



**Australian Government**

**Department of Innovation  
Industry, Science and Research**

Industry House, 10 Binara Street  
CANBERRA CITY ACT 2601  
GPO Box 9839  
Canberra ACT 2601 Australia  
Phone: +61 2 6276 1929  
Facsimile: +61 2 6213 7000  
Email: [micaela.gladman@innovation.gov.au](mailto:micaela.gladman@innovation.gov.au)  
Web: [www.innovation.gov.au](http://www.innovation.gov.au)  
ABN: 74 599 608 295

JCPAA Secretariat

Ref No: D11/28813

**Joint Committee of Public Accounts and Audit – Responses to Questions on Notice**

Please find attached, responses to the Questions on Notice asked following on from the public hearing on the Direct Source Procurement Audit held on Wednesday 2 March 2011.

If you require any further information, please contact Micaela Gladman, Manager Procurement, on (02) 6276 1929.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sarah Hargans'.

Sarah Hargans  
A/g General Manager  
Business Collaboration Branch  
Corporate Division

14 April 2011

**JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT**  
**Auditor-General's Reports Nos 39 2009-10 to 15 2010-11**  
**March 2011**

ANSWERS TO QUESTIONS PROVIDED IN WRITING  
Innovation, Industry, Science and Research Portfolio

TRIM D11/28813

**QUESTION:**

Audit Report No. 11, *Direct Source Procurement*, p. 81, paragraph 3.50, Recommendation No. 1, and p. 122, paragraph 4.100, Recommendation No. 2

1. What steps has the department taken to improve guidance and training for staff undertaking procurement?
2. Is procurement training required for all delegates involved in procurement? If not, why not?
3. Who has developed and delivered this training during the last two years?

**ANSWER:**

1. The department has a suite of guidance material in the form of an online procurement toolkit which is regularly reviewed and revised in light of experience and changes to guidelines. However, as a result of the audit, and in preparation for the outcome of the current review of the Commonwealth Procurement Guidelines, the department is undertaking a comprehensive review of its procurement guidance material. This includes reviewing both the format of this guidance material and the content. It is expected that this process will be completed by 1 July 2011.

On 23-24 February 2010, the department commenced delivery of procurement and contract related training. This training is available to both general procurement officers (2 day course) and delegates (1/2 day course) and is designed to further educate officers in the department on their obligations under the Commonwealth Procurement Framework. These courses will be evaluated and refined on an ongoing basis to ensure that they remain accurate and relevant.

2. Currently, the procurement and contract related training is not mandatory. The department requires all delegates who approve spending proposals to undertake a Financial Accreditation test prior to becoming a delegate. This mandatory test is designed to test a delegates understanding of approving spending proposals including questions on procurement.

The department also provides optional half day training on the Financial Framework and Certificate of Compliance. This training covers the regulatory framework the department operates under and official's responsibilities for spending public money. This course compliments the Financial Accreditation and the department's procurement and contract related training.

Additionally, the department has developed a series of checklists for managers which outline key considerations when approving a spending proposal.

3. The department's current procurement training suite was developed by CIT Solutions in conjunction with the Procurement Team within the department. Delivery of the training commenced in February 2010 by CIT Solutions and is currently delivered by Major Training Solutions (since July 2010).

Prior to this, the department contracted with Shane Carroll and Associates to deliver 'Getting that Contract Right'.

The departments Financial Framework and Certificate of Compliance training is developed in consultation with Magical Learning and is delivered by Magical Learning.

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**QUESTION:**

Audit Report No. 11, *Direct Source Procurement*, p. 123, paragraph 4.107, Recommendation No. 3

1. What steps has the department taken to improve documentation of procurement decisions and compliance with the CPGs?
2. Given that internal agency audits have identified the same issues with compliance as the Auditor-General (pp. 127-128), are there internal consequences for delegates who do not comply with the CPGs and departmental requirements? If so, what are they and how often have they been exercised in the past two years?

**ANSWER**

1. The department is undertaking a comprehensive review of its procurement guidance material, which includes reviewing both the format of this guidance material and the content. It is expected that this process will be completed by 1 July 2011.

On 23-24 February 2010, the department commenced delivery of procurement and contract related training. This training is available to both general procurement officers (2 day course) and delegates (1/2 day course) and is designed to further educate officers in the department on their obligations under the Commonwealth Procurement Framework. These courses will be evaluated and refined on an ongoing basis to ensure that they remain accurate and relevant.

In addition to the training and guidance material outlined above, on 1 October 2009, the department implemented a Contracts Module into its Financial Management Information System. The Contracts Module provides greater control, scrutiny and visibility of departmental procurement activities, including the documentation associated with these procurements. A feature of this system is the automatic workflow. It is a mandatory requirement for the central Procurement Team to quality assure all documentation associated with covered procurements (those valued at greater than \$80,000) and this is facilitated through the Contracts Module via an automatic workflow. This quality assurance process takes place prior to the delegate approving the documentation – allowing the delegate to take into account any comments from the Procurement Team as part of their approval process.

Additionally, the department has developed checklists for both general procurement officers and for delegates. These checklists provide instructions and examples on how to prepare and approve approval documents.

The department has also introduced an internal quarterly reporting regime which is provided to Division Heads. This allows us to highlight procurement practices across the department and to identify any issues and patterns which can then be addressed through targeted training.

2. The department reports instances of non compliance with Regulation 7 (Commonwealth Procurement Guidelines), Regulation 9 (approval of spending proposals) and Regulation 10 (arrangements beyond available appropriation) as part of the Certificate of Compliance process. Part of the Certificate of Compliance process is to include remedial action to be taken against any identified breaches.

All performance agreements at the SES Level include compliance as a standard criterion. Therefore, compliance is taken into account when assessing performance at this level. It is difficult to ascertain specific examples of when this may have occurred as compliance is only one element of performance.

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**QUESTION:**

Audit Report No.11, *Direct Source Procurement*, p. 22, paragraph 23 and pp. 87-88, paragraphs 4.14-4.15 and Table 4.3

1. The ANAO found that in the sample of procurements valued at \$10 000 and over, "in 85 per cent of instances, agencies approached only one supplier and either did not seek, or only sought one quote prior to procurement". Why did this occur in your agency?

**ANSWER**

1. The figures in the audit were obtained from reviewing the documentation associated with selected procurements. We have anecdotal evidence to suggest that, in a number of cases, multiple quotes were obtained, however this was not adequately documented. Notwithstanding, it is acknowledged that the number of quotes obtained may be an issue and the measures outlined below have been implemented to address this issue.

The department is undertaking a comprehensive review of its procurement guidance material, which includes reviewing both the format of this guidance material and the content. It is expected that this process will be completed by 1 July 2011.

On 23-24 February 2010, the department commenced delivery of procurement and contract related training. This training is available to both general procurement officers (2 day course) and delegates (1/2 day course) and is designed to further educate officers in the department on their obligations under the Commonwealth Procurement Framework. These courses will be evaluated and refined on an ongoing basis to ensure that they remain accurate and relevant.

In addition to the training and guidance material outlined above, on 1 October 2009, the department implemented a Contracts Module into its Financial Management Information System. The Contracts Module provides greater control, scrutiny and visibility of departmental procurement activities, including the documentation associated with these procurements. A feature of this system is the automatic workflow. It is a mandatory requirement for the central Procurement Team to quality assure all documentation associated with covered procurements (those valued at greater than \$80,000) and this is facilitated through the Contracts Module via an automatic workflow. This quality assurance process takes place prior to the delegate approving the documentation – allowing the delegate to take into account any comments from the Procurement Team as part of their approval process.

Additionally, the department has developed checklists for both general procurement officers and for delegates. These checklists provide instructions and examples on how to prepare and approve approval documents.

The department has also introduced an internal quarterly reporting regime which is provided to Division Heads. This allows us to highlight procurement practices across the department and to identify any issues and patterns which can then be addressed through targeted training.

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**QUESTION:**

Audit Report No.11, *Direct Source Procurement*, p. 133, paragraph 5.25, Recommendation No. 4

1. Has the department developed a long-term, concrete action plan to ensure future compliance with the CPGs and departmental requirements?
2. What steps has the department taken to implement such a plan?

**ANSWER**

1. Yes, the department has implemented measures to ensure a greater level of compliance with the CPGs.

2. The department is currently undertaking a review of its procurement guidance material. This includes reviewing both the format of this guidance material and the content. It is expected that this process will be completed by 1 July 2011.

On 23-24 February 2010, the department commenced delivery of procurement and contract related training. This training is available to both general procurement officers (2 day course) and delegates (1/2 day course) and is designed to further educate officers in the department on their obligations under the Commonwealth Procurement Framework. These courses will be evaluated and refined on an ongoing basis to ensure that they remain accurate and relevant.

In addition to the training and guidance material outlined above, on 1 October 2009, the department implemented a Contracts Module into its Financial Management Information System. The Contracts Module provides greater control, scrutiny and visibility of departmental procurement activities, including the documentation associated with these procurements. A feature of this system is the automatic workflow. It is a mandatory requirement for the central Procurement Team to quality assure all documentation associated with covered procurements (those valued at greater than \$80,000) and this is facilitated through the Contracts Module via an automatic workflow. This quality assurance process takes place prior to the delegate approving the documentation – allowing the delegate to take into account any comments from the Procurement Team as part of their approval process.

Additionally, the department has developed checklists for both general procurement officers and for delegates. These checklists provide instructions and examples on how to prepare and approve approval documents.



The department has introduced an internal quarterly reporting regime which is provided to Division Heads. This allows us to highlight procurement practices across the department and to identify any issues and patterns which can then be addressed through targeted training.

All measures implemented will be regularly reviewed and refined in light of reports, experience and guideline changes.