB agreed that the development of a new purchasing database system could not be justified. The new database would be costly, and the end users, the departments, preferred to rely on information from their financial management systems. However, the VGPB agreed that the existing Contracts Publishing System (CPS) could be redeveloped to provide valuable information on government purchasing for both departments and other interested users.

The CPS was established by DTF in 2000 as part of implementing the Bracks Government's commitment to disclosure of contract information. The CPS contains information about contracts entered into by Victorian Government departments and some agencies. Summary information is available on contracts valued at \$100,000 or more. For contracts valued at \$10 million or more, the contract itself is published.

The redevelopment of the CPS includes a new look and feel, improved navigation, and enhanced search facilities. The new database structure will allow a greater range of more accurate searches to be conducted. A new website design has been developed in compliance with usability and accessibility standards, and extensive consultation was undertaken with users. System development is scheduled for the second half of 2003-04.

6. Accreditation of Departments

Background

In 1995 the VGPB established an accreditation system whereby APUs were delegated power to approve the purchase of goods and services up to a level agreed to by the VGPB.

Purchases that are within the department’s accreditation level can be approved by its APU. Purchases greater than a department’s accreditation level are first considered and then endorsed by its APU before forwarding the matter to the VGPB for approval.

There are four departments accredited to approve purchases of up to \$1 million with the remaining departments accredited to approve purchases of up to \$500,000. (Further explanation of the existing accreditation system can be found on page 21.)

A revision of the accreditation arrangements for departments was undertaken in conjunction with the review of VGPB policies.

Revised Accreditation Arrangements

The new policy on the accreditation of departments adopts a four-tier system that is aligned with other key procurement threshold levels. The new accreditation tiers adopted by the VGPB are shown below.

Tier	Accreditation Limit
1	up to \$1 million
2	up to \$10 million
3	up to \$50 million
4	unlimited

Departments seek VGPB approval for the requested accreditation tier by presenting to the VGPB a performance management plan that details the processes implemented by a department to ensure compliance with VGPB policy and the adoption of best practice.

The VGPB directed that all departments are to comply with the new accreditation arrangements by December 2003. Departments retain their current accreditation for the interim period.

Four departments submitted their accreditation management plan for consideration and approval by the VGPB in 2002-03. Three departments applied for Tier 1 accreditation and one department applied for Tier 2 accreditation. The VGPB approved the requested accreditation levels in early 2003-04.

OTHER ACTIVITIES 2002-03

PACCER

PACCER (Procurement and Contracting Centre for Education and Research) is managed by Procurement Group. It was established to provide procurement and contracting training on behalf of the VGPB. In 2002-03, a total of 692 people attended PACCER skills training courses and information sessions.

PACCER's training sessions are divided into competency-based training, information sessions, and professional development seminars. PACCER's professional development seminars again proved to be very popular with 203 participants attending the three topics on offer: *Probity in Victorian Government Contracting*; *GST in Victorian Contracting*; and *Transition Planning*.

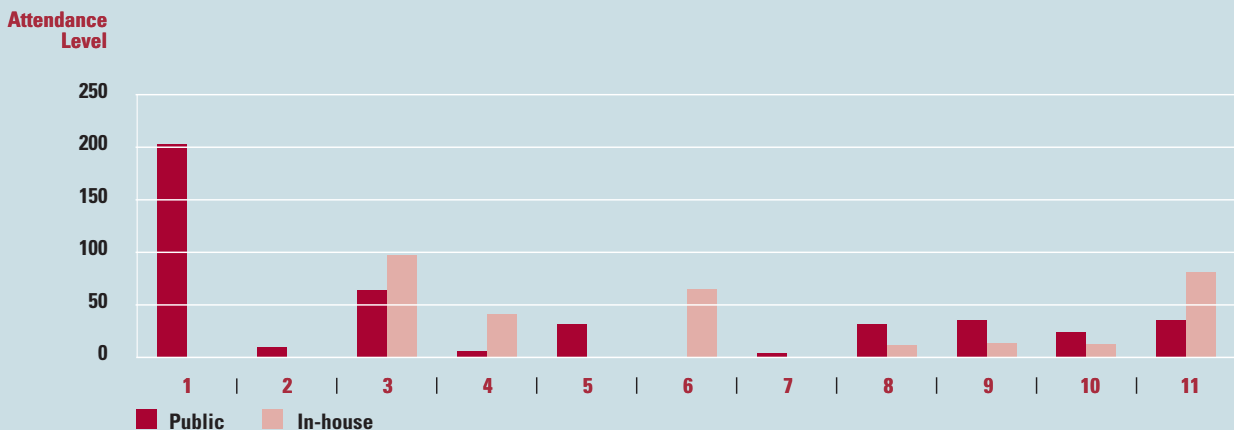
Winning Government Business, a seminar for small to medium-sized businesses, attracted 203 participants from both metropolitan and regional Victoria. These popular seminars

provided potential suppliers with information on government procurement practices, changes in policies that may affect them, and how to best position themselves to do business with government.

This year the *Winning Government Business* seminar was presented in Melbourne, Ballarat, Warragul, Shepparton and Horsham, with the Minister for Finance, John Lenders MP, opening seminars in both Melbourne and Ballarat.

Of the 692 participants, 311 attended in-house courses tailored for the needs of their organisations, which included the Department of Education and Training, City of Yarra and Health Purchasing Victoria. These in-house courses covered a variety of PACCER sessions, with the greatest demand being for competency-based training. A breakdown of PACCER seminars and training sessions is shown in Figure 1.

Figure 1: ATTENDANCE LEVELS AT PACCER TRAINING SESSIONS IN 2002-03



Information Sessions / Seminars 1 Winning Government Business - Metro and Regional 2 Transition Planning 3 Probity in Victorian Government Contracting 4 Policy, Contracts and EC4P 5 GST in Contracting 6 Customised - City of Yarra Training

Competency-based training 7 Advanced Procurement Planning 8 Service Contract Management 9 The Tender Process 10 Specification Writing and Tender Preparation 11 Introduction to Procurement and Contracting

National Network

PACCER's National Network continued to focus on joint promotion of excellence in procurement training. Our newest members, South Australia and Tasmania, adapted the competency-based courses to include information on local policy. Tasmania completed the *Introduction to Procurement and Contracting* workshop material, and it was launched to the Tasmanian public service. South Australia is expecting to offer skills training courses in the near future.

During 2002-03 PSETA (Public Service Education and Training Australia) undertook a national review of all its competency standards. As PACCER's competency-based courses were developed against PSETA standards, PACCER Victoria was responsible for coordinating a response from PACCER member jurisdictions. A paper recommending changes to the standards and relevant qualifications was submitted to PSETA in August 2002.

PSETA is to release a draft set of competencies for comment by interested parties in August 2003. Once approved, the revised standards will be incorporated into PACCER skills training courses, and into PACCER's *Recognition of Current Competencies Self Assessment* packages.

Updated Training Sessions

Based on feedback from our customers, PACCER reviewed the *Winning Government Business* seminar, and *Tender Process* skills training course.

The review of the *Winning Government Business* seminar showed that the content was still relevant to small to medium-sized enterprises' needs, but additional information on agencies and organisations that offer assistance to small business operators should be included. The review

also recommended the continued roll-out of the abbreviated evening session for regional areas.

The Tender Process skills training course was extended to two days. Customer feedback overwhelmingly suggested one day was not sufficient to meaningfully cover the set course material. The extension to two days enabled the inclusion of relevant case studies to facilitate learning. Initial customer feedback on this new format has been encouraging.

This section provides an analysis of all departmental procurement process approvals (requisitions) equal to or above \$100,000 for the financial year 2002-03. Wherever possible data from previous financial years is used for comparative purposes.



PROCUREMENT ACTIVITY IN 2002-03

This section provides an analysis of all departmental procurement process approvals (requisitions) equal to or above \$100,000 for the financial year 2002-03. Wherever possible data from previous financial years is used for comparative purposes.

To establish the context in which government procurement operates, a summary of the following topics is provided:

- machinery of government changes
- the accreditation and approval process
- types of requisitions
- public tender requirements
- variations to approved requisitions.

The section then provides details about the procurement trends in 2002-03. An analysis of the value, number, purchase type and approach to the market is also provided.

Machinery of Government Changes

In December 2002 the Victorian Government announced changes to the structure of its departments. Some functions in existing departments were realigned and new departments were established.

The objective of these machinery of government changes was to focus on the key areas of health, education, community and environment. The changes have impacted on the functions and roles of some APUs.

Some of the major machinery of government changes were:

- the Department of Tourism, Sport and the Commonwealth Games was renamed the Department for Victorian Communities, which also assumed responsibility for local government, Women's Policy and Multicultural Affairs
- Multimedia Victoria was transferred from the Department of Innovation, Industry and Regional Development to the Department of Infrastructure
- the Department of Natural Resources and Environment was split into the Department of Primary Industries and the Department of Sustainability and Environment.

Overall, two existing departments were subsumed into three new departments. As a result, there are now ten departments within the Victorian Government.

The APUs continued to provide support services to functions that moved to other departments until the end of the financial year 2002-03 and/or until the new department established its own APU.

For the purpose of this report, APUs provided Annual Supply Reports based on all approvals during the 2002-03 financial year regardless of where a particular function now resides.

Accreditation and Approval Process

The VGPB and APUs assess requisitions in accordance with the *Financial Management Act 1994* (the Act) and *VGPB Procurement Policies* (2002).

The Act, among other things, gives the VGPB the power to:

- establish a policy framework (supply policies) to govern the requisition approval process for goods and services
- consider and approve requisitions for the purchase of goods and services by departments
- monitor departmental compliance with supply policies and Ministerial directions and to report irregularities to the relevant Minister.

The VGPB accreditation system delegates the approval authority to APUs allowing them to note, endorse or approve requisitions up to their nominated accreditation level. Requisitions above an APU's accreditation level and approval limit are referred to the VGPB.

As a result of the revised accreditation policy, which came into effect in December 2002, a new accreditation system has been introduced. More information about these changes is provided on page 16.

Table 2 lists each APU's accreditation details for 2002-03.

Table 2: APU ACCREDITATION LEVEL AND APPROVAL LIMITS AS AT JUNE 2003

Department/APU	Accreditation level	Approval limit
Education and Training	Level 3	\$1 million
Human Services	Level 2	\$500,000
Infrastructure	Level 2	\$500,000
Innovation, Industry and Regional Development	Level 2	\$500,000
Justice	Level 3	\$1 million
Natural Resources and Environment	Level 3	\$1 million
Premier and Cabinet	Level 2	\$500,000
Primary Industries ¹	Level 3	\$1 million
Sustainability and Environment ¹	Level 3	\$1 million
Treasury and Finance	Level 2	\$500,000
Victorian Communities ¹	Level 2	\$500,000
Victoria Police	Level 3	\$1 million

¹ Interim accreditation approved by the VGPB due to machinery of government changes that occurred in December 2002. These interim arrangements remain effective until the APU submits a procurement management plan for VGPB accreditation under the new arrangements.

Types of Requisitions

The VGPB and APUs consider and approve the following types of requisitions:

- PRR Purchase Recommendation Report. A document that summarises the procurement process undertaken by a department for the engagement of a contractor. This is the standard procurement process report. A PRR is sometimes referred to as a Requisition Summary or Form 1.
- OSOA Open Standing Offer Arrangement. A contract established by one department and accessible by other departments who have a need for similar goods or services. An OSOA is similar to a whole-of-government arrangement but its use is discretionary.
- SPP Strategic Procurement Plan. A document that outlines the procurement strategy for contracts valued in excess of \$10 million, or a whole-of-government arrangement and/or is complex. Table 8 on page 34 provides information about SPPs in 2002-03.
- Variation Variations outline the nature of and justifications for a change to an approved requisition. Depending on the nature of the change, its effect on the total contract price and who originally approved the requisition, a variation is approved by the Financial Delegate, APU or VGPB.

Public Tender Requirements

VGPB Procurement Policies (2002) require that any requisition estimated to cost more than \$100,000 be subject to a public tender.

Public tendering involves testing the open market. This is consistent with the VGPB procurement principles of obtaining value for money and giving suppliers the opportunity to do business with government.

Circumstances where the public tendering requirement does not apply include:

- the types of activities listed in Schedule 1 of the *VGPB Procurement Policies* (see Appendix A)
- IT goods and services from the Commonwealth Endorsed Supplier Arrangement
- purchases under existing whole-of-government and OSOA contracts.

The Accountable Officer (the departmental Secretary or equivalent) is able to grant an exemption to the public tender requirement where there is sufficient evidence to justify an exemption being granted.

An exemption from the public tender requirement may still require the department to seek a minimum of three quotes unless the exemption also includes a waiver of this requirement.

Grounds for an exemption include, but are not limited to:

- matters of public health, security or safety
- situations of genuine urgency
- purchases where the goods and/or services are required to be compatible with existing information technology environments.

Variations to Approved Requisitions

A number of factors may necessitate variations to a previously approved requisition. Variations may relate to a change in the approved value of a contract, the contract period, key personnel or scope of goods and services for delivery.

Procurement Trends for 2002-03

The following section provides information about the procurement trends of the Victorian Government departments and Victoria Police.

There are significant year-to-year differences in the number and value of requisitions. However, an increase in the value of requisitions does not equate to a similar increase in expenditure. The increased value of requisitions may arise from aggregation of departmental spending into a single contract or long-term contracts.

This level of volatility is to be expected as departments commence and conclude major procurement programs such as those under SPPs. In addition, the transfer of responsibilities between departments under machinery of government changes has impacted departmental data for 2002-03.

Table 3 and Figures 2 to 4 provide a summary of the requisition approvals for 2002-03 and the last four financial years. The data shows that:

- The value of all requisitions has increased by 20 per cent compared to last year (from \$1,615.3 million to \$2,024.5 million) and has more than doubled since 1998-99. However, there were fewer requisitions this year (563) compared to last year (576).

- During 2002-03, 86 per cent of requisitions, by value, went to public tender compared with 88 per cent in 2001-02. This is due in part to the Department of Treasury and Finance SPP² in 2002-03 for domestic air travel services, which used a selective tender process that invited tenders from domestic airlines.
- The average value of a requisition in 2002-03 has increased by 30 per cent from 2001-02 (from \$2.8 million to \$3.6 million). This is due to a higher aggregate value of SPPs and fewer requisitions.

²A table containing details of SPPs in 2002-03 is provided on page 34.

Table 3: SUMMARY OF REQUISITION APPROVALS > \$100,000 FROM 1998-99 TO 2002-03

Value of Requisition Approvals by Invitation Process Type (\$million)

Category	1998-99	1999-00	2000-01	2001-02	2002-03
Public tender	709.8	348.4	342.1	1,422.6	1,748.3
Exemption from public tender	98.6	58.2	26.0	26.5	40.5
Exemption from public tender and three quotes	9.4	40.1	146.0	55.2	71.1
Variations	88.2	51.8	62.4	111.0	164.6
Totals	906.0	498.5	576.5	1,615.3	2,024.5

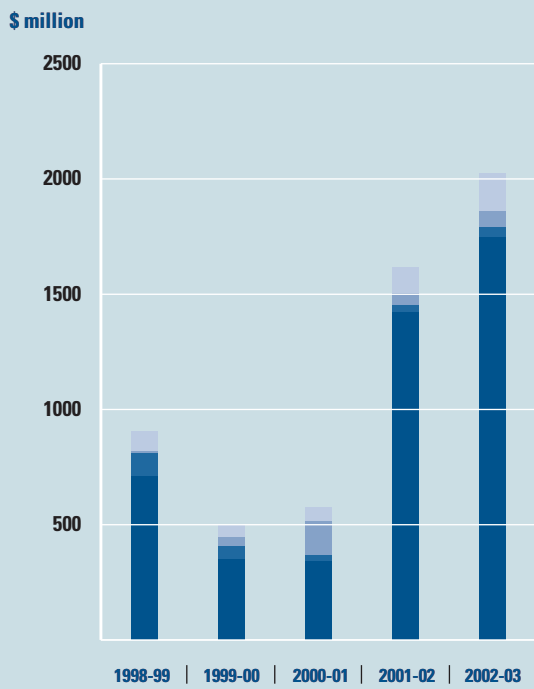
Number of Requisition Approvals by Invitation Process Type

Category	1998-99	1999-00	2000-01	2001-02	2002-03
Public tender	441	290	328	365	301
Exemption from public tender	174	86	58	46	24
Exemption from public tender and three quotes	17	33	59	86	114
Variations	80	77	72	79	124
Totals	712	486	517	576	563

Average Value of Requisition Approvals by Invitation Process Type (\$million)

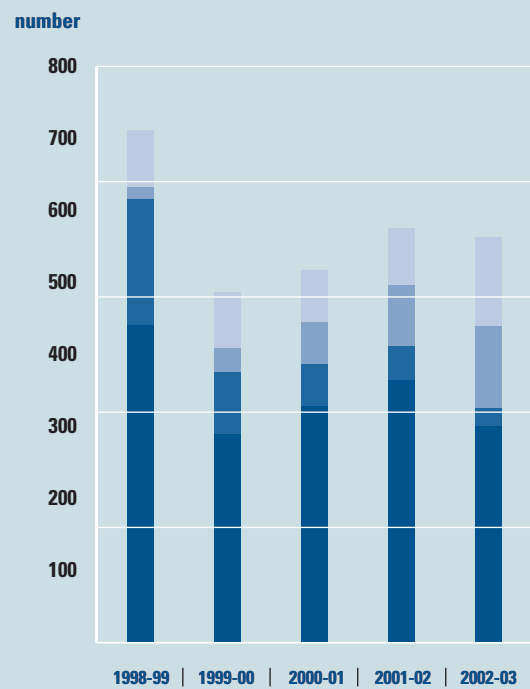
Category	1998-99	1999-00	2000-01	2001-02	2002-03
Public tender	1.6	1.2	1.0	3.9	5.8
Exemption from public tender	0.6	0.7	0.4	0.6	1.7
Exemption from public tender and three quotes	0.6	1.2	2.5	0.6	0.6
Variations	1.1	0.7	0.9	1.4	1.3
Averages	1.3	1.0	1.1	2.8	3.6

Figure 2: VALUE OF REQUISITION APPROVALS > \$100,000 BY INVITATION PROCESS TYPE (\$MILLION) FROM 1998-99 TO 2002-03



- Public tender
- Exemption from public tender
- Exemption from public tender and three quotes
- Variations

Figure 3: NUMBER OF REQUISITION APPROVALS > \$100,000 BY INVITATION PROCESS TYPE FROM 1998-99 TO 2002-03



- Public tender
- Exemption from public tender
- Exemption from public tender and three quotes
- Variations

Figure 4: AVERAGE VALUE OF REQUISITION APPROVALS BY INVITATION PROCESS TYPE (\$M/REQ) FROM 1998-99 TO 2002-03

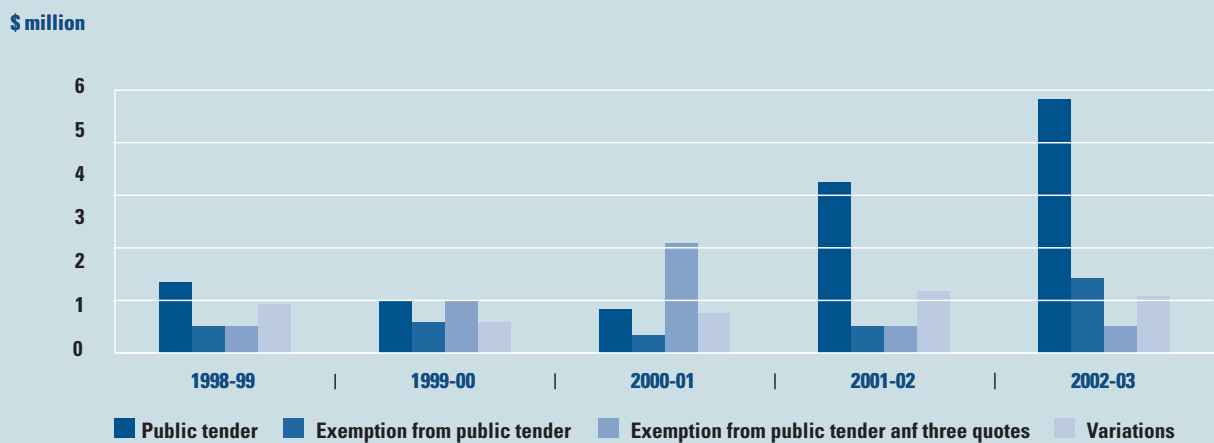


Figure 5 shows the value of requisition approvals by purchase type. It indicates that:

- The value for services in 2002-03 far exceeds the value for this type of purchase from any other year, increasing by almost 300 per cent from 2001-02 (from \$555.5 million in 2001-02 to \$1,641.2 million in 2002-03). This is due in part to several large SPPs in 2002-03 including the Department of Treasury and Finance domestic air travel services contract, the Department of Justice legal services panel, and the Multimedia Victoria Telecommunications Purchasing and Management Strategy.

- The purchase value of goods requisitions decreased by over 500 per cent from \$938.1 million in 2001-02 to \$201.7 million in 2002-03. The 2001-02 data was higher than usual because the Department of Treasury and Finance sought approval for whole-of-government contracts for stationery, and fuel.
- The value of consultancies and variations over the five-year period is relatively constant.

Figure 5: VALUE OF REQUISITION APPROVALS > \$100,000 BY PURCHASE TYPE FROM 1998-99 TO 2002-03

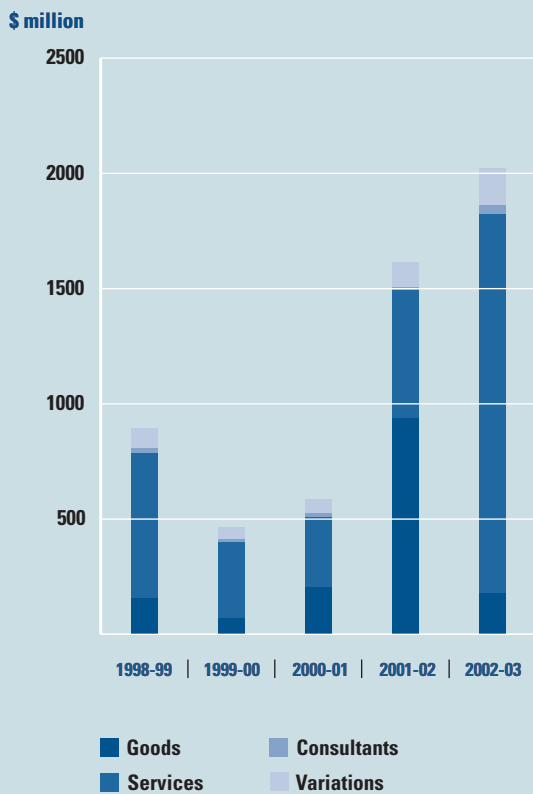


Table 4 provides a breakdown of requisitions in 2002-03 by purchase type, number, dollar threshold and value. The data shows that:

- Most requisitions (70 per cent) fall within the \$100,000 to \$500,000 bracket and were for services (68 per cent).
- Only 4 per cent of requisitions were over \$10 million.
- The number and value of consultancies remains relatively low (7.6 per cent of the total number and 1.9 per cent of the total value).

Table 4: COMPOSITION OF REQUISITION APPROVALS BY PURCHASE TYPE, NUMBER, DOLLAR THRESHOLD AND VALUE FOR 2002-03

Purchase type	\$100,000-\$500,000	\$500,001-\$1,000,000	\$1,000,001-\$10,000,000	> \$10,000,000	Total number	Total value (\$million)
Goods	60	15	15	5	95	201.7
Services	204	29	52	17	302	1,641.2
Consultancies	35	2	5	0	42	170
Variation	93	10	20	1	124	164.6
Totals	392	56	92	23	563	2,024.5

DEPARTMENTAL PROCUREMENT ACTIVITIES

Under section 54C of the *Financial Management Act 1994*, the VGPB requires each Accountable Officer (departmental Secretary or equivalent) to provide information and data relating to the supply of goods and services. This information and data is provided in an Annual Supply Report for each financial year.

Annual Supply Reports collect information about:

- the number and value of requisition approvals by the department's APU and those referred to the VGPB
- details of non-compliance (breaches) with VGPB Procurement Policies
- progress towards the development of procurement systems
- procurement skill levels and training activities
- APU membership and attendance
- results of audits of the procurement function.

APU Requisition Approvals by Department

In 2002-03, APUs considered and approved 563 requisitions with a total value of \$2,024,541,549 (\$2.02 billion). The average number and value of requisitions per APU is 47 and \$3.6 million respectively.

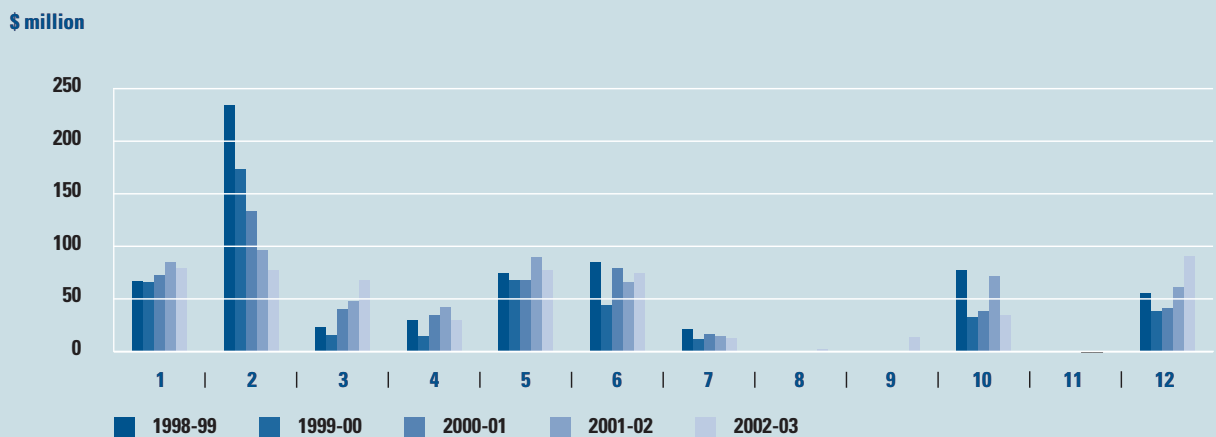
Table 5 and Figure 6 provide details of the number of requisition approvals by individual APUs from 1998-99 to 2002-03, and show that:

- The number of requisition approvals at the Department of Human Services steadily dropped over time. Over the span of five years, its number of approvals has decreased by two-thirds, from 235 in 1998-99 to 78 in 2002-03.
- The number of approvals by the Department of Treasury and Finance has halved over the same period while the number for Victoria Police has almost doubled.
- The number of requisition approvals at the Departments of Primary Industries, Sustainability and Environment, and Victorian Communities is very low because the APUs for these departments were only recently established.

Table 5: NUMBER OF APU REQUISITION APPROVALS BY DEPARTMENT FROM 1998-99 TO 2002-03

Department	1998-99	1999-00	2000-01	2001-02	2002-03
Education and Training	67	66	73	85	79
Human Services	235	174	134	97	78
Infrastructure	23	16	40	48	68
Innovation, Industry and Regional Development	30	15	35	42	30
Justice	75	68	68	90	78
Natural Resources and Environment	85	44	79	66	75
Premier and Cabinet	21	12	17	15	13
Primary Industries	0	0	0	0	2
Sustainability and Environment	0	0	0	0	14
Treasury and Finance	78	33	39	72	35
Victorian Communities	0	0	0	0	0
Victoria Police	56	39	41	61	91
Totals	670	467	526	576	563

Figure 6: NUMBER OF APU REQUISITION APPROVALS BY DEPARTMENT FROM 1998-99 TO 2002-03



1 Education and Training 2 Human Services 3 Infrastructure 4 Innovation, Industry and Regional Development 5 Justice
 6 Natural Resources and Environment 7 Premier and Cabinet 8 Primary Industries 9 Sustainability and Environment
 10 Treasury and Finance 11 Victorian Communities 12 Victoria Police

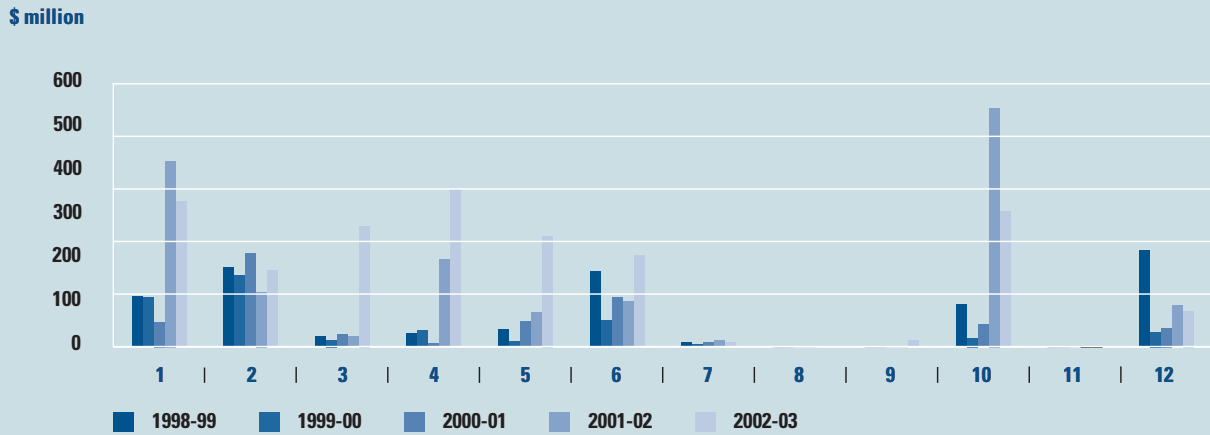
Table 6 and Figure 7 show the value of requisition approvals for each department from 1998-99 to 2002-03, and that:

- Although the value of requisition approvals for the Department of Education and Training in 2002-03 has dropped compared to 2001-02, over the course of five years, the value of its procurement has doubled.
- The value of requisition approvals by the Department of Innovation, Industry and Regional Development has increased over one and a half times since 2001-02 but multiplied by 11 times since 1998-99. The increase in 2002-03 is due to the Multimedia Victoria Telecommunications Purchasing and Management Strategy.
- Although the number of requisition approvals by the Department of Human Services fell by 20 per cent between 2001-02 and 2002-03, the value of requisitions increased by 30 per cent due to the approval of two high value SPPs.
- The value of requisition approvals at the Departments of Primary Industries, Sustainability and Environment, and Victorian Communities is very low because the APUs for these departments were only recently established.

Table 6: VALUE OF APU REQUISITION APPROVALS BY DEPARTMENT FROM 1998-99 TO 2002-03 (\$MILLION)

APU	1998-99	1999-00	2000-01	2001-02	2002-03
Education and Training	115.6	113.8	57.5	425.1	332.7
Human Services	182.6	163.0	213.6	125.6	174.7
Infrastructure	23.4	16.0	28.3	23.5	276.4
Innovation, Industry and Regional Development	31.3	38.6	9.1	200.6	360.0
Justice	41.0	13.4	58.8	79.7	253.9
Natural Resources and Environment	173.3	60.6	113.1	104.9	209.8
Premier and Cabinet	10.2	5.4	10.1	15.8	10.7
Primary Industries	0.0	0.0	0.0	0.0	0.5
Sustainability and Environment	0.0	0.0	0.0	0.0	14.6
Treasury and Finance	98.1	20.8	51.1	545.8	308.9
Victorian Communities	0.0	0.0	0.0	0.0	0.0
Victoria Police	220.0	34.3	43.7	95.2	82.3
Totals	895.4	466.0	585.1	1,616.1	2,024.5

Figure 7: VALUE OF APU REQUISITION APPROVALS BY DEPARTMENT FROM 1998-99 TO 2002-03 (\$MILLION)



1 Education and Training 2 Human Services 3 Infrastructure 4 Innovation, Industry and Regional Development 5 Justice
 6 Natural Resources and Environment 7 Premier and Cabinet 8 Primary Industries 9 Sustainability and Environment
 10 Treasury and Finance 11 Victorian Communities 12 Victoria Police

Figure 8 shows each department's share of the total value of requisitions. It indicates that the Department of Innovation, Industry and Regional Development had the highest per centage (at 17 per cent), closely followed by the Department of Education and Training (at 16 per cent), and the Department of Treasury and Finance (at 15 per cent).

Figure 8: PER CENTAGE OF TOTAL VALUE OF APU REQUISITION APPROVALS BY DEPARTMENT FOR 2002-03

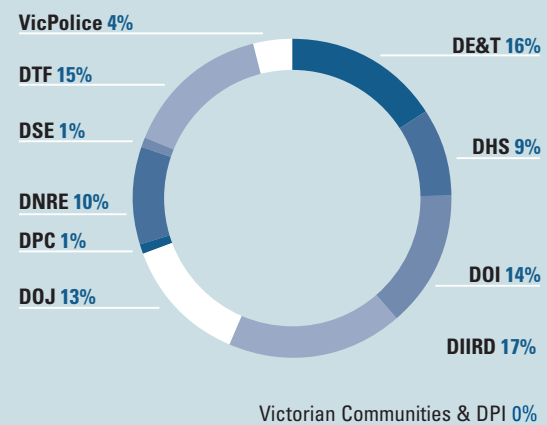


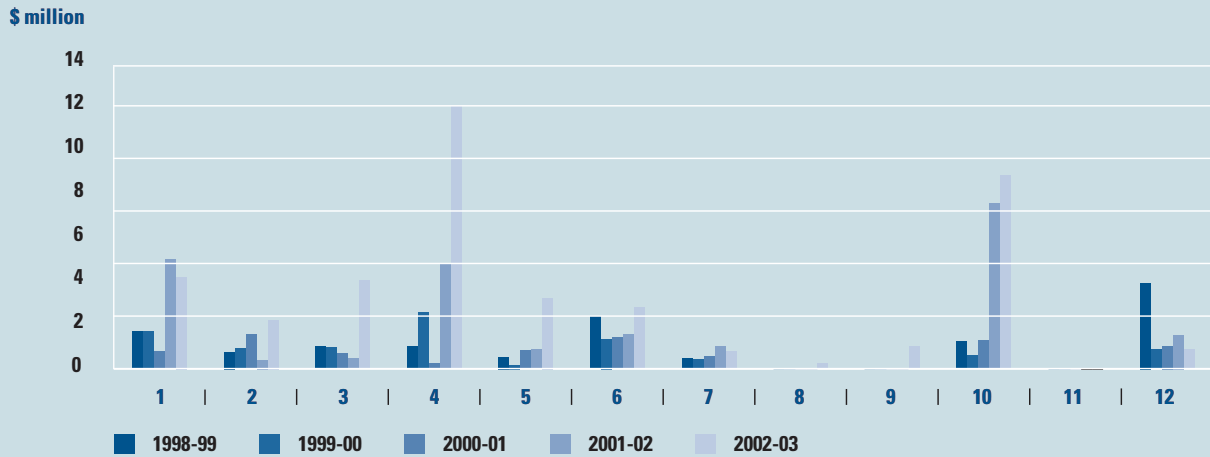
Table 7 and Figure 9 show the average value of APU requisition approvals over the last five financial years. The data shows that:

- Over the five-year period to 2002-03, the average value per requisition approval for all departments has increased from \$1.34 million in 1998-99 to \$3.59 million in 2002-03, an increase of almost 170 per cent.
- The average value of requisition approvals for the Departments of Education and Training, and Premier and Cabinet, and for Victoria Police has decreased in the last financial year.
- In 2002-03, the Department of Innovation, Industry and Regional Development had the highest average of \$12 million per requisition approval. This is related to approval of SPPs for the electronic services panel and Telecommunications Purchasing and Management Strategy before Multimedia Victoria was transferred to the Department of Infrastructure. The average value is high also because of the relatively small number of requisitions (30).

Table 7: AVERAGE VALUE OF APU REQUISITION APPROVALS BY DEPARTMENT FROM 1998-99 TO 2002-03 (\$MILLION)

Department	1998-99	1999-00	2000-01	2001-02	2002-03
Education and Training	1.73	1.72	0.79	5.00	4.21
Human Services	0.78	0.94	1.59	0.42	2.24
Infrastructure	1.02	1.00	0.71	0.49	4.06
Innovation, Industry and Regional Development	1.04	2.57	0.26	4.78	12.00
Justice	0.55	0.19	0.86	0.89	3.25
Natural Resources and Environment	2.39	1.38	1.43	1.59	2.80
Premier and Cabinet	0.48	0.45	0.59	1.05	0.81
Primary Industries	0.00	0.00	0.00	0.00	0.27
Sustainability and Environment	0.00	0.00	0.00	0.00	1.04
Treasury and Finance	1.26	0.63	1.31	7.58	8.83
Victorian Communities	0.00	0.00	0.00	0.00	0.00
Victoria Police	3.93	0.88	1.06	1.56	0.90
Average value	1.34	1.00	1.11	2.81	3.59

Figure 9: AVERAGE VALUE OF APU REQUISITION APPROVALS BY DEPARTMENT FROM 1998-99 TO 2002-03 (\$MILLION)



1 Education and Training 2 Human Services 3 Infrastructure 4 Innovation, Industry and Regional Development 5 Justice
 6 Natural Resources and Environment 7 Premier and Cabinet 8 Primary Industries 9 Sustainability and Environment
 10 Treasury and Finance 11 Victorian Communities 12 Victoria Police

Table 8 shows the number and value of all SPPs in 2002-03. The table indicates that:

- There were 20 SPPs with a total value of \$1,122 million.
- The Department of Innovation, Industry and Regional Development and the Department of Treasury and Finance had the highest value of SPPs, accounting for almost half the total value of all SPPs.

- Victoria Police had the highest number of SPPs but their total value is relatively low.

Table 8: NUMBER AND VALUE OF STRATEGIC PROCUREMENT PLANS (SPPS) IN 2002-03 (\$MILLION)

APU	Number	Value (\$million)	Description
Education and Training	2	\$200.7	- computer hardware - technical computer support services for schools
Human Services	2	\$ 54.0	- financial information system - systems integration
Infrastructure	2	\$159.5	- Project Rosetta - Telecommunications Purchasing Management Strategy
Innovation, Industry & Regional Development	2	\$290.0	- e-services panel - Telecommunications Purchasing Management Strategy
Justice	1	\$105.0	- legal services panel
Natural Resources and Environment	1	\$ 35.0	- heavy plant machinery
Premier and Cabinet	1	\$ 4.4	- digital archive for public records
Primary Industries	0	\$ 0.0	
Sustainability and Environment	0	\$ 0.0	
Treasury and Finance	3	\$261.5	- domestic air travel services - air travel services manager - passenger and light commercial vehicles
Victorian Communities	0	\$ 0.0	
Victoria Police	6	\$ 12.2	- telecommunications - traffic system - operational boots and jackets
Totals	20	\$1,122.3	

Breaches of VGPB Procurement Policies

Section 54L of the Financial Management Act 1994, requires all Accountable Officers and other departmental staff to comply with supply policies (VGPB Procurement Policies) whenever acquiring goods and/or services. A failure to comply with supply policies constitutes a breach.

All breaches are reported to the VGPB in the Annual Supply Report, and where necessary, the relevant Minister is informed.

Where a breach involves a financial commitment above \$100,000 the Accountable Officer is to

report immediately to the VGPB. The VGPB will note the breach and the department may finalise any outstanding financial obligation subject to the approval of its financial delegate.

Table 9 provides information about breaches that were reported in 2002-03. The most common reason for a breach is commissioning of additional work against an existing contract without gaining appropriate procurement process approval from the APU and/or VGPB.

Table 9: BREACHES OF VGPB PROCUREMENT POLICIES 2002-03

Department	Number	Total number of requisitions	% of compliance
Education and Training	2	79	97.5
Human Services	1	78	98.7
Infrastructure	12	68	82.3
Innovation, Industry and Regional Development	1	30	96.6
Justice	2	78	97.4
Natural Resources and Environment	6	75	92.0
Premier and Cabinet	1	13	92.3
Primary Industries	0	2	100.0
Sustainability and Environment	1	14	92.9
Treasury and Finance	1	35	97.1
Victorian Communities	0	0	100.0
Victoria Police	2	91	97.8
Total	29	563	94.8

Figure 10: GOVERNMENT LEVEL OF COMPLIANCE TO VGPB PROCUREMENT POLICIES FROM 1998-99 TO 2002-03

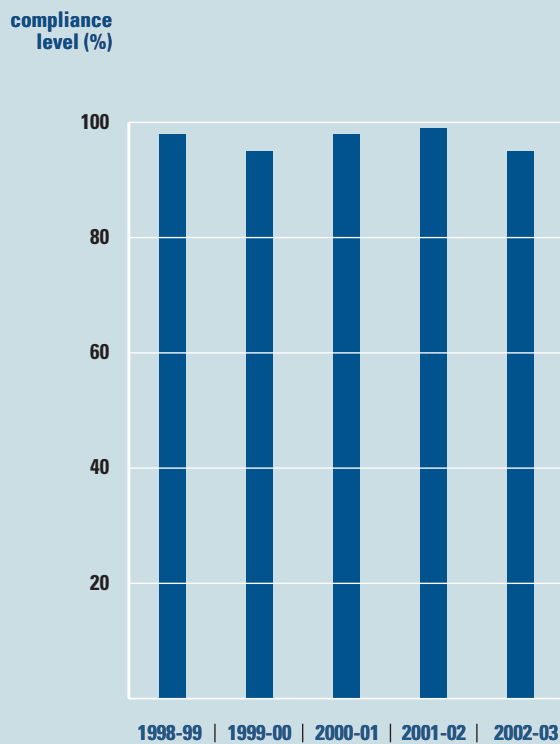


Figure 10 shows the level of whole-of-Victorian Government compliance to VGPB Procurement Policies for 2002-03.

Accredited Purchasing Unit Activities

Table 10 is a summary of the major activities undertaken by each APU. This table provides information about strategic projects including progress towards:

- the implementation of electronic procurement
- skill development and training
- communications activities that facilitate the operation of the APUs.

Table 10: APU ACTIVITIES IN 2002-03

Department	Summary of activities
Department of Education and Training (DE&T)	Ms Gail Hart, General Manager of the Shared Services Unit, is the APU Chair for DE&T. Some of the activities undertaken by the DE&T APU include: <ul style="list-style-type: none"> □ Introduction of Purchasing@DE&T, an online tool to enhance the procurement process. □ Rollout of Ariba (an electronic procurement solution) to the Head Office and Regional Business Areas commencing in August 2002 and finishing in March 2003. □ An audit of departmental compliance with procurement policy which found no other instance of non-compliance apart from the two identified in this annual report. □ Preparation of a request to confirm its accreditation approval limit of \$1 million.
Department of Human Services (DHS)	Mr Phil Proudfoot, Manager of Administrative Services, is the APU Chair for DHS. Some of the activities undertaken by the DHS APU include: <ul style="list-style-type: none"> □ Implementation of the Purchasing and Funding e-Guide on the DHS intranet in August 2002. □ Completion of a Post-Pilot Implementation Review for an electronic procurement solution and commencement of a full rollout to all regions and divisions of DHS. □ Continuation of the Funding and Purchasing Policy Contract Officers Network and preparation for its inaugural annual conference. □ Staff access to PACCER training.
Department of Infrastructure (DOI)	Mr Tony Butler, Director of Contract Services and Risk Management, is the APU Chair for DOI. Some of the activities undertaken by the DOI APU include: <ul style="list-style-type: none"> □ APU and support staff participation in development opportunities including seminars, conferences and other training programs. □ APU Chair speaking at the <i>Strategic Procurement and Planning in Government</i> conference in Canberra on the subject of risk management. □ Hosting of the DOI Procurement Induction program and training on the DOI Contracts Management System (CMS@DOI), which was launched 1 July 2002. □ Development of a strategy to assess the level of procurement competence at a whole-of-department level. □ Continued enhancement of the Contracting DOI online guidance system.

Table 10: APU ACTIVITIES IN 2002-03 CONTINUED

Department	Summary of activities
Department of Innovation, Industry and Regional Development (DIIRD)	<p>Ms Debbie Goodin, Executive Director of Corporate Service, is the APU Chair for DIIRD. Some of the activities undertaken by the DIIRD APU include:</p> <ul style="list-style-type: none"> □ An APU review of procurement performance through an analysis of the submissions presented for its consideration. □ Development of standard templates for documentation of the procurement process. □ Notices about procurement matters in <i>e-chat</i>, a DIIRD electronic newsletter. □ Enhancement of the DIIRD intranet site to include a bulletin board for procurement information. □ Establishment of Tender Complaint Management Procedures. □ Staff access to PACCER training.
Department of Justice (DOJ)	<p>Mr John Charleson, Deputy Secretary of Corporate Services, is the APU Chair for DOJ. Some of the activities undertaken by the DOJ APU include:</p> <ul style="list-style-type: none"> □ Staff access to PACCER training. □ Continuation of Procurement@Justice, an online resource designed to assist procurement and contract management. □ Operation of GIMS, a <i>one stop shop</i> for managing DOJ's assets over their life cycle. □ Operation of the Contract Recording and Management System which is a component of GIMS and allows DOJ to manage contracts effectively and efficiently. □ Implementation of an electronic procurement solution. that is integrated with DOJ's financial management system. □ Development and distribution of a flyer and desktop quick reference outlining DOJ's procurement rules. □ Hosting presentations to raise awareness of procurement policies.

Department**Summary of activities**

Department of Natural Resources and Environment (NRE)

Mr Allan Stewart, General Manager of Corporate Services, was the APU Chair for NRE APU during 2002-03.

Some of the activities undertaken by the NRE APU include:

- Audit staff access to PACCER training and other procurement related programs.
- Further development of the Contracts Register to ensure data accuracy and integrity.
- Enhancement of the Commerce Group web pages on the NRE web site to increase maintenance capability.
- Continuation as the lead department in the use of electronic procurement.
- An audit of NRE's use of the Government Purchasing Card.

Department of Premier and Cabinet (DPC)

In December 2002 Ms Sue Hamilton, Director of Organisational Development, replaced Mr Yehudi Blacher, the Deputy Secretary, as the joint APU Chair for the Central Agencies APU (shared with DTF).

Some of the activities undertaken by the Central Agencies APU include:

- Use of the DPC Matrix (portal) to provide links to the Purchasing and Contracting Database and Request for Tenders (RFT) Procedural Checklist.
- Enhancement of the Purchasing and Contracting Database.
- Operation of the Streamlink electronic procurement application.
- Procurement training notices on the DPC Matrix (portal).

Table 10: APU ACTIVITIES IN 2002-03 CONTINUED

Department	Summary of activities
Department of Primary Industries (DPI)	<p>Mr Richard Aldous, Executive Director of Minerals and Petroleum, is the APU Chair for DPI.</p> <p>Some of the activities undertaken by the DPI APU include:</p> <ul style="list-style-type: none"> □ Analysing the skill and training needs of procurement staff. □ Development of an internal accreditation system for contract managers. □ In-house training for Governance of Financial Management (GOFM). □ Development of a specific DPI Contracting and Procurement course and promotion of PACCER training. □ Further development of the online process guide, management tools and templates. □ Development of agreements with both new and existing suppliers to facilitate growth in electronic catalogue usage.
Department of Sustainability and Environment (DSE)	<p>Mr Ian Ireson, Deputy Director of Land Registry, Land Victoria, is the APU Chair for DSE.</p> <p>Some of the activities undertaken by the DSE APU include:</p> <ul style="list-style-type: none"> □ Setting key priorities for 2003-04. □ Support of the in-house finance/commerce training, which includes basic procurement training provided by DPI under a shared services agreement. □ Monitoring the delivery of systems including the financial management system, contracts register and electronic catalogues which are provided by DPI. □ Implementation of a strategy to develop a DSE Procurement and APU web site.
Department of Treasury and Finance (DTF)	<p>Mr Warren Hodgson, Deputy Secretary of Commercial Division, is joint APU Chair for the Central Agencies APU (shared with DPC).</p> <p>Some of the activities undertaken by the Central Agencies APU include:</p> <ul style="list-style-type: none"> □ Development of an APU procurement management plan for the new accreditation system. □ Training sessions on specific topics. □ Use of the DTF Portal to provide links to the Purchasing and Contracting Database and RFT Procedural Checklist. □ Enhancement of the Purchasing and Contracting Database. □ Successful rollout of the Ariba electronic procurement tool across DTF. □ Procurement training notices on the DTF eNews.

Department**Summary of activities**

Victoria Police (VicPol)

Mr Cliff Owen, Director of the Business Management Department, is the APU Chair for VicPol.

Some of the activities undertaken by the VicPol APU include:

- Research on the insurance crisis and development of a training package to assist departmental staff.
- Use of the APU intranet site and Central Knowledge Library.
- Conducting comparative studies with interstate and international procurement systems.
- Implementation of Practice Statement publications in June 2003 that clarify procurement policy requirements.
- Use of an electronic evaluation software package.
- Successful roll out of electronic procurement at 150 sites that involved training more than 2,500 staff.
- A review of vendor payments to ensure compliance to procurement policies.
- Internal and PACCER procurement training.

APU Case Studies

The following two case studies provide further insight into the range of activities undertaken by departmental APUs during 2002-03.

Department of Primary Industries (DPI): In-House Training Program

The Department of Natural Resources and Environment (NRE) ceased to exist as a result of machinery of government changes on 5 December 2002. The two departments created as a result of the changes were the Department of Primary Industries (DPI) and the Department of Sustainability and Environment (DSE). Each Department now has its own APU to oversee procurement and contracting processes within the Departments. Developing staff knowledge and skills in procurement and contracting through in-house training is a key issue in DPI/DSE.

A fully developed in-house training program has been available to staff in DPI/DSE since 2000. It was developed in NRE and utilised the resources of PACCER, the APU, internal expertise and independent training facilitators. The program was developed on the premise that many departmental staff responsible for tender and contract development, contract negotiation and contract management, had not undertaken any sort of formal or informal training and were therefore at risk in undertaking functions beyond their level of capability.

The introduction of EC4P, electronic purchasing, an electronic contract register, and an electronic process guide, known as *NRE Contracting*, coincided with the development of the training package. This enabled the developed package to concentrate on, not only the theoretical and policy based information but also, the introduction of new systems available to staff on the intranet.

The internal group responsible for the training decided very early that the major impact of the training should be to influence future behaviour of staff with responsibility for the major acquisitions of goods and services.

Equipping staff with the knowledge and the tools necessary to perform these roles created an expectation that there would be increased professionalism and expertise among departmental purchasers, and a raised profile for procurement as a whole. The training package was fully supported by the Management and Executive of NRE and this proved to be very helpful when arranging the program dates and prospective attendees.

The topics covered in the training include:

- Purchasing ethics
- Elements of a contract
- Risk identification and management
- Sourcing markets
- OH&S in purchasing
- Insurance
- Intellectual property
- Environmental issues
- Contract negotiation
- Contract termination
- Supplier relationships
- Performance management
- Contract administration
- Knowledge of departmental systems and process
- VGPB policies and guidelines
- VIPP and contract disclosure
- Strategic purchasing.

At 30 June 2003, over 400 departmental staff had attended the one-day training session at major locations across the State. It is anticipated that this course will continue to develop into an internal accreditation for DPI/DSE purchasing staff that will be aligned to our financial delegation and accreditation system.

The training will continue to be refined and updated and future delivery to DPI/DSE staff will be via a mixture of both internal and external resources. An examination of current behavioural, cultural and procedural aspects of procurement within both departments will determine the content of future courses as will the ongoing need to make staff more effective, efficient and knowledgeable in the area of contracting and procurement.

Department of Sustainability and Environment (DSE): Establishing the DSE APU

In late 2002 NRE was split into two new departments: the Department of Primary Industries (DPI) and the Department of Sustainability and Environment (DSE). In the short term, the NRE APU continued to service the needs of both new departments until new arrangements could be planned and established.

DSE and DPI agreed that a number of administrative activities would be provided as *shared services*, and these would be provided to both departments by a single business unit. However, it was also decided that each department would have its own APU and APU support unit, as this was primarily a *policy* function.

Each department proposed to the VGPB a new APU with a mix of skills and experience relevant to the activities of the particular new department, but which also leveraged skills and experience gained by the NRE APU.

The following is a brief outline of the activities undertaken in establishing the DSE APU.

Two members of the former NRE APU continued as members of the DSE APU, one as the Chair and the other as a Deputy Chair. This, along with the fact that the APU Secretary had been the Secretary to the former NRE APU, provided a significant level of continuity.

The proposed new Chair and the Chair of the former NRE APU consulted together and throughout the new organisation to identify possible APU members with appropriate experience and knowledge to effectively undertake the role.

The former NRE APU had included senior managers from businesses that undertook significant procurement. This practice allowed an increased understanding of the relevant business issues by the APU and was a good method for the APU to influence behaviour within the businesses. This also became a criterion for identifying suitable candidates for the DSE APU.

A list of identified candidates was discussed with the Deputy Secretary, Resources and Regional Services, as any proposal would require her endorsement prior to consideration by the Secretary. Once agreement was reached, the proposed Chair discussed the role and requirements with each of the potential members. Further nominations were also sought from business areas whose representation would be beneficial and a suitable candidate had not been identified.

This process ensured an excellent team was identified. Following endorsement, the Secretary and the VGPB approved interim accreditation for the new DSE APU at the same level as the former NRE APU.

A number of issues were addressed early by the APU including:

- APU membership is a personal appointment; when a member is on leave the person acting in the position does not also undertake the APU role.
- APU members do not represent their businesses on the APU; their role is to represent the Department with respect to VGPB policies and delegated authority.
- Departmental policies established by the former NRE would remain in place with changes to be made as required.
- To assist new members understand the issues raised with submissions it was decided, initially, to consider as many submissions as possible at APU meetings. Submissions that could not be considered this way due to urgency or time constraints would have all comments/issues raised circulated to all members, usually via email.

The DSE APU has been operational for three months now and is working well. Members are active and enthusiastic in performing their new responsibilities.

APPENDIX A

VGPB Procurement Policies (2002)

Schedule 1: Types of Activities Exempted from Public Tender

- All departments' expenditure specifically authorised by the Governor-in-Council on the recommendation of the Minister.
- Inter-departmental transactions involving the provision of services and transfers of stores or property of any kind.
- The provision of services by local government authorities and departments or statutory authorities of any State or Territory or of the Commonwealth where a statutory monopoly applies.
- Contracts entered into by the Agent-General.
- Periodicals, textbooks and books of reference including supplements to such publications for use in court, judges' and departmental libraries.
- Expenditure made pursuant to the *Project Development and Construction Management Act 1994*.
- Expenditure made pursuant to Sections 54N, O and P of the *Financial Management Act 1994*.
- Correctional enterprises expenditure in connection with the purchase of (Department of Justice) livestock, carcass meat and the transport thereof.
- Expenditure on raw materials purchased for use in manufacturing industries.
- Department of Education and Training expenditure on works authorised pursuant to the *Education Act 1958*.
- Department of Human Services expenditure in relation to infectious and contagious diseases and other matters of urgency relating to public health.
- Capital works pursuant to the *Mental Health Act 1986*, where the expenditure is estimated to cost more than \$50,000 but not more than \$250,000.
- Department of Infrastructure and Department of Premier and Cabinet supplies for the use of His or Her Excellency the Governor and for the upkeep and maintenance of Government House.
- Department of Justice expenses necessarily incurred by the Sheriff in the course of executing writs and warrants and Orders of the Court.
- Expenditure on urgent purchases of supplies, equipment and services during emergencies.
- Legal advice or services ordered by the Victorian Government Solicitor's Office.
- Department of Natural Resources and Environment purchase of livestock pursuant to the Environment provisions of the *National Parks Act 1975* and the transport thereof.
- Department of Innovation, Industry and Regional Development expenditure on exhibitions for the promotion of Victorian exports, industry, technology and resources.
- Expenditure on goods or services by offices of the State operating outside Australia.
- Victorian Auditor-General's expenditure on the services of authorised persons undertaking audits for Auditor-General.



GLOSSARY

ANZSCC	Australia New Zealand Standard Commodity Classification	NRE	(Department of) Natural Resources and Environment became Department of Primary Industries and Department of Sustainability and Environment in December 2002
APU	Accredited Purchasing Unit	OH&S	Occupational Health and Safety
CPS	Contracts Publishing System	OSOA	Open Standing Offer Arrangement
DE&T	Department of Education and Training	PACCER	Procurement and Contracting Centre for Education and Research
DHS	Department of Human Services	PRR	Purchase Recommendation Report
DIIRD	Department of Innovation, Industry and Regional Development	procurement	all activities relating to the purchase of goods and services within an organisation
DOI	Department of Infrastructure	Procurement Group	a group within Commercial Division, DTF that provides secretariat and other services to the VGPB
DOJ	Department of Justice	PSETA	Public Service Education and Training Australia
DPC	Department of Premier and Cabinet	PURIST	Purchasing Information System. Provides dollar value and other data on goods and services purchased by the Victorian Government
DPI	Department of Primary Industries	requisitions	departmental procurement process approvals
DSE	Department of Sustainability and Environment	SPP	Strategic Procurement Plan
DTF	Department of Treasury and Finance	The Act	<i>The Financial Management Act 1994</i>
DVC	Department for Victorian Communities formed in December 2002	the Hon	the Honourable
EC4P	Electronic Commerce for Procurement	UNSPSC	United Nations Standard Products and Services Code
eBusiness	electronic business	VGPB	Victorian Government Purchasing Board
ecommerce	electronic commerce	VicPolice	Victoria Police
e-government	electronic government	VIPP	Victorian Industry Participation Policy
eProcurement	electronic procurement	www	world wide web
FAQs	Frequently Asked Questions		
GIMS	Government Infrastructure Management System		
GOFM	Governance of Financial Management		
IT	Information Technology		
MP	Member of Parliament		

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