

Government Purchasing Agency
Annual Report 2012-13



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Message from the Minister

In keeping with Government's commitment to transparency and accountability, it is my pleasure to present the Government Purchasing Agency's (Agency) 2012-13 Annual Report. As Minister responsible I am accountable for the results presented within this report. The report is performance-based and reflects the progress of the Agency towards achievement of the goals outlined in its 2011-14 Business Plan.



Great strides were made this year towards achieving Government's commitment to reform current procurement and capital works tendering practices. The initial phase of the Strategic Procurement Project was completed and highlighted several savings opportunities of government as a whole. Phase two, the roll-out of these savings opportunities, was also initiated and is on track to increase savings and efficiencies in government operations. This represents an exciting time for the Agency and the public sector as a whole.

I would like to take this opportunity to acknowledge the outstanding commitment of the staff of the Government Purchasing Agency. I look forward to their continued dedication.

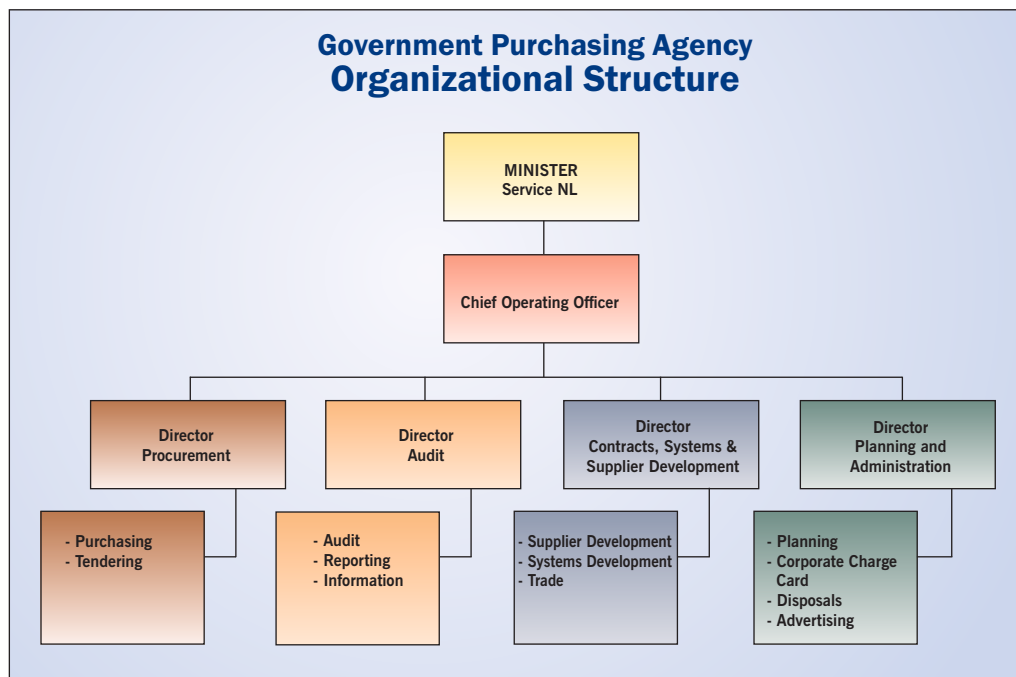
Sincerely,

A handwritten signature in black ink, appearing to read 'Nick McGrath', written in a cursive style.

Nick McGrath
Minister

Government Entity Overview

The Government Purchasing Agency (the Agency) is an independent branch of the public service under the management and control of a Chief Operating Officer. The Agency provides procurement, information and training services to government departments and government-funded bodies. While its head office is located in the Petten Building, 30 Strawberry Marsh Road, St. John's, staff have been located in various departments to optimize service delivery. There currently exist 40 staff positions, with a female to male ratio of 2.2:1.



Primary clients of the Agency include departmental and government-funded body employees and members of the local supplier community. Its website www.gpa.gov.nl.ca, allows the Agency to provide up-to-date procurement information to stakeholders. This site provides access to information governing procurement in the Newfoundland and Labrador public sector, public bidding opportunities within the province and the details of recently awarded tenders.

Authority for the Agency's operation is provided through the *Government Purchasing Agency Act* and the *Public Tender Act*;

- *Government Purchasing Agency Act* - outlines the mandate of the Agency and provides for its operation.
- *Public Tender Act* - primary legislation that governs procurement within the public sector.

Vision

The vision of the Agency is of an informed public sector and supplier community participating in a transparent and equal opportunity procurement environment. Its programs and services are guided by this vision.

Mission

By March 31, 2017 the Government Purchasing Agency will have enhanced its business processes.

Measure: Enhanced processes.

Indicators: Increased efficiencies in the procurement processes;
Increased access to public procurement training opportunities.

Mandate

The Agency's mandate is derived directly from the *Government Purchasing Agency Act* and includes the following:

- Acquisition of goods and services required by departments of the public service. The Chief Operating Officer may delegate this authority in full or in part, to departments where it is deemed efficient to do so.
- The Agency may acquire goods and services required by a government-funded body when efficient to do so. This action requires direction from the Lieutenant-Governor in Council.
- Responsibility for a joint purchasing advisory board, currently the Central Purchasing Authority (CPA). The CPA is responsible for the coordination of a number of high volume contracts for use by departments and government-funded bodies.
- Reporting exceptions to the *Public Tender Act*, awards to other than the preferred bidder and information respecting a tender invitation and award to the House of Assembly.
- Where exceptions to the *Public Tender Act* are reported, the Chief Operating Officer has the authority to express an opinion with respect to the sufficiency of the grounds for using the exception.
- Auditing department and government-funded body acquisitions to ensure compliance with procurement legislation.
- Provision of training to members of the public service to ensure awareness of applicable legislation and purchasing policies and procedures.

Lines of Business

The Government Purchasing Agency has two lines of business:

Procurement

The procurement cycle includes the advertising, tendering, acquisition of goods and services and disposal of assets on behalf of government entities. It also includes the provision of corporate charge cards to government employees for travel related expenditures.

The procurement process is dictated by the *Public Tender Act*. In accordance with this legislation, goods and services in excess of \$10,000 are publicly tendered unless special circumstances exist. Acquisitions less than or equal to \$10,000 require three quotes or a fair and reasonable price.

Audit, Information and Training

The Agency provides information and training regarding the *Public Tender Act*, *Government Purchasing Agency Act*, Atlantic Procurement Agreement, Agreement on Internal Trade and purchasing policies and procedures. This information is available to departments, government-funded bodies and the supplier community.

The Atlantic Procurement Agreement and the Agreement on Internal Trade allow local businesses to compete for government tenders throughout the country. An important component in being competitive is for suppliers to remain up-to-date with respect to the public procurement process. Through partnership with the Department of Innovation, Business and Rural Development the Agency provides forums for the public to gather information on the public procurement process and how the supplier community can become involved.

Tender and award information is also collected from government entities. This data allows the Agency to monitor procurement patterns across Newfoundland and Labrador and the success of local companies when competing for government business.

The Agency's auditing function promotes accountability and proper application of procurement legislation throughout the public sector. Departmental and government-funded body audits continue throughout the year to ensure legislative compliance.

Shared Commitments

The Agency continues to develop and maintain relationships with government departments, the industry sector and federal and territorial governments.

Public Sector

As part of its strategic direction, “Procurement – Enhanced service delivery through training and improved business processes”, the Agency committed to modernizing procurement legislation and increasing access to public procurement training opportunities. In support of this, departmental and government-funded body representatives have been engaged in the review of existing legislation.

The Agency also supports the Department of Innovation, Business and Rural Development (IBRD) with the procurement component of on-going trade negotiations. Information respecting Newfoundland and Labrador's current legislative and trade commitments is provided to the negotiation team to support the province's position. This information is vital in ensuring the province is not disadvantaged with respect to its procurement practices.

In addition, Agency personnel continue to support the public service in the development of tender specifications, bid evaluation, the tendering and award process and the interpretation and application of relevant legislation.

Industry

The Agency is continuing in its partnership with the Department of IBRD to improve supplier access to public procurement opportunities. The Department of IBRD coordinates supplier information sessions and trade shows throughout the province. It has partnered with the Agency to promote awareness of government procurement practices and potential bidding opportunities. This partnership directly supports the “Supplier Development” strategic direction as detailed in the Agency's 2011-14 Business Plan.

Federal/Territorial Governments

The Atlantic Procurement Agreement and Agreement on Internal Trade are intergovernmental trade agreements which have established a framework ensuring equal access to procurement for suppliers across provincial borders.

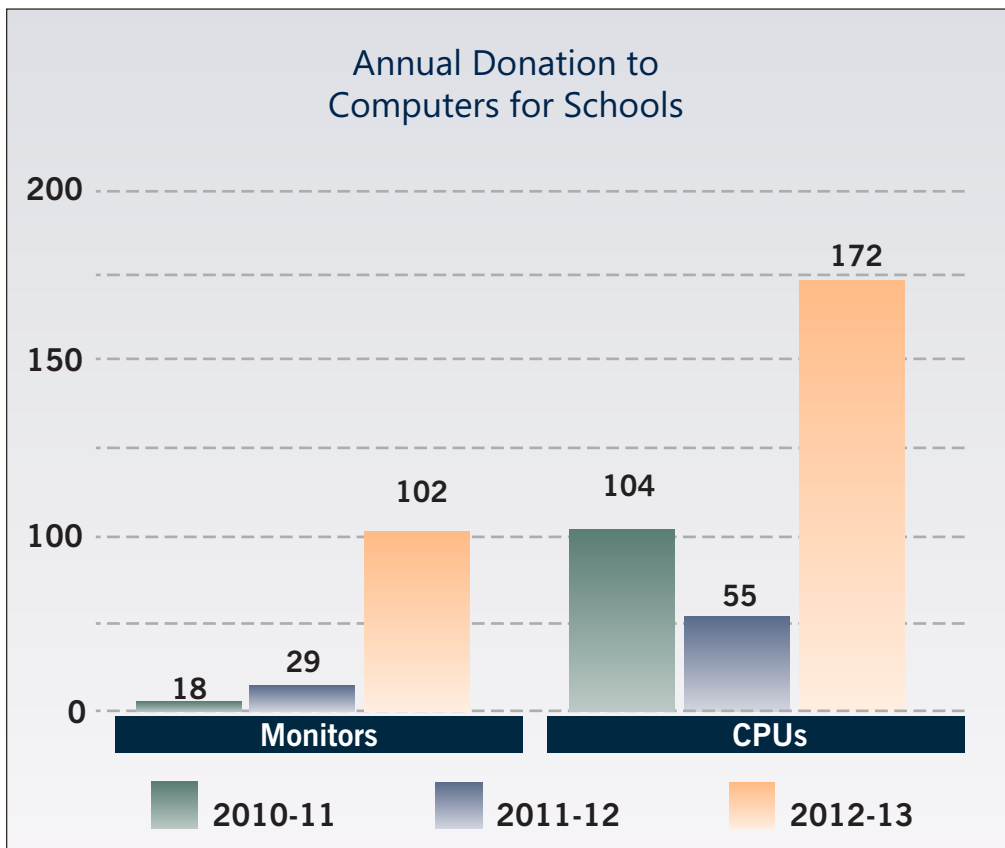
These agreements have contributed to the development of a stronger economy through the reduction in trade barriers and purchasing costs. Through the administration of the procurement component of these agreements the Agency is supporting the Minister's commitment to supplier development and ensuring local suppliers have an equal opportunity when bidding on government tender opportunities throughout Canada.

Participation in the Computers for Schools Program remains a priority for the province. This is a national program that operates in cooperation with all provinces, territories, and the volunteer and private sectors. The program collects, repairs and refurbishes donated surplus computers from government and private sector sources and distributes them to schools, public libraries and not-for-profit learning organizations throughout Canada (<http://cfs-ope.ic.gc.ca>).

Highlights and Accomplishments

Purchasing

- In 2012-13, acquisitions made through the Oracle purchasing module exceeded \$900 million. This compares to \$1.473 billion in 2011-12 and \$1.846 billion in 2010-11.
- Total number of procurement transactions completed by Agency staff exceeded 25,000.
- In 2012-13, there were eight public auctions and three disposal tenders as compared to the previous year activity of 11 auctions and six disposal tenders.
- In 2012-13, the Central Purchasing Authority coordinated 31 contracts to be used by both government departments and government funded bodies.
- In 2012-13, there were 2,500 corporate travel cards issued and administered as compared to 2,639 in 2011-12.
- Donations of monitors, CPUs and laptops to the Computers for Schools Program.



Audit, Information and Training

The highlights listed below support transparency and accountability in the procurement process.

- Working with consulting firm Deloitte, the Agency was an active participant in the Spend Analysis which was phase one of the Strategic Procurement Project. Detailed analysis and consultations were completed resulting in a comprehensive report of potential savings opportunities.
- Agency staff actively participated in phase two of the Strategic Procurement Project which involved in-depth analysis of previous spend patterns throughout the public sector. The end result of the project was the issuance of requests for proposals for various goods and services.
- 1,462 exceptions were reported to the House of Assembly as compared to 1,477 in 2011-12. Exceptions are those procurements which for specific, approved reasons are not required to be tendered.
- Continued delivery of training in the procurement component of government's financial system and the legislative requirements of the *Public Tender Act*.
- Consultations with the industry sector in the development of new procurement legislation and regulations.
- Continued development of policies and procedures document to accompany new legislation and regulations.

Report on Performance 2012-13

Issue 1: Enhanced Service Delivery

The world of technology is continuously evolving and includes changes to procurement which affect not only the Agency but the broader public sector as well. It is the Agency's responsibility to ensure any changes implemented are well planned and will indeed enhance the procurement process. For this reason the Agency has outlined a multi-year approach to change.

Goal: By March 31, 2014, the Government Purchasing Agency will have begun implementing recommendations to enhance its business processes.

Objective: By March 31, 2013, the Government Purchasing Agency will have reviewed procurement models utilized by other public bodies to identify opportunities for enhancing its processes.

Measure: Various procurement models analyzed.

Indicator: Analysis completed detailing alternative procurement models.

Throughout 2012-13, while meeting their operational responsibilities, Agency staff were involved in phases one and two of the Strategic Procurement Project. Phase one consisted of a detailed analysis of purchases throughout the public sector and how the province completed these acquisitions. These findings were compared to benchmarks and models from other provinces throughout Canada. Some of these provinces were similar in geography and overall purchasing power to Newfoundland and Labrador while others were larger.

The result was a report detailing several enhancements the province and Agency could implement to create additional efficiencies. The report also specified consolidation opportunities with public sector entities within the province and with other Provincial Governments.

Phase two, which began in February 2013, is ongoing and consists of implementing several of the recommendations from the report. Agency staff continue to work with the Strategic Procurement Project team in the gathering and analysis of information, development of Request for Proposal documents and the evaluation and awarding of contracts.

Objective: By March 31, 2014 the Government Purchasing Agency will have begun implementing recommendations to enhance its business processes.

Measure: Implementation of recommendations begun.

Indicator: Implementation of recommendations has begun.

Issue 2: Access to Training and Development Opportunities

With the on-going trade negotiations between provinces and countries as well as continuous legal challenges against procuring entities, the rules surrounding procurement are becoming increasingly complex. As with any profession, on-going training and development for the procurement team is necessary to ensure the individuals entrusted with carrying out these responsibilities maintain a high skill level and are kept apprised of the ever changing procurement environment. For these reasons the Agency has committed to increasing access to public procurement training opportunities by creating and implementing a training and development strategy.

Goal: By March 31, 2014, the Government Purchasing Agency will have created a training and development strategy

Objective: By March 31, 2013, the Government Purchasing Agency will have completed a gap analysis comparing training needs to available programs.

Measure: Analysis showing training requirements compared to available programs.

Indicators: An analysis is completed comparing training requirements to existing programs.

During the 2012-13 fiscal year, analysis of available procurement programs was undertaken. Several programs were tested and compared to requirements the Agency deemed essential for both the current process and anticipated future changes. With this information the Agency is able to take steps toward finalizing its training and development strategy.

Objective: By March 2014, the Agency will have created a training and development strategy.

Measure: Training and development strategy created.

Indicator:

- Report developed identifying various training programs.
- Training and development strategy developed.

Opportunities and Challenges

In its Budget Speech, the Provincial Government committed to a separate review of procurement being undertaken by Deloitte. The province spends upwards of \$2 billion annually buying goods and services (this includes the \$900 million identified in the Highlights section of this report). Newfoundlanders and Labradorians expect government to make smart, efficient purchases - to save money where possible, while maintaining or improving the quality of goods and services received. Reaching this goal means reviewing and in some cases, adjusting the way the Agency does business. When completed, the Strategic Procurement Project should result in significant savings across government.

Some of the methods of conducting business introduced through the Strategic Procurement Project are new to the Agency, general public sector and vendor community. As with the introduction of any change, there are challenges. However, it also provides an opportunity to acquire experience with electronic bidding and the various evaluation and negotiation phases of procurement. With this exposure, Agency staff will have the ability to take these skills and use them in the future to gain further savings and efficiencies for the province as a whole.

These changes require the cooperation of the entire public sector and supplier community. The Agency will continue to work with its stakeholders to ensure a smooth transition to new techniques. Each change will require a significant amount of time working with all impacted groups. All staff have committed to ensuring a clear understanding and acceptance of any proposed changes.

The Agency continues to work with involved departments to ensure upgrades to Government's procurement system meet the technical and transparency requirements of the Province. This is a lengthy process however, it is imperative to ensure any changes do not harm the security and integrity of government's financial reporting systems.

Financial Statements

Expenditure and revenue figures included in this document are un-audited and based on public information provided in the Report on Program Expenditures and Revenues of the Consolidated Revenue Fund for the Year Ended March 31, 2013. Audited financial statements are a requirement at the government level and are made public through the Public Accounts process. The Government Purchasing Agency is not required to provide a separate audited financial statement.

Government Purchasing Agency			
Statement of Expenditure and Related Revenues for Fiscal Year Ending 31 March 2013			
	Actual	Estimates	
		Amended	Original
Salaries and Benefits	2,318,921	2,320,400	2,298,100
Transportation and Communication	50,225	56,700	56,700
Supplies	20,349	21,900	20,900
Professional Services	8,616	20,000	20,000
Purchased Services	57,350	113,900	116,000
Property, Furnishings and Equipment	1,997	6,500	6,500
Less Revenue	(117,133)	(258,000)	(258,000)
Total: Government Purchasing Agency	2,340,325	2,281,400	2,260,200