Procurement Compliance (Audit) Framework

Guidelines

March 2019
Introduction

The State Supply Commission Act 1991 established the State Supply Commission (SSC) to regulate government procurement of goods and services, primarily through the creation of supply policy.

The SSC grants a partial exemption to public authorities to enable them to arrange the supply and undertake the purchase of goods and services necessary for their operations.

Under the terms and conditions of public authorities' partial exemptions, public authorities are required to conduct an internal audit of their compliance with SSC procurement policies and the terms and conditions of their partial exemption either annually or once every two years.

Procurement Compliance (Audit) Framework Objective

The objective of the procurement compliance (audit) framework is to outline the requirements for an audit as required under the terms and conditions of public authorities' partial exemptions. The framework applies to all public authorities with partial exemptions as issued by the SSC in accordance with the State Supply Commission Act 1991.

Type of Audit

Public authorities with a partial exemption threshold of $250,000:

- The audit can be conducted by the public authority’s own internal audit team or an external provider (from the Common Use Arrangement [CUA] for Audit Services and Financial Advice).

Public authorities with a partial exemption higher than $250,000:

- The audit must be conducted by an independent audit provider sourced from the CUA for Audit Services and Financial Advice.

Audit Frequency and Timing

The audit frequency for a public authority is stated in their partial exemption under clause 5 – Public Authority to Conduct Internal Audit. The frequency will be either annually; once every two years commencing in the 2017/18 audit period; or once every two years commencing in the 2018/19 audit period.

The audit is to be conducted during May and June of the audit year and must examine procurement transactions that were completed between May of one year to April of the following year.

The final approved audit report is to be sent to the SSC at enquiries@ssc.wa.gov.au no later than 31 July of the audit year.
Audit Sample

It is recognised that the number and type of procurements transactions undertaken will vary across public authorities.

The SSC expects a public authority’s audit to examine an appropriate sample of procurement transactions. The internal or external auditor (as applicable) should use their professional judgment as an auditor to determine the appropriate sample size for the applicable procurement transactions.

All procurement transactions $50,000 and above will be eligible to be included in the audit sample.

Any monetary value referenced in the guidelines and the audit template means the total value of the procurement transaction, whether actual or estimated, for the entire life of the procurement transaction including all extensions options, if applicable, and GST. This meaning is also applicable to the value of a contract, purchase or variation, where mentioned.

Procurement Transactions

- For the audit, a procurement transaction is viewed as any of the following:
  
a) A procurement type of:
    o Goods and Services
    o CUA purchase
    o Community Services¹

       Across the monetary thresholds of:
       o $50,000 up to $250,000
       o $250,000 up to $5 million
       o $5 million and above.
  
b) Exemptions from the minimum requirements of the Open and Effective Competition policy.
  
c) Approvals and/or decisions from parts of the Open and Effective Competition policy and other supply policies.
  
d) Contract variations for contracts based on the procurement types and monetary thresholds stated at point a) above.
  
e) Contract management plans for active contracts based on the procurement types stated at point a) above.

- A procurement transaction would be considered complete if the outcome is:
  
a) A contract award; and/or
  
b) An approval or decision signed off by the Accountable Authority or delegate, as applicable.

¹ Community Services - means service agreements formed in accordance with the Delivering Community Services in Partnership (DCSP) policy. The DCSP policy has been in place since 1 July 2011. The DCSP policy was updated and became effective on 1 October 2018. Community Services procurements commenced on or after the 1 October 2018 are to comply with the updated DCSP Policy. The DCSP policy (as applicable at the time of the procurement transaction) must be read in conjunction with the SSC supply policies.
The following procurement transaction types are not applicable to a SSC audit:

a) Goods and/or services procurement transactions that would be classified as “Works” procurements under the Public Works Act 1902 and/or the Building Act 2011 and/or as allowable under the public authority’s own Act.

b) Grants.

c) Contracts formed under the public authority’s standing offer arrangements including panel arrangements.

**Compliance Check Requirements**

The audit is to test the public authority’s compliance with:

- Their partial exemption terms and conditions;
- The relevant SSC supply policies; and
- Other applicable government policies such as the DCSP policy, Buy Local policy, and Free Trade Agreement (FTA) requirements.

The audit may also include (at the public authority’s discretion):

- An assessment against recommended good practices including, for example, Supplier Performance Management and or any other good practice that the public authority may identify; and

- Testing procurement transactions less than $50,000 in value for compliance with the public authority’s procurement policies and procedures including its procurement delegations framework.

**Audit Template**

An audit template has been developed in conjunction with these guidelines and the template is to be used as the basis for the minimum reporting requirements of an audit. The audit template can be obtained from the SSC Audit and Accreditation webpage at: www.finance.wa.gov.au/cms/State_Supply_Commission/Audit_and_Accreditation.aspx.

**Audit Findings and Consequences**

The SSC will review the audit findings to identify:

- Whether public authorities’ are complying with SSC procurement policies and the terms and conditions of their partial exemption; and

- Any systemic sector wide issues that can be used to inform the update of policy, practice guidelines and training programs.

The SSC will provide a response to each public authority on their audit findings. Depending on the degree of any non-compliances found, the response may include a recommendation for the Department of Finance Government Procurement to contact

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2 Relevant SSC supply policies apply to Community Services procurements, as expressly stated in the updated DCSP policy.

3 The DCSP policy has been in place since 1 July 2011. The DCSP policy was updated and became effective on 1 October 2018. Community Services procurements commenced on or after the 1 October 2018 are to comply with the updated DCSP Policy. The DCSP policy (as applicable at the time of the procurement transaction) must be read in conjunction with the SSC supply policies.
the public authority to offer them assistance, advice and/or training in remedying the non-compliances. The response may also advise that a follow up check will be conducted by the SSC.

Regulation 5 of the *State Supply Regulations 1991* documents the consequences of non-compliance with supply policies. The SSC may take any of the actions included in the regulations where there are significant and/or continuous non-compliances with supply policies.

**Questions**

Questions regarding the audit requirements for public authorities are to be directed to enquiries@ssc.wa.gov.au.