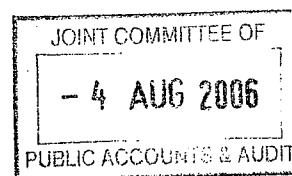




Australian Government
Department of Immigration and Multicultural Affairs



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

Dear Mr Chafer

Thank you for your letter of 14 July 2006 to the Secretary on the Joint Committee of Public Accounts and Audit (JCPAA) examination of Audit Report No. 34 on Advance Passenger Processing (APP).

The answers to the JCPAA questions are set out below.

1 Question *The ANAO notes that DIMIA had engaged a consultant to review and update the contract with CPS systems and that a draft Deed of Variation was forwarded to the contractor in June 2005 (Audit Report, p. 92). Has this Deed of Variation been finalised? Could you outline the key matters that have been addressed?*

Answer The Deed of Variation to the contract was signed on 6 March 2006 consolidating and making more explicit contract variations agreed over time through correspondence. The key changes are included in some of the Schedules to the existing contract:

- Schedule 1 (Specifications of Supported Systems) was updated to include all the immigration entry systems operated by the service provider on behalf of DIMA;
- Schedule 3 (Fees) was changed to reflect the current fees structure; and
- Schedule 4 (Operational and Support Services) was updated to reflect the level of Application Support for both ETAS and APP and outlines both Application Maintenance and Development Services.

In addition, Schedule 17 (Service Levels) introduced more detailed service levels for ETAS and APP to more accurately reflect the level of support provided by the service provider.

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2 Question *What steps has the department taken to address succession planning and a smooth transition to a new contract after the existing contract expires on 3 February 2007?*

Answer The Commonwealth Procurement Guidelines provide that, under certain circumstances, a Chief Executive Officer may agree to direct sourcing arrangements.

DIMA, and the current service provider, are in negotiations for a new contract beyond February 2007. A new contract is expected to be signed by the end of 2006. The department has engaged consultants with specialised skills (business, financial benchmarking/value for money, legal and probity) to ensure the procurement process is transparent and accountable and in accordance with the Commonwealth Procurement Guidelines.

3 Question *The ANAO found a lack of documentation to substantiate a number of business decisions, including evidence for the approval of expenditure of \$10,804,55 on APP development and transaction costs. What action is the department taking to ensure that all key business decisions, including financial approvals, are fully documented?*

Answer The department follows the Commonwealth Procurement Guidelines and has Chief Executive Instructions in place for efficient and effective purchasing. These Instructions reflect the FMA regulations. The current negotiation process is being progressed in line with these Instructions.

Governance and oversight arrangements have also been strengthened. A contract manager was appointed to oversee the contract. The Executive of the division is closely overseeing the contract negotiations and ongoing management of the contract. There has also been a strengthened structure around negotiations and issues resolution under the contract to ensure that the conditions of the contract are not changed informally. Finally, records management has been strengthened in line with the findings of the Palmer Report.

4 Question *What impact have the broader departmental administrative changes arising from the Palmer and Comrie reports had upon management of this contract?*

Answer

A wide range of measures to improve administration within the department were announced by the Minister in October 2005 in response to the Palmer Report. These measures included the creation of a Legal Coordination and Procurement Branch within the newly established Legal Division, to assist with putting into place a uniform governance and assurance framework for DIMA's contract and procurement processes. This division provides additional resources to manage legal and contracting process risks throughout DIMA.

The programme includes:

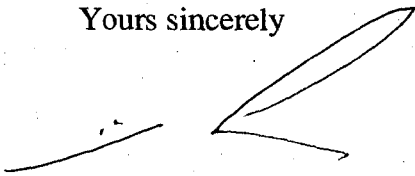
- improved governance of procurement processes via the establishment of a high-level Procurement Assurance Board to ensure that procurements have the necessary structural attributes;
- updating and further development of Chief Executive Instructions and other guidance for staff relating to procurement and contract management, and enhanced training for staff involved in procurement and contract management;

- managing procurement and contracting risks with risk profiling and model contract management plans; and
- improving contract management, with mandatory contract management plans for medium and long term contracts, which include a risk treatment plan.

These initiatives were circulated to agencies including the Australian National Audit Office and the Departments of Finance & Administration in early April of this year. All of these agencies have agreed that the programme is sound, addresses audit and other criticisms, is consistent with best practice and a positive step towards improving the governance and assurance arrangements for procurement and contract management processes.

In terms of the management of this contract, the above initiatives will ensure comprehensive and sound governance arrangements remain in place.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Vincent McMahon', with a large, stylized flourish extending to the right.

Vincent McMahon
First Assistant Secretary
Border Security Division

2 August 2006