

SUBMISSION No. 1
Review of Auditor-General's
Report Nos 24 to 32 (2011-12)

Establishment and Use of Procurement Panels

Audit Report No.31 2011-12

Opening comments by Ian McPhee, Auditor General

JCPAA Review 20 June 2012

1. Chair, members of the Committee, procurement is a key business activity undertaken by Australian Government agencies, and in 2010-11 they purchased over \$32.6 billion in goods and services.
2. Agencies are assisted in their procurement activities by the Commonwealth Procurement Guidelines (CPGs) which establish government policy for procurement. Value for money is the core principle for Australian Government procurement. Encouraging competition, efficient, effective and ethical use of resources, and accountability and transparency in procurement support the achievement of value for money. On 1 July 2012 the Commonwealth Procurement Rules (CPR's) will come into effect, maintaining the focus on achieving value for money.
3. Procurement by Australian Government agencies is regularly examined as part of our Audit Work Program. As you would expect, our audits of procurement examine compliance with legislative and policy requirements, including application of the core principle of value for money. The Committee held a public hearing on the ANAO's last cross-portfolio procurement audit on Direct Source Procurement in March 2011. The current audit examined the establishment and use of procurement panels in three FMA Act agencies.
4. A procurement panel is an arrangement whereby specific suppliers, usually selected through a single procurement process, may supply goods or services to an agency (or

agencies where it is intended that a number of agencies will access the panel). A panel may be established by an agency entering into contracts or deeds of standing offer for the provision of identified goods or services with each supplier on the panel.

5. For procurements using panels, there is a requirement that value for money is assessed at two stages. Firstly, when selecting suppliers as part of the initial establishment of the panel arrangement; and secondly, each time an individual panel supplier is chosen to undertake specific work under the panel arrangement.

6. Key findings of the audit were that:

- the three agencies' procurement policies and guidance broadly addressed key legislative and policy requirements pertaining to procurement. There was scope, however, for the agencies to improve guidance by better addressing the need for, and how to, obtain value for money, and the importance of documenting procurement decisions, when procuring from a panel. There was also scope for the Department of Finance and Deregulation (Finance) to strengthen its advice on these matters in the centrally available guidance material provided for agencies on panel procurement;
- the audited agencies generally established panels through sound open tender processes, providing for efficient procurement from the panels;
- in selecting preferred suppliers to undertake work under panel arrangements, there was considerable scope for the agencies to employ more competitive arrangements and to better demonstrate value for money in their selection processes, consistent with the requirements of the CPGs;

- as panels are established to enable agencies to better meet their procurement needs, it is important for agencies to evaluate whether this outcome has been achieved. In this respect, none of the three agencies evaluated the efficiency, effectiveness or value for money provided by their panel arrangements; and
 - current AusTender data does not provide a complete picture of the extent of procurement undertaken under panel arrangements, including use of other agencies' panels. Under Finance's current guidance, it is not mandatory for agencies to report on AusTender whether the procurement was made under a particular standing offer, which would identify it as a panel procurement.
7. The ANAO made two recommendations aimed at strengthening the accountability and transparency of panel procurement. A third recommendation was directed towards improving the design and effectiveness of panel arrangements.
 8. I and the audit team will be happy to answer any questions the Committee may have.

