

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

March 2011

Questions on Notice

DEPARTMENT OF FAMILIES, HOUSING, COMMUNITY SERVICES AND INDIGENOUS AFFAIRS

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?

Answer: Departmental procurement policy and guidelines are regularly reviewed to ensure consistency with the Commonwealth Procurement Guidelines (CPGs) and related policies governing procurement. These policies and procurement guidelines are published on the Agency's Intranet which is available to staff when undertaking procurement activities.

All staff in the Centralised Procurement Unit (CPU) have, or are in the process of gaining, formal qualifications in government procurement. These are nationally recognised qualifications provided by accredited training providers.

In the overall training and change management context, a major challenge is the ability to recruit and retain senior procurement specialists. Whilst not confined to FaHCSIA, attracting qualified, experienced procurement officers remains challenging as they are highly sought after by most agencies.

2. Is procurement training required for all delegates involved in procurement? If not, why not?

Answer: In-house training courses in procurement and financial management are available to all FaHCSIA staff. Delegates are also encouraged to attend in-house training courses as well as training courses provided by the Department of Finance and Deregulation, the Australian Public Service Commission and private training providers.

Procurement training is not mandatory for delegates involved in procurement. FaHCSIA considers policy and guidelines available on the Agency's Intranet, coupled with guidance from the CPU, is sufficient to support delegates when exercising their financial delegations.

3. Who has developed and delivered this training during the last two years?

Answer: A two-day 'Working with Commercial Contracts' course has been developed by Shane Carroll and Associates in consultation with the CPU. The course is regularly delivered in Canberra and the State and Territory offices and, over the past two years, has been delivered 18 times.

FaHCSIA has also developed in-house financial management training in the following areas:

- 'Introduction to FaHCSIA's Financial Management Requirements' - a one-day course which provides employees with the information and skills to ensure compliance with legislative and internal policy requirements.
- 'Financial Management in FaHCSIA – Budgets and Reporting' – a two-day course which provides an overview of the APS Financial Framework and outlines where FaHCSIA fits within this framework.
- 'Understanding Your Accountabilities' – a two-day course providing an overview of employees' accountabilities as public servants.

In addition to the above, the CPU provides targeted procurement training to Business Areas as required.

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?

Answer: All components of procurement and contract management policy, guidelines and templates have been reviewed to ensure compliance with the CPGs. Internal processes require all procurement documentation to be workflowed through the CPU to ensure compliance with procurement policies. FaHCSIA considers that this approach provides adequate support to assist delegates with their decision to undertake Direct Source procurement.

The ANAO Audit found that FaHCSIA's process for the approval of departures from the Mandatory Procurement Procedures of the CPG as "good practice". This process, which has been mandated within the agency, requires all proposals for Direct Sourcing of goods or services above the procurement threshold of \$80,000 to be approved by the Branch Manager with responsibility for the CPU prior to approval by the relevant delegate.

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: Any non-compliance with the CPGs or departmental policy is reported through the Certificate of Compliance Process. Where instances of non-compliance are identified, these are brought to the attention of the relevant delegate which, together with appropriate training, ensures there are no repeat breaches.

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: The majority of these procurements were contracts for:

- software licensing, postal services and utility services where there is only one provider of the services; and
- accommodation and venue hire, training and research services where there is a limited number of providers. In these cases, selection is primarily made following a request for quotation process.

In these cases, Direct Source was considered an appropriate procurement solution. In addition, FaHCSIA has established a number of panel arrangements to allow business areas to streamline procurement processes.

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?**

Answer: Yes, in addition to the periodic review of procurement documentation, FaHCSIA is in the process of developing an enhanced procurement management system (Procure-to-Pay).

- 2. What steps has the department taken to implement such a plan?**

Answer: Preliminary work in developing the Procure-to-Pay system has already been undertaken by FaHCSIA with a planned introduction of the system in the 2011-12 financial year.