

**Report 1 of 2024**

Regional bus service contracts – Phase 1





# **Report of the Auditor-General**

## **Report 1 of 2024**

### Regional bus service contracts – Phase 1

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Tabled in the House of Assembly and ordered to be published, 6 February 2024

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First Session, Fifty-Fifth Parliament

By authority: T. Foresto, Government Printer, South Australia

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2024

*The Auditor-General's Department acknowledges and respects  
Aboriginal people as the State's first people and nations, and  
recognises Aboriginal people as traditional owners and occupants of  
South Australian land and waters.*



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10 January 2024

President  
Legislative Council  
Parliament House  
ADELAIDE SA 5000

Speaker  
House of Assembly  
Parliament House  
ADELAIDE SA 5000

Dear President and Speaker

**Report of the Auditor-General:  
Report 1 of 2024 *Regional bus service contracts – Phase 1***

I present to each of you a copy of the report that is required by section 39(3f) of the *Passenger Transport Act 1994*.

**Content of the report**

Under section 39(3f) of the *Passenger Transport Act 1994* I am required to:

- examine the contract
- report on the probity of the process leading to a service contract being awarded for providing regional passenger transport services.

I did not identify any specific probity matters that would suggest that the procurement process was compromised.

**Acknowledgements**

The review team for this Report was Salv Bianco, Phillip Rossi, Stephen Gladigau, Grace Lum and Ryan Tran.

I appreciate the cooperation and assistance given by staff of the Department for Infrastructure and Transport during the review.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Andrew Blaskett'.

Andrew Blaskett  
**Auditor-General**



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# Audit snapshot

## What we reviewed and why

Under the *Passenger Transport Act 1994* (PTA) we are required to review the probity of the procurement of regional bus services and examine the contracts awarded to the operators of those services.

Managing and maintaining probity in a procurement process is important to ensure procurement decisions are fair, transparent and defensible.

## What we concluded

For the probity of the process leading up to awarding the service contracts we concluded that:

- we did not identify any specific probity matters that indicated the probity of the procurement process was compromised
- Department for Infrastructure and Transport (DIT) designed and implemented processes for conducting the procurement consistent with sound probity principles
- DIT maintained sufficient documentation of the process consistent with appropriate probity standards, except in four specific areas
- DIT could improve some of its practices and procedures for future procurements.

In examining the service contracts, we concluded that they met PTA requirements and included a broad range of contractual provisions that should help to protect the State’s interests.

DIT will need robust processes to effectively manage the contracts and any related operational, legal and financial risks.

## Key facts





# 1 Executive summary

## 1.1 Introduction

---

The Department for Infrastructure and Transport (DIT) plans, regulates and funds public transport services across South Australia in line with the *Passenger Transport Act 1994* (PTA).

Passenger transport services in regional South Australia are provided by contracted operators engaged by the Minister for Infrastructure and Transport (the Minister).

Following a competitive tender process run by DIT, the Minister executed 14 contracts with six private operators for regional bus passenger transport services on 25 August 2023. The service contracts started on 1 October 2023 and are for eight years (through to 30 September 2031) with an option for the Minister to extend for a further two terms of two years (a total of 12 years). The combined value of the service contracts is estimated to be \$220.5 million over the 12 year term.

As required by section 39(3f) of the PTA, we examined the contracts and:

- reviewed the probity of the procurement process leading up to the awarding of them
- assessed whether they comply with the requirements of the PTA.

To assess probity we identified key probity principles that are necessary to demonstrate that the procurement process was fair, transparent and defensible (see section 3.1).

This report provides the outcomes of our review.

## 1.2 Conclusion

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### 1.2.1 Probity of the process

We did not identify any specific probity matters that would suggest that the procurement process was compromised.

DIT designed and implemented processes for conducting the procurement that were consistent with sound probity principles.

In carrying out its processes, DIT maintained sufficient documentation that was consistent with appropriate probity standards for most areas of the procurement other than for four specific areas of the procurement outlined in section 1.3.

We also noted some specific practices and procedures that could be improved.

In my opinion, none of the matters raised in this report compromised the probity of the process. They were not systemic or pervasive, but warrant consideration to improve processes for future procurements.

## 1.2.2 Examination of the service contracts

The service contracts met the requirements of the PTA and contained a broad range of contractual provisions that should help to protect the State's interests. We did identify some provisions that were not included in the service contracts. This could present some risks inherent to engaging a private operator to provide passenger transport services.

It is essential that DIT has robust contract management processes to effectively manage the contracts and any related operational, legal and financial risks.

These matters are discussed in sections 9 and 10.

## 1.3 What we found

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### Probity of the process

We found that DIT established sound processes, commensurate with the value, risk profile and complexity of the procurement, to manage the procurement and award the contracts. These processes included:

- establishing project structure and governance arrangements to provide structured decision-making and accountability
- establishing probity principles and a probity plan with strategies to manage probity risks, including business-as-usual interactions
- engaging a probity advisor to provide independent advice and guidance on probity issues during the procurement
- preparing comprehensive acquisition and evaluation plans before approaching the market
- arrangements to manage receiving and opening invitation to supply responses
- arrangements to manage the security and confidentiality of procurement documents
- procedures for communicating with proponents and maintaining records of communications
- evaluating invitation to supply responses in line with the evaluation plan
- developing and implementing a negotiation plan and maintaining records of negotiation activity
- preparing a purchase recommendation report capturing the evaluation outcomes and justification for the recommended proponents.

DIT has considered and implemented a range of recommendations we made in previous passenger transport contract reviews to improve its probity processes.<sup>1</sup>

We also found four areas where DIT had not maintained sufficient records consistent with reasonable probity standards:

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<sup>1</sup> Auditor-General's Report 10 of 2020 *Passenger transport service contracts: Bus and light rail*, and Report 9 of 2021 *Probity of the processes for the heavy rail service contract*.

- It did not maintain sufficient records of interactions between SA Government representatives and proponents, and of DIT's assessment of probity risks associated with these interactions (section 3.4.1).
- It did not maintain written records for some of the probity advice it received (section 3.4.3).
- It did not sufficiently document the rationale for some decisions made during the evaluation (section 6.3.1).
- It did not document the arrangements in place for managing probity risks in the time between the purchase recommendation being finalised and the contracts being signed (section 3.4.5).

We also identified some areas where processes and practices should be improved for future procurements, including:

- some probity issues that were not captured in the probity advisor's report and on DIT's probity issues register (section 3.4.6)
- the nature and extent of reporting sought by DIT from the probity advisor not being clearly defined in the agreement with the probity advisor (section 3.4.2)
- the Steering Committee not being provided with independent confirmation from the probity advisor prior to endorsing the draft purchase recommendation (section 3.4.4)
- the approver of the purchase recommendation not completing a conflict of interest declaration and confidentiality agreement (section 3.4.7)
- proponents for one contract not being given the same time to prepare and provide their best and final offer (section 7.3.1).

These were not systemic or pervasive in nature and impact as they were departures, errors or omissions for specific practices and procedures. Addressing them for future procurements will help ensure that procurement processes are strengthened and probity risks are appropriately managed.

We made a number of recommendations to DIT to address our findings, which are detailed in chapters 3, 4, 6 and 7.

### Compliance with the *Passenger Transport Act 1994*

The Minister complied with the requirements of the PTA, with one minor instance of non-compliance that did not impact the procurement process. The service contracts addressed the mandatory requirements of the PTA.

Chapter 9 discusses compliance with the PTA.

## 1.4 Response to our recommendations

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DIT responded positively to our findings and advised us how they would action our recommendations. Its responses are included in chapters 3, 4, 6, 7 and 9. Appendix 2 provides the response to this report from DIT's Chief Executive.

# 2 Background

## 2.1 The *Passenger Transport Act 1994*

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Under the PTA the Minister is responsible for providing passenger transport services in South Australia.

The PTA allows the Minister to award service contracts for the operation of regular passenger transport services by tender or other such manner as the Minister thinks fit.

## 2.2 Contracts awarded under this procurement process

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### 2.2.1 Background

The South Australian Public Transport Authority (SAPTA) within DIT is responsible for managing public transport services, including those in regional South Australia.

Before awarding the service contracts from this procurement, the Minister had engaged 11 operators under 28 service contracts to deliver public transport services in regional centres and to connect regional communities to Adelaide.

In 2021 SAPTA reviewed its 28 existing regional bus service contracts and decided to geographically consolidate them into 19 new service contracts.

Regional bus services will be procured in two phases. In June 2022 the Minister invited tenders for operators of bus services for the first 14 contracts (Phase 1). Tenders for the remaining five were invited in October 2023, with service contracts expected to be awarded in 2024 (Phase 2).

This report covers the procurement of Phase 1 contracts only. Figure 2.1 shows the contract areas in each phase of the procurement.

**Figure 2.1: Procurement phases and contract areas**

Procurement phase	Contract area
<b>Phase 1</b> Contracts 1 to 14	Barossa
	Eyre Flinders
	Fleurieu
	Kangaroo Island
	Mid North
	Mount Gambier
	Northern Adelaide Hills
Port Augusta	
Port Lincoln School	
Port Lincoln on Demand	
Riverland	
South East	
Tatiara	
Yorke	

<b>Phase 2</b> Contracts 15 to 19	Eastern Riverland	Spencer
	Murray	Whyalla
	Port Pirie	

## 2.2.2 Overview of service contracts awarded

On 25 August 2023 the Minister executed 14 service contracts shown in figure 2.2.

**Figure 2.2: Services contracts awarded**

<b>LinkSA Pty Ltd</b>	<b>Premier Roadlines Pty Ltd</b>	<b>Deeprate Pty Ltd</b>
Barossa Fleurieu Mount Gambier Northern Adelaide Hills	Eyre Flinders Riverland South East	Kangaroo Island Mid North Yorke Port Lincoln on Demand
<b>Des's Transport Pty Ltd</b>	<b>Tunarama Coachlines</b>	<b>Swan Hill Bus Lines Pty Ltd</b>
Port Augusta	Port Lincoln School	Tatiara

The start date for the service contracts is 1 October 2023. The initial term of each service contract is eight years (through to 30 September 2031), with an option for the Minister to extend them for a further two terms of two years (first extension to 30 September 2033 and second extension to 30 September 2035).

The combined value of the service contracts is estimated to be \$220.5 million over the potential 12-year term.

Appendix 3 provides a map of the area covered by each service operator.

## 2.3 Procurement governance

### 2.3.1 Person appointed to conduct the process

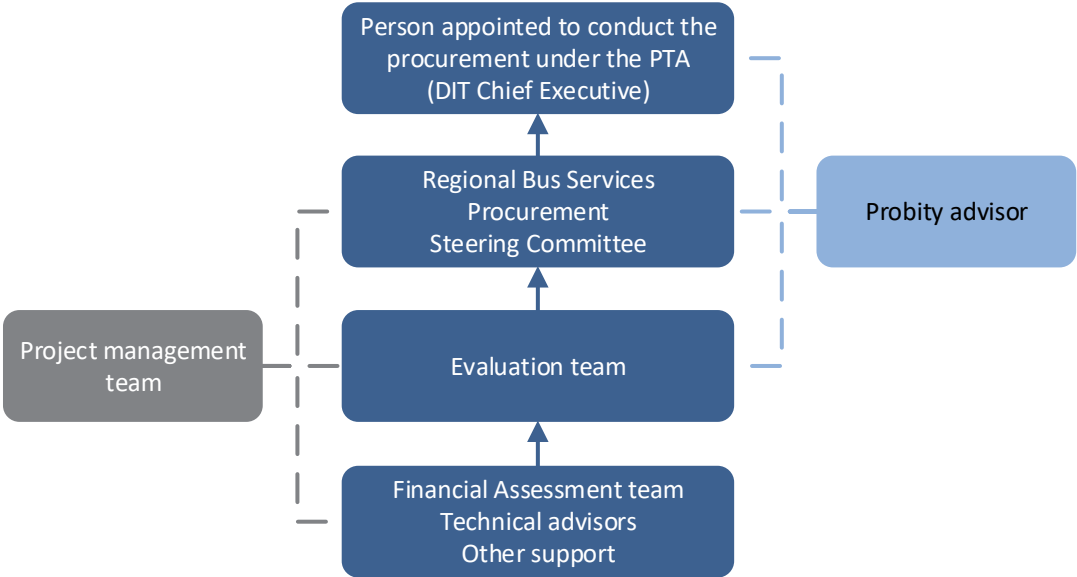
The PTA requires that if the Minister determines that a passenger transport service contract should be awarded by tender, they must appoint a person to conduct the process, including the assessment of responses to the tender.

On 11 August 2021, the then Minister appointed the then DIT Chief Executive to conduct the procurement process for the regional bus services. On 12 May 2022, the current Minister appointed the current DIT Chief Executive.

### 2.3.2 Governance structure

DIT established a sound governance structure with clear roles and responsibilities to support the probity of the procurement process.

**Figure 2.3: Regional bus services procurement governance structure**



The Regional Bus Services Procurement Steering Committee (the Steering Committee) was established to:

- provide strategic leadership, oversight and advice to the evaluation team
- endorse recommendations from the evaluation team for approval by the DIT Chief Executive.

The Steering Committee comprised four senior DIT executives and operated from 21 August 2021 to 24 July 2023 for Phase 1 of the procurement process.

The evaluation team was responsible for evaluating responses and recommending the preferred respondents to the Steering Committee. It was assisted by:

- a financial assessment team responsible for reviewing pricing information and providing specialist financial advice
- technical advisors for advice on bus asset, network service planning and senior disability access and inclusion
- other support such as legal, contracting and financial viability analysis.

DIT appointed a probity advisor (see section 3.3.2 for their role and responsibilities) and a project management team was also in place to provide administrative and project management support.

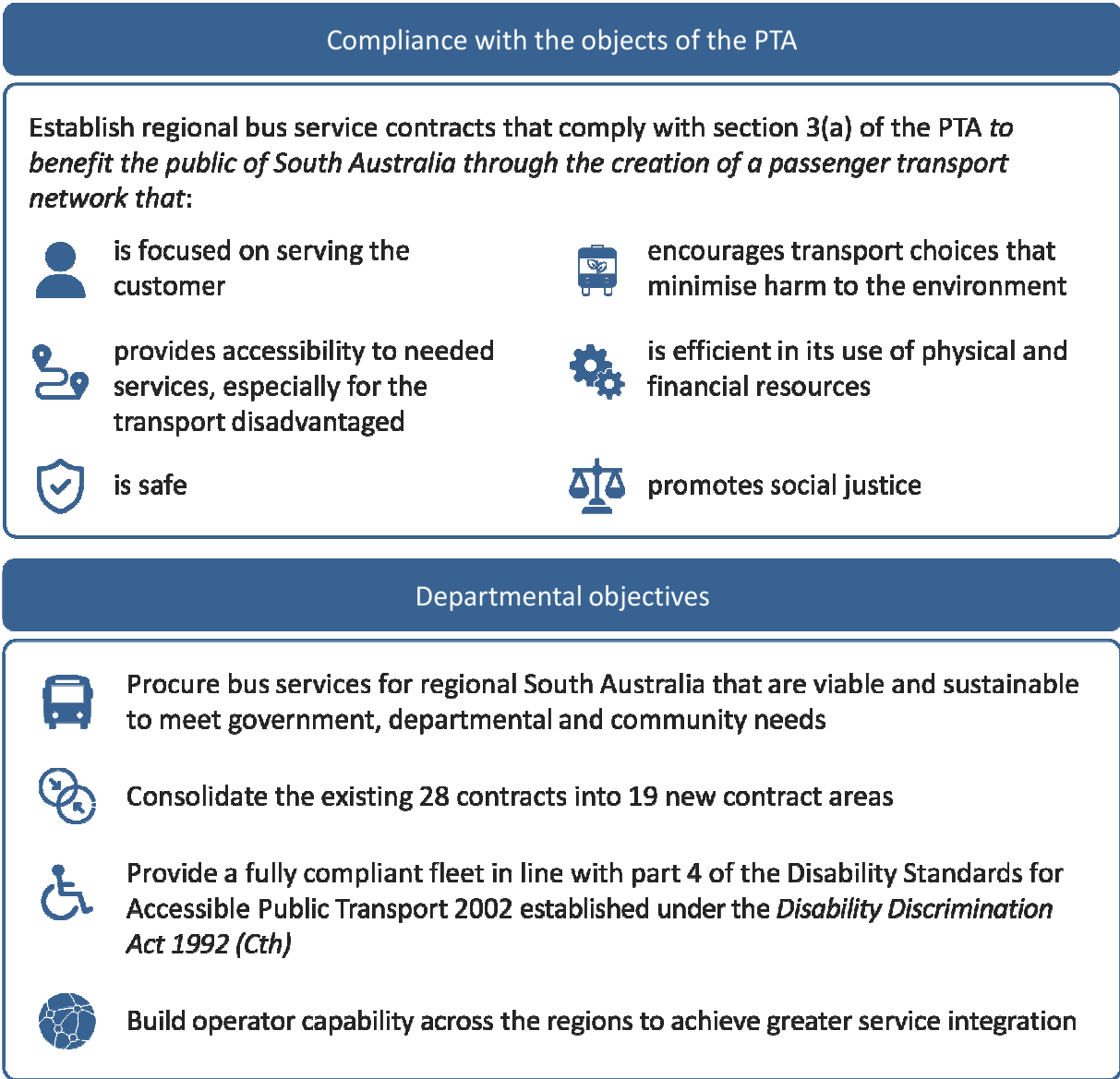


## 2.4 Procurement process

### 2.4.1 Procurement objectives

Figure 2.4 summarises the objectives of the procurement.

Figure 2.4: Procurement objectives



Source: Regional bus service acquisition plan.

### 2.4.2 Market approach

DIT conducted a competitive tender process for the procurement of Phase 1 contracts, using an open market, single stage approach.

Proponents were invited to submit conforming offers based on the current service levels and non-conforming offers based on potential service enhancements, efficiencies, and innovation.

Chapters 5 and 6 provide more information about the invitation to supply and evaluation process.

### 2.4.3 Procurement timeline

Figure 2.5 provides a timeline of key events during the procurement process.

**Figure 2.5: Timeline of key events**



Appendix 4 provides a detailed timeline of events.

## 2.5 Extension of existing regional bus contracts

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The Phase 1 procurement consolidated 21 existing regional bus contracts into 14 new contract areas. The 21 contracts were originally due to expire on 30 June 2022.

In August 2021, the then DIT Chief Executive approved extending the 21 contracts with the existing operators by 12 months to 30 June 2023 to give DIT enough time to implement a procurement process to award new contracts under the PTA.

In February 2023 the DIT Deputy Chief Executive granted a further three-month extension to 30 September 2023 to allow:

- sufficient time for contractors to transition to the new contracts
- DIT to secure the necessary approvals for awarding and funding the new contracts.

DIT advised us that the total estimated value of the contract extensions for the 21 contracts was \$5.7 million, including subsidy and sustainability payments.

## 3 Probity management arrangements

### 3.1 Key probity principles

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Procurement Service SA's *Probity and Ethical Procurement Guideline* defines probity as the:

*evidence of ethical behaviour commonly associated with the practice of adopting and following well considered procedures and processes to ensure that procurement decisions are fair, transparent and defensible ...*

We considered the Guideline, our previous reviews of the procurement of bus and heavy rail passenger transport services, and the probity plan that DIT established for the procurement to identify the following key probity principles for our audit:

- compliance with the law
- transparent and consistent decision making
- security and confidentiality of information
- fairness, impartiality, integrity and equality provided to all parties
- management of conflicts of interest
- maintenance of records, including maintaining an audit trail that enables independent review of processes
- conducting an appropriately competitive process.

Procurement Services SA states that implementing good probity and ethical practices in procurement will:

- improve the likelihood that value for money and good public outcomes will be obtained
- reduce financial and legal risk to the SA Government
- provide potential suppliers with the confidence that they will be treated fairly.<sup>2</sup>

### 3.2 Audit approach

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We assessed whether DIT managed the probity of the procurement process in line with its policies and procedures and the key probity principles in section 3.1. To do this we considered DIT's:

- probity plan for the procurement
- processes to manage probity risks and issues
- processes to identify and manage conflict of interests
- arrangements to ensure the security and confidentiality of information.

We also made inquiries with the probity advisor to understand their role in the procurement and to discuss their observations on probity.

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<sup>2</sup> Procurement Services SA, *Probity and Ethical Procurement Guideline*, issued February 2023, p. 4.

### 3.3 Overview of probity management arrangements implemented by DIT

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#### 3.3.1 A probity plan was developed for the procurement

Procurement Services SA's *Probity and Ethical Procurement Guideline* states that a probity plan should be used for complex and strategic procurements.<sup>3</sup> The procurement of regional bus operators was assessed as a strategic procurement.

Identifying foreseeable probity issues, and the specific controls to deal with them, is of critical importance in monitoring the probity of the conduct of a tender process.<sup>4</sup> An effective probity plan does this.

DIT developed a probity plan that was approved by the Steering Committee in October 2021. It addressed:

- probity objectives and principles
- the need to maintain confidentiality
- the need to identify and manage actual and/or potential conflict of interests
- communication protocols
- business-as-usual protocols to ensure that incumbent service providers did not, by virtue of their existing relationship with DIT, obtain an unfair advantage over other market participants
- consideration of audit findings and recommendations from previous reviews by the Auditor-General
- the need for a probity advisor.

The project team signed off on the probity plan to acknowledge that they understood the plan and agreed to adhere to it. The plan was also provided to the evaluation team.

#### 3.3.2 DIT appointed a probity advisor for the procurement

DIT engaged a consultancy firm in August 2021 to provide independent probity advice for the procurement process. The timing of engaging the probity advisor was reasonable, as it occurred early in the procurement.

##### Role of a probity advisor

A probity advisor is typically engaged to provide independent advice and assist management on probity/process issues. They work actively and contemporaneously with the project team and evaluation team to ensure probity issues are considered and actioned during the procurement process.

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<sup>3</sup> Procurement Services SA, *Probity and Ethical Procurement Guideline*, issued February 2023, page 7.

<sup>4</sup> *Report on the Auditor-General's Examination, Pursuant to Section 39 of the Passenger Transport Act 1994, of Certain Bus Contracts and the Probity of Processes Leading up to the Awarding of the Contracts*, 2005, p. 39.

Engaging a probity advisor does not release, remove or replace the responsibilities of those involved in the procurement process to conduct the procurement in line with reasonable probity standards.

The probity advisor that DIT engaged performed a range of probity assurance activities, including:

- providing probity briefings to officers involved in the procurement process, the DIT Chief Executive and the Minister
- explaining probity principles and protocols at industry briefings
- reviewing key procurement documents from a probity perspective
- attending industry briefings and the opening of invitation to supply responses
- providing advice to the project team on probity matters
- attending evaluation team meetings, bidder presentations, negotiation meetings and debrief meetings
- providing a report to DIT on the probity of the procurement process.

### Probity reporting

A probity advisor should provide a report concluding whether the procurement process conducted was consistent with requirements outlined in the probity plan and probity standards and principles. The probity advisor's report should state what probity advice was provided and the extent to which all probity risks and issues were satisfactorily managed.

#### 3.3.3 Participants in the procurement were required to complete a conflict of interest declaration and confidentiality agreement

Identifying and managing actual, potential and perceived conflicts of interest, and maintaining confidentiality, are two important probity considerations for procurement.

Officers involved in the procurement process, including external advisors, were required to complete a conflict of interest declaration and confidentiality agreement.

DIT kept a probity register detailing the nature of any probity matters that arose during the procurement, the specific actions taken and how the matters were resolved. It was provided to the Steering Committee regularly throughout the procurement to help the members to understand the probity issues and therefore the probity of the procurement process.

#### 3.3.4 Managing communications with proponents

To ensure fairness, transparency and equity in the procurement process, communications within the project team and with proponents must be carefully managed to mitigate any probity risks.

DIT implemented the following processes and controls to manage the probity risks of communications and interactions with proponents:

- Communication protocols in the probity plan addressed communications within the project team, with proponents and with project stakeholders.
- Interactions/Communications with proponents were managed through an electronic data room and tender rules requiring proponents to only communicate with the project team through defined channels.
- A communication register was used to record communications and meetings with proponents including the purpose, parties involved and a link to the records of the interaction/communication.

### 3.3.5 Security and confidentiality of documents, tender responses and commercial information

A key probity requirement is ensuring the security and confidentiality of documents and commercial information. To manage this DIT implemented the following processes and controls:

- Officers involved in the procurement process signed a confidentiality agreement before being provided access to procurement documents.
- Documents were required to be secured within an IT environment, with access restricted to relevant members of the project and evaluation teams.
- The probity advisor reinforced the importance of maintaining the confidentiality of information including commercially sensitive information at probity briefings for the project and evaluation teams.

## 3.4 Findings

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### 3.4.1 Processes to manage probity risks associated with meetings between the SA Government representatives and proponents were not sufficiently implemented

#### Recommendation

In future procurements, DIT should establish mechanisms to manage probity risks for meetings between SA Government representatives and proponents outside of established procurement process arrangements. This should include:

- advising the probity advisor of meetings before they occur
- assessing and documenting probity risks for meetings with DIT management who have the potential to influence the procurement process and identifying responses to maintain the probity of the procurement process. This should include assessing the need to obtain probity advice
- keeping sufficiently detailed notes of matters discussed at meetings, including decisions and actions, and documenting the impact on the probity of the procurement and any responses.

## Finding

We found that three meetings were held during the procurement process between the Minister, senior DIT employees and potential proponents/proponents outside of established procurement process arrangements.

Some of the potential proponents/proponents attended the meetings in their capacity as representatives of bus industry bodies. DIT advised us that the procurement was not discussed at these meetings.

We found that:

- the probity advisor was not aware of these meetings
- no specific probity advice was received for these meetings and an assessment of the probity risks was not documented, including the rationale for not seeking probity advice
- meeting records did not always sufficiently capture what was discussed.

We recognise that the SA Government is involved in business-as-usual interactions with local bus industry representatives who may also be potential proponents/proponents.

We also recognise that ultimately the impact of these interactions on the probity of the procurement was low because:

- two SA Government representatives were present at all meetings
- the proponents involved in these meetings were not successful tenderers for Phase 1.

However, such meetings can give rise to significant probity risks, including the perception that a proponent may be getting favourable treatment, which needs to be carefully managed in future procurements.

## DIT response

*The three meetings referred to in this finding were regular 'business as usual' meetings with industry bodies, and therefore probity advice was not required.*

*A probity briefing was provided by the independent probity advisor to the Minister for Infrastructure and Transport and his advisor on 16 June 2022, prior to the Invitation to Supply being released to market for the procurement.*

*Consistent with guidance provided by the probity advisor at the probity briefing not to attend meetings in a solo capacity, the Minister had a member of his staff and a senior departmental executive in attendance at the meetings, and advised he was not able to discuss the procurement. This was recorded in file notes that were retained on the communications register for the procurement.*

*DIT will consider appropriate mechanisms to notify the Minister of procurement activities that may raise probity risks at 'business as usual' industry meetings.*

### 3.4.2 Nature and extent of reporting sought by DIT from the probity advisor not clearly defined

#### Recommendation

DIT should ensure that the nature and extent of probity reporting required are clearly documented and agreed with the probity advisor.

#### Finding

The service agreement with the probity advisor specified a range of tasks and that ‘the probity advisor will provide a written probity report to the Steering Committee on the procurement process after the evaluation process is complete’.

DIT did not clearly define and document in the agreement, or provide any further guidance to the probity advisor about, the nature and extent of reporting it required. For instance, the agreement did not clearly specify:

- the nature of the conclusion required in the probity report
- the nature and extent of reporting responsibilities and the probity advisor’s role in:
  - managing probity risks associated with any interactions with proponents after the purchase recommendation was signed
  - evaluating compliance with requirements of procurement policy frameworks
  - attending debrief meetings with proponents.

We have previously recommended that agencies document and agree in detail the nature and extent of probity assurance services to be provided, key deliverables and reporting requirements.<sup>5</sup>

As the nature and scope of written probity reports can vary, the level of assurance to be provided by the probity advisor should be clearly documented in the probity service agreement to ensure that all parties clearly understand and agree on what is required.

#### DIT response

*It should be noted that while a final probity report was not requested, following the approval of the purchase recommendation the probity advisor was involved in:*

- *meetings with all bidders to advise of the delay with the procurement decision in February 2023, which were minuted;*

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<sup>5</sup> Auditor-General’s Report 10 of 2020 *Passenger transport service contracts: Bus and light rail*, p. 60 and Report 9 of 2021 *Probity of the processes for the heavy rail service contract*, p. 103.



- *a meeting with the project management team in June 2023, to discuss the transfer of the Tatiara bid following the receipt of advice from the Crown Solicitor's Office on this matter;*
- *meetings with all bidders to advise the procurement outcome in July 2023, which were minuted;*
- *all debriefing sessions with bidders which were minuted.*

*DIT acknowledges this finding, and will in future ensure any probity contract includes:*

- *the nature of the conclusion required in the probity report*
- *the nature and extent of reporting responsibilities and the probity advisor's role in:*
  - *managing probity risks associated interactions with proponents after the purchase recommendation was signed*
  - *evaluating compliance with requirements of procurement policy frameworks*
  - *attending debrief meetings with proponents.*

### 3.4.3 No written record maintained for some probity advice received

#### Recommendation

For future procurements DIT should ensure a written record is maintained for:

- probity advice received that supports decision making and/or how the procurement process is conducted
- matters discussed by the probity advisor at probity briefings and advice provided to attendees.

In implementing this recommendation, we recognise that the nature of the advice and the probity risks should be considered when determining the extent of this documentation. For instance, discussions on minor administrative and procedural matters would not need to be documented.

#### Finding

We found that DIT did not maintain a written record for some probity advice it received during the procurement process, such as advice provided to the project team on:

- whether it was necessary for a respondent to complete a statutory declaration or other form of legally binding document to acknowledge that they had unintentionally omitted pricing information in their invitation to supply response. The respondent was allowed to submit the omitted pricing information after tenders had closed
- the process to award a service contract to an operator who was not the original respondent (a situation where the respondent sold their business to another bus operator during the procurement process)

- allowing respondents to re-submit their standard industry participation plans during the evaluation process.

Further, DIT did not have a written record of matters discussed by the probity advisor at probity briefings, including any verbal advice provided by the probity advisor to attendees.

DIT told us that advice it received from the probity advisor was not always in writing.

Having an audit trail of probity advice provided is important because it supports the reasons for the procurement decisions taken and confirms to those involved in the process that the procurement was conducted with integrity.<sup>6</sup>

We have previously recommended that probity advice received and probity briefings held during a tender process should be documented and available for audit review.<sup>7</sup>

## DIT response

*DIT acknowledges the finding regarding written probity advice and will endeavour to source all probity advice in writing in future. However, in order to mitigate probity risks DIT undertook the following activities:*

1. *In relation to managing probity risk associated with allowing a respondent to submit pricing information, which was unintentionally omitted after tenders had closed, DIT sought probity advice from the probity advisor who confirmed in writing via email (dated 20/10/2022) that in accordance with the evaluation plan, the evaluation team could request the respondent provide the missing data. All evaluation team members agreed (via email) to this approach, with caveats as noted by the evaluation chair. In addition, the probity advisor reviewed the email to the bidder, and participated in a phone call to confirm they had received the email, which was documented in a file note. The probity advisor provided verbal advice during a phone call with the project management team, that a statutory declaration or another form of legally binding paperwork was not required.*
2. *In relation to the process to award a service contract to an operator who was not the original respondent (a situation where the respondent sold their business to another bus operator during the procurement process), DIT acknowledges written probity advice should have been requested. Notwithstanding this, DIT sought advice from the Crown Solicitor's Office (CSO). Following receipt of written advice from the CSO, DIT met with the probity advisor to discuss the advice, and the probity advisor verbally advised there were no probity risks as the evaluation had been completed.*

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<sup>6</sup> *Report on the Auditor-General's Examination, Pursuant to Section 39 of the Passenger Transport Act 1994, of Certain Bus Contracts and the Probity of Processes Leading up to the Awarding of the Contracts, 2005, p. 42.*

<sup>7</sup> *ibid, p. 5 and Auditor-General's Report 10 of 2020 Passenger transport service contracts: Bus and light rail, p. 62.*

3. *In regard to allowing respondents to re-submit their Standard Industry Participation Plans during the evaluation process, DIT acknowledges written probity advice was not sought on this matter. Notwithstanding this, the probity advisor was in attendance when a representative from the Office of the Industry Advocate (OIA) met with the evaluation team (minuted) and agreed that the OIA would join with DIT to run sessions with bidders on how to complete their Standard Industry Participation Plans accurately. Furthermore, written probity advice was sought on the wording of the invitation to send to bidders. The probity advisor attended a pre-meeting with DIT and the OIA representative to confirm the points for discussion at the meetings with bidders, and was also in attendance at every bidder meeting (minuted).*

*Regarding DIT not having a written record of matters discussed by the probity advisor at probity briefings, including any verbal advice provided by the probity advisor to attendees, DIT recorded in the relevant minutes when a probity briefing was provided, and in addition maintained a probity briefing register which recorded the dates of all probity briefings. However, DIT acknowledges this finding and will include a copy of the probity advisor's speaking notes or presentation as an attachment to minutes for Phase 2.*

#### **3.4.4 Steering Committee not provided with independent confirmation from probity advisor prior to endorsing the draft purchase recommendation**

##### **Recommendation**

The Steering Committee should obtain independent confirmation from the probity advisor before endorsing a purchase recommendation.

##### **Finding**

The Steering Committee did not seek independent confirmation from the probity advisor about whether the procurement met appropriate probity standards before it endorsed the draft purchase recommendation.

The Steering Committee endorsed the draft purchase recommendation in December 2022, before the probity advisor's report was delivered in January 2023.

The project team advised us that the Steering Committee was informed of probity issues through project updates from the project manager and the probity issues register tabled at Steering Committee meetings, however we note this is not independent advice received directly from the probity advisor.

As the Steering Committee was responsible for overseeing the procurement process, it should have considered the outcomes of the probity advisor’s work. This would enable members to understand whether the probity advisor had any concerns about the probity of the procurement process, which may affect their decision about the purchase recommendation.

DIT response

*DIT acknowledges this finding. It should be noted that the probity advisor’s report was provided to DIT’s Procurement Committee when it endorsed the purchase recommendation, and to DIT’s Deputy Chief Executive when the purchase recommendation was approved in February 2023. Notwithstanding this, DIT will ensure in future the probity advisor’s report is provided to the Steering Committee prior to endorsing the purchase recommendation.*

3.4.5 DIT did not obtain a probity report covering procurement activities after the purchase recommendation

**Recommendation**

DIT should obtain a report or confirmation from the probity advisor after the purchase recommendation is approved and prior to contract execution to confirm whether the probity requirements have been adhered to and probity issues have been satisfactorily managed.

Finding

The probity advisor’s report concluded on the procurement process up until January 2023 and only covered procurement activities up to the development of the draft purchase recommendation and evaluation report. We found that DIT did not obtain a further probity report or confirmation from the probity advisor to confirm that there were no outstanding material probity issues prior to contract execution in August 2023.

The process to award and execute the service contracts was delayed. The contracts were executed by the Minister seven months after the probity advisor issued its report. In this seven-month period, there were numerous interactions between DIT and the successful proponents to finalise contract terms, which gives rise to probity risks that need to be considered and managed. Bidder notification meetings and debrief sessions were also held and attended by the probity advisor. The probity advisor also provided some advice during this period, but the outcomes of their work over this period was not reported to DIT.

DIT response

*DIT acknowledges this finding and will request a final independent probity report that covers the period from purchase recommendation approval to contract award in future procurements.*

*It should be noted that while a final probity report was not requested following the approval of the purchase recommendation, the probity advisor was involved in:*

- *meetings with all bidders to advise of the delay with the procurement decision in February 2023, which were minuted;*
- *a meeting with the project management team in June 2023, to discuss the transfer of the Tatiara bid following the receipt of written advice from the Crown Solicitor's Office on this matter;*
- *meetings with all bidders to advise the procurement outcome in July 2023, which were minuted;*
- *all debriefing sessions with bidders which were minuted.*

### 3.4.6 Some probity events were not captured in the probity report and probity issues register

#### Recommendation

DIT should ensure the probity report and probity issues register record all events that present probity risks, including specific details on the nature of the probity matter, the specific actions taken and how the matter was resolved.

#### Finding

The probity advisor's report and the probity issues register provided to the Steering Committee did not capture all probity events that presented probity risks, such as the:

- decision to allow a proponent to submit pricing information after tenders had closed to correct what was deemed to be an error in their invitation to supply response
- process to award a contract to an operator who was not the original respondent (a situation where the respondent sold their business to another bus operator during the procurement process)
- decision to allow respondents to re-submit their standard industry participation plans during the evaluation process.

We acknowledge that these matters did not compromise the probity of the procurement process, however it is sound practice to disclose probity events like this that arise during a procurement, even if the issues were managed to the satisfaction of the probity advisor and/or Steering Committee. This information enables those responsible for the procurement process to understand the probity issues and how they were addressed, and therefore the probity of the procurement process. It also helps them to take corrective action where the probity of the procurement process might be compromised.

## DIT response

*DIT notes there were no material or significant probity issues identified during the procurement, and this view is consistent with the stated findings of the probity advisor. The probity advisor also formed a view that the evaluation of the invitation to supply for the SAPTA regional bus services conducted by DIT did not breach the probity principles described in the scope in all material respects, and the probity risks during the process were appropriately managed.*

*While DIT understands the finding made by the Auditor-General's Department, DIT has concerns that providing an overly prescriptive scope to independent probity advisors may impede their independence.*

*DIT does however acknowledge the findings of the practice of obtaining written probity advice, and in future will request probity advisors provide all advice in writing, and will record this on the probity issues register.*

*In regards to the second matter, it should be noted while probity advice was not provided in writing, DIT obtained written legal advice from the Crown Solicitor's Office.*

### 3.4.7 Approver of the purchase recommendation did not complete conflict of interest declaration and confidentiality agreement

#### Recommendation

For future procurements DIT should ensure conflict of interest declarations and confidentiality agreements are completed by all officers before they start their roles in the procurement process, and that records of them are retained.

#### Finding

The officer who approved the purchase recommendation did not complete a conflict of interest declaration and confidentiality agreement.

Procurement Services SA's *Probity and Ethical Procurement Guideline* requires all participants in the procurement evaluation process to complete a conflict of interest declaration and confidentiality agreement. Without them there is a risk that:

- actual and/or potential conflicts of interest are not identified, and the impact on the probity of the procurement process is not assessed and mitigation strategies not implemented
- those involved in the procurement are not aware of their responsibilities when dealing with confidential information, resulting in the ineffective management and/or unauthorised use or disclosure of confidential information.

We note that this officer had no other involvement with the procurement process. The purchase recommendation was endorsed by multiple other parties, and the officer approved the purchase recommendation unmodified. As a result, the risk of this matter compromising the probity for this procurement was low.

## DIT response

*DIT acknowledges this finding.*

*The Purchase Recommendation followed the standard approval process from being endorsed by the Procurement Committee, then being sent to the Chief Executive for approval (approved without changes by the Approving Officer under delegation in the Chief Executive's absence).*

*A Conflict of Interest (COI) declaration was completed by the Chief Executive, however a Conflict of Interest declaration was not sought from the Approving Officer. It should be noted that the Approving Officer is well aware of requirements to declare any conflict of interest and as such the fact that a lack of conflict was not recorded in writing did not impact the probity of the process.*

*In the future, DIT will ensure the person approving the purchase recommendation has completed a relevant COI declaration.*

## 4 Procurement planning

### 4.1 Audit approach

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We assessed whether:

- acquisition and evaluation plans were prepared and approved before DIT approached the market
- any deviations to the approved plans were managed in line with Procurement Services SA's *Sourcing Policy*
- procurement planning processes met the key probity principles in section 3.1.

### 4.2 Overview of procurement planning undertaken by DIT

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#### 4.2.1 DIT prepared comprehensive acquisition and evaluation plans before approaching the market

DIT prepared a comprehensive acquisition plan before approaching the market that included:

- a description of the identified need and requirements
- the procurement objectives
- a supply market analysis and sourcing strategy
- an evaluation plan
- estimated procurement values
- a risk management plan and risk register
- an overview of the probity management arrangements and a probity plan
- planned contract terms and key performance measures
- governance arrangements
- lessons learned from previous Auditor-General's reports.

The evaluation plan that DIT prepared detailed the evaluation process and criteria to address DIT's procurement objectives (see sections 6.2.1 and 6.2.2 for further details).

We found that both plans adequately addressed the requirements of Procurement Services SA's *Procurement Planning Policy*. The DIT Chief Executive approved the plans on 23 June 2022 before the invitation to supply documents were released to the market on 28 June 2022.

#### 4.2.2 Deviations to the approved acquisition and evaluation plans were appropriately managed

Procurement Services SA's *Sourcing Policy* has requirements for managing deviations. Agencies need to assess the level of deviations to determine the required action based on the impact on the procurement strategy, probity and/or procurement outcome, and the stage in the procurement process.

During the procurement process there were three deviations to the approved acquisition and evaluation plans:



- adding an external independent evaluation team member
- adding two financial assessment team members
- clarifying technical advisor responsibilities.

DIT assessed all three deviations as low level as their impact was considered to be 'insignificant' and they occurred during the invitation to supply stage. DIT maintained records of the deviations and its assessments of them, as required by the *Sourcing Policy*.

## 4.3 Findings

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### 4.3.1 Evaluation plan not endorsed by all evaluation team members

#### Recommendation

DIT should ensure all evaluation team members endorse the evaluation plan to acknowledge that they understand and agree with the evaluation process and their responsibilities.

Where changes to the evaluation team occur after the evaluation plan is finalised, DIT should seek endorsement from any new members through formal sign-off or other practical forms such as email confirmation.

#### Finding

We found that two evaluation team members did not endorse the evaluation plan to acknowledge their understanding of, and agreement with:

- the evaluation process, including key evaluation principles
- their responsibilities regarding confidentiality and disclosure of conflicts of interest.

One evaluation team member who did not endorse the evaluation plan was added to the evaluation team by the DIT Chief Executive at the time he approved the evaluation plan. The other was added to the evaluation team through a deviation to the evaluation plan based on advice from the DIT Procurement Committee.

DIT advised us that the evaluation plan was provided to the new members and their roles and responsibilities in the evaluation process were discussed at the evaluation start-up meeting. However, it is our view that attending the evaluation start-up meeting does not confirm that the members understood and agreed with the evaluation process and their responsibilities.

All other evaluation team members endorsed the evaluation plan.

#### DIT response

*DIT acknowledges this finding and will ensure any new members formally endorse the evaluation plan.*

# 5 Invitation to supply

## 5.1 Audit approach

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We reviewed:

- the invitation to supply documents released to the market to assess whether they were consistent with Procurement Services SA requirements and the approved evaluation plan
- whether the following activities met the key probity principles in section 3.1:
  - release of invitation to supply documents
  - industry briefings
  - clarifications and amendments to the invitation to supply documents
  - the receipt and opening of invitation to supply responses.

## 5.2 Overview of the invitation to supply process implemented by DIT

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### 5.2.1 Release of invitation to supply documents

The invitation to supply was issued on 28 June 2022. It was open for three and a half months and closed on 13 October 2022. The procurement was advertised to the open market through the SA Tenders and Contracts website and invitation to supply documents were distributed through an electronic data room.

Proponents were invited to submit offers for one or more contract areas as follows:

- **Conforming offers** (required): offers based on the current level of service, current fares and complying with the mandatory Disability Standards for Accessible Public Transport.
- **Non-conforming offers** (optional): offers that provide greater efficiencies identified by the respondent, including complying with the mandatory Disability Standards for Accessible Public Transport.

In addition, respondents were able to submit one or more combined offers based on offering a discount by combining contract areas.

Before being granted access to invitation to supply documents in the data room, interested parties were required to certify that they and their authorised representatives would observe the data room rules that DIT established. Interested parties were also required to complete a confidentiality deed.

The invitation to supply documents included procurement process guidelines, specifications and draft contract documents. To help interested parties prepare a response to the invitation to supply, a range of due diligence information was also made available in the electronic data room. This included fare pricing, historical patronage data, route information and timetable information.

The invitation to supply documents also included clear evaluation criteria, which were consistent with the approved evaluation plan.

### 5.2.2 Industry briefings

To help potential proponents prepare their tender responses, five non-mandatory industry briefings were held after the invitation to supply documents were released and before the invitation to supply closed.

DIT used the industry briefings to discuss the procurement process and timeline, probity and invitation to supply response requirements.

DIT kept a record of industry briefing attendees and minutes of matters discussed. Documentation supporting the industry briefings was uploaded alongside the invitation to supply documents, and questions and answers from the industry briefings were made available to proponents through the data room. This ensured that all respondents had access to the same information. The probity advisor attended all industry briefings.

### 5.2.3 Clarifications and amendments to the invitation to supply documents

Proponents submitted a number of clarification questions to DIT through nominated channels while the invitation to supply period was open. DIT also made a number of amendments to invitation to supply documentation during the invitation to supply period to provide additional or amended information to proponents.

Responses to clarification questions and updates to invitation to supply documents were made available to all proponents through the data room.

### 5.2.4 Receipt and opening of invitation to supply responses

The evaluation plan specified requirements for receipting and opening tender responses. It required that they be opened and recorded in line with DIT policies.

Tender responses were opened by two authorised officers, in the presence of the probity advisor. A schedule of tenders recording the responses received was completed.

Responses were received from 11 respondents. There were no late tenders submitted.

Tender responses were stored in a secure location restricted to approved officers and the evaluation team.

# 6 Evaluation of invitation to supply responses

## 6.1 Audit approach

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We assessed whether:

- invitation to supply responses were evaluated in line with the approved evaluation plan
- requests for further information and/or clarifications of responses were carried out in line with the evaluation and probity plans
- the recommendations in the evaluation report were consistent with the outcome of the evaluation process
- the evaluation report was endorsed by all evaluation team members.

We also reviewed whether DIT evaluated invitation to supply responses in line with the key probity principles in section 3.1.

## 6.2 Overview of the invitation to supply evaluation

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### 6.2.1 Evaluation process

Figure 6.1 provides a summary of the evaluation process, which was based on the approved evaluation plan.

**Figure 6.1: Invitation to supply evaluation process**

Stage	Description
1	Completeness review to ensure proponents submit the information required for the evaluation team to start evaluating responses and a mandatory evaluation criteria assessment.
2	Individual and consensus qualitative assessments by the evaluation team of the non-price weighted criteria for responses that met all mandatory criteria.
3	Presentations by proponents on their responses to enable the evaluation team to confirm or re-assess consensus scores.
4	Financial evaluations by the financial assessment team to validate pricing information submitted by proponents.
5	Overall evaluation of responses including calculating and evaluating adjusted comparative prices to determine initial rankings.

6	Risk assessment to consider all risk aspects of submissions for the preferred proponents for each contract area.
7	Financial viability assessments for preferred proponents to verify their financial capacity and viability to deliver services.
8	Referee checks (if required).
9	Best and final offers and negotiations aimed at achieving better terms and conditions, maximising potential value and minimising risks.
10	Final evaluation to confirm the preferred respondent for each contract area considering the results from all the prior stages of the evaluation process.

## 6.2.2 Evaluation criteria

The evaluation team evaluated the invitation to supply responses against mandatory, weighted and non-weighted criteria.

### Mandatory criteria

The mandatory criteria sought to confirm that responses met requirements for:

- operator and driver accreditation
- approved and compliant vehicles
- insurance arrangements
- the *Disability Discrimination Act 1992* (Cth)
- safety plans and emergency management
- an auditable ticketing system.

### Weighted criteria

The non-price criteria had an overall weighting of 70% and assessed how well responses addressed the following areas:

- experience
- operational
- implementation
- infrastructure
- customer service and community consultation.

The tendered prices had an overall weighting of 30%.

## Non-weighted criteria

The non-weighted criteria sought to confirm with the respondents:

- whether they had any subcontracting arrangements
- whether they had any litigation or legal matters
- their level of compliance with the service specifications
- their level of agreement with the draft service contract.

### 6.2.3 Adjusted comparative price

The adjusted comparative price is a calculated price used to evaluate value for money. The adjusted comparative prices were based on the:

- non-price and price weightings
- non-price weighted scores
- offered prices
- Standard Industry Participation Plan scores.

The evaluation plan indicated that the respondent with the lowest adjusted comparative price for each contract area or combination contracts areas will normally be the preferred respondent.

### 6.2.4 Clarifications

The approved evaluation plan allowed the evaluation team to undertake clarifications as required at several stages of the evaluation process.

The evaluation team sought clarifications in writing from all respondents to:

- obtain evidence from them to support their response to some of the mandatory criteria
- clarify responses that were not clear
- clarify and understand aspects of their offer.

### 6.2.5 Evaluation report

DIT prepared an evaluation report on the results of the evaluation of the invitation to supply responses. The evaluation team's recommendations on which proponents to award service contracts to were consistent with the outcome of the evaluation process (ie the lowest adjusted comparative price for that contract area).

The evaluation report was included as attachment to the purchase recommendation, which was endorsed by all members of the evaluation team.

## 6.3 Findings

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### 6.3.1 Rationale for some decisions made during the evaluation not sufficiently documented

#### Recommendation

DIT should ensure the rationale for decisions made during an evaluation are sufficiently documented to:

- demonstrate that proper consideration has been given to any probity risks
- explain how fairness and impartiality was maintained for all parties
- ensure processes and decisions are transparent and able to withstand scrutiny.

DIT should also obtain probity advice to inform decision making as required.

#### Finding

We found instances in the evaluation of the invitation to supply responses where the rationale for decisions made were not sufficiently documented to demonstrate how probity risks were considered or mitigated. They are discussed below.

#### *Missing information accepted after the invitation to supply had closed*

During completeness checks on the invitation to supply responses, the evaluation team identified that one response was missing pricing information for three of their non-conforming offers. The evaluation team agreed to follow up the respondent to obtain this information on the basis that it was an unintentional omission of information.

We found that the evaluation team's rationale for this decision, including the consideration of potential probity risks given that the invitation to supply had closed, was not documented in the evaluation records.

DIT advised us that:

- the missing pricing information was considered a genuine unintentional omission of information as the rest of the respondent's response was complete
- it was necessary to request this information as the evaluation team could not assess the value for money of the responses without it
- the respondent was intentionally given only two hours' notice to provide the information so that they could not construct information that was not already developed.

As a result, DIT did not consider the submission of the missing pricing information to be a late invitation to supply response or to give an unfair advantage to the respondent.

We note that these non-conforming offers were ultimately unsuccessful. As such, the decision to obtain the missing pricing information did not compromise the overall probity of the procurement process.

### *Respondents allowed to resubmit Standard Industry Participation Plans*

During the evaluation process, the evaluation team decided to give all respondents the opportunity to resubmit their Standard Industry Participation Plans (SIPPs). Scores from evaluating these plans formed part of the adjusted comparative price calculations.

The evaluation records explained that this decision was due to the inconsistency in SIPP submissions, which strongly indicated that respondents generally did not understand how to complete the SIPP template correctly.

However, we found that the evaluation records did not clearly document whether the evaluation team:

- considered any potential probity risks and assessed whether any respondents would be disadvantaged by other respondents resubmitting their SIPPs
- obtained probity advice to inform their decision.

DIT advised us that no respondents were disadvantaged as they were all given the opportunity to resubmit their SIPPs. A briefing session was held with all respondents during the evaluation process to provide clearer guidance on how to complete and resubmit the SIPPs, which contained some areas that were prone to misinterpretation.

Our discussions with the probity advisor confirmed that they provided advice to the evaluation team and believed that DIT's decision was necessary to properly evaluate invitation to supply responses based on accurate information.

In our view the evaluation team should have documented the rationale for its decision to allow SIPPs to be resubmitted, including how potential probity risks were considered. This is important for the accountability and transparency of decisions made during the evaluation process.

### DIT response

*DIT acknowledges this finding and in future will document rationale for decision making.*

*In relation to requesting bidders resubmit their Standard Industry Participation Plans (SIPPs), it was evident there was a lack of understanding as all bidders completed their SIPPs incorrectly. As a result, DIT in consultation with the Office of the Industry Advocate, requested the resubmission of SIPPs so that the SIPP score would be calculated on the appropriate costs being used in the relevant section of the SIPP template, which for successful bidders become contractual obligations and must be reported on every six months for the duration of their contracts.*



# 7 Negotiations

## 7.1 Audit approach

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We assessed whether DIT:

- developed and implemented a plan for negotiations with proponents
- maintained records of negotiation activity to ensure transparency and evidence accountability for the negotiation process.

We also reviewed whether negotiation processes met the key probity principles in section 3.1.

## 7.2 Overview of the negotiation process

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### 7.2.1 A negotiation plan was developed and approved prior to negotiations commencing

Procurement Services SA's *Sourcing Policy* requires a negotiation plan to be prepared for all contract negotiations to be undertaken for a complex or strategic procurement. The procurement of regional bus operators was assessed as a strategic procurement.

We found that a negotiation plan was developed and was endorsed by the Steering Committee at its 1 December 2022 meeting. It was approved by the DIT Deputy Chief Executive in her capacity as Chair of the DIT Procurement Committee on 2 December 2022.

The negotiation plan addressed:

- negotiation objectives and strategy
- negotiation issues
- the State's acceptable negotiation outcome and optimal negotiation outcome and the suppliers' anticipated position
- the make-up of the negotiation team and the timing and location of negotiations
- negotiation conduct, including probity considerations.

Proponents were provided with details of issues DIT wanted to negotiate and invited to a negotiation meeting between 2 December 2022 and 6 December 2022. They were also asked to provide a best and final offer. Negotiation meetings were then held between 6 December 2022 and 8 December 2022.

### 7.2.2 Negotiations did not commence until after all offers had been fully evaluated

Procurement Services SA's *Negotiation Guideline* states that negotiations should not take place before offers are fully evaluated and a preferred supplier or shortlist of suppliers is identified.

We found that invitation to supply responses were fully evaluated by the evaluation team prior to commencing negotiations. The evaluation team completed its overall evaluation and was satisfied with the ranking of offers produced by the adjusted comparative price comparator, subject to negotiations on identified risk items and best and final offers.

### 7.2.3 Records of negotiation meetings were maintained and the probity advisor attended the meetings

Negotiations with proponents were conducted through negotiation meetings held between 6 December 2022 and 8 December 2022. Proponents were also required to provide in writing their position on each of the negotiation issues identified in the negotiation plan.

We found that DIT maintained minutes of the negotiation meetings.

Consistent with the negotiation plan, the probity advisor attended the negotiation meetings. The minutes record that the probity advisor outlined the probity protocols for the negotiation meetings.

### 7.2.4 All shortlisted proponents were given the opportunity to provide a best and final offer

The evaluation plan provided that the evaluation team could seek best and final offers from shortlisted respondents. In obtaining these offers an important probity principle is that all shortlisted suppliers are given the same opportunity.

We confirmed that all shortlisted proponents were given the opportunity to provide a best and final offer as part of the negotiation process.

## 7.3 Finding

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### 7.3.1 Proponents for the Yorke contract were not given the same time to provide their best and final offer

#### Recommendation

For future procurements DIT should ensure that all participants in a best and final offer procurement process are provided with equal time to prepare their response.

#### Finding

We found that the proponents for the Yorke contract were not given the same amount of time to prepare and provide their best and final offer. Specifically, we found that one proponent was given 11 calendar days, while another was given nine calendar days.

The probity principle of equality requires that all proponents are given the same amount of time to prepare and provide their best and final offer.

We concluded that the probity of the procurement process was not compromised by a respondent being given two less days to prepare its best and final offer as:

- it declined to submit a revised offer
- its offer was not assessed by the evaluation team as representing the best for value for money.

For all other contract areas proponents were given the same amount of time to prepare and provide their best and final offer.

## DIT response

*Both bidders referred to in this finding were given 7 business days, in preference to calendar days, to respond.*

*Due to the practicalities of scheduling multiple meetings for fourteen different contract areas to meet project and existing contract expiry timelines, DIT had no other option than to schedule meetings using business days. DIT felt it prudent to preserve fairness and equity to allow an equal amount of business days for each bidder to respond. In each instance however further mitigations will be considered that are practical.*

# 8 Purchase recommendation and contract approval

## 8.1 Audit approach

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We reviewed the purchase recommendation to ensure it:

- contained details of the evaluation and negotiation process and outcomes
- adequately addressed the requirements in Procurement Services SA’s *Sourcing Policy*
- was approved by the authorised person identified in the acquisition plan before the service contracts were awarded
- met the key probity principles in section 3.1.

We also assessed whether the approval to enter into service contracts with the preferred proponents was obtained in line with Treasurer’s Instructions 8 *Financial Authorisations* (TI 8).

## 8.2 Approval of the purchase recommendation and contract execution

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### 8.2.1 A purchase recommendation was approved recommending preferred proponents

A purchase recommendation must be approved by the authorised person identified in the approved acquisition plan before contracts are awarded. Procurement Services SA’s *Sourcing Policy* specifies the matters that must be addressed in the purchase recommendation.

The evaluation team prepared and endorsed a purchase recommendation that included:

- a summary of the evaluation process
- the findings from the evaluation of tender responses
- the outcome of negotiations undertaken with proponents
- contract management and transition arrangements.

The purchase recommendation recorded that the evaluation team recommended by consensus that service contracts be awarded to the proponents shown in figure 8.1 for a term of eight years, with two extension options of two years each.

**Figure 8.1: Recommend proponent for each contract**



Contract	Recommended proponent
Eyre Flinders Riverland South East	Premier Roadlines Pty Ltd
Kangaroo Island Mid North Yorke Port Lincoln on Demand	Deeprate Pty Ltd
Port Augusta	Des's Transport Pty Ltd
Port Lincoln School	Tunarama Coachlines
Tatiara	PG and MA Stone

The purchase recommendation was:

- endorsed by the Steering Committee on 22 December 2022 and the DIT Procurement Committee on 24 January 2023
- approved by the DIT Deputy Chief Executive (under delegation from the DIT Chief Executive) on 16 February 2023.

The recommended proponent for the Tatiara contract was PG and MA Stone. After the purchase recommendation was approved, PG and MA Stone sold their business to Swan Hill Bus Lines, effective 31 May 2023. Swan Hill Bus Lines agreed to honour PG and MA Stone's offer for the Tatiara contract and a deed of transfer was executed on 16 June 2023.

### 8.2.2 Minister approved entering into service contracts in line with TI 8 requirements

On 6 July 2023 the Minister approved awarding service contracts in line with the recommendations made in the purchase recommendation.

TI 8 establishes the authorisation regime for entering into agreements and incurring expenditure through contractual arrangements. The Minister can approve the execution of a contract over \$15 million if they have taken into account advice from the Department of Treasury and Finance on the budget impact and other relevant budgetary aspects associated with the contract.

DIT obtained this advice from the Department of Treasury and Finance and provided it to the Minister to consider in deciding whether to approve the awarding of the service contracts.

On 25 August 2023 the Minister executed contracts with the successful proponents.

# 9 Compliance with the *Passenger Transport Act 1994*

## 9.1 Audit approach

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We reviewed:

- documents and made inquiries to ensure DIT complied with the requirements of the PTA in the process leading up to and following the awarding of the service contracts
- the service contracts to ensure they complied with the mandatory requirements in sections 40(1) and 41(1) of the PTA.

## 9.2 Overview of PTA requirements

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### 9.2.1 PTA requirements in the process leading up to and following the awarding of service contracts

The PTA requires the Minister to do specific things in conducting the process leading up to and following the awarding of any service contract. For regional passenger transport services, these include:

- appointing a person or people to conduct the tender process if the Minister determines that a service contract should be awarded by tender (section 39(2a)(a))
- providing a report to:
  - the Economic and Finance Committee on the proposed tender and assessment process (section 39(2a)(b))
  - the Auditor-General on the process leading to the awarding of the contracts along with copies of the contracts awarded (section 39(3e))
- reporting on ministerial directions in connection with the process of awarding a service contract (section 39(2a)(c)).

Figure A5.1 in Appendix 5 summarises the results of our review of whether the Minister complied with the PTA requirements leading up to and following the awarding of the service contracts.

### 9.2.2 Service contracts are required to meet mandatory requirements

The PTA requires service contracts to meet certain requirements detailed in sections 40(1) and 41(1).

Figure A5.2 in Appendix 5 summarises the results of our assessment of the compliance of the service contracts with the PTA.

## 9.3 Finding

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### 9.3.1 Minister's report to the Economic and Finance Committee was not provided within the time frame required by the PTA

#### Recommendation

For future passenger transport service tender processes, DIT should ensure the Minister's report on the tender and assessment process is forwarded to the Economic and Finance Committee within 14 days of the invitation being published.

#### Finding

There was a minor non-compliance with section 39(2a)(b) of the PTA as the Minister's report on the tender and assessment process was not forwarded to the Economic and Finance Committee within 14 days of the tender invitation being published.

We found that the Minister's report was forwarded to the Economic and Finance Committee on 13 July 2022, one day after it was due.

#### DIT response

*DIT acknowledges this finding.*

# 10 Key contract provisions to protect the State's interests

## 10.1 Audit approach

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We examined the service contracts to:

- assess whether they reasonably protect the State's interests
- identify any risk exposures for the State
- identify matters that DIT should consider in managing the contracts.

We engaged a legal firm to help us examine the contracts.

## 10.2 Provisions in the contracts designed to protect the State's interests

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### 10.2.1 Provision of services

The scope of services to be provided (ie routes and timetables) is detailed in schedule 3 to the service contract.

The operators must provide the services in a proper, competent and professional manner, in line with best industry practices, and with due care, skill and diligence. The operators are required to do everything necessary and reasonable to ensure the safety of passengers and the public. The operators must also maintain, and ensure that its drivers maintain, appropriate accreditation to operate the services.

The Minister can, at any time, require a temporary or continuing change in the nature, scope or level of the services or the operator's operations. The Minister can also request the operator to add a new route to the services. If the operator refuses (or fails) to add it, the Minister can engage a third party to provide the new route.

The operators can also request changes to the services. If this occurs the Minister has the discretion to approve the proposed service change and the operator must not act on the change until it is approved.

Should the operator be unable to provide the services, it must help the Minister to facilitate the continuity of services for the effected route(s).

### Vehicles

The operators are responsible for ensuring:

- only approved vehicles are used to provide the services. An approved vehicle is a vehicle that complies with the code of practice for buses, the PTA and any other prescribed standards in place, and has been approved by the Minister as suitable to provide the services



- sufficient approved vehicles are maintained and available for use to ensure the continuity of services
- vehicles are modern and air conditioned, and meet the requirements in the *Disability Discrimination Act 1992* (Cth) and the *Disability Standards for Accessible Public Transport 2002*.

The service contracts also allow the Minister to inspect vehicles.

## Risk and insurance

The operators must indemnify the Minister and the State for liability and losses resulting from an operator's default or breach of the contract and any acts or omissions of the operator or its employees or subcontractors in delivering the services.

Further, operators are required to have certain insurances in place throughout the term and for at least 12 months after the service contract expires or is terminated.

## Service payment

A service subsidy is payable to the operators monthly. The subsidy payable may be reduced for each trip where a service defect occurs<sup>8</sup> and each scheduled trip not provided due to reasons outside the operator's control. It is adjusted every month for changes in input costs and service changes required by the Minister.

The operators are entitled to reimbursement of concessions fares sold to eligible passengers in line with current reimbursement procedures. The Minister can change or withdraw these procedures at any time, and without any payment or compensation to the operator.

For the Fleurieu contract with LinkSA, if after 12 months the operator reports an increase in revenue above a baseline for a defined period the Minister may reduce the amount of the annual service subsidy payable.

The service contracts also allow the Minister to require an operator to enter into discussion to agree a revenue sharing model where the operator reports a fare revenue increase above its 2024-25 fare revenue for 12 months or more.

The Minister also has the right to set off amounts owed to it by the operator under the contract against the service subsidy and other payments payable to the operator by the Minister under the contract.

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<sup>8</sup> A service defect is where a vehicle departs from a place nominated in the timetable before the time stated in the timetable or more than 10 minutes after (30 minutes after in case of vehicle breakdown). It also includes a trip scheduled in the timetable that does not take place or does not include the whole route.

For the Eyre Flinders, Riverland and South East service contracts with Premier Roadlines, a trip that departs after the time stated in the timetable is not a service defect.

## 10.2.2 Performance monitoring

The service contracts require regular reporting by the operators on their performance. This includes operational matters and financial reporting. To facilitate this the operators are required to implement and maintain an appropriate information management system.

The Minister also has broad audit, inspection, access and information gathering rights to investigate or verify any aspect of the operator's performance and information provided under the contract.

The operators are obliged to immediately report to the Minister any:

- incident or event resulting from the services that involves the loss of life or injury to any person
- circumstance that may compromise the safety of passengers or other members of the public
- event that is likely to substantially disrupt or alter the delivery of the services.

### Performance standards and KPI management

The operators must meet specified performance benchmarks against eight KPIs. The service contracts note that the KPIs reflect the State's priorities for contract performance and cover service reliability, reporting, safety and customer service.

If an operator fails to meet a KPI it must, at its own cost:

- investigate the cause of the failure
- within five business days of the failure, prepare a report to the Minister that addresses the failure
- immediately take action as may be determined by the Minister to minimise the impact of the failure
- correct the failure and continue to meet the KPI, including establishing a remedy to ensure the KPI is met in the next reporting period.

Where there are consistent or significant KPI failures, the Minister can request the operator to provide and implement a detailed cure plan. A failure to provide and/or implement a cure plan can result in a Corrective Action Notice being issued or termination of the service contract.

The KPIs can be renegotiated annually, if required by the Minister and agreed to by the operator.

## 10.2.3 Corrective action, step-in rights and termination

### Corrective action

The Minister may issue an operator a Corrective Action Notice if an operator is not complying with the service contract, the service specification in a material respect or fails to

adhere to the performance benchmarks. If the operator fails to comply with the Corrective Action Notice, the Minister can impose conditions on its continued supply of the services or terminate the service contract.

## Step-in rights and termination

The service contract allows the Minister to exercise step-in rights or terminate the service contract in certain circumstances, including when:

- the Minister considers the operator to be insolvent or unable to perform its obligations under the service contract
- the operator is in breach of the service contract, including failure to comply with performance benchmarks three or more times within a six-month period (even if remedied)
- the operator is in breach of its statutory obligations to its employees
- the operator ceases to hold appropriate accreditation to operate the service.

The Minister can also exercise step-in rights in the event of an emergency or if the Minister believes it is necessary to secure the ongoing performance of all or any part of the services. The step-in rights include:

- taking total (or partial) possession of work sites, vehicles and other equipment used for the services
- instructing or directing any subcontractors engaged by the operator to perform the services
- requiring the operator to assign all rights and benefits under any existing supply, subcontract, employment or other agreements relating to the services.

The operator is required to cooperate at its own cost with the Minister or its nominee exercising step-in rights.

The operator has no right to compensation or allowance from the exercise of step-in rights. Further:

- the operator indemnifies the Minister for any cost or liability incurred by the Minister in exercising step-in rights<sup>9</sup>
- any losses incurred by the Minister in exercising step-in rights will be a debt due and payable by the operator.

The operator is also not entitled to any fares collected by the Minister or its nominee while performing the operator's tasks when exercising step-in rights.

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<sup>9</sup> For the Eyre Flinders, Riverland and South East contracts with Premier Roadlines, the operator is not required to indemnify the Minister to the extent that the cost or liability is directly caused by the Minister exercising step-in rights or the possession, use or operation of a vehicle during the exercise of step-in-rights.

The Minister can at any time, and without cause, elect to terminate the agreement for convenience. This is subject to providing three months' notice.<sup>10</sup> Where the Minister terminates the agreement for convenience, the operator has no claim aside from the right to be paid for services provided before the termination date.

## External funding agency

For some services an external funding agency (such as a local council or regional health service) is funding or contributing to the cost of a service or services. Several service contracts identify external funding agencies and funded services.<sup>11</sup>

Should the funding agency cease or fail to fund the relevant service, the Minister may terminate the provision of the funded service and the operator will not be entitled to compensation.

## 10.2.4 Dispute resolution

In the event of a dispute between the parties, the service contracts prohibit either party from commencing legal proceedings (other than immediate interlocutory relief or other interim remedy in case of emergency) without first:

- giving the other party written notice of the dispute
- meeting with the other party's representatives and using reasonable endeavours to try to resolve the dispute.

## 10.3 Risk exposures for the State

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### 10.3.1 Certain matters not provided for in the service contracts

We identified the following provisions that were not included in the service contracts. This could present risks inherent to engaging private operators to provide services:

- Performance guarantee – a guarantee from a parent company or guarantor under which the guarantor undertakes to fulfil the operator's obligations under the contract in the event of default by the operator.
- Bank guarantee – an unconditional bank guarantee entitling the Minister to draw down on the amount of the bank guarantee if the operator is in breach of the contract.
- Disengagement and transition out – a requirement for the operator to prepare a disengagement plan (for the Minister's approval) for the smooth disengagement and transition of the services to a new service provider at the end of the term of the service contract.

It is important that any emerging risks are addressed as part of the contract management arrangements.

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<sup>10</sup> For the Eyre Flinders, Riverland and South East contracts with Premier Roadlines six months' notice must be given to terminate the contract for convenience.

<sup>11</sup> The service contracts with external funding provided for some services are Tatiara and Fleurieu.

### 10.3.2 Fare revenue overestimated by the operator, increasing the risk the operator cannot provide the services profitably

As the service contracts are 'net cost' contracts<sup>12</sup> they rely on each operator having determined its anticipated fare revenue accurately and the weighting mix of the cost inputs used to index the service subsidy payments remaining reasonably stable for the term of the contract.

If the operator has overestimated its expected fare revenue or the weighting of its cost inputs change over time, there is a risk that it may be unable to continue to provide the services profitably. This could result in:

- service quality issues or disruptions of services due to cost cuts
- contractual breaches and/or the operator notifying the Minister that it cannot (or will not) continue to perform the service contract.

These events would likely result in additional costs to the Minister. As noted, the Minister does not hold a guarantee or other performance security from the operators to cover such risks and costs.

## 10.4 Contract management considerations

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It is essential that DIT ensure it has robust contract management processes to effectively manage the service contracts, including processes for verifying the accuracy of any operational and financial information reported by operators. For instance, the contract manager should consider:

- obtaining evidence of the operators' insurance policies and accreditation status
- confirming the number of vehicle trips affected by service defects to confirm the monthly subsidy payment
- taking steps to confirm whether any third parties hold interests (including security interests) over any assets of the operator used to perform the services.

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<sup>12</sup> In a 'net cost' contract the operator retains the fare revenue collected from passengers.

# Appendix 1 – Audit mandate, objective and scope

## Our mandate

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This review was conducted under section 39(3f) of the *Passenger Transport Act 1994* (PTA).

The PTA requires the Minister, on awarding service contracts to operate regular passenger services with a value of \$4 million or above, to provide the Auditor-General with:

- a copy of the service contracts
- a report on the processes leading to the award of the contracts.

The PTA requires the Auditor-General to examine the contracts and prepare a report to Parliament on the probity of the processes that led to them being awarded.

### Section 39 of the *Passenger Transport Act 1994*

The relevant provisions of section 39 of the PTA are:

*(3e) If under a service contract awarded under this section the Minister is, or is reasonably expected to be, liable to make payments equal to or exceeding \$4 000 000 (in total) over the term of the contract, the Minister must, within 28 days after awarding the contract, forward to the Auditor-General—*

- (a) a copy of the contract; and*
- (b) a report which describes the processes that applied with respect to the awarding of the contract.*

*(3f) The Auditor-General must, within the period of 4 months after the receipt of a service contract and report under subsection (3e)—*

- (a) examine the contract; and*
- (b) prepare a report on the probity of the processes leading up to the awarding of the contract.*

*(3g) Section 34 of the Public Finance and Audit Act 1987 applies with respect to the examination of a service contract, and the preparation of a report, under subsection (3f).*

*(3h) The Auditor-General must deliver copies of a report prepared under subsection (3f) to the President of the Legislative Council and the Speaker of the House of Assembly.*

## Our objective

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The objective of our review was to conclude on:

- the probity of the process leading up to the awarding of service contracts for provision of regional bus passenger transport services

- whether the service contracts meet the requirements of the PTA.

## What we reviewed and how

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### The probity of the process leading up to the awarding of service contracts

As required by section 39(3f) of the PTA we reviewed the probity of the procurement process leading to the award of 14 contracts in August 2023 for regional bus passenger transport services.

To assess the probity of the procurement process we considered whether DIT effectively implemented a procurement process that addressed:

- concepts and requirements in the SA Government procurement framework
- the probity principles in section 3.1.

In conducting this review, we also considered whether:

- procurement procedures, processes and probity controls outlined in the procurement acquisition plan, evaluation plan and probity plan were effectively implemented
- invitation to supply (tender) requirements were followed.

### Assessment of whether the service contracts comply with the requirements of the *Passenger Transport Act 1994*

In examining the service contracts we assessed whether the Minister addressed specific requirements in the PTA in conducting processes leading up to and following the awarding of the service contracts.

We also assessed whether matters required to be included in the contracts by the PTA were included, and considered whether the contracts protect the State's interests.

We engaged a legal firm to help us examine the contracts and review legal compliance with the PTA.

## What we did not review

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Our review was limited to the Auditor-General's mandate in section 39 of the PTA. We did not review:

- the extension of existing service contracts
- the arrangements DIT implemented to transition to the new service contracts
- the contract management framework (including plans) developed to help manage the new service contracts.

# Appendix 2 – Response from Chief Executive, Department for Infrastructure and Transport under section 37(2) of the *Public Finance and Audit Act 1987*

OFFICIAL

In reply please quote #20993274  
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**Build. Move.  
Connect.**

Mr Andrew Blaskett  
Auditor-General  
Level 9, State Administration Centre  
200 Victoria Square  
Adelaide SA 5000

records@audit.sa.gov.au

Dear Mr Blaskett

**Audit of Regional Bus Services Procurement - Phase 1**

The Department for Infrastructure and Transport (the Department) acknowledges the Auditor-General's report on the audit of the Regional Bus Services Procurement - Phase 1 Contracts 1-14, noting that:

- There were no specific probity matters that would suggest the procurement process was compromised.
- The Department designed and implemented processes for conducting the procurement that were consistent with sound probity principles.
- In carrying out the processes, the Department maintained sufficient documentation consistent with appropriate probity standards for most areas of the procurement, noting there were some areas that could be improved in future procurements.
- The contracts meet the requirements of the *Passenger Transport Act 1994* and contain a broad range of contractual provisions that should help to protect the State's interests.

The Department has responded to the individual findings and recommendations in the body of the report.

I trust this information is of assistance and would like to thank your office for collaboratively working with the Department in the completion of this audit.

Yours sincerely



John Whelan  
Chief Executive

19 December 2023



## Appendix 3 – Contract areas by service operator



- LinkSA Pty Ltd
- Premier Roadlines Pty Ltd
- Deeprate Pty Ltd
- Des's Transport Pty Ltd
- Tunarama Coachlines
- Swan Hill Bus Lines Pty Ltd

Map excludes the Barossa, Fleurieu and Yorke dial-a-ride services

## Appendix 4 – Chronology of events

Date	Event
<b>2021</b>	
March to May	Consultation with councils, Community Passenger Networks, service providers and industry bodies.
July	Market sounding.
11 August	The then DIT Chief Executive is appointed by the then Minister to conduct the procurement process under section 39(2a)(a) of the PTA.
17 August	The then DIT Chief Executive executes a 12-month contract extension for the existing contracts covering contract areas in the Phase 1 procurement.
23 August	Probity advisor engaged to provide independent probity advice for the procurement process.
<b>2022</b>	
17 January	The SA Government approves the procurement framework for regional bus services.
12 May	The current Minister appoints the current DIT Chief Executive to conduct the procurement process under section 39(2a)(a) of the PTA.
14 June	The SA Government approves DIT approaching the open market by means of an invitation to supply to procure regional bus services, split across two phases. <sup>13</sup>
23 June	DIT Chief Executive approves the acquisition and evaluation plans.
28 June	Invitation to supply documents released to the market.
4–8 July	Industry briefings conducted.
13 July	Minister provides a report to the Economic and Finance Committee on the invitation to supply process in line with section 39(2a)(b) of the PTA.
13 October	Invitation to supply closes.
22 December	Regional Bus Services Procurement Steering Committee endorses the draft purchase recommendation.
<b>2023</b>	
10 January	Probity advisor issues probity report on the invitation to supply process.
11 January	Evaluation team endorses the purchase recommendation.
24 January	DIT Procurement Committee endorses the purchase recommendation.
16 February	DIT Deputy Chief Executive approves the purchase recommendation (under delegation from the DIT Chief Executive).

<sup>13</sup> Minister’s report to the Auditor General, Passenger Transport Services, Contract No. 21C476, Regional Bus Services Procurement Phase 1 Contracts 1-14, August 2023.

Date	Event
22 February	DIT Deputy Chief Executive executes a further 3-month contract extension for the existing contracts covering contract areas in the Phase 1 procurement.
6 July	Minister provides financial authorisation to enter into the new contracts in line with TI 8.
25 August	Minister executes service contracts with successful proponents.
13 September	Minister provides the Auditor-General with a copy of the service contracts awarded and a report on the process leading to their award as required by section 39(3e) of the PTA.
1 October	Contractors commence providing services.

## Appendix 5 – Compliance with sections 39, 40 and 41 of the *Passenger Transport Act 1994*

**Figure A5.1: Compliance with the PTA in the process leading up to and following the awarding of service contracts**

Section of the PTA	Summary of requirement	Audit findings
39(1) – Contract for passenger transport services	The terms and conditions for passenger transport services are to be set out in a service contract between an operator and the Minister.	The Minister complied with section 39(1) of the PTA.
39(2a)(a) – Minister’s appointment of person(s) to conduct the tender process	The Minister must appoint a person(s) to conduct the tender process, including the assessment of responses.	The Minister complied with section 39(2a)(a) of the PTA.
39(2a)(b) – Report to the Economic and Finance Committee	<p>The Minister must prepare and forward a report to the Economic and Finance Committee within 14 days after the tender invitation is published.</p> <p>The report is to include details of the proposed tender and assessment process.</p>	<p>The Minister complied with section 39(2a)(b) of the PTA with one minor exception.</p> <p>The Minister’s report to the Economic and Finance Committee was not forwarded within 14 days after the tender invitation was published.</p>
39(2a)(c) – Minister’s directions during the assessment or selection process	<p>The Minister must forward a statement of any directions made during the assessment process to the Economic and Finance Committee within 14 days of the direction being given.</p> <p>Any directions must also be published in the annual report of the Minister’s department for the relevant financial year.</p>	The Minister did not make any directions during the assessment process.
39(3e) – Report to the Auditor-General	The Minister must forward a copy of the contract and a report that describes the processes leading up to the awarding of the contract to the Auditor-General within 28 days of awarding the contract if the total contract value exceeds \$4 million.	The Minister complied with section 39(3e) of the PTA.

**Figure A5.2: Service contract compliance with mandatory requirements in the PTA**

Section of the PTA	Summary of requirement	Audit findings
40(1)(a) – Period of operation	The service contract must include the period for which it operates.	All service contracts complied with section 40(1)(a) of the PTA.
40(1)(b) – Termination	The service contract must include the manner in which it may be terminated.	All service contracts complied with section 40(1)(b) of the PTA.
40(1)(c) – Standard of services	The service contract must include standards relating to the provision of services.	All service contracts complied with section 40(1)(c) of the PTA.
40(1)(d) – Scale of service levels	The service contract must include a scale of service levels.  This refers to the periods of time when services are to be operated, the extent of operations and the frequency of operations during the specified periods.	All service contracts complied with section 40(1)(d) of the PTA.
40(1)(e) – Fares	The service contract must include the fares to be charged.	All service contracts complied with section 40(1)(e) of the PTA.
40(1)(f) – Remuneration	The service contract must include the manner in which the contractor will be remunerated or gain revenue from the provision of services, including any subsidy arrangements.	All service contracts complied with section 40(1)(f) of the PTA.
40(1)(g) – Other matters	The service contract must include other matters required by the PTA or the regulations specified in the service contract.	All service contracts complied with section 40(1)(g) of the PTA.
41(1) – Regions or routes	The service contract must specify a region or route of operation.	All service contracts complied with section 41(1) of the PTA.

## Appendix 6 – Glossary of abbreviations used in this report

Abbreviation	Description
DIT	Department for Infrastructure and Transport
KPI	Key performance indicator
Minister	Minister for Infrastructure and Transport
PTA	<i>Passenger Transport Act 1994</i>
Steering Committee	Regional Bus Services Procurement Steering Committee
SAPTA	South Australian Public Transport Authority
SIPP	Standard Industry Participation Plan
TI 8	Treasurer's Instructions 8 <i>Financial Authorisations</i>



