



**Australian Government**  
**Department of Finance and Deregulation**

Our Ref: RMS11/01835

Mr David Brunoro  
Committee Secretary  
Joint Committee of Public Accounts and Audit  
PO Box 6021  
Parliament House  
Canberra ACT 2600

A handwritten signature in cursive script that reads 'David'.

Dear Mr Brunoro

I am writing following your conversation with Ms Jane Wagner, Acting Assistant Secretary, Procurement Policy Branch on 2 February 2012 and, in the following week, with me requesting additional information relating to the Department's response to the recommendations in the Committee's Report Number 423. I apologise for the delay in responding.

You asked for additional information about the progress of the review of the *Commonwealth Procurement Guidelines* (CPGs), whether it would include improved clarity on procurement selection methods, its relationship with the Commonwealth Financial Accountability Review, and Finance's activities to improve the level of compliance with the Australian Government procurement framework.

Review of the *Commonwealth Procurement Guidelines*

The review of the CPGs has been undertaken through a process of consultation with departments and agencies. Given there are over 100 *Financial Management and Accountability Act 1997* (FMA Act) agencies affected by any adjustments, this consultation process has been extensive and was an essential element of the Review.

It is proposed that the CPGs become known as the Commonwealth Procurement Rules (CPRs), with the objectives being to improve clarity and remove complexity for government procurement. The proposed CPRs will have simplified language and, as far as practicable, improved alignment with government procurement processes. Among other things, the CPRs aim to address concerns raised by the Committee and the Australian National Audit Office (ANAO) on the clarity and application of procurement methods, in particular, direct sourcing and select tendering.

The proposed CPRs are in the process of being finalised and obtaining authority. It is expected that they will be available around the end of March 2012 and would come into effect from 1 July 2012. I would be happy to provide copies of the CPRs as soon as they become available.

## Relationship to the Commonwealth Financial Accountability Review

The Commonwealth Financial Accountability Review (CFAR) is examining the Australian Government's current Financial Management and Accountability Framework – including funding arrangements, governance, performance and accountability – from first principles, to identify options for reform that will support high quality resource management now, and into the future. Government procurement forms an important element of the Financial Framework and is part of the broader work of CFAR.

The work to improve government procurement processes, skills and outcomes has informed elements of the CFAR. The range of activities captured under the work of the CFAR is at various stages of operation, review, development or implementation.

Elements of the Procurement Framework will continue to progress as consideration of the future needs of the broader Financial Framework develops. Additionally, the CFAR is expected to inform areas for continued and future improvement in relation to government procurement.

## Activities to Improve the Level of Compliance

You sought some additional information in relation to:

- Recommendation No. 3 – *Investigate the viability of developing and implementing whole-of-government templates and checklists for use across the Australian Public Service; and*
- Recommendation No. 4 – *Investigate the feasibility of implementing a process of regular, mandatory testing and/or training for all Australian Public Service officers with delegation authority above \$10 000, with the aim of ensuring currency and competency.*

For both recommendations, the Committee has asked that Finance report back within six months of the tabling of this report.

As mentioned previously, the Procurement Framework is one part of the broader Financial Management and Accountability Framework governing the financial management, accountability and audit obligations of agencies that are financially part of the Commonwealth. The broader Framework establishes the key requirements, under which Chief Executives are responsible for agency performance and agencies determine their own specific practices. These practices should be commensurate with the agencies' needs and risks involved with particular procurements.

This devolved approach has generally served the Australian Government well, albeit there is room for improved compliance and better procurement practice among agencies. Given that a large number of officials are likely to undertake a procurement process at some time in their careers, Finance is focussing on making procurement processes as simple as possible, while maintaining accountability, and enabling access to the necessary skills and expertise, where the procurement is more complex.

In this context, Finance has been active in providing resources to assist agencies comply with the CPGs and share opportunities to improve procurement practices. The key activities undertaken by Finance to improve procurement practices and outcomes include:

- (a) developed and provided agencies with a *basic contract suite* for procurements below \$80,000. Across the 110 FMA Act agencies, 73 per cent have either implemented or have committed to implementing the suite.

- (b) developing a standard process map for procurement valued under \$80,000. The standard process map is expected to be released in the second quarter 2012, following consultation with agencies and the release of the proposed CPRs. The standard process for procurement will support the basic contract suite for procurements under \$80,000.
- (c) developed a range of model Chief Executive Instructions (CEIs), with the procurement model CEI to be finalised with the completion of the proposed CPRs. The model CEIs seek to improve consistency across agencies and help agency staff to understand and comply with the key requirements of the financial management framework. As part of this process, Finance will be releasing a model CEI on procurement, again in-line with the release of the CPRs around the end of March 2012.
- (d) reviewed and adjusted all of its guidance on procurement with a view to improving access to and consistency of information. Guidance is now available on the Finance website at [www.finance.gov.au/procurement](http://www.finance.gov.au/procurement), with only the CPRs to be published in hard copy.
- (e) host and coordinate a series of seminars and forums, provides advice to agencies and suppliers through a telephone *hotline* and email inbox, together with a monthly newsletter. More details about these activities are at Attachment A.

As responsibility for agency performance is devolved to Chief Executives, mandating a single approach to delegation testing and training is not proposed at this time. This recognises that procurement is only one element of a financial delegate's responsibilities and that a whole-of-government mandated approach to delegate training is unlikely to account for the various structures, sizes and functions which can differ significantly between agencies. For example, agencies may have different delegate expenditure thresholds depending on the size, scope, nature and risk appetite of the agency.

However, as indicated in our previous response, Finance is working to promote greater consistency and alignment among agency practices and decision processes, with a view to lowering procurement costs and reducing red tape. To further this objective, as indicated above, Finance is providing agencies with consistent tools, training and information to inform and assist officials when exercising delegations.

Yours sincerely

~~John Grant~~  
First Assistant Secretary  
Procurement Policy Division  
Department of Finance and Deregulation

19 March 2012

**Activities conducted by Finance to improve and support agency procurement officials and delegates**

- a. Facilitating the *Senior Procurement Officials Reference Group*. The group meets quarterly and are attended by, on average, 50 senior procurement officials from the Australian Government, including the departments of state and major procuring agencies.
- b. Conducting ongoing visits with the central procurement units in agencies. These visits provide an opportunity for agency procurement officials to meet directly with Finance procurement policy staff and discuss any procurement related issues they have with Finance in a face-to-face environment.
- c. Managing *procurement discussion forums*. These forums provide Finance and policy agencies with an opportunity to directly engage agency procurement officials on current initiatives and new policies. On average, 250 agency procurement officials attended each of the five discussion forums held in 2011.
- d. Conducting *procurement foundations seminars* for agency staff new to procurement. In 2011, eight seminars were held (totalling 800 agency officials) in Canberra, Melbourne and Sydney.
- e. Conducting *procurement for practitioners* seminars two to three times per year covering emerging and current issues such as procurement connected policies, insurance, indemnities and risk.
- f. Introducing a *contract management foundations* seminar in 2011. Requested by agencies, five seminars (attended by 550 agency officials) were held in the second half of 2011 aimed at sharing better practice in contract management.
- g. Managing the procurement agency advice email inbox. The inbox supports central procurement units in agencies on the application of the Australian Government Procurement Framework as required.
- h. Publishing an electronic monthly procurement bulletin which is distributed to approximately 1,800 self nominated officers from across the APS.