Procurement Systems Statement of Direction

for the Victorian Public Service

Contents

Vision, purpose and document details

VISION	The Victorian Government has a simplified, automated procurement process that is easy to use, gives better value for money and delivers mutual benefits for government and suppliers.		
DOCUMENT PURPOSE	To provide an agreed position across government departments that will set the direction for uplifting and modernising procurement systems and enable shared best practices to electronically manage procurement services across the Victorian Government and facilitate better use of taxpayers' money.		
APPLIES TO	All Departments and Victoria Police	**AUTHORITY**	Victorian Secretaries Board
PERIOD	2017 to 2020	**ADVISED BY**	DPC, in consultation with departmental Chief Procurement Officers and Chief Information Officers
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Introduction

Background

Procurement software is used to help companies engage the supply market in an efficient and effective manner, increasing understanding and improving the terms and conditions of trade, and better visibility of enterprise spending while providing improved transparency and controls. It facilitates supplier selection, analysis of supplier performance and establishment of the terms of trade to balance cost, quality and risk.

Procurement systems are designed specifically to support a range of procurement needs across an organisation, including Source to Contract (S2C) and Purchase to Pay (P2P) business processes. Procurement systems need to integrate with other business systems, including ERP systems, to facilitate and record real-time end-to-end transactions.

Although departments across the Victorian Government operate different businesses, there is scope for consistency of business requirements in the use of procurement systems.

Problem

Opportunities for broader consolidation of business processes and outcomes are limited based on in-house customised systems, paper-based processes, inconsistent implementations and the complexity and risk of multi-department 'big bang' projects.

Although there are defined procurement policies or ministerial directions covering the different types of procurement, there is currently no common approach or application of procurement across Victorian government when engaging suppliers. This raises a number of problems or challenges relating to current processes in individual departments or agencies that result in:

- higher procurement costs to government on an agency-by-agency basis due to lack of visibility and inconsistent supplier experiences
- increased costs for changes to procurement policies over time as agencies seek to implement updates or changes to paper based processes or across a variety of existing platforms
- reinforcement of inconsistent practices and outcomes as a result of issues such as duplicate supplier registration and engagement practices across government
- suppliers viewing government procurement capability and process as high-cost to engage and not aligned to the wider procurement industry technology and direction
- inconsistent data collection and reporting resulting in an incomplete picture of procurement across government
- increased difficulty for procurement staff to transfer between agencies due to inconsistent skills and capabilities.

Departments are at different stages of investigating future options for the delivery of their procurement services. They are seeking to resolve various issues experienced in operating ageing processes and platforms. The specific concerns being addressed by departments relate to the risks associated with lack of quality data and transparency, the high cost to deliver procurement services and to operate customised procurement systems within in-house environments.

Over time, the Chief Procurement Officers (CPO) community wants a consistent system platform for government procurement, making information consolidation and analysis easier across government, improving transparency and efficiency, and utilising system tools to ease aspects of Machinery of Government (MoG) changes.

Statement of direction

This statement of direction states the agreed common approach by government departments to address inconsistencies in current business processes. It sets clear overarching requirements to enable departments to simplify and improve market engagement, reduce duplication of effort, achieve compliance and deliver improved value-for-money outcomes across government.

It also describes the overarching components required and the systems platform requirements needed to address the above problem.

This statement describes a future desired state, but not the mechanisms or timing to implement it (see the implementation statement near the end of this document).

It is aligned to the Victorian Government IT Strategy (the strategy) and is consistent with the previously developed Finance Systems and HR Systems Statements of Direction to ensure common systems and procedures across government.

Key objectives

To establish a Victorian Government shared procurement systems platform that will:

- deliver improved and consistent market engagement, enabling access to procurement opportunities for all businesses
- focus on the delivery of quality procurement business outcomes that are enabled via contemporary, streamlined processes
- enhance the adoption and implementation of procurement-related government policies that promote procurement as an enabler of government strategies
- provide analysis and information that supports public sector decision-making as well as timely visibility, measurement and management of procurement spend
- reduce the cost and complexity of doing business with government
- enable effective, efficient, economical and ethical procurement processes and leverage purchasing spend across government
- facilitate the meeting of compliance obligations by government bodies according to their structure and governance obligations
- have the required robust functionality to enable procurement teams to process transactions in an efficient, automated, consistent and auditable way
- enable effective management controls that ensure accountability and transparency in the responsible allocation and approval of public funds
- attract and retain skilled procurement specialists and enable capability uplift among non-procurement staff

- facilitate the smooth transfer of people, information and technology across departments following machinery of government changes
- preserve the integrity of government's approach to procurement
- provide shared visibility of supplier and contract performance.

Related documents and scope

Documents

- *Business Support Services Strategic Review* (DPC, June 2015)
- *Information Technology Strategy Victorian Government, 2016 to 2020*
- *Victorian Government Purchasing Board Strategic Plan, 2016 to 2021*
- *Workplace Environment Statement of Direction* (SOD/Workplace/01)

Scope

The following departments and agencies are formally in scope:

- Department of Economic Development, Jobs, Transport and Resources
- Department of Education and Training
- Department of Environment, Land, Water and Planning
- Department of Health and Human Services
- Department of Justice and Regulation
- Department of Premier and Cabinet
- Department of Treasury and Finance
- Victoria Police
- CenITex (to remove doubt for implementation matters)

These are referred to collectively as 'departments' in this document.

Direction

The following section outlines the high-level requirements for procurement systems.

There are nine components covered in this statement:

Part A

1. Source to Contract (S2C)

2. Purchase to Pay (P2P)

3. Supplier portal

4. Workforce management

5. Supplier relationship management

6. Contract management

7. Compliance and workflow

8. Controls and reporting

Part B

9. System requirements

Part A – Source to contract, purchase to pay, supplier portal, workforce management, supplier relationship management, contract management, compliance and workflow, controls and reporting

1. Source to contract (S2C)

Objective

To facilitate the development of a sourcing strategy, request for quotation and the negotiation process before a contract is awarded.

Reference	Direction	Benefit for government
PROC-01	Ability to customise sourcing strategies.	Procurement departments will be able to establish different sourcing strategies based on a number of considerations including: • criticality of the resource to government; • total cost of supply; • market analysis; • key success & evaluation criteria; • procurement complexity; and/or • negotiation approach e.g. best and final offer (BAFO), e-auction.
PROC-02	Ability to support multiple-stage electronic request for (eRFX) processes.	Procurement departments will be able to set varying levels of complexity in the eRF(X) process to obtain the best outcomes for government. This includes: ▪ creation of eRF(X) ▪ eRF(X) release and response management and ▪ evaluation and award management. This will also enable: ▪ efficiencies through sourcing cycle time reductions ▪ accuracy and consistency through standardisation collaboration and ▪ centralised publishing of current tenders.
PROC-03	Category management must be implemented across the system.	By breaking down products and services into discrete groups of similar or related products and services, government can apply a systematic, disciplined approach to a category. Given economies of scale, this facilitates identification of potential savings and value generation above and beyond conventional strategic sourcing. Implementation of standardised taxonomy will also assist in the targeted procurement to suppliers based on identified categories.

2. Purchase to pay (P2P)

Objective

To optimise the transactional flow of data from the point of order through to fulfilment and subsequent payment.

Reference	Direction	Benefit for government
PROC-04	PunchOut Catalogue capability must be available to support non-standard purchasing from approved suppliers.	Supplier managed PunchOut Catalogues will ensure government: • has access to up-to-date content from the supplier • is able to purchase highly configurable items that require minimal customisation and • is able to access price changes and updates in real-time.
PROC-05	Ability for suppliers to integrate their catalogues into the purchasing system.	Catalogue management ensures the quality of product data and its configurability to government's requirements. It will allow departments to broadcast product and price changes, and introduce new items in a timely manner. It will also enable: • higher degree of compliance to procurement contracts • reduction in time spent looking for products • improved process automation and control • reduction in order processing cycle times • cost reduction through decreased supplier order and invoice disputes and • price tracking and history.
PROC-06	Ability to manage purchase orders, receipt management and approval workflow across the system.	Purchase order and receipt management will enable: ▪ efficiencies through sourcing cycle time reductions ▪ better document management with tracking of purchase records and communications quickly and easily and ▪ accuracy and consistency through standardisation collaboration, and enhanced matching and reconciliation processes.
PROC-07	Ability to support consolidated invoicing and multiple invoicing, receipting and payment methods.	Being able to support multiple invoicing methods such as Recipient Created Tax Invoices (RCTIs) and Evaluated Receipt Settlement (ERS) will enable government to: • reduce the number of invoices received at Accounts Payables and • accelerate payment to suppliers as there is no requirement for any additional invoices.

PROC-08	Ability to integrate with government finance systems and modules.	Integration with finance systems will ensure government can: • enable tracking at granular levels within the system • implement greater control over expenditure management and • implement end-to-end, real-time integration and controls, including automated workflow.
PROC-09	Accurate reporting of receipts and spend in a timely manner.	Enforcing accurate and timely reporting and integration of all spend and delivery information will enable departments to adhere to relevant expense management approvals.
PROC-10	Ability to integrate with core business systems, including, but not limited to asset management and human resources systems.	Procurement departments will be able to: ▪ create and maintain end-to-end, real-time workflow across government business systems ▪ have an automated interface to their systems and ▪ integrate with the inventory and records management (EDRMS) directly or via a reference link.
PROC-11	Processes related to the government procurement system may be operated singly by a department, or by a department offering related services to other departments as a service.	Economies of scale can be achieved, where departments (both offering and receiving) agree that there is value. *Note*: This relates to processes and will be undertaken within an agreed governance framework. DPC will assist in setting up the Design Authority and shared services governance for such arrangements with a view to move to larger clusters of service provision being created as further value is identified.
PROC-12	Ability to view and leverage existing contracts.	The government procurement system will make it simpler, faster and easier for users to raise purchase orders against agreed State Purchase Contracts (SPCs) and departmental contracts where they have been previously loaded into the system. This will save time, and enable more effective leverage of existing commercial arrangements

3. Supplier portal

Objective

To enable secure and targeted collaboration between government and suppliers for mutual benefit.

Reference	Direction	Benefit for government
PROC-13	Online, secure messaging hub to automate electronic document exchange with suppliers.	Secure messaging services will allow government to implement paperless processing and reduce the cost, effort, and cycle time of managing purchase orders and invoices with suppliers.
PROC-14	Ability for suppliers to register and maintain their details on the supplier portal.	Self-service supplier portal options will ensure that: • supplier contact information is kept up-to-date • changes to insurance policies, and corporate and company details can be managed and tracked • multiple payment methods including bank accounts can be maintained • supplier catalogue information is kept up-to-date • suppliers can be on-boarded in a timely manner and • suppliers can be pre-qualified to facilitate targeted procurement and drive competitive value across the supplier network.

PROC-15	Ability to create and maintain a consolidated and centralised supplier portal.	A centralised supplier portal will allow government to:
		
		• find approved suppliers in a timely manner
		
		• manage the eRF(x) process with nominated suppliers
		
		• implement a one-stop shop site for procurement related information including:
		  o goods and services procurement information
		  o construction information
		  o State Purchasing Contracts
		  o Construction Contracts Advisory Panel
		  o government forward procurement activity plans
		  o social procurement framework
		  o merging of various policy guidances, including Victorian Industry Participation Policy (VIPP) and Major Projects Skills Guarantee(MSG)
		
		• set standard terms and conditions for doing business with government and
		
		• flag issues with suppliers e.g. supplier in receivership, non-active suppliers.

4. Workforce management

Objective

To support the management of contingent workforce in order to enable operational consistency and uplift quality of delivery.

Reference	Direction	Benefit for Government
PROC-16	Ability to manage contingent workforce.	Visibility and management of contingent workforce will allow government to: • obtain real-time reports to determine how business needs are best met using contingent workers • assess whether their contingent worker engagements are the most economical and effective option • ensure that services are delivered as contracted and with quality • allow benchmarking of rates against current market rates • track and review performance of contingent workers across government and • understand levels of expenditure of the aggregated contingent labour spend across the department in real time.
PROC-17	Ability to support consolidated invoicing and multiple invoicing, receipting and payment methods.	Being able to support multiple invoicing methods such as RCTIs (Recipient Created Tax Invoices) and Evaluated Receipt Settlement (ERS) will enable government to: • reduce the number of invoices received at Accounts Payables and • accelerate payment to suppliers as there is no requirement for any additional invoices.

5. Supplier relationship management

Objective

To facilitate management of supplier information, relationships and performance, and drive greater value across the enterprise.

Reference	Direction	Benefit for government
PROC-18	Ability to manage supplier relationships.	Supplier relationship management capability will allow government to: • engage suppliers collaboratively to maximise value to government, improve delivery quality and drive shared business outcomes • obtain qualitative and quantitative supplier data analysis to identify and manage risks and opportunities in the supply chain • view supplier capability and performance history to inform any future decision making processes and • create formal supplier panels for targeted procurement.

6. Contract management

Objective

To enable the systematic and efficient management of contract creation, execution, and analysis to maximise financial and operational performance and minimise risk.

Reference	Direction	Benefit for Government
PROC-19	Ability to manage contracts within the system.	Effective contract management will enable government to: • track supplier compliance, milestone events, and manage supplier deliverables and risks • achieve financial optimisation by highlighting spend visibility, tracking rebates, monitoring benefits and eliminating renewals of unwanted services • increase operational effectiveness with automated reminders and notifications • measure supplier performance against contracts including key performance indicators, service level agreements, abatements and non-performance actions • implement a single repository of contract artefacts to support for audits or claims • impose greater control over contract management tasks • develop contracts via a clause library • facilitate contract variation and options management • track spend history across suppliers and across departments and • publish currently awarded contracts.

7. Compliance and workflow

Objective

To provide mechanisms that enable responsible government bodies to achieve compliance with relevant laws and regulations, according to their structure and governance obligations.

Reference	Direction	Benefit for government
PROC-20	Ability to operate within the framework of government legislation, policies and standards.	The government procurement system will help departments achieve compliance with, including, but not limited to: • Financial Management Act 1994 (FMA) • Project Development and Construction Management Act 1994 (PDCMA) • Health Services Act 1988 • Victorian Industry Participation Act 2003 • Public Records Act 1973
PROC-21	Support reporting obligations relevant to each sector.	The government procurement system will help departments achieve compliance with reporting requirements.
PROC-22	All approvals have automated and auditable workflows.	The government procurement system will support all areas of approvals management, including, but not limited to: ▪ electronic signatures ▪ purchasing approvals and ▪ delegation management.

8. Controls and reporting

Objective

To ensure transparency and accountability in the allocation of public funds to support the delivery of government services and to provide accurate, granular and actionable reporting information to streamline strategic sourcing, reduce duplicate spend and realise enterprise wide savings.

Reference	Direction	Benefit for government
PROC-23	Ability to control all functions within the procurement system, according to correct roles and responsibilities.	Appropriate security settings will be in place to ensure that appropriate access to systems and specific functionality is limited only to authorised staff (role-based privileges).
PROC-24	Procurement teams will have control over audit requirements and processes within their function.	The government procurement system will satisfy audit requirements, including: ▪ internal audit committee ▪ external auditors ▪ documented processes and ▪ system governance.
PROC-25	Ability to monitor and analyse key business performance measures, and leverage this information for decision-making.	Analysing information gathered throughout the procurement lifecycle can provide government with greater insight into the operational effectiveness of departments by:

Reference	Direction	Benefit to Government
		▪ identifying those services that can be delivered more efficiently ▪ mapping business outputs to budget, to determine the business performance and ▪ satisfying the necessary compliance requirements (as described in section 7). *Note*: the level of data insight available to departments will vary according the sources (and types) of data collected and the level of investment made in Business Intelligence (BI) tools to support the procurement function.
PROC-26	Ability to monitor total procurement spend and patterns across government, at a centralised and departmental level.	Ad-hoc and pre-defined reporting capabilities with provide visibility and enable analyses of government spend in order to: • highlight opportunities to aggregate and leverage greater procurement capabilities • identify opportunities and track savings delivered via economies of scale and • provide management with the relevant reports, indicating patterns and statistics, for informed decisions.

Part B – System Components

9. System requirements

Objective

To provide robust systems that make procurement management simpler, easier and contemporary.

Reference	Direction	Benefit to Government
PROC-27	Victorian Government will operate a common core procurement platform for all departments.	A common government procurement system (from a single supplier) will provide: ▪ consistency in the use of technology across departments; ▪ end-to-end integration of data and process across systems ▪ a uniform agreement with the supplier, allowing agencies to procure from a standard contract and ▪ user familiarity between agencies enabling staff to work more easily across government. *Note*: "common" does not mean a single instance for the whole government. See PROC-29. *Note*: it is acknowledged that departments operate specialist software systems that interface with their procurement system. These need not be common across government, although clustering arrangements may be pursued. See also PROC-31 (third party systems).

Reference	Direction	Benefit to Government
PROC-28	The government procurement system will be accessible via a 'Cloud Computing' model.	A public 'cloud' model (Software-as-a-Service, SaaS) will allow government: ▪ to shift much of the technology responsibility to third party providers ▪ greater accessibility options, leveraging internet services and ▪ to take advantage of 'Software as a Service' offerings, where the system can be licensed as an OPEX arrangement.
PROC-29	Departments (including 'clusters') can manage their own instances of the system.	Where required, independent instances will allow: ▪ personalisation of user screens and configuration options ▪ simple workflow automation to support organisational processes and ▪ interfaces with other critical corporate systems that may be unique to a department (or cluster).
PROC-30	The government procurement system will be well maintained, with up to date system and legislative updates.	Maintaining current software, will: ▪ provide consistency in versioning, functionality and security updates across departments ▪ ensure access to software assurance from the supplier and ▪ avoid large, expensive upgrades when major system releases are required the future.
PROC-31	The government procurement system will facilitate integration and data flows with third party systems.	Third party integration will enable: ▪ departments to connect with other systems that are related to procurement, but operate separately (such as Human Resources/Payroll, rostering, finance, grants management and project management systems) and ▪ government to take advantage of new enterprise technology services, in line with the *Victorian Government Workplace Environment Statement of Direction.*
PROC-32	The government procurement system will be setup in a manner which facilitates reorganisation activities following machinery of government changes.	Wherever possible, departments will work together to ensure consistency in the configuration and use of their instances, so that the process of joining or separating environments will be conducted in a straightforward and inexpensive manner.
PROC-33	The system will be able to make use of Identity and Access Management (IdAM) capability provided as a separate service.	By being able to use the single unique identifier for government employees envisaged in the *Workplace Environment Statement of Direction*, the concept of identity can be abstracted from the procurement system itself, allowing for fewer log-ons needed for staff and more consistent identity management across multiple systems.
PROC-34	The system will operate within the framework of related privacy and security requirements to maintain the integrity of commercially sensitive and employee personal information.	The government procurement system will help departments achieve compliance with privacy and security policy.

Reference	Direction	Benefit to Government
PROC-35	The system will be designed, developed and operated within the framework of related privacy, data protection and security requirements to maintain security classified, sensitive and personal information.	The system is an opportunity to realise the benefits of a secure environment with an overarching governance model and integrated business process. By embedding privacy and data protection into the design, development and implementation of the system, users will be offered a level of assurance as to the confidentiality, integrity and availability of the system. If feasible or applicable, the system should have the capability to manage records up to a [PROTECTED] level of classification.
PROC-36	The system will be accessible from multiple platforms including mobile devices.	A more accessible system will allow the government to be more flexible, increasing responsiveness and allowing for off-site and after-hours access.

Implementation

Implementation of Procurement Systems will align with the *Information Technology Strategy, Victorian Government 2016-2020* and the broad principles of governance and implementation set out in the *Business Support Services Strategic Review*. A 'first' department will be identified. DPC Digital Strategy and Transformation Branch will assist to establish a working group of relevant stakeholders to develop a future design, implementation roadmap and preliminary business case. Other departments will join the system over time, as their existing investments are due to be refreshed.

Document control

Approval

This document was approved by the Victorian Secretaries Board on 13 December 2017 and applies from the date of issue (see cover).

Version history

Version	Date	Comments
0.1	September 2017	Concept developed by Enterprise Solutions Branch.
0.2	November 2017	Draft incorporating initial feedback from the CPO Forum.
0.3	November 2017	Draft incorporating feedback from the CPO Forum and other stakeholders.
0.4	November 2017	Final consultation draft for comments from the CPO Forum.
0.4	November 2017	Endorsed by the Integrity and Corporate Reform Sub-Committee
1.0	December 2017	Approved by the Victorian Secretaries Board

Further information

Please contact Digital Strategy and Transformation Branch (digital.transformation@dpc.vic.gov.au) Department of Premier and Cabinet.

Glossary

Term	Meaning
BAFO	Best and Final Offer.
BI	Business Intelligence, a process used to analyse data with organisational systems.
Clusters	Two of more agencies that come together as a group to use an ICT service or shared ICT environment.
CPO	Chief Procurement Officer
DPC	Department of Premier and Cabinet.
EDRMS	Electronic document and records management system refers to the combined technologies of document management and records management systems as an integrated system.
eRF(X)	The "e" represents "electronic", the "RF" represents "Request For" and the "x" is a placeholder for I (Information), P (Proposal) or Q (Quote).
ERS	Evaluated Receipt Settlement, where goods receipt information is used to automatically generate an invoice and pay it, without receiving an invoice from the supplier.
MoG	Machinery of Government, when departments undergo a realignment to reflect new organisational structure.
MSG	Major Projects Skills Guarantee provides opportunities for Victorian apprentices, trainees and engineering cadets to work on Victoria's biggest building and construction, infrastructure and civil engineering projects.
OPEX	Operational expenditure.
RCTI	Recipient Created Tax Invoice, where organisation receiving the invoice can create a tax invoice on behalf of the supplier.
SPC	State Purchase Contracts are standing offer agreements for Victorian government common use goods and services, which are established when value for money can best be achieved through aggregating demand.
VGPB	Victorian Government Purchasing Board sets policies that govern procurement of non-construction goods and services across all Victorian Government departments and some public bodies.
VIPP	Victorian Industry Participation Policy (VIPP) is an initiative of the Victorian Government, committed to improving opportunities for local suppliers to create more new jobs and grow the economy.