

Procurement And Probity

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Presentation

- Summary of Nigel Allsop
- Probity
 - Principles
 - References and Training
- Probity in practice
 - Summary of HPV
 - Why do we need probity
- Probity Examples

Nigel Allsop – Who am I?

Joined Ford @ 16yrs as Apprentice Electrician

Global and Local Companies

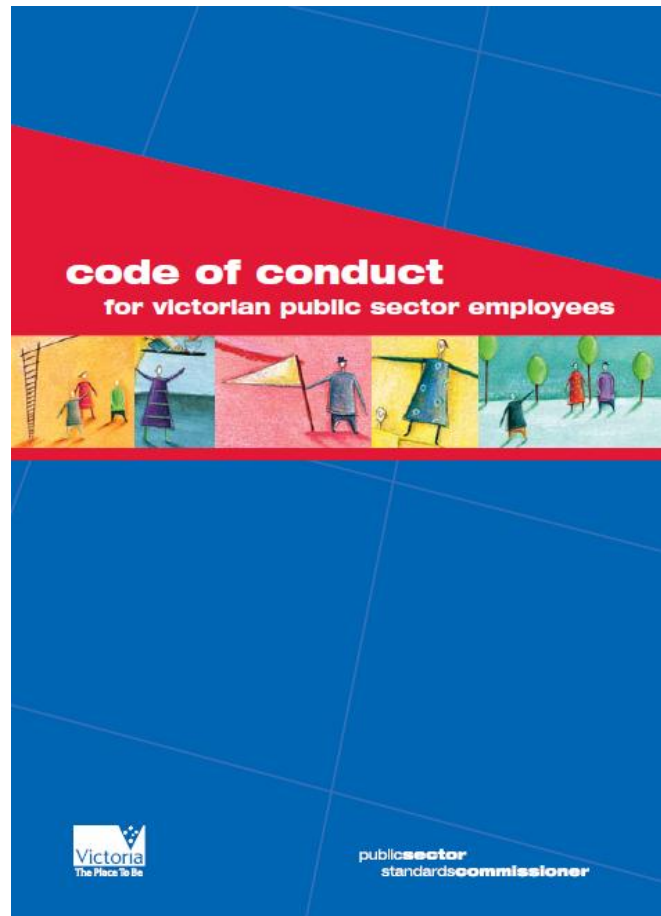
Ford - Automotive OEM,
Incitec Pivot - Manufacturing,
Downer - Facilities Management,
Shell - Petrochemical,
SWSA - Automotive Tier 1 Supplier,
HPV – Health.

18 years in procurement, with primary focus on engineering and services.

Probity

- Government business **must** be **fair, open** and demonstrate the highest levels of **integrity** consistent with the public interest.
- Agencies **must** monitor and evaluate the application of these principles through all the stages of tendering process if they are to ensure the **fair** and **equitable** treatment of all parties.

Code of Conduct



All Public sector employees are bound by this code of conduct

www.ssa.vic.gov.au

VGPB Thresholds

Purchase of Goods or Services less than \$25,000

- A minimum of one written quote is to be obtained.

Purchase of Goods or Services valued between \$25,000 and \$150,000

- A minimum of three written quotes are to be sought with one quote to be obtained from a small business if appropriate.

Purchase of Goods or Services above \$150,000

- Open and selective tendering is the preferred method of approaching to the open market for the supply of goods and services.
- Tenders must be published in the composite Government tender advertisement that appears in the Herald Sun (Wednesday edition).
- Tenders must also be published on the Victorian Government Tenders website - external link www.tenders.vic.gov.au

Training / Education

Paccer (Vic Gov. – DTF)

- Probity
- Procurement through Quotation
- Purchasing Principles
- Planning for procurement of goods and services
- Establishing Contractual Arrangements
- Manage Contractors

www.paccer.vic.gov.au

Reference Sources

- www.vgpb.vic.gov.au
 - Strategic Procurement Planning Policy for Conduct of Commercial Engagements (includes Procurement Conduct Plan – general and simple plans)
 - Procurement Practitioners Guide
- www.audit.vic.gov.au
 - Reports & Publications
- www.ombudsman.vic.gov.au



Probity in Practice

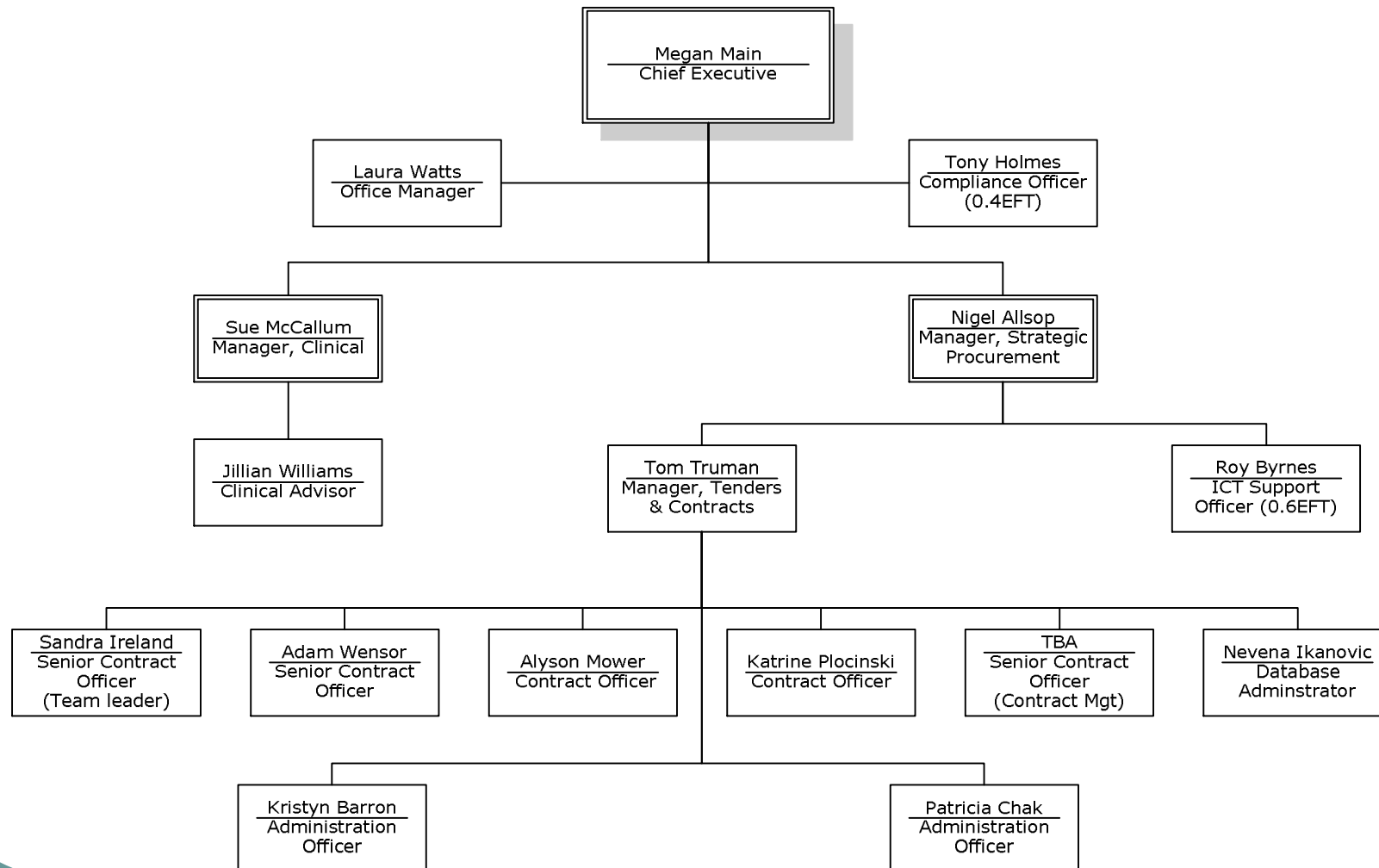
Health Purchasing Victoria

Who - HPV is an independent statutory authority – funded by DHS

Why - HPV exists to improve the collective purchasing power of Health Services, to establish “best value” in the procurement of services, equipment and goods.

How - Focus on the Tendering Process and Contract mgt - Historically tenders focused on Medical Consumables, now broader view

HPV ORGANISATIONAL STRUCTURE



Ombudsmans Report – HPV actions

- Refresh of Training VGPB and PACCER
- Implemented Probity Presentations for Supply Mgrs
- AHSPO Conference to Probity consultant
- Recommendation 10 – Savings register
- Recommendation 32 – Disposal management processes / tenders

Sourcing Decision @ HPV

Sourcing

- Product Reference Group (PRG)
- Conflict of interests (upfront)
- Criteria for Sourcing decision defined (upfront)
- Tender Evaluation Plan - Probity Auditor Signoff
- Evaluation criteria are clearly articulated
- Tender question are weighted / scored
- High level weighting structure is included in RFT

A Typical HPV Sourcing Decision

Sourcing

The criteria used to evaluate the tender will include:

1. Compliance of RFT
2. Compliance to Draft Agreement
3. Compliance to the HPV Special Conditions of Tender
4. Assessment of Business Plans
5. Compliance to Product Specifications
6. Price – Value for money
7. Customer Service capability

(Source – 2007 Gloves tender evaluation plan).

HEALTH PURCHASING VICTORIA

Probity Check Sheet for Tender Preparation, Evaluation and Award Recommendations

Tender Name and Number:	RFTHPV2008-042 Pathology Consumables
Contract Officer:	Sandra Ireland
Tender Release Date:	18 th June 2008
Tender Close Date:	16 th July 2008
Contract commencement Date:	1 st November 2008
Probity Auditor Appointed	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Item No	Document Name	Details/ Comments	Signature Contract Officer	Signature MSP / SCO	Signature Probity (if required)
1.	Letter of appointment (Probity)			<i>[Signature]</i>	<i>in progress</i>
2.	Completed PRG Confidentiality/Declaration of Interest documents			<i>[Signature]</i>	<i>in progress 4/5</i> <i>h.</i>
3.	TSC Briefing Paper – Tender Proposal		<i>[Signature]</i>	<i>[Signature]</i>	<i>h.</i>
4.	PRG Meeting Agenda(s)		<i>[Signature]</i>	<i>[Signature]</i>	<i>h.</i>
5.	PRG Meeting Minutes		<i>[Signature]</i>	<i>[Signature]</i>	<i>h.</i>
6.	PRG Sign-off of Specifications		<i>[Signature]</i>	<i>[Signature]</i>	<i>h.</i>
7.	RFT Documents – Parts 1, 2, 3, 4, 7 and all Appendices		<i>[Signature]</i>	<i>[Signature]</i>	<i>h.</i>
8.	Tender Evaluation Plan and attachments (including TMax Design Printout)		<i>[Signature]</i>	<i>[Signature]</i>	<i>h.</i> <i>- include eval award / non award</i> <i>to describe risk mandator. use in this in eval. plan</i>
9.	Tender Briefing		<i>[Signature]</i>	<i>[Signature]</i>	<i>h.</i>

I was you !!!

I once was in your position - I was cynical

- “It’s bloody administration gone mad”
- “Too much red tape”
- “Pain in the rear”
- “I just need to get the job done”
- “It was an emergency !!!”

The Value of Probity

- Protection for you
- Fair to the suppliers
- Open & transparent process
 - Conflicts of Interest
 - Tender Evaluation Plan
 - Confirmed evaluation criteria
 - Cross checks
- It's not too hard

Probity Success

Sourcing

- Probity Policy
- Probity Culture
- Clearly defined Evaluation criteria
- Structured approach
- Cross checking within Group
- Auditable evidence trail
- Each Person is accountable
- Justification for decision
- Probity Auditor / Advisor

Manage Perceptions

In some circumstances, the appearance of a conflict of interest could itself jeopardise your perceived integrity.

Stand down in any decision making process where you may be compromised

Be careful wearing sponsored clothing

Remember it's not your perception it's others

My Own Examples

Private	Grand Prix	Yes
Private	Grand Final	No - Tender Period
Private	Dinner	Yes
Public	Conference Gifts	No
Public	Mouse Pads	Yes – register

Other Examples

Ford Engineer	qty manipulation	House - sacked & criminal charges
Supplier	Car – Rejected offer	Company banned
Purchasing Mgr	Supplementary Invoices	sacked & criminal charges - process issues
Ford Buyer	Flights for partner	Sacked – Lost career in industry



Summary

Essential Elements of Probity

Elements that **must** exist are:

- Fairness and impartiality;
- Open and competitive process;
- Consistency & transparency of process (accountability);
- Security & confidentiality;
- Identification & resolution of conflicts of interest; and
- Compliance with legislative obligations and government policies

Critical Success Factors

- Probity Policy
- Conflict of interests Policy
- Gifts Register
- Tender Evaluation Plan
- Review spend profiles annually
 - Planned maint. vs Callouts / Reactive maint.
- Market test / tender regularly
- Panel Supply Strategy
- Single source – needs more rigor
- Use an Auditor

Your Actions

- Put a Value on Probity
- Manage Perceptions
- The general principle - do not seek or accept favours or gifts from anyone who could benefit by influencing you.



Questions ??