



**EXECUTIVE MINUTE**

On

**JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT**

**REPORT No. 465**

***Commonwealth Procurement***

***Recommendation No. 2***

*The Committee recommends that Airservices Australia report back to the Committee on how it has updated its procurement policies and procedures to accord with the new provisions in the Commonwealth Procurement Rules that took effect from 1 March 2017.*

***Summary of Response: Agreed***

***Supporting Rationale:***

Airservices has aligned its procurement policies and procedures to the Commonwealth Procurement Rules (CPRs) as closely as possible, including the recent updates introduced in March 2017, noting it is a corporate Commonwealth entity to which the CPRs do not apply. Airservices regularly reviews these documents to ensure they remain relevant, up-to-date and reflect current best practice. Since initial audits, Airservices has undertaken a detailed gap analysis to identify the differences between the CPRs and Airservices procurement policies and procedures to align them where possible. In addition to this, Airservices is changing its current procurement thresholds to better align to the CPRs. Currently Airservices operates with three procurement thresholds with differing governance requirements for each:

- Minor – Procurements valued up to \$50,000
- Major – Procurements valued between \$50,000 to \$300,000
- Strategic – Procurements valued over \$300,000.

In Q1 2018, Airservices is transitioning to the following two procurement thresholds to better reflect the CPRs:

- Procurements valued up to \$80,000
- Procurements valued over \$80,000.

This transition aligns with the implementation of a new procure to pay system (Ariba), commencing in January 2018. Further details regarding the Ariba system are provided in the response to Recommendation No.3.

**Appendix 1** outlines the actions undertaken by Airservices to accommodate the changes made to the CPRs in March 2017.

Further details are contained in the response to Recommendation No. 3.

***Recommendation 3***

*To demonstrate its implementation of transparent, effective and appropriate procurement processes and the requisite organisational cultural change, the Committee recommends that Airservices Australia report back to the Committee, providing a post-implementation progress report for each of the audit recommendations in Audit Report No.1 (2016-17) – including:*

- *An update on how its new procurement assurance framework has driven cultural change across the agency and ensured adherence to procurement policies and procedures and also ensure a focus on achieving a substantiated value for money outcome*
- *An update on how monthly assessments of completed procurement activities to identify potential 'non-compliant' procurement processes have improved procurement compliance monitoring and reporting*
- *Details of how many times, since the audit, competitive procurement processes have not been employed, and the resulting documentation, costing and reporting procedures*

**Summary of Response:** *Agreed*

**Supporting Rationale:**

**Appendix 2** provides a post implementation report for each of the audit recommendations in Audit Report No. 1 (2016-17).

Update on procurement assurance framework

In November 2016, Airservices established a procurement assurance framework to identify the key controls and assurance activities in the procurement phase of the *End to End Procure to Pay* process. This covers the process from establishment of the requirement through to the award of contract. The assurance framework addresses key risks and areas of concern that existed across the procurement activity as highlighted in the ANAO report findings, including:

- Driving cultural change to give appropriate emphasis to competitive procurement processes
- Ensuring a focus on the requirement to achieve a substantiated value for money outcome through the procurement process
- Proactively managing probity.

Airservices' assurance framework continues to evolve. An internal formal health check and review was undertaken in October 2017. This confirmed appropriate assurance activities were being implemented across the organisation and identified enhancements to better support and achieve the desired outcomes.

Airservices has built on its existing procurement framework with an increased focus on adherence to its procurement policies and procedures, resulting in a marked shift in the level of competitive procurement processes undertaken. Airservices continues to drive improvements in its procurement profile through the controls outlined in the assurance framework and the capability development program being implemented and supported via training courses and guidance material. Additionally, to improve governance for all non-competitive procurement processes over \$50,000, the Chief Financial Officer (CFO) must also provide endorsement to ensure the justification underpinning any direct/sole source approach is robust and represents value for money.

Any non-competitive approach is required to:

- Clearly articulate the supporting argument for not undertaking a competitive approach
- Provide market analysis and benchmarking rates to demonstrate value for money.

A technology enhancement project currently underway to implement a source to pay (S2P) solution will also assist with assurance activities. Airservices has identified SAP Ariba for the S2P solution and is currently undertaking a competitive market approach to engage an implementation partner to

assist with deployment by the third quarter of 2018. **Appendix 3** outlines the key benefits being sought from this project.

As an interim measure, Airservices implemented a web-based tool Vendor Panel<sup>1</sup> as the sole method by which Airservices can contract with existing panel arrangements. This on-line tool is underpinned by Airservices procurement policies requiring a competitive process to be undertaken for sourcing activities over \$50,000 and does not allow deviations from established policies.

#### Update on monthly assessments of completed procurement activities

As part of the monthly assurance review cycle, compliance checks are performed across all completed procurement activities over \$50,000. The compliance review ensures the following:

- A competitive process has been undertaken where stated as such
- CFO approval has been obtained for non-competitive approaches
- Correct financial approvals exist throughout the procurement lifecycle
- All required records are available and securely stored in the appropriate repository
- Conflict of Interest forms are completed and maintained where applicable
- The procurement reporting database is accurate and up-to-date.

In addition to the monthly assurance reviews, further detailed *deep dive* assurance reviews are also undertaken bi-annually. These exhaustive reviews provide further assurance that processes are transparent, compliant and achieving optimal outcomes for Airservices. The reviews include, but are not limited to, assessments of the following:

- Whether the strategy adopted was the most appropriate
- If the Request for Proposal (RFx) information clearly articulated the requirements to enable appropriate responses to be obtained
- Whether the evaluation plan reflected the detail contained in the released RFx documentation and was consistent with advice provided to prospective tenderers regarding the evaluation process
- If the evaluation report provided evidence a fair and ethical process was undertaken in assessing the responses received
- Were risks appropriately identified and mitigated and then communicated appropriately to the delegate/s
- Whether a value for money assessment was performed which clearly articulated the assessment of how value for money was achieved.

The information obtained through these assurance activities is reported to the Airservices Executive on a monthly basis. Where any identified non-compliances are assessed as significant in nature, a formal notice is issued outlining areas of concern and seeking a formal response. Where warranted, further actions are placed on individuals including attendance at remedial training courses to ensure full comprehension of accountabilities and responsibilities for procurement activities.

Any continued non-compliant activity or a gross non-compliance by an individual results in the suspension of all financial delegation rights and treatment of the issue as a breach of the Code of Conduct. This removes any ability to perform and/or approve procurement activities and commences proceedings under the Airservices Code of Conduct policy.

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<sup>1</sup> Vendor Panel is used by a number of other government agencies including ACT Government, QLD Government, State Government Victoria and Western Australia Local Government.

### Details of non-competitive procurement processes

Since 31 August 2016 Airservices has completed over 370 procurement activities with a total value of \$106,875,983. Of this total, 83 activities (over \$50,000<sup>2</sup>) were non-competitively sourced with a total value of \$32,600,000. The following provides a breakdown of these non-competitive activities:

- 32 were variations to existing contractual arrangements
- Four were for safety or monopoly providers (for example, emergency lighting on Fire Vehicles)
- Two were for engagement of agency staff
- Two were membership renewals
- Three were software maintenance renewals over \$100,000
- One was against an established Deed of Standing Offer
- One was an indigenous contract award
- 38 were new contract awards.

The above non-competitive activities were all assessed and found to be in compliance with Airservices procurement policies and procedures. Additionally, appropriate justification was documented to ensure a value for money outcome was obtained through these engagements.

#### **Recommendation 4**

*To demonstrate its improved management of probity in procurement, the Committee recommends that Airservices Australia:*

- *provide the Committee with an extract of the findings from the September 2016 O'Connor Marsden probity audit, including actions taken with regard to any identified probity matters*
- *report back to the Committee on how many investigations have been undertaken by its panel of independent probity advisors and auditors; any significant findings made and changes implemented as a consequence.*

**Summary of Response:** *Agreed*

#### **Supporting Rationale:**

All actions were completed by the end of March 2017 and verified by internal audit which closed the actions in Airservices Safety Reporting System (CIRRIS). Airservices uses CIRRIS to track audit actions and provide an auditable trail of the evidentiary proof and actions taken to address any identified issues. Once the action owner confirms the action can be closed, the record is reviewed by internal audit for verification prior to formally closing the action.

**Appendix 4** provides the requested extract from the probity audit conducted by O'Connor Marsden and Airservices implementation of the recommendations.

### Independent Probity Advisors and Auditors

The following engagements were undertaken through Airservices' panel of independent probity advisors and auditors and external parties where differing skill sets were required:

- O'Connor Marsden was engaged to provide advisory services relating to the Infrastructure as a Service (IaaS) Data Centres Relocation activity

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<sup>2</sup> This does not include Software Maintenance Renewals which have a higher threshold of \$100,000 for exemptions to be sought to the non-competitive approach requirement.

- Grosvenor Management Consulting was engaged to provide probity advice for the Airport – Collaborative Decision Making (A-CDM) project, including the development of a Probity Plan and an independent review of Airservices documentation used to identify probity risks and issues before they may arise
- KPMG was engaged to audit Airservices active contracts to assess that procurement methods and record management approaches were appropriate
- Ngamuru was engaged to perform an assurance review of the Phase 5 record keeping activity for the OneSKY program.

The audit undertaken by KPMG resulted in the following recommendations:

- Provision of appropriate procurement training to employees
- Policy updates to reiterate justification requirement
- Develop guidance and promote value for money considerations
- Develop guidance regarding creation of records in LEX, a contract management system
- Ensure all documentation is accompanied by relevant supporting evidence
- Implement process to better track contract spend.

Airservices accepted a KPMG recommendations and these have been implemented. This included the development of training and guidance material, further controls on non-competitive procurement activities (CFO approval), record keeping directives and the monthly and bi-annual assurance activities.

Ngamuru’s audit identified issues with the ease of accessibility of the Phase 5 records. Specifically, key documents were stored across multiple locations with no single repository for information/artefacts and key decisions made. While the audit found appropriate records were maintained, additional work was undertaken to consolidate the records resulting in a clear and auditable trail of progress and decisions made during the Phase 5 activity.

No significant findings were identified through the audits or by the advisors engaged to provide probity services.

#### **Recommendation 5**

*The Committee recommends that Airservices Australia report back on progress in implementing the action to address the ‘Conclusion’ and ‘Supporting findings’ of Audit Report No. 46 (2016-17), including details of how Airservices has:*

- *revised its procurement practices and procedures, to ensure adequate record keeping and documentation in terms of its tender evaluation processes – particularly with regard to evaluating tenders against cost criteria, and inclusion in Tender Evaluation Plans and Conditions of Tender of planned methodologies for such analysis – and probity scrutiny of any adjustment activities*
- *updated its business case for the OneSKY Australia project (noting advice that this would be completed by March 2017) and progress in working with the Department of Defence towards developing a joint business case.*

**Summary of Response:** *Agreed in principle*

## ***Supporting Rationale:***

### Record keeping and documentation

Airservices has updated its policies and procedures explicitly to reference record keeping requirements for procurement activities. This was communicated to Airservices employees and contractors through specific references in training materials and record keeping factsheets circulated to procurement activity owners upon registration of new procurement activities. In addition, monthly assurance reviews of procurements confirm compliance with the stated record keeping requirements so any omissions or gaps can be addressed in a timely manner.

As part of the bi-annual assurance reviews, specific attention is given to ensuring the processes and record keeping relating to tender evaluation is robust and transparent.

### OneSKY Business Case

Airservices updated its OneSKY business case in the December quarter in 2016, and again updated and finalised the business case in the December quarter 2017 following Airservices receipt of the final pricing offer from Thales. The business case outlines the economic benefits to Airservices as well as the wider economic benefits to airlines, passengers and the environment. It was prepared to inform the Airservices Board's investment decision.

Airservices commenced initial work on a joint business case with the Department of Defence (Defence) but the differing service and funding models between the two agencies did not support this case being further pursued.

Airservices is funded through fees collected from our customers for services rendered. Fees are set out in a Long Term Pricing Agreement, which is developed in consultation with Airservices' customers and is responsive to their needs as it includes their views on future planned capital investments. Defence's portion of the OneSKY program will be funded through government appropriations.

Under the different business models, Airservices assessed the net commercial impact of its investment on the civil aviation industry. It has aligned its service delivery with the commercial interests of its customers by quantifying the economic and financial benefits both internally and for civilian airspace users, and compared these to the cost of implementation on a net present value basis. However Defence assesses the costs against the capabilities and objectives unique to fulfilling Australia's defence strategy and this assessment is not quantified financially in net present value terms.

## Appendix 1: Airservices response to changes to CPRs in March 2017

Section of the CPRs	Updated Airservices procurement procedure and policy
Specifications and Standards	<p data-bbox="437 383 635 412"><u>Paragraph 10.10</u></p> <p data-bbox="437 456 1331 591">Where an Australian standard is applicable for <i>goods</i> or services being procured, tender responses <b>must</b> demonstrate the capability to meet the Australian standard, and <i>contracts</i> <b>must</b> contain evidence of the applicable standards (see paragraph 10.37).</p> <p data-bbox="437 636 836 665"><b>Airservices Actions and Updates:</b></p> <ol data-bbox="437 674 1378 1016" style="list-style-type: none"> <li>1. The Airservices Procurement Policy has been revised to reflect this amendment.</li> <li>2. Training material has been updated to raise awareness of requirements for both procurement activities and contract management.</li> <li>3. Factsheets have been developed and circulated to procurement activity owners to inform them of recent changes to the procurement policies and procedures.</li> <li>4. Contract documents now require suppliers to provide relevant certifications and to immediately inform Airservices of any changes to such certifications.</li> </ol>
Conditions for participation	<p data-bbox="437 1072 628 1102"><u>Paragraph 10.18</u></p> <p data-bbox="437 1146 1353 1245"><i>Officials</i> <b>must</b> make reasonable enquiries that the <i>procurement</i> is carried out considering relevant regulations and/or regulatory frameworks, including but not limited to <i>tenderers'</i> practices regarding:</p> <ol data-bbox="437 1290 1166 1464" style="list-style-type: none"> <li>a. labour regulations, including ethical employment practices;</li> <li>b. occupational, health and safety; and</li> <li>c. environmental impacts.</li> </ol> <p data-bbox="437 1509 815 1538"><b>Airservices Action and Updates:</b></p> <ol data-bbox="437 1547 1378 1787" style="list-style-type: none"> <li>1. The Airservices Procurement Policy has been revised to incorporate this amendment.</li> <li>2. Training material has been updated to raise awareness of requirements for procurement activities and contract management.</li> <li>3. Factsheets have been developed and circulated to procurement activity owners to inform them of recent changes to the procurement policies and procedures.</li> </ol>

Section of the CPRs	Updated Airservices procurement procedure and policy
<p>NEW SECTION TITLED <b>Value for Money and broader benefits to the Australian economy</b></p>	<p><u>Paragraph 10.30</u> In addition to the considerations at paragraph 4.4, for <i>procurements</i> above \$4 million, Commonwealth <i>officials</i> are required to consider the economic benefit of the <i>procurement</i> to the Australian economy.</p> <p><u>Paragraph 10.31</u> The policy operates within the context of relevant national and international agreements and <i>procurement</i> policies to which Australia is a signatory, including free trade agreements and the Australia and New Zealand Government Procurement Agreement.</p> <p><b>Airservices Action and Updates:</b></p> <ol style="list-style-type: none"> <li>1. The Airservices Procurement Policy has been revised to incorporate this amendment.</li> <li>2. Training material has been updated to outline the requirements for procurement activities and contract management.</li> <li>3. Factsheets have been developed and circulated to procurement activity owners to inform them of recent changes to the procurement policies and procedures.</li> </ol>
<p>NEW SECTION TITLED <b>Contract Management /Standard Verification</b></p>	<p><u>Paragraph 10.37</u> Where applying a standard (Australian, or in its absence, international) for goods or services, <i>relevant entities must</i> make reasonable enquiries to determine compliance with that standard:</p> <ol style="list-style-type: none"> <li>a. this includes gathering evidence of relevant certifications; and</li> <li>b. periodic auditing of compliance by an independent assessor.</li> </ol> <p><b>Airservices Action and Updates:</b></p> <ol style="list-style-type: none"> <li>1. The Airservices Procurement Policy has been revised to incorporate this amendment.</li> <li>2. Training material has been updated to outline the requirements for procurement activities and contract management.</li> <li>3. Factsheets have been developed and circulated to procurement activity owners to inform them of recent changes to the procurement policies and procedures.</li> <li>4. Contract documents now require suppliers to provide relevant certifications and to immediately inform Airservices of any changes to such certifications.</li> </ol>



Appendix 2: Airservices response to recommendations in ANAO Audit Report No. 1 (2016-17)

Item	Nature of Recommendation	Post implementation progress report
<p>Recommendation No.1 Paragraph 2.35</p>	<p>The ANAO recommends that Airservices Australia address systemic failures in the adherence to the organisation's procurement policies and procedures and the cultural underpinnings of those failures.</p>	<p>Airservices has implemented a number of initiatives to enhance the awareness of, and adherence to, the organisation's procurement policies. These include:</p> <p><b>Awareness</b></p> <ul style="list-style-type: none"> <li>• Targeted communications to senior managers clarifying responsibilities within existing procurement frameworks, including the fundamentals of competitive sourcing and maintaining probity.</li> <li>• All staff communications emphasising the importance of compliance with Airservices procurement policies.</li> <li>• Factsheets have been developed and issued to staff as they register procurement activities, these address: <ul style="list-style-type: none"> <li>○ Procurement</li> <li>○ Contract Precedents and Legal Services Multi-Use List</li> <li>○ Engagement of Contractors &amp; Consultants</li> <li>○ Record Keeping</li> <li>○ Indigenous Procurement Policy</li> <li>○ Completing LEX Records</li> </ul> </li> </ul> <p>A copy of these factsheets can be provided upon request.</p> <p><b>Training</b></p> <ul style="list-style-type: none"> <li>• A significant training program is underway, six separate training packages were developed and are being rolled out across Airservices. These training packages address the following areas: <ul style="list-style-type: none"> <li>○ Introduction to Procurement</li> <li>○ Creating a Statement of Work</li> <li>○ Evaluations</li> <li>○ Negotiations</li> </ul> </li> </ul>

Item	Nature of Recommendation	Post implementation progress report														
		<ul style="list-style-type: none"> <li>○ Contract Management</li> <li>○ Introduction to Airservices Contracts</li> </ul> <p>To date attendance on these courses is as follows:</p> <table border="1" data-bbox="400 443 751 1120"> <thead> <tr> <th>Training Module</th> <th>Number of Attendees</th> </tr> </thead> <tbody> <tr> <td>Introduction to Procurement</td> <td>237</td> </tr> <tr> <td>Statement of Work Training</td> <td>100</td> </tr> <tr> <td>Evaluation Training</td> <td>113</td> </tr> <tr> <td>Negotiation Training</td> <td>87</td> </tr> <tr> <td>Contract Management</td> <td>126</td> </tr> <tr> <td>Introduction to Airservices Contracts</td> <td>75</td> </tr> </tbody> </table> <p>In March 2018, the following three new courses are scheduled for release across Airservices:</p> <ul style="list-style-type: none"> <li>● Procurement Level 2 training</li> <li>● Contract Management Level 2 training</li> <li>● Understanding and negotiating Airservices contracts</li> </ul> <p><b>Accountability</b></p> <ul style="list-style-type: none"> <li>● Improved monitoring and oversight by the Executive and Board with focus on project delivery and governance.</li> <li>● Monthly procurement dashboard reporting on procurement activities, profiles and trends is now provided to the Airservices Executive. This report highlights key indicators of procurement performance across Airservices with a specific focus on compliant/non-compliant activities and competitive/non-competitive activities. The reporting is separated by business group and highlights areas of concern for consideration and follow-up action by the Executive.</li> </ul>	Training Module	Number of Attendees	Introduction to Procurement	237	Statement of Work Training	100	Evaluation Training	113	Negotiation Training	87	Contract Management	126	Introduction to Airservices Contracts	75
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Item	Nature of Recommendation	Post implementation progress report
<p>Recommendation No.2 Paragraph 2.54</p>	<p>The ANAO recommends that Airservices Australia improve the value for money it obtains from major and strategic procurement activities by:</p> <p>a) requiring that, except in genuinely rare circumstances, competitive procurement processes are to be employed; and</p> <p>b) on those rare occasions when competitive procurement processes have not been able to be employed:</p> <ul style="list-style-type: none"> <li>• documenting the reasons why a competitive approach was not employed;</li> <li>• benchmarking the quoted rates/fee and making records of the basis on which it was decided that the contracted rate/fee represented value for money; and</li> <li>• reporting any such instances to the Airservices Australia Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Adoption of best-practice program management principles (P3M) have been implemented in all projects to improve project governance.</li> </ul> <p>Airservices procurement policies and procedures include clear guidance on assessing value for money, the importance of competitive processes and record keeping requirements, commensurate with the scale, scope and risk of the procurement.</p> <p>Airservices has strengthened approvals for any proposed non-competitive approach by requiring the Airservices CFO to endorse any procurement valued over \$50,000. This additional requirement provides further assurance the justification underpinning the direct/sole source approach represents a value for money outcome.</p> <p>If approved by the CFO, each non-competitive approach is required to:</p> <ul style="list-style-type: none"> <li>• clearly articulate the supporting argument for not undertaking a competitive approach; and</li> <li>• provide market analysis and benchmarking rates to ensure a value for money outcome is achieved.</li> </ul>
<p>Recommendation No.3 Paragraph 3.19</p>	<p>The ANAO recommends that Airservices Australia improve its procurement framework by including enhanced guidance in relation to:</p> <p>a) the different roles performed by probity advisors and probity auditors;</p>	<p>Airservices has revised its procurement policies and procedures to include clear guidance on the active management of probity during procurement processes, including:</p> <ul style="list-style-type: none"> <li>- articulating the different roles performed by probity advisors and probity auditors</li> </ul>

Item	Nature of Recommendation	Post implementation progress report
	<p>b) determining the circumstances in which the engagement of an independent probity auditor would be appropriate; and</p> <p>c) the manner in which such decisions are to be documented.</p>	<ul style="list-style-type: none"> <li>- guidance on how to determine when a probity auditor is required and how to document the decision appropriately</li> </ul> <p>The training material delivered across Airservices also makes specific reference to probity considerations and obligations and is a recurring theme throughout the individual training packages.</p> <p>To provide a mechanism for engaging probity advisors and probity auditors a panel of approved providers has been established. The panel comprises five independent specialist providers who were engaged following a competitive procurement process.</p>
<p>Recommendation No.4 Paragraph 4.96</p>	<p>The ANAO recommends that Airservices Australia proactively manage probity in procurement activities by:</p> <ul style="list-style-type: none"> <li>a) ensuring conflict of interest declarations are updated regularly or their ongoing currency confirmed;</li> <li>b) reviewing existing declarations when the role being performed by an individual changes; and</li> <li>c) regular review of program participants' reporting of contact with industry respondents in order to monitor compliance with reporting obligations.</li> </ul>	<p>Airservices updated procurement governance framework and guidance documentation require conflict of interest declarations to be completed by all individuals, including external contractors involved in the evaluation and subsequent negotiation activities for Airservices procurements. The framework also outlines the considerations to be made in the establishment and ongoing management of any mitigation strategies for any real or perceived conflicts of interest.</p>
<p>Recommendation No.5 Paragraph 4.100</p>	<p>The ANAO recommends that Airservices Australia's governance arrangements address:</p>	<p>Airservices has updated its procurement governance framework to clarify expectations for procurement probity roles. Explicit guidance has been</p>

Item	Nature of Recommendation	Post implementation progress report
<p>Recommendation No.6 Paragraph 4.154</p>	<p>The ANAO recommends that Airservices Australia enhance its procedures for managing probity in procurement processes to require documented consideration of the potential for actual or perceived conflicts of interest to arise when engaging external contractors to participate in tender evaluations and contract negotiations and, where relevant, the management strategies that are to be applied.</p>	<p>developed outlining the requirement to engage appropriately skilled and qualified professionals in key probity and procurement roles.</p> <p>A panel of independent probity advisors and auditors has been established to provide ready access to suitably qualified and experienced professionals.</p> <p>The OneSKY Probity Plan was revised and approved in September 2016. This update addressed each of the issues identified in the ANAO performance audit, internal audits and other reviews. Furthermore, Airservices established a dedicated Probity Manager to provide a clear segregation of duties and improve focus on day-to-day probity management, and a more active approach in probity management. This has been achieved by way of a forward program of work to ensure the integrity of the Probity Register and to further mitigate the risk of probity breaches.</p> <p>Airservices requires conflict of interest declarations to be completed by all individuals, including external contractors, involved in the evaluation and subsequent negotiation activities for Airservices procurements. Airservices policy outlines the considerations for establishment and ongoing management of conflicts of interest mitigation strategies.</p>

## Appendix 3: Source to Pay Solution

Topic	Benefits and Improvements
<b>Record keeping and Maintenance</b>	<p>A single end to end solution proposed under the S2P solution provides a sole electronic repository for all procurement and contract management artefacts (including Purchase Orders (POs), invoices, variations, letters etc.)</p> <p>This automation compliments Airservices record-keeping and maintenance procedures and provides a single authoritative source ensuring access to the most recent versions of artefacts as well as change management history.</p>
<b>Governance and Compliance</b>	<p>The implementation of an end to end automated P2P solution replaces existing labour intensive manual process. The system will automate and enhance procurement compliance across the organisation in the following ways:</p> <ul style="list-style-type: none"> <li>• POs will only be able to be raised against existing and valid contracts within the system both from validity and value perspective</li> <li>• Process activities will be sequential with the preceding step needing to be complete and approved prior to commencing next step</li> <li>• Financial approvals will be rules-based and determined by the system based on the delegations framework – ensuring correct approvals are obtained throughout the lifecycle.</li> </ul> <p>This will enable the activities to be assessed at any point in time to ensure all required steps are being followed. Exception reporting is generated by the system to identify areas of concern or conflict with existing frameworks.</p>
<b>Procurement Process Automation</b>	<p>The system will replace hardcopy approval documents. All artefacts will be generated and stored within the system with automated review and approval cycles.</p> <p>Approvals will be undertaken electronically and date stamped within the system enabling the subsequent stages of the process to continue. Mobile access to the system will enable review and approvals to be performed remotely through the approver's mobile device further increasing the process efficiencies for activities.</p>
<b>Visibility and Transparency of Activity</b>	<p>The system will enhance transparency. Real time visibility of current status of activity will provide delegates with up to date information of current state of each procurement. Assurance reviews can be undertaken at key points in the process to</p>

Topic	Benefits and Improvements
	<p>proactively manage issues to be resolved prior to completion of the activity.</p> <p>Active tracking of spend against contracts including all variations will be available through a single consolidated system with key controls in place to managed spend over the term and stop approval thresholds being breached.</p> <p>All records in relation to an activity will be linked from commencement of the process through to final payments enabling a single authoritative source and history to be provided across each activity.</p>
<p><b>Capability Enhancement</b></p>	<p>The provision of a fit for purpose P2P solution will facilitate the greater utilisation of guided buying methodologies as well as the provision of an automated step-by-step procurement process for low complex and low risk procurement activities.</p> <p>Decision trees and a rule-based approach will remove ambiguity around legal and procurement precedent documents and ensure all required artefacts and approvals are captured throughout the process. The system will enable the provision of a single repository for all supporting artefacts including user guides, cheat sheets, templates etc. and integration with established supplier catalogues and pre-existing arrangements.</p>

*Appendix 4: O'Connor Marsden Probity Audit Extract*

<b>No.</b>	<b>Recommendation</b>	<b>Airservices implementation</b>
R1	<p>Conduct a review of the Probity Register to ensure it contains required active program participants for the next phase when it begins and focuses on active probity management of the personnel and advisors with access to key commercial negotiation items</p>	<p>The recommendation was adopted and the following actions were undertaken.</p> <ol style="list-style-type: none"> <li>1) The probity register was reviewed every six months to ensure accuracy and validity of the data. While this interval is appropriate, additional reviews are now conducted prior to the commencement of any significant stages in the tender process including but not limited to entering new phases in the negotiation process</li> <li>2) These additional reviews align with the fully resourced OneSKY program schedule to ensure the program participant's probity obligations are effectively managed.</li> <li>3) A review schedule was developed to identify the significant stages that require an additional probity register review to be undertaken.</li> </ol>
R2	<p>Implement an internal two-step approval process for conflict of interest declarations for those program participants with a more significant involvement in the next phase of the Program, such as members of the contract negotiation team and key assessment team members</p>	<p>The recommendation was adopted and the following actions were undertaken.</p> <ol style="list-style-type: none"> <li>1) The probity plan was updated to require a two-step approval process for conflict of interest declarations for program participants. For the sake of clarity on the interpretation of 'significant' and in line with the recommendation, this requirement applies to all conflict of interest declarations made by program participants.</li> <li>2) The OneSKY Probity Manager and the Director Commercial are required to review and reach consensus on the acceptability or otherwise of any identified conflict of interest and any associated mitigation strategies.</li> <li>3) Where a conflict of interest is declared by the Lead Negotiator, this is considered by the OneSKY Program Executive and the Probity Manager to account for the relationship between the Lead Negotiator and the Director Commercial who also fulfils the duties of the deputy Lead Negotiator.</li> </ol>



No.	Recommendation	Airservices implementation
R3	Develop a protocol for Airservices and the Probity Advisor to share information so that each has a complete archive of requests for advice, advice received and action taken in light of the advice.	<p>The recommendation was adopted and the following actions were undertaken.</p> <ol style="list-style-type: none"> <li>1) Airservices consulted with independent probity advisor Ashurst Australia to establish an appropriate information sharing protocol. Airservices and Ashurst Australia each have a complete archive of requests for advice, advice received and action taken as a result of the advice.</li> <li>2) As part of this process all previous requests for advice and advices received were examined between the parties to ensure an accurate record is maintained.</li> </ol>
R4	Review Program Probity Risk Assessment/s to ensure relevant probity risks in the transition to the contract negotiation and execution phases are identified and documented, key controls (and treatments, if required) are articulated, single point control owners are assigned and agreed, and the level of inherent, residual and acceptable risk are assessed, documented and risk plans regularly monitored.	<p>The recommendation was adopted and the following actions were undertaken</p> <ol style="list-style-type: none"> <li>1) A formal risk review workshop was undertaken with key stakeholders across the business, including Governance Risk and Compliance team members, to establish an appropriate risk register which adequately reflects the OneSKY program probity risks associated with the current negotiation activity and execution phases.</li> </ol>

No.	Recommendation	Airservices implementation
R5	Engage with the external probity advisor to review and endorse the process in the detailed negotiations CND and the outcomes arising from the Program's assessment of the final detailed negotiation outcome are in line with the conditions of tender under the RFT.	<p>The recommendation was adopted and the following actions were undertaken</p> <ol style="list-style-type: none"> <li>1) The current Contract Negotiation Directives, not including those already completed, were provided to the external probity advisor for review and endorsement.</li> <li>2) In addition to any proposed amendments from the external probity advisor, the CNDs were amended to incorporate the requirement for the external probity advisor to review and endorse the outcomes arising from the Program's assessment of the final detailed negotiation outcome. This ensures they are in line with the conditions of tender under the Request for Tender.</li> <li>3) This includes a requirement for the external probity advisor to attend key Core Negotiation Team and the civil military air traffic management system Review Board meetings as we approach the final stages of the negotiation phase.</li> </ol>
R6	Review the method of document/record storage (including file naming conventions) in the OneSKY SharePoint Portal in order to improve the ease of document retrieval and at the same time mitigate the risk of record gaps or version control.	<p>The recommendation was adopted and the following actions were undertaken.</p> <ol style="list-style-type: none"> <li>1) A formal review was undertaken and an appropriate document and record management process implemented, including the establishment of standardised naming conventions to facilitate ease of document retrieval.</li> <li>2) In addition, existing records were reviewed and updated to align with the agreed process and naming convention requirements. There are approximately 2000 records held in SharePoint which were reviewed.</li> </ol>