


Slide 1




This presentation provides an overview of the Victorian Auditor-General's report *State Purchase Contracts*.


Overview



The Victorian public sector (VPS) spent \$18.6 billion on goods and services in 2016–17.



State Purchase Contracts (SPC) aggregate demand for commonly used goods and services.



The value of SPCs is significant and growing—\$1.06 billion in 2014–15, to \$1.48 billion in 2016–17.

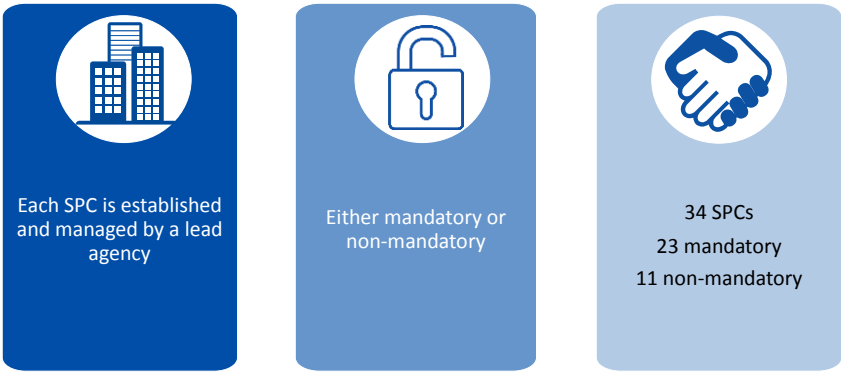
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The Victorian public sector buys a lot of goods and services—\$18.6 billion worth in 2016-17.

State Purchase Contracts (SPC) are used to aggregate demand for commonly used goods and services such as utilities, office consumables, and information communication technology (ICT).

The value of SPCs is significant and growing—from \$1.06 billion in 2014-15 to \$1.48 billion in 2016–17.

Background



The slide features three vertical blue boxes of varying shades, each containing an icon and text. The first box (dark blue) has a white circle with a building icon and the text 'Each SPC is established and managed by a lead agency'. The second box (medium blue) has a white circle with a padlock icon and the text 'Either mandatory or non-mandatory'. The third box (light blue) has a white circle with a handshake icon and the text '34 SPCs', '23 mandatory', and '11 non-mandatory'. A small number '3' is in the bottom right corner of the slide frame.


Point	Description
1	Each SPC is established and managed by a lead agency
2	Either mandatory or non-mandatory
3	34 SPCs 23 mandatory 11 non-mandatory

Each SPC is established and managed by a ‘lead’ agency—primarily the Department of Premier and Cabinet (DPC) and the Department of Treasury and Finance (DTF), but also the Department of Justice and Regulation (DJR) and Cenitex.


For public sector entities bound by Victorian Government Purchasing Board (VGPB) policies, SPCs are either mandatory or non-mandatory for use, based on an assessment by the lead agency.

At June 2017 there were 34 SPCs with 23 mandatory and 11 non-mandatory.

What we looked at



- VGPB/lead agencies oversee SPCs effectively
- Reported benefits are reliable
- Scope exists to increase benefits



- Cenitex
- Department of Economic Development Jobs Transport and Resources
- Department of Environment Land Water and Planning
- Department of Education and Training
- Department of Health and Human Services
- Department of Justice and Regulation (DJR)
- Department of Premier and Cabinet (DPC)
- Department of Treasury and Finance (DTF)
- VGPB

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Our overall objective was to assess whether government agencies realise financial and other benefits through their use of SPCs.

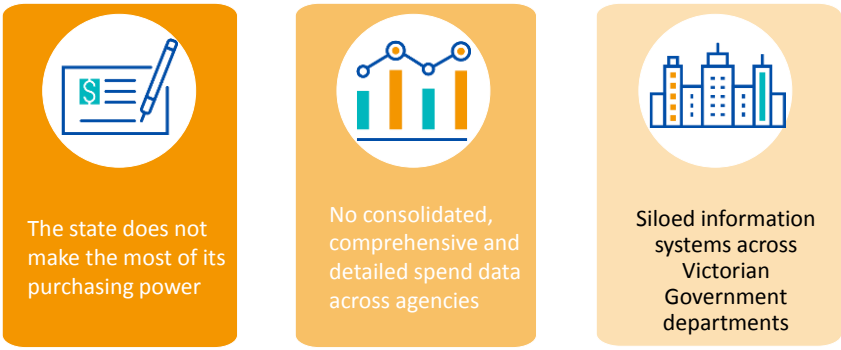
We examined whether VGPB and lead agencies oversee SPCs effectively. We also examined whether reported benefits are reliable and whether scope exists to increase the financial benefits obtained from these arrangements.

We audited eight agencies:

- Cenitex
- the Department of Economic Development Jobs Transport and Resources (DEDJTR)
- the Department of Environment Land Water and Planning (DELWP)
- the Department of Education and Training (DET)
- the Department of Health and Human Services (DHHS)
- DJR
- DPC
- DTF

We also examined VGPB in its oversight role of state supply policies.

What we found



The slide features three vertical panels, each with a circular icon at the top and text below. The first panel has a dark orange background and an icon of a document with a dollar sign and a pencil. The second panel has a medium orange background and an icon of a bar chart with a line graph. The third panel has a light orange background and an icon of several buildings.

The state does not make the most of its purchasing power

No consolidated, comprehensive and detailed spend data across agencies

Siloed information systems across Victorian Government departments

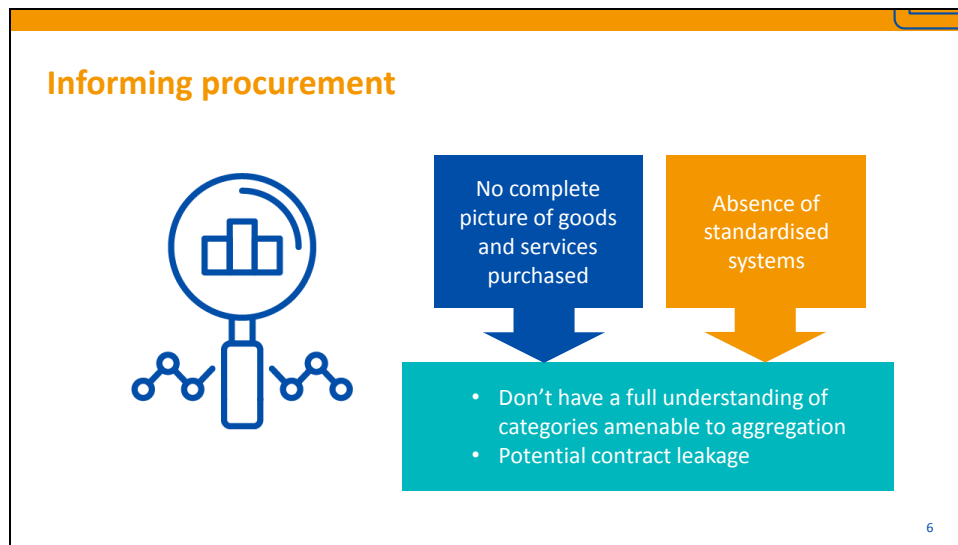
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While SPCs provide financial savings and other benefits, Victoria is not making the most of its purchasing power.

Across government agencies Victoria does not have consolidated, comprehensive and detailed spend data as exists in other jurisdictions.

Financial management reform in the public sector over the past three decades has included decentralised budgeting, accounting and reporting. This has led to the siloed information systems across Victorian Government departments.

This limits opportunities to identify new SPCs, more strategically manage key suppliers and monitor and share information about prices paid to optimise savings.



Unlike other jurisdictions neither VGPB or lead agencies have a complete picture of the goods and services purchased by public sector agencies. This is mainly due to the absence of standardised systems and the business rules that govern how purchasers collect and classify information.

As a result, VGPB and lead agencies don't have a full understanding of categories of expenditure amenable to aggregation and have limited insight into potential contract leakage.

Managing contracts



Opportunities to include SPC performance include:


- assessing client satisfaction
- managing key suppliers
- sharing savings opportunities with departments and entities
- tracking SPC prices

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The split in responsibilities has resulted in inconsistent management practices across the four lead agencies. SPC performance could be improved by better monitoring suppliers' performance and sharing information with users, including:

- assessing client satisfaction
- managing key suppliers
- sharing savings opportunities with departments and entities
- tracking SPC prices.

Realising benefits



Lead agencies report significant financial benefits

Without individual targets it's difficult to determine if each SPC represents value for money

Possible overstatement of benefits for some SPCs managed by DPC

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Lead agencies report that SPCs deliver significant financial benefits. However, without individual targets for each SPC to measure these reported benefits against, it is difficult to determine if they represent value for money.

For some SPCs managed by DPC, we disagree with the methodology it uses to calculate these benefits and we believe the calculation has resulted in the overstatement of benefits.

Recommendations

1 recommendation for VGPB <ul style="list-style-type: none">To address the central collection of comprehensive procurement data.	5 Recommendations for DTF, DPC and DJR in collaboration with SPC users <p>To address how they:</p> <ul style="list-style-type: none">manage SPCsset, monitor and report on benefits.
2 recommendations for DTF and DPC <p>To address the need to:</p> <ul style="list-style-type: none">assess user satisfaction with SPCcentrally record applications for exemptions.	3 recommendations for all departments as SPC users <p>To address the need to</p> <ul style="list-style-type: none">understand and monitor contract leakagecentrally record applications for SPC exemptions.

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We made:

- One recommendation to VGPB to address the central collection of comprehensive procurement data
- Five recommendations to lead agencies DTF, DPC and DJR to address how they:
 - manage SPCs
 - set, monitor and report on benefits
- Two recommendations to DTF and DPC to address:
 - how they assess user satisfaction with SPCs
 - the need for a central record of applications for exemptions from mandatory SPCs
- Three recommendations for all departments as SPC users to address the need to understand and monitor contract leakage.

All our recommendations have been accepted and work to address these issues has started.

For further information, please view the full report on our website:
www.audit.vic.gov.au

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