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The Parliament of the Commonwealth of Australia

# Report 431

**Review of Auditor-General's Reports Nos. 24 to 32 (2011–12)**

Joint Committee of Public Accounts and Audit

August 2012  
Canberra

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## Foreword

The Joint Committee of Public Accounts and Audit, as prescribed by its Act, examines all reports of the Auditor-General, and reports the results of the Committee's deliberations to the Parliament. This report details the findings of the Committee's examination of two performance audits selected for further scrutiny from nine audit reports presented to Parliament by the Auditor-General between February and May 2012.

The Committee focused its inquiry on government procurement, an area of public spending which has been of ongoing interest to the Committee.

In 2010–11, Australian Government agencies entered into over 79 000 contracts for property and services valued in excess of \$32.6 billion. Under the financial framework, agencies must ensure each procurement delivers the best value for money, using public resources in a way that is efficient, effective, economical and ethical.

Last year the Committee reviewed the Auditor-General's report on direct source procurement, making a range of recommendations how value for money procurement could be better supported within government. The Committee has now looked at two other areas of government procurement:

1. Tender processes – specifically examining the tender used to procure the Australia Network broadcasting service; and
2. The establishment and use of procurement panels.

In reviewing the ANAO's audit of the administration of the Australia Network tender process, the high costs of this tender's failure has important lessons across all agencies that might be applied to future procurements.

A key lesson highlighted by the Auditor-General's report is that clarity around the decision-making processes for a tender is essential – particularly for tenders involving multiple ministers or departments. In the case of the Australia Network,

it took almost five months for issues around the approval process to be resolved. If the decision maker had been documented at the start of the process, the lengthy delays and associated issues that affected the tender might have been avoided. On this point, we suggest that public documentation of tender approval processes could be a way of avoiding similar problems in the future.

Other key issues discussed in the Auditor-General's report on the Australia Network tender process concerned the handling of confidential tender information. The Committee heard that standard practices for handling and distributing sensitive information were not followed, leading to a wider distribution of information than was desirable. The Committee believes there may be benefits from further guidance being provided to staff involved in future tenders about when and how tender information should be disclosed to ministers, ministerial staff, and other departmental staff.

While the responsibility for the problems found in the audit report rests with the parties involved, the Committee considered that lessons from the Australia Network tender process could be shared more broadly and has therefore made a range of suggestions for improvement to future training materials.

The Committee also examined the practice of government agencies using panel arrangements to obtain efficiencies in procurement. Procurement panels involve agencies conducting an initial procurement process to establish a panel of suppliers, and then undertaking individual procurements from the panel on an as-needed basis. The Auditor-General's report found that while agencies generally had sound practices for initially establishing panels, the performance was less satisfactory when it came to selecting suppliers from the panel to undertake work. In particular, the Auditor-General noted that agencies needed to improve their documentation of value for money assessments.

The Committee was disappointed to learn that many of the issues that came up in this audit report had previously been identified in internal audits by agencies, suggesting these findings had not been adequately followed up.

We were, however, pleased to hear that the Finance Department is taking a more active role in helping agencies to improve their compliance with financial management obligations. The Committee also supports the role of Central Procurement Units within agencies, which can serve as the link with Finance and take a proactive role in assisting procurers.

Another point made in the Auditor-General's report is that agencies should be performing evaluations of the use and effectiveness of their procurement panels at appropriate stages of their lifecycle. The Committee supports this point, and has asked the audited agencies for an update on how they are implementing the




Auditor-General's recommendation, including the timelines in which evaluations will be undertaken.

Finally, the Committee examined the cooperative use of single panels by multiple agencies, a practice known as 'clustering' or 'piggybacking'. These arrangements are becoming increasingly popular as agencies seek efficiencies in procurement. At one of our hearings we learned that while clustered panels can lower costs, particularly for small agencies, care is needed to make sure the services being supplied are actually appropriate for the needs of each agency. Government also needs to be aware of the perspective of suppliers, as there is a perception that large, multi-agency panels may disadvantage small and medium enterprises (SMEs). The number of SMEs on panels is not currently being monitored by departments, so this is an area that warrants additional attention in future.

The Committee will continue to keep a close eye on government procurement activities to ensure that public money is being spent in a way that ensures value for money and compliance with the government's financial framework regulations.

Rob Oakeshott MP  
Chair





## Membership of the Committee

Chair Mr Robert Oakeshott MP

Deputy Chair Ms Yvette D'Ath MP

Members Hon Dick Adams MP

Mr Jamie Briggs MP

Ms Gai Brodtmann MP

Mr Darren Cheeseman MP

Mr Josh Frydenberg MP

Ms Deborah O'Neill MP

Ms Laura Smyth MP

Hon Alex Somlyay MP

Senator Mark Bishop

Senator Helen Kroger

Senator Louise Pratt (from 27/06/12)

Senator Nick Sherry (8/02/12 - 1/06/12)

Senator Dean Smith (from 9/05/12)

Senator Matt Thistlethwaite

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	Ms Louise Goss



## List of abbreviations

ABC	Australian Broadcasting Corporation
AGS	Australian Government Solicitor
ANAO	Australian National Audit Office
AFP	Australian Federal Police
ANC	Australian News Channel Pty Ltd
ASIC	Australian Securities and Investments Commission
CEIs	Chief Executive Instructions
CPGs	Commonwealth Procurement Guidelines
CPU	Central Procurement Unit
DBCDE	Department of Broadband, Communications and the Digital Economy
DFAT	Department of Foreign Affairs and Trade
FMA Act	<i>Financial Management and Accountability Act 1997</i>
RFT	Request For Tender
PM&C	Department of the Prime Minister and Cabinet
SMEs	Small and medium enterprises
TEB	Tender Evaluation Board





# List of recommendations

## 3 Establishment and Use of Procurement Panels

### Recommendation 1

That the Department of Foreign Affairs and Trade, the Department of Broadband, Communications and the Digital Economy, and the Australian Securities and Investments Commission determine and report to the Committee how they are implementing ANAO Recommendation 3, including the timelines for procurement panel evaluations.

### Recommendation 2

That the Department of Foreign Affairs and Trade report to the Committee no later than six months after the tabling of this report on the specific role its Central Procurement Unit plays in procurement across the agency, and how the Central Procurement Unit is interacting with departmental officers who engage in procurement to improve compliance and procurement outcomes.

