



Australian Government  
The Repatriation Commission

PRESIDENT  
DEPUTY PRESIDENT  
COMMISSIONER

TELEPHONE (02) 6289 6736  
TELEPHONE (02) 6289 6744  
TELEPHONE (02) 6289 6733

FACSIMILE (02) 6289 6257

Mr Robert Oakeshott MP  
Chair of the Joint Committee of Public Accounts and Audit  
Suite R1, 108  
Parliament House  
CANBERRA ACT 2600

Dear Mr Oakeshott

I am writing on behalf of the Secretary in response to the Questions on Notice raised at the public hearing of the Joint Committee of Public Accounts and Audit held on 2 March 2011 which examined Audit Report No. 11, *Direct Source Procurement* (September 2010).

Recommendations 1 to 4 of the Audit Report relate to matters which are the responsibility of the Department of Veterans' Affairs. Attached is the response by the Department to your Questions on Notice.

If you need further information of explanation about any aspect of the response, please contact Ms Carolyn Spiers, National Manager, Business Integrity & Legal Services Group, on (02) 6289 6003.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Shane Carmody'.

Shane Carmody  
Deputy President

15 April 2011



**Australian Government**  
**Department of Veterans' Affairs**

**Executive Minute**  
**on**

**JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT**  
***Review of Auditor-general's Reports Nos 39 (2009-10) to 15 (2010-11)***  
***Auditor-General's Report No.11, Direct Source Procurement***

**General Comments**

The Department of Veterans' Affairs has a centralised procurement advisory unit, namely the Contracts Advisory Unit (CAU), that supports the Department with expert advice on all aspects of procurement. The unit provides ongoing support to business areas on matters of procurement while also ensuring that the approach taken by the Department is consistent with current policies of the Commonwealth. It is also part of the Department of Finance and Deregulation (Finance) procurement network.

More detailed responses to the Questions on Notice can be found in the following pages.

**Response to Questions on Notice:**

***Recommendations 1 & 2 questions***

- 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?*

**Response**

- The Department has undertaken the following actions in relation to procurement training:
  - extensive one-on-one discussions with individual managers and Senior Executives as well as a special awareness session for all Senior Executives in order to establish a top-down approach underlining the importance of procurement practices;
  - updates to the procurement Chief Executive Instructions;
  - internal instructions issued to emphasise the importance of FMA Reg9 compliance and use of procurement templates;
  - publication on the departmental intranet of a suite of templates covering procurement activities;
  - increased emphasis on procurement processes / documentation in internal publications to staff involved in procurement activities;
  - implementation of on-line training package to supplement national training sessions; and
  - CAU conducting quality checks of all contract information uploaded to the departmental contracts register and referral back to business area if not compliant.

2. In the past procurement training has not been mandatory. However, business areas are in the process of identifying all those staff involved with procurement activities and those staff will then be required to undertake mandatory procurement training using the Department's online training program. In addition, Department regularly conducts internal training sessions for staff to increase awareness general awareness of procedures and standards.
3. The CAU is responsible for providing all procurement training services and ensuring that the training is compliant with current Finance standards. Training services provided include:
  - An online training course covering the Commonwealth Procurement Policy Framework;
  - A monthly newsletter covering procurement topics sent to all staff identified as being involved in procurement activities;
  - Internal publications to all staff advising of any major changes in procurement processes;
  - Individual training sessions to business areas upon request;
  - A two-day training/refresher program at least once every financial year for all staff involved in procurement activities held in Canberra and all State Capitals;
  - Adhoc advice and support, as required.

### **Recommendation 3 questions**

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?*

### **Response**

1. The Department has taken a number of steps in this area, including:
  - the development of a suite of procurement templates covering: value for money, level of risk, Direct Sourcing justification, procurement plans;
  - increased emphasis on explaining the importance of procurement documentation in all training and internal publications to all staff;
  - a software upgrade of the Department's internal contract register application has occurred to make the application more user friendly for business areas and modifications were made to ensure that FMA Reg9 authority was easily identifiable to the user; and
  - the promotion of the use of standard templates issued by the Department of Finance and Deregulation for low risk procurements.
2. The Department does not use the APS Code of Conduct or other employment sanctions as part of the strategy to ensure compliance with the procurement policies and procedures. Instead, when a staff member has not complied, the Department works at improving that staff member's understanding of the procedures and the importance and need for compliance within the context of the Department's overall accountability in spending public monies.

To monitor and check for compliance from a business area, the primary control is the Certificate of Compliance that requires senior managers to confirm compliance under the FMA Act 1997

regarding improper use of public money and also FMA Regulations (7 – 10) covering the CPGs and spending proposals. Non compliance with these regulations must be recorded as a breach in the Certificate of Compliance which is then reported to the Secretary. Following the issues identified by the ANAO audit, the Department requested all areas identified in the audit to record their breaches in the October-December Certificate of Compliance, resulting in 34 FMA Reg9 and 1 FMA Reg10 breaches reported. In addition, the Department's Audit and Risk Committee monitor the overall level of compliance.

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

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?*

**Response**

1. At the time of the audit, the Department's procurement practices in respect of non-covered procurements (<\$80,000) were consistent with the requirements in the Commonwealth Procurement Guidelines and Finance guidelines at the time that did not specify the requirement for more than one quote. As a result of this audit and the recommendations for clarity in procurement guidelines, the Department has amended its documentation and online training to ensure all procurements demonstrate value for money by obtaining multiple quotes.

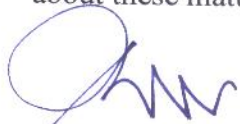
**Recommendation 4 questions**

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?*

**Response**

1. In addition to the measures mentioned above, the Department is exploring the use of its Quality Management Framework (QMS) to assist business areas comply with procurement requirements.
2. Work on promoting a QMS system as a tool for procurement monitoring and reporting has only just begun with the appointment of a Contract Manager Coordination role to liaise and assist business areas with training, information sharing and quality assurance activities. This function will highlight the importance of procurement activities and compliance with Reg 9 documentation. In addition, the Division that is responsible for managing the majority of high value procurement activities within the Department has consolidated its procurement function into one area within the Division to strengthen procurement expertise and streamline procurement activities.

I trust this overview demonstrates that the Department's practical commitment to, and progress towards, addressing the issues raised by the ANAO in Audit No.11 and satisfies the Committee's requirement for an update on its recommendations. I would welcome any further questions the Committee may have about these matters.



Shane Carmody  
Deputy President

15 April 2011