



Procurement shortcuts impact integrity in a Victorian Government agency



Guidance material – integrity scenario

This guidance material presents an ‘integrity scenario’ which is intended to assist in public sector training regarding integrity risks, highlighting the importance of adhering to proper procurement processes – especially when staff are under pressure to deliver results quickly. Shortcuts in procurement processes can lead to inefficiencies in the use of public funds and raise potential integrity concerns. To prevent these shortfalls, organisations should monitor contract variations, ensuring compliance even under tight deadlines.

The situation

A procurement officer at a Victorian Government agency was responsible for procuring various items and services, including catering for events and daily operations. Their role involved checking suppliers, negotiating contracts and making sure the agency received value for money.

The officer had to find good quality, reasonably priced catering for the agency’s needs, from daily staff meals to catering for agency events.

The agency’s procurement rules required open bids for big contracts and routine price reviews to ensure value.

The agency had also experienced a gradual loss of commercial expertise as employees retired or moved on to bigger organisations. This left the procurement team with limited expertise.





How did the misconduct start?

The agency had used the same catering company for a few years. When the contract was about to expire, the procurement officer was under pressure to quickly arrange catering for several big upcoming events. Citing time constraints, the officer extended the existing contract without seeking new bids.

This quick decision meant the procurement team did not explore possibly better or less expensive options. The officer claimed the extension would prevent service disruptions despite going against procurement rules for contracts of this size.

At the same time, the agency was undergoing a major digital transformation project, which consumed much of the procurement team's attention and resources. This focus on new technology left ongoing service contracts, like catering, with reduced oversight.

How did it escalate?

Over the next two years, the officer repeatedly renewed the original catering contract instead of starting new bidding processes. Each time there was a need for more services or new facilities, the officer would change the existing contract rather than inviting new bids. As a result, the agency missed out on potential savings and better services that they might have got through competitive bidding.

The agency was not effectively monitoring contract extensions. While there were rules requiring regular open bids, they did not have a system to flag when too many contract changes had built up. The finance team, focused on staying within the budget, did not investigate how services were being purchased as long as the overall costs remained stable. This oversight reflects a lack of appropriate training and accountability at higher levels, suggesting that no supervisor acted as a role model or took responsibility for ensuring compliance with procurement rules.

The problem came to light when a new catering company complained about not having an opportunity to bid for the agency's catering work. This prompted an internal review that showed the extent of contract changes and how proper buying processes had been overlooked for a long time.

The review found that while the existing catering company was compliant with the agency's procurement rules, their prices were higher than other providers. It was estimated that the agency had paid about 15 per cent more than necessary to meet their catering needs over the past two years because they had not invited competitive bids. It also showed how the agency's reduced commercial expertise made it difficult to address procurement issues quickly. This situation indicated that the agency faced challenges in navigating procurement processes effectively, partly influenced by reduced commercial skills and a lack of qualified staff.

The procurement officer's actions involved a clear breach of procurement integrity, leading to their placement on performance management, but their actions constituted misconduct rather than corruption.



Lessons learned

- Reinforce the importance of open tender processes, even when under time pressure, to ensure value for money and maintain market competitiveness.
- Implement a system to monitor and flag multiple contract variations that exceed thresholds, triggering a mandatory review.
- Conduct regular procurement audits to ensure compliance with policies and identify any patterns of poor practice.
- Provide ongoing training to procurement staff on best practices, including the risks of over-reliance on contract variations.
- Foster an organisational culture that values proper process and long-term value over short-term expediency.
- Enhance communication between procurement and finance teams to ensure proper scrutiny of procurement methods, not just overall spending.
- Develop contingency plans to manage urgent procurement needs without compromising procurement standards.

This product was prepared based on findings from research and stakeholder consultations from IBAC's 2024 Public Sector Strategic Assessment. It is representative and created for educational purposes only. Any similarities to real persons, organisations, or incidents is purely coincidental.

If you experience or suspect public sector corruption, report it to IBAC



Fill out the secure online form to report at www.ibac.vic.gov.au



If you have difficulty accessing the online form, call us on **1300 735 135** for further assistance.



If you need help with translation, call Translating and Interpreting Service on **13 14 50** or visit www.ibac.vic.gov.au/mylanguage