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Audit Report No. 4, 2002-2003

Management of the Extension Option Review - Plasma Fractionation Agreement

Introduction

Background

3.1 The governments of the Australian states and territories and the Commonwealth spend around $350 million annually on the production and supply of blood and blood products for the Australian community. Commonwealth expenditure on plasma products under the *Plasma Fractionation Agreement* (PFA) – a contract between the Commonwealth Government and CSL Limited (CSL) - represents more than one-third of the total annual expenditure on the sector by Australian governments. Expenditure under the PFA amounted to $124.1 million in 2001–02.

3.2 The material nature of this expenditure, together with the importance of plasma products to the care of Australian citizens with serious health problems, makes the ongoing procurement of plasma products an important public issue. Until 1 July 2003, the PFA was the largest single commercial contract managed by the Commonwealth Department of Health and Ageing (Health). At the contract signing in December 1993, it was estimated that total Commonwealth expenditure over the 10.5 years of the initial term of the PFA (i.e. to June 2004) would be around $1 billion. Actual expenditure by the Commonwealth under the contract over the

first eight and a half years of the PFA (i.e. to 30 June 2002) totalled some $800 million and hence has been on target.

3.3 Under the PFA, the Commonwealth was provided with a unilateral extension option to extend the agreement to 30 June 2009, *under its existing terms and conditions*, so long as it exercised the option and notified CSL of its decision to do so by *23 June 2002*, at which time it would have become an enforceable contract. Such a decision by the Commonwealth was at the sole discretion of the Commonwealth. In other words, CSL could not have refused to accept the extension had the Commonwealth chosen to exercise its option, nor could CSL have required the Commonwealth to exercise it.

3.4 In May 1999, the then Minister for Health and Aged Care announced the establishment of a Review of Australian Blood Banking and Plasma Product Sector (the 'Blood Review', also known as the 'Stephen Review'). The review was to cover blood collection and banking activities as well as the processing and distribution of blood and blood products, and was originally expected to report by mid-2000.[1]

3.5 Because of the complexity of the task, the Blood Review report was submitted later than expected on 27 March 2001 to the then Minister for Health and Aged Care. The review recommended the establishment of a National Blood Authority (NBA) to provide national management and oversight of Australia's blood supply.

3.6 The Blood Review further recommended fundamental reform of the blood sector both in terms of how it should be funded by the Commonwealth, state and territory governments and how it should be administered in the future. Two of the Blood Review's terms of reference had particular reference to the Commonwealth's consideration as to whether or not to exercise its option to extend the PFA unilaterally after the contract's expiry on 30 June 2004.

3.7 In December 2001 Health formed a high level Steering Committee for the Future of Plasma Fractionation and Diagnostic Products Arrangements (Steering Committee).

3.8 At the fourth and last Steering Committee meeting on 18 April 2002 the decision to recommend that the PFA extension option *not* be exercised was reached. Instead the Steering Committee recommended that the Commonwealth enter into a second shorter-term PFA with CSL at the expiry of the existing agreement to ensure that Australia's future needs for

1 Review of the Australian Blood Banking and Plasma Product Sector, www.health.gov.au/archive/bodt/review.htm, accessed 5 August 2004.

plasma products would be met. These recommendations were forwarded to the Minister for Health and Ageing on 11 June 2002.[2]

3.9 The NBA was established under the *National Blood Authority Act 2003* and came into effect from 1 July 2003, and accordingly took over management of the PFA. Its role and principal services to stakeholders are summarised in Appendix E.

3.10 Historically, CSL's activities were carried on within the Commonwealth Department of Health until November 1961 when a statutory corporation - Commonwealth Serum Laboratories Commission - was established. On 1 April 1991 the corporation was converted to a public company and renamed Commonwealth Serum Laboratories Limited. The company's present name was adopted on 7 October 1991. The Commonwealth Government divested all of its shares in CSL by public float on 3 June 1994. CSL's ordinary shares have been traded on the Australian Stock Exchange since 30 May 1994.[3]

The audit

3.11 The triggers for ANAO's present audit were the audit by the Auditor-General, documented in Audit Report No. 24, 1999–2000, *Commonwealth Management and Regulation of Plasma Fractionation* (tabled in December 1999) and the subsequent October 2000 review of that audit by the Joint Committee of Public Accounts and Audit (JCPAA) presented in Report 378, *Review of Auditor-General's Reports 1999-2000 Second Quarter*.

3.12 The ANAO Audit Report No 24, 1999-2000 examined the administrative and financial effectiveness of Health's management of the PFA contract, as well as some regulatory aspects of plasma fractionation. ANAO found that there was significant scope for improvement in Health's contract management practices in relation to the PFA.[4] Then, flowing from JCPAA's findings from its review of Audit Report No. 24, two relevant recommendations to Health's management of the PFA extension option were made by the Committee in Report 378. In summary, they were that:

- Health raise skills and training levels and ensure the availability to contract managers of relevant technical and legal advice;[5] and

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2 Australian National Audit Office (ANAO), *Audit Report No. 4*, 2002-2003, *Management of the Extension Option Review – Plasma Fractionation Agreement*, p. 27.

3 CSL Limited (CSL), *CSL Limited Annual Report 2002-2003*, p. 42.

4 ANAO, *Audit Report No. 24, 1999-2000, Commonwealth Management and Regulation of Plasma Fractionation, Department of Health and Aged Care*, p. 12.

5 Joint Committee of Public Accounts and Audit (JCPAA), Report No. 378, Recommendation 9, "that the Chief Executive Officer of the Department of Health and Aged Care assess the skill

- ANAO undertake a timely performance audit of Health's handling of the PFA extension review.[6]

3.13 ANAO's response to the latter recommendation by JCPAA was to include an audit of the PFA extension review in its 2001–02 Audit Work Program proposals. The audit commenced in late June 2002 following the expiry on 23 June 2002 of the Commonwealth's unilateral option to extend the PFA. The scope of the audit was limited to the planning and conduct of the PFA extension option review. The objective of this second audit by ANAO was to review the efficiency and effectiveness of Health's planning and conduct of this review, to accord with the Committee's recommendation.

3.14 In June 2002 at the commencement of ANAO's performance audit, Health proposed to ANAO that the audit scope should also include Health's subsequent work on securing a supply of plasma and related products beyond 30 June 2004. Health's reasoning was that the full implications of the planning and conduct of the extension review could not be properly assessed until this subsequent work was completed in 2004.

3.15 ANAO noted that, as Health did not expect the process for securing plasma and related products beyond the expiry of the PFA to be completed until mid-2004, any audit of the complete process could not be completed until early 2005. Accordingly, rather than delay reporting to the Parliament, and, in line with JCPAA's request for a *timely* audit of the PFA extension review, ANAO proceeded with the requested limited scope audit.

3.16 ANAO noted that the audit was not aimed at determining whether Health should have negotiated another contract or trigger the extension, rather its focus was on whether the extension decision was based on a proper analysis.[7] ANAO examined:

- Timeliness of the process;
- Analyses employed to determine value-for-money;
- Consultation;
- Advice to Government; and
- Procedural ambiguity.

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base and training needs of its contract managers, and ensure that appropriate legal and technical advice is readily available to them" (paragraph 4.56).

6 JCPAA, Report No. 378, Recommendation No. 10, "that the Australian National Audit Office undertake a timely performance audit of [Health]'s handling of the Plasma Fractionation Agreement extension review" (paragraph 4.57).

7 ANAO, *Transcript, 8 March 2004*, p. 15.

Audit findings

3.17 ANAO found that insufficient information was made available to Health's Steering Committee to allow it to form an objective view as to the financial merit of the advice it provided to the Health Minister on the value of the PFA extension option. In line with its overall objective ANAO made no judgement about whether or not the decision not to extend the current agreement was a correct decision.

3.18 In July 2003, Health disputed ANAO's conclusion that Health's analysis and advice to its Minister was financially inadequate.

3.19 In supporting its conclusion, however, ANAO noted that the Steering Committee's record (dated 1 May 2002) of its decision on the option contained no explicit consideration of the value of the two-tier pricing regime. By 2001–02, the proportion of total payments under the PFA for products at the lower tier-two price had increased by more than four-fold as compared to 1995–96 expenditure. The Steering Committee concluded that the current pricing arrangements were unlikely to be the most advantageous available to the Commonwealth. The main analysis underpinning this conclusion appeared to have been a scenario analysis undertaken on 16 April 2002 by the Steering Committee's advisers in liaison with the Blood and Organ Donation Taskforce (BODT). This scenario analysis did not include any data on the costs of alternative options. At a meeting with Health on 14 June 2002, officers of the Department of Finance and Administration (Finance) expressed their concern to Health on 14 June 2002 about the breadth of the risk analysis undertaken by Health, particularly in relation to costs.[8]

3.20 Notwithstanding Health's comments outlined above, ANAO concluded that there were five key areas where improvements could have been made in Health's handling of the PFA extension option review. They were:

- The Steering Committee did not commence its analysis of this complex matter until December 2001, some six months before the expiry of the extension option, despite an early warning by ANAO in December 1999, and coverage of this issue by the JCPAA during 2000;
- Health under-rated the nature of the analysis required in its advice to the Government on whether or not to exercise the option;
- The Steering Committee determined that it did not have to establish the best value-for-money approach for the future supply of plasma

8 ANAO, *Audit Report No. 4*, 2002-2003, *Management of the Extension Option Review – Plasma Fractionation Agreement*, p. 18.

products before making its recommendation whether or not to exercise the extension option;

- Health did not consult CSL about extending the PFA; and
- Health's recommendation to the Government not to exercise the option was transmitted very late, thereby restricting the opportunity for consultation and sufficiently detailed consideration of Health's advice by senior ministers.

Committee comment

3.21 The Committee is surprised by the apparent lack of planning and foresight shown by Health with regard to its handling of the PFA extension option review.

The Committee's review

3.22 On 8 March 2004 the Committee held a public hearing to review the progress made against the recommendations that came from ANAO's audit. The public hearing was attended by:

- Australian National Audit Office;
- CSL Limited;
- Department of Finance and Administration; and
- Department of Health and Ageing.

3.23 The Committee took evidence on the following issues:

- Changing nature of the blood products market;
- Australian plasma product pricing;
- Clinical quality and safety;
- Financial analysis;
- Decision process and timeliness of the option extension assessment;
- Communication with CSL; and
- Agency response to previous review by JCPAA.

Changing nature of the blood products market

3.24 Health presented evidence that blood plasma market variables had evolved over the decade that the PFA had been in operation. The

Committee heard that there was now some potential for other suppliers of blood products to enter the Australian market in competition to CSL. Notwithstanding, according to Health the current government policy is to restrict overseas players from entering the market.[9]

3.25 The Committee was also told by Health that many OECD[10] countries are switching or have switched to recombinant (or synthetic) product for the treatment of haemophilia, the major user of blood products. Logically therefore, there could also be a switch to similar non-plasma product in Australia in the future.[11] If this switch did occur then the nature of the Australian governments' purchases from its blood products provider would change significantly from that anticipated ten years ago and written into the existing PFA.

3.26 In Health's view Government policy uncertainty at the time derived from two critical issues:

- The desire for self-sufficiency in the Australian blood derived markets; and
- The potential for the substitution of blood derived products by recombinant products.

3.27 Health advised the Committee that it had regarded its consideration of the extension of the contract as a risk management exercise, given that any extension of the original contract would have locked the Government in until 2009, to supply what many countries regarded as an outmoded product.[12]

3.28 Health said that, ultimately, it based its rationale for not extending the previous PFA contract on these uncertainties.[13]

Committee comment

3.29 The Committee considers Health's claims that overseas blood market products supply and demand patterns have evolved over the last ten years, to be credible. It is reasonable therefore for Health to regard the nature and use of some of the blood products cited in the (now) decade-old PFA as obsolescent.

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9 Department of Health and Ageing (Health), *Transcript, 8 March 2004,* p. 9.

10 Organisation for Economic Co-operation and Development (OECD).

11 Health, *Transcript, 8 March 2004,* p. 9.

12 Health, *Transcript, 8 March 2004,* p. 10.

13 Health, *Transcript, 8 March 2004,* p. 13.

3.30 Quite correctly, any projections by Health of Australia's demand for blood products should have taken these global trends into account in determining the nature of blood supplied under any extension of the PFA.

Australian plasma product pricing

3.31 The Committee observed that current Australian plasma product prices were substantially less than the corresponding prices on European and other commercial markets – on the face of it, good value-for-money, and a justification for exercising the PFA extension option.

3.32 Health claimed, in response, that there was a significant lack of pricing information about alternative products and alternative suppliers.[14] Further, Health cautioned that product price was only one of the many variables that need to be considered in any plasma supply contract.

3.33 Health advised that to date Australia has had one only supplier of blood plasma products – CSL. Alternate supply could become available through an overseas supplier or through toll fractionation.[15] Health further advised that if Australia followed the overseas trend and shifted to recombinant products then the scope for alternative sources of supply would increase significantly.

3.34 CSL informed the Committee that despite cost increases, currency exchange rate variability and various other factors, it was unlikely that the uncertainty about the PFA extension option directly caused any renegotiation of overseas supplier costs.[16]

Committee comment

3.35 The Committee accepts Health's argument that assessing the cost of alternative supplies of blood products is difficult. Rather than dismiss this step as being too complex, Health however should have assessed and documented costs and options at a broad level consistent with the Commonwealth Procurement Guidelines (CPG) and in consultation with Finance.

3.36 Finance should now encourage agencies involved in complex option negotiations to seek its advice on striking a balance between complying

14 ANAO, *Transcript, 8 March 2004,* p. 19.

15 Toll fractionation – Health advised that 'toll fractionation amounts to Australian plasma being exported for fractionation by a contractor within a protected environment and reimporting the plasma products'.

16 CSL, *Transcript, 8 March 2004,* p. 15.

with the sense of the guidelines, on one hand, and curtailing assessment processes which appear to have reached their limit of cost-effectiveness, on the other.

Clinical quality and safety

3.37 The Committee questioned Health about the issue of clinical quality and safety of blood products that could be sourced from suppliers other than CSL.

3.38 Health assured the Committee that there were numerous other companies around the world that have the technology to supply blood-based products and these are already supplying recombinant products. Hence, if it came to buying these products overseas;

> …the question of clinical quality and safety would be very important.[17]

Committee comment

3.39 The Committee endorses Health's appreciation that blood product quality from whatever source cannot be compromised.

Financial analysis

3.40 The CPG were issued under regulation 7 of the *Financial Management and Accountability Regulations 1997* (FMA Regulations) by the Department of Finance and Administration (Finance). Regulation 8 of the FMA Regulations requires officials involved in the procurement of property or services to have regard to the CPG.

3.41 The CPG, issued by Finance, provide advice to agencies procuring services and entering contracts. The guidelines require agencies entering or extending contracts to consider each contract for value-for-money on a whole-of-life basis, by considering generic factors such as:

- The procurement method adopted;
- The relative risk of the proposal;
- The maturity of the market;

17 Health, *Transcript, 8 March 2004,* p. 13.

- The performance history of the prospective suppliers;
- Relevant benefits and costs over the procurement cycle;
- Anticipated price; and
- Evaluation of contract options.

3.42 Finance, in evidence, specified to the Committee that :

> part of the process of evaluating what value-for-money meant included establishing the criteria to be used to evaluate value-for-money, and then evaluating against those criteria.[18]
>
> market conditions and changes in market conditions may not be enough.[19]

3.43 Finance added that a logical starting point for any analysis would be to look at whether an existing contract could be negotiated to suit future requirements. ANAO concurred that a proper financial analysis was required on the product purchasing alternatives available to Health for the PFA extension option.[20]

3.44 The Committee examined the adequacy of Health's attention to the option procurement guidelines, particularly as to whether a benefit-cost analysis was undertaken as part of the decision over the PFA extension option.[21]

3.45 Health advised the Committee that it;

> placed great importance on the economic and financial issues around the decision or recommendation not to renew the contract.[22]

3.46 Health further advised that it saw its analysis requirement being:

> less one of testing the market than one of being aware of developments in the environment.[23]

3.47 In Health's view, the market for the manufacturing and supply of blood plasma products is changing continuously.[24] This made it difficult to quantify their impact on the future value of the PFA should the extension option be exercised.

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18 Department of Finance and Administration (Finance), *Transcript, 8 March 2004,* p. 3.

19 Finance, *Transcript, 8 March 2004,* p. 4.

20 ANAO, *Transcript, 8 March 2004,* p. 14.

21 Finance, *Exhibit No. 1, Procurement Circular PC 03/3, Evaluating Options in Procurement Contracts.*

22 Health, *Transcript, 8 March 2004,* p. 2.

23 Health, *Transcript, 8 March 2004,* p. 3.

24 Health, *Transcript, 8 March 2004,* p. 3.

3.48 Health also claimed that it had evaluated the economic and financial benefits of the existing best value of the contract, through its 'scenario analysis'.

3.49 ANAO responded that it would have expected greater consideration of what the potential costs of the alternatives were.[25] In short, ANAO considered the 'scenario analysis' approach taken by Health not to be sufficiently rigorous in that there was 'a lack of detailed financial analysis'.[26] ANAO did concede however, that the analysis did take some possible market changes into account:

> but without measuring that against what else you might be able to get and what the pricing might be in the absence of purchasing such products.'[27]

3.50 ANAO advised that the scenario analysis undertaken by Health went along the lines of assuming that the PFA:

> means you cannot give CSL less than the amount in the previous year and that there is some product not now required, hence the product taken will involve an overcharge.[28]

3.51 ANAO concluded that this analysis was quite insufficient to make a recommendation regarding the option extension.

3.52 The Committee questioned Health as to the nature and detail of its work undertaken in the face of ANAO's opinion. Health again referred to the 'scenario analysis'.

Committee comment

3.53 Taking into account the range of evidence, some of it conflicting, presented by Health, ANAO and Finance, the Committee accepts the ANAO view that Health's financial analysis of the option to extend the PFA contract was inadequate. It concludes that Health did not take sufficient account of the costs of using alternative suppliers and products.

3.54 The Committee is reassured that Finance, prompted by these events, published a procurement circular in October 2003 entitled *Evaluation Options in Procurement Contracts.*[29] The Circular notes that:

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25 ANAO, *Transcript, 8 March 2004,* p. 10.

26 ANAO, *Transcript, 8 March 2004,* p. 14.

27 ANAO, *Transcript, 8 March 2004,* p. 10.

28 ANAO, *Transcript, 8 March 2004,* p. 19.

29 Finance, *Exhibit No. 1, Procurement Circular PC 03/3, Evaluating Options in Procurement Contracts.*

> When considering whether or not to exercise an option, officials should conduct a process appropriate to the size, scope and risk profile of the procurement to:
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> - assess the value of exercising the option and the value of sufficient alternative procurement outcomes to select the outcome that represents best value for the Australian Government; and
> - identify and compare, as far as possible, all relevant risks, costs and benefits on a common basis over the whole procurement cycle.[30]

3.55 The Committee expects Health to take full account of the Commonwealth Procurement Guidelines and associated explanatory circulars when considering whether or not to exercise any future options. It recommends accordingly:

Recommendation 2

3.56 **The Department of Health and Ageing develop staff skills and understanding of the guidelines relating to Competitive Tendering and Contracting set down by the Department of Finance and Administration.**

The National Blood Authority take account of the Commonwealth Procurement Guidelines.

Decision process and timeliness of the option extension assessment

3.57 The Committee reviewed the timeline for the transmission by Health of its recommendation to the Minister for Health and Ageing relating to the extension option. It noted that despite the analysis commencing around December 2001 and the decision to recommend not to exercise the option being reached at a meeting of the Steering Committee on 18 April 2002, the final recommendation was lodged with the Minister only on 20 June 2002, for a Sunday 23 June 2002 deadline.

3.58 Procurement Circular PC 03/3, *Evaluating Options in Procurement Contracts*, issued by Finance after the PFA options process, warns that:

> When managing contracts with options, Agencies should ensure that sufficient time is allowed to consult with all relevant parties, gather the information required and conduct an appropriate value-for-money assessment. Where Ministerial involvement is required, Agencies should ensure they provide advice on

30 Finance, Exhibit 1, *Procurement Circular PC 03/3, Evaluating Options in Procurement Contracts.*

> exercising options to Ministers giving sufficient time for consultation and consideration of that advice.[31]

3.59 Clearly Health's tardy decision-making process had not allowed it sufficient time to gather the information required to complete a cost-benefit analysis, nor give the Minister sufficient time for her own broader consultation.

Committee comment

3.60 The Committee considers that this advice relating to 'sufficient time' should be self evident and certainly should have been evident to Health in 2002, particularly for such a significant decision. The Committee is confident, however, that Ministers themselves will ensure that such mistakes are not made twice.

3.61 The Committee concludes that Health was tardy in commencing its analysis of the extension option. This tardiness necessitated a down-grading of the analysis process in order for an analysis of sorts to be completed in the very short period then available before the expiry of the option. The late decision process meant that Health gave insufficient time to its Minister to consider Health's recommendation fully. In effect the Minister was compelled to agree with Health because she had insufficient time to do otherwise.[32]

Communication with CSL

3.62 Despite ANAO's view that there had been insufficient communication between Health and CSL during the extension option considerations, Health maintained, and CSL agreed, that there had been, [33]

> a very good and productive relationship between Health and CSL as befits commercial partners.[34]

3.63 Health maintained that it took into account ethical issues in determining the extent of its liaison with CSL in the period running up to the deadline for the PFA extension. Indeed these ethical issues were debated within the Steering Committee.[35] In the end, Health deliberately did not consult CSL

31 Finance, Exhibit 1, *Procurement Circular PC 03/3, Evaluating Options in Procurement Contracts,* p. 2.

32 ANAO, Audit Report No. 4, 2003-2004, *Management of the Extension Option Review – Plasma Fractionation Agreement*, p. 65.

33 CSL, *Submission No. 3,* p. 2; *Transcript, 8 March 2004,* p. 13.

34 Health, *Transcript, 8 March 2004,* p. 13.

35 Health, *Transcript, 8 March 2004,* p. 10.

because it felt that any such consultation might place CSL in some position of advantage in the context of a new supply contract.

3.64 In any event, on the basis that the Stephen Review had recommended that the Commonwealth Government enter into a second PFA with CSL at the expiry of the present agreement (at 30 June 2004), CSL had anticipated that it would be unlikely for the Commonwealth Government to move forward with the option to extend the existing PFA.[36] Based on this assumption CSL proceeded to set its commercial and corporate strategies in train.

3.65 The Committee asked Health whether, given the changes evident in the blood products market, it should have advised CSL that it was, in effect, looking beyond the blood products specifications written into the PFA.

3.66 Health responded that it considered CSL to be a large and sophisticated organisation capable of conducting its own market research and to be in a position to understand market developments and trends.

> We have to assume that the private sector is able to address its own interests.[37]

Committee comment

3.67 The Committee finds that there was no requirement for Health to consult with CSL on commercial matters relating to its recommendation to exercise or decline the option.

3.68 The Committee commends Health for looking at the ethical issue of maintaining an arms-length relationship with CSL during late stage considerations of the extension option. The Committee also accepts that CSL, as an independent commercial entity, may have been in competition with other potential providers of blood plasma services, and hence it would have been inappropriate for Health to have disclosed, or even hinted at its recommendation to CSL prior to the decision deadline.

3.69 However, Health should have acknowledged to CSL that it was considering *all* alternatives with respect to the extension option, especially when the deadline was fast approaching. In any event CSL says that it had anticipated that it would be unlikely for the Commonwealth Government to move forward with the option, and hence was not inconvenienced by the lack of communication.[38]

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36 CSL, *Submission No. 3,* p. 1.

37 Health, *Transcript, 8 March 2004,* p. 11.

38 CSL, *Submission No. 3,* p. 1.

3.70 The Committee concludes nevertheless that Health's lack of communication with CSL as the deadline neared, was hardly good practice and not in the best interest of blood plasma supply continuity.

Agency response to previous review by JCPAA

3.71 In *Report 378*, the Committee commented that the Department of Health and Aged Care as it was then known had 'some distance to go to achieve satisfactory contract management' in relation to the PFA.[39]. The Committee also commented on the department's 'lack of appreciation of the size and complexity of the process to be undertaken'[40]. This had led the JCPAA to recommend that:

> The Chief Executive Officer of the Department of Health and Aged Care assess the skill base and training needs of its contract managers, and ensure that appropriate legal and technical advice is readily available to them.[41]

3.72 That recommendation was made in 2000 and still appears to be equally relevant to Health nearly four years later, even though responsibility for managing the PFA now rests with the NBA. Despite the fact that Health no longer has direct responsibility for managing the PFA, the Committee believes that the comments by the ANAO in two performance audits and by the JCPAA in Report 378 do not seem to have been absorbed by Health.

Committee comment

3.73 The Committee is disappointed that despite ANAO's early warning in 1999 and the Committee's signalling its concern as far back as 2000 with regard to timeliness,[42] Health still struggled to have its decision signed off by its Minister before the last working day (21 June 2002) prior to the expiry of the extension option on Sunday 23 June 2002.

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39 JCPAA, *Report 378, Review of Auditor-General's Reports 1999-2000, Second Quarter*, p. 46.

40 JCPAA, *Report 378, Review of Auditor-General's Reports 1999-2000, Second Quarter*, p. 45.

41 JCPAA, *Report 378, Review of Auditor-General's Reports 1999-2000, Second Quarter*, p. 46.

42 ANAO, Audit Report No. 4, 2003-2004, *Management of the Extension Option Review - Plasma Fractionation Agreement*, p. 84; Health noted that a 'timely' audit should mean 'well timed or appropriately timed and not simply rapid'.

Recommendation 3

3.74 **The Secretary of the Department of Health and Ageing ensure that improvements occur in contract management, and that contract management staff comply with the Commonwealth's Procurement Guidelines and circulars as well as any related Chief Executive's Instructions.**