



Procurement and contract management

One of the high-risk misconduct areas in the public sector is procurement. Employees responsible for procuring goods and services must follow processes and procedures to maintain the integrity of procurement practices.

What is procurement?

Procurement is the full process of buying goods, services, or works using public money. This includes planning, selecting suppliers, managing contracts, and disposing of assets.

Because it involves public funds, procurement is high risk and must always be:

- ▼ Transparent
- ▼ Fair
- ▼ Accountable
- ▼ Compliant with laws, policies, and procedures.

Your organisation must ensure that its procurement and contracting practices are transparent and accountable, and meet the standards set out in legislation, codes and policies.

Examples of misconduct in procurement

Poor accountability and record-keeping

The risk of misconduct can increase substantially without appropriate mechanisms for accountability and transparency. Not keeping proper records can hide misconduct.

Risks increase if one person is responsible for multiple functions in the contract management or procurement system, and oversight of their activities is limited.

Conflict of interest

You must declare and manage any personal interests that could influence decisions, such as:

- ▼ Family or friends benefiting from a contract
- ▼ Personal bias for or against a supplier
- ▼ Secondary employment with a supplier
- ▼ Personal or community interests affecting decisions.

Favouritism

To avoid the perception of partiality or favouritism and ensure that no one is advantaged or disadvantaged in the procurement process:

- ▼ treat all suppliers equally
- ▼ give everyone the same information, timelines, and criteria
- ▼ do not change rules mid-process, as this can lead to claims of bias.

If you treat one supplier differently or give them extra information, it can lead to claims of bias. If you need to change the process, timelines, or criteria, obtain legal or audit advice first. If you believe the process may not be fair, share updated information with everyone or restart the process. If fairness is compromised, restart the process if needed.

While this may cause delays, being open and fair helps avoid bigger problems later and protects time, money, and reputations.

Gifts benefits and hospitality

As a rule, employees involved in procurement must not accept gifts, benefits, or hospitality as they can create real or perceived bias and may be illegal:

- ▼ Do not accept gifts, benefits or hospitality from suppliers.
- ▼ Even small perks can create a perception of bias.
- ▼ Offers intended to influence decisions may be criminal offences.

Many misconduct cases have involved government staff accepting large gifts or “kickbacks” from suppliers. Any offer made with the expectation of special treatment may be a criminal offence.

Close relationships with suppliers

Close relationships with suppliers can affect impartial decision-making and lead to perceived or actual conflicts of interest.

- ▼ Strong relationships with suppliers can lead to unintentional bias in decisions.
- ▼ Not testing the market regularly may reduce value for money.

Misuse of confidential information

Protecting the security and integrity of confidential and commercially sensitive bid information is critical to procurement, as sharing it can compromise fairness and lead to concerns about bias. You should never share confidential or commercially sensitive information with suppliers or others, as doing so undermines fairness and competition.

Employment conflicts

Employment links between staff and suppliers - before, during, or after a contract - can involve actual or perceived conflicts of interest, influence decisions (even unintentionally), and increase the risk of confidential or sensitive information being misused:

- ▼ Staff being offered jobs by suppliers (or moving to suppliers) can create real or perceived bias.
- ▼ There are risks of sharing insider knowledge.

Insufficient contract monitoring

Not checking contractor performance can lead to:

- ▼ Poor quality work
- ▼ Fraud (e.g. paying for work not done)
- ▼ Hidden or inflated costs.

Small or regional markets

In smaller or remote markets, having fewer suppliers can limit competition and increase the risk of conflicts of interest or unfair practices, so extra care is needed to keep the process fair and transparent.

Fewer suppliers can increase the risk of conflicts of interest and collusion, and result in reduced competition.

Strategies to prevent misconduct

The strategies for preventing misconduct below are general guides only and are not exhaustive.

Implement clear and effective governance arrangements

- ▼ Clearly define who can approve procurement decisions and ensure that your organisation has created written delegation instruments under your Act.
- ▼ Keep delegation registers up to date including those automatically provided by your relevant Act.
- ▼ Regularly review delegation policies to ensure they continue to meet your procurement needs.

Set clear expectations for contractors

Make it a condition of the contract or tender that contractors comply with your organisation's code of conduct or the contractors' code of conduct and ensure that you strictly enforce these conditions.

- ▼ Require that all bidders and contractors disclose any conflict of interest as soon as they become aware of it, and that you actively and transparently manage the conflict.
- ▼ Avoid contractors hiring your staff during or shortly after contracts (e.g. 12 months) have expired.
- ▼ Use due diligence for high-risk procurements (e.g. for high-risk procurements with significant expenditure).

Improve systems and processes

- ▼ Regularly review procurement policies.
 - ▼ For example, your public sector organisation should regularly review the [Tasmanian Government website for purchasing](#), update your policies accordingly, and provide training to those involved in procurement about the changes.
- ▼ Keep clear procedures that outline staff responsibilities and ensure ethical and fair practices.
- ▼ Maintain registers and ensure that registers of conflicts of interest and personal interests are up to date. Link your procurement and contract

management procedures to your organisation-wide misconduct prevention policy and code of conduct.

- ▼ Create clear, practical policies for managing conflicts of interest and gifts and benefits, and make sure procurement and contract management staff are regularly trained.
- ▼ Protect confidential information.

Train employees regularly

- ▼ Ensure staff understand what is acceptable and what is not. Educate them on their responsibilities, including those under your organisation's code of conduct and conflicts of interest and gifts and benefits policies.
- ▼ Provide clear guidance and instructions on how to identify, report, and handle suspicious behaviour by suppliers and staff, especially when it comes to:
 - ▼ Suppliers seeking inside information.
 - ▼ Social invitations from suppliers.
 - ▼ Splitting contracts to avoid approval thresholds.
 - ▼ Attempts to change contracts or rush renewals.
 - ▼ Collusion between suppliers.

Make probity integral to your procurement processes

Probity means being honest, fair, and acting with integrity. It's not just about avoiding wrongdoing or ticking boxes - it's about doing the right thing to achieve the best outcome for the public.

To embed probity:

- ▼ Provide regular ethics and probity training.
- ▼ Monitor and review procurement processes.
- ▼ Seek probity assistance – use probity advisors or auditors on a case-by-case basis, considering such factors as:
 - ▼ your organisation's exposure and tolerance level for the risk associated with the procurement activity
 - ▼ the circumstances and complexity of the planned procurement
 - ▼ your organisation's capability and maturity to select and implement the best outcome for your organisation.
- ▼ Plan for risks early with self-assessment tools to assist you to identify and deal with the risks associated with the planned procurement and demonstrate transparency of process and decisions.
- ▼ Monitor your procedures for fairness and ensure they guarantee all suppliers and contractors equal access to information and opportunities.



The Commission can help

We are available to provide support and assistance with identifying, reporting, investigating, managing and preventing misconduct: contact@integrity.tas.gov.au or 1300 720 289.