

PROCUREMENT TALK, S8 E3

PROCUREMENT THRESHOLDS AND DELEGATION OF AUTHORITY

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Welcome to Procurement Talk and this is your host David Byrne. Procurement Talk is for procurement and business professionals, where we provide insights and solutions to your procurement challenges.

Hello and welcome to Procurement Talk. This is your host, David Byrne. It's great to be back for another episode. This episode is titled "Procurement Thresholds and Delegation of Authority".

Together, procurement thresholds and delegation of authority are foundational to good governance and smart spending. Procurement thresholds are really like the speed limits for spending, designed to balance efficiency and also control. Whereas delegation of authority is like the driver's license, defining who is allowed behind the wheel and at what speed.

In an organisation, these can be challenging because, of course, everyone thinks that they should be able to spend more than what they are allowed. And having controls and thresholds in place really does set the standard and the guidance and give you good governance and smart spending.

Procurement thresholds are those financial boundaries that really define the level of scrutiny, approval, and the process required for purchasing goods and services. They are really like the guardrails that can help an organisation to decide whether to purchase needs a simple quote or perhaps three written quotes or going to a competitive tender or a full-blown procurement process. It really does depend. And that's what the guardrails do. Thresholds balance efficiency with oversight, and they provide that transparency and accountability that's super important within your organisation. And they prevent either over-complicating small buys and burying yourself in red tape, or undercutting under-scrutinising major expenditure, both of which can lead to a waste and unnecessary risk. So it's about getting that balance right.

And of course, as a procurement consultant, I often see organisations struggle with thresholds that aren't clearly defined or consistently applied. It leads to confusion, delays and sometimes costly mistakes, and can even open an organisation to the risk of fraud.

But when thresholds are well designed and embedded into a procurement policy, they become a powerful tool for strategic sourcing and operational efficiency. But thresholds don't operate in isolation, they work with the delegation of authority. These two documents go hand in hand. They are the framework that defines who has the power to approve purchases at each level. It's often the governance layer that ensures the right people are making the right decisions based on the value and the risk of the transaction. And that's why it's important, because it's about managing that risk, and risk comes from not knowing what you're doing, and having the delegations authority well set within your organisation takes that away and limits that.

Together these two form the backbone of a well-run procurement system. When thresholds and delegations of authority are clearly defined and aligned, organisations benefit in several ways. First of all, it provides the clarity because everyone knows what processes are like to follow and who is responsible for the approval.

They improve efficiency because they prevent bottlenecks by empowering lower-level managers to handle routine purchases while reserving those strategic decisions for leadership. Routine purchases move quickly while strategic buys get the attention they deserve. And that's really important.

They also provide a layer of risk control because higher level decisions carry greater risk. So high value decisions are escalated to senior leaders, reducing the exposure to financial or a reputational risk.

It also creates the audit readiness as clear documentation of thresholds and approval creates a transparent trail for compliance and accountability. And as we all know, we in procurement get audited every year. So being audit-ready is important.

And they also create that strategic focus for procurement teams who can prioritise high-impact sourcing while empowering departments to manage those day-to-day needs within their limits.

In addition, our recommendation when we are working is to place parameters around emergency procurement also, so that the normal thresholds and delegations can be put to one side when there are safety concerns or an emergency, and time is critical. And we all know that these sorts of situations do arise from time to time. So it's important to think around those limits that you're going to set in place for emergencies, or safety concerns.

I normally advise clients to map their procurement thresholds directly to the delegation of authority framework. When these two are aligned you set the boundaries, you provide the clarity, and you save time and effort. And spending is authorised, and moves through the business in an effective and efficient manner. And really, that's what people want. They don't want bottlenecks. They don't want to be stuck in trying to procure something of relatively low value, they just want it to move through relatively simply and with the appropriate checks.

So whether you're designing a procurement process or refining an existing one, start with these two levers. They are the architect of smart, ethical and effective procurement.

If you would like assistance with those functions, please get in touch with us at BWD Consulting and we can help you with your procurement function.

So there you have it, all the very best and bye for now.

This concludes this episode of Procurement Talk. Thank you for listening.

Procurement Talk is brought to you by David Byrne and BWD Consulting. We're helping organisations transform procurement. Talk to you again soon. Bye for now.