



Australian Government

**Department of Families, Housing,
Community Services and Indigenous Affairs**

OPENING STATEMENT

INTRODUCTION

Overall, FaHCSIA considers that the ANAO Report (the Report) is well targeted and has made sound recommendations which the Department supports. FaHCSIA is encouraged that the Report recognises its Central Procurement Unit (CPU) as having sound policies in place, which are consistent with the Commonwealth Procurement Guidelines (CPGs). However, FaHCSIA recognises that there are areas in which it can improve its processes and has initiated systems, policy and procedural changes to address those areas where potential weaknesses were identified.

ISSUES

We have examined the Report and, identified the areas in which FaHCSIA policies, processes and procedures could be improved to increase Direct Source procurement compliance and performance.

There are 24 instances of note for FaHCSIA. Five of the issues related to the incorrect reporting of procurement outcomes on AusTender and these have been addressed through a review exercise to ensure all entries in Austender are appropriate and correct. Nine related to deficiencies in policy guidance and procedural documentation available for staff undertaking procurement activities. The majority of these issues have been addressed by strengthening and clarifying FaHCSIA's procurement related policies and ongoing training of staff within the CPU.

The remaining 10 issues relate to the application of procurement policies by business areas when undertaking procurement. These issues will be addressed by the introduction, in the 2011-12 financial year, of an enhanced procurement management system (Procure-to-Pay). This system will streamline the overall procurement process, while providing a robust audit trail and a work flow for delegation purposes. A significant training effort will accompany the roll-out of the system across FaHCSIA.

FaHCSIA is aware of the costs, for both FaHCSIA and for service providers, associated with open tender processes. To minimise this expense, while still obtaining value for money outcomes, several panels have been established following open tender processes. Once a panel has been established, service providers are selected from the panel following requests for quotation.

Recruitment and retention of qualified and/or experienced procurement specialists remains challenging as they are highly sought after by most agencies. Nevertheless, FaHCSIA remains committed to the principles in the CPGs and to ensuring its practices are compliant.

ACTIONS TO ADDRESS THE ISSUES

To address reporting concerns, the CPU has updated its processes to improve the accuracy and timeliness of contract notice reporting, engaged in further training and development of Contracts Helpdesk staff and implemented a knowledge database which contains policies, procedures and links to Department of Finance and Deregulation and other useful procurement information.

The CPU has reviewed and updated its Procurement Policy and Intranet guidance material to more clearly present guidance on thresholds (both for covered and non-covered procurement), define procurement methods and the importance of comprehensive documentation for all procurement processes. The CPU actively promotes this material.

While much has already been done within the existing procurement framework, the Procure-to-Pay system will introduce checkpoints in the procurement workflow process which will ensure compliance with CPGs, FaHCSIA procurement policy and audit requirements.