

**Joint Committee of Public Accounts and Audit**  
**Inquiry into Audit Report (No.11 2005-06) *The Senate Order for***  
***Departmental and Agency Contracts (Calendar Year 2004***  
***Compliance) and Audit Report (No. 27 2005-06) *Reporting of****  
***Expenditure on Consultants***

**Submission by Department of Finance and Administration**

**INTRODUCTION**

The Department of Finance and Administration (Finance) appreciates the opportunity to make a submission to the Joint Committee's examination of *Senate Order for Departmental and Agency Contracts and Audit Report* (Audit Report No. 11 2005-06) and *Reporting of Expenditure on Consultants* (Audit Report No. 27 2005-06).

Finance supports the recommendations of Audit Report No. 11 and recommendations 2 and 3 of Audit Report No. 27 (noting recommendation 1 is a matter for the Department of Defence). These recommendations add impetus to Finance's initiatives to improve the transparency of agencies' procurements which are aimed at:

- articulating and improving the reporting requirements of the procurement policy framework;
- improving the quality of procurement reporting; and
- providing practical assistance to agencies.

**KEY AUDIT FINDINGS**

Together, the Audit reports made six recommendations, four of which relate to Finance's whole-of-government procurement policy responsibilities.

**Audit Report (No.11 2005-06) *Senate Order for Departmental and Agency Contracts (Calendar year 2004)***

- Recommendation No. 1: The ANAO *recommends* that agencies, that have not already done so, implement additional controls designed to ensure the completeness and accuracy of their Internet listings. These controls could include reconciling the Senate Order listing to AusTender information and/or contract details included in their FMIS.
- Recommendation No. 2: The ANAO *recommends* that agencies provide further guidance, together with training and/or awareness-raising sessions on the requirements of the Senate Order, to all staff responsible for negotiating contracts.
- Recommendation No. 3: The ANAO *recommends* that agencies ensure adequate documentation of the reasons for agreeing to identify specified information in contracts as being confidential.

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**Audit Report (No. 27 2005-06) Reporting of Expenditure on Consultants**

- Recommendation No. 2: The ANAO *recommends* that the Department of Finance and Administration and the Department of the Prime Minister and Cabinet, in consultation with key Parliamentary Committees, affected agencies and other relevant stakeholders, examine options for improving the accuracy and completeness of reporting of Government procurement, including the merits of rationalising the number of reporting regimes.

**FINANCE INITIATIVES**

Finance has implemented a number of initiatives, described below, to improve reporting of procurement activity and to assist agencies to improve the quality of their reporting.

**Articulating and Improving the Reporting Requirements of the Procurement Policy Framework**

The *Commonwealth Procurement Guidelines* (CPGs) issued in July 2004 identified policy and legislative obligations, documentation and disclosure as the fundamental elements of accountability and transparency. The CPGs issued in January 2005 reiterated these elements of accountability and transparency, which have been further developed in supporting guidance, including:

- *Guidance on Complying with Legislation and Government Policy in Procurement* (issued January 2005);
- *Procurement Publishing Obligations* (issued January 2005);
- *Guidance on the Listing of Contract Details on the Internet (Meeting the Senate Order on Departmental and Agency Contracts)* (issued January 2004);
- *Guidance on Identifying Consultancies for Annual Reporting Purposes* (issued July 2004); and
- *Guidance on Confidentiality of Contractor's Commercial Information* (issued February 2003).

**Improving the Quality of Procurement Reporting**

Finance is in the process of enhancing the Australian Government Tender System (AusTender) to provide greater functionality and reporting capacity. The new system will facilitate increased transparency in procurement in accordance with the requirements of the procurement policy framework.

The development will incorporate the existing AusTender – Contracts Reported functionality into the AusTender system with enhanced search and reporting functions for stakeholders including industry, the public and Members of Parliament.

Finance has also commenced a project to assist agencies to improve the quality of the data they input to AusTender. The Contract Information Improvement Project will assist agencies to refine their systems, practices and controls to better meet their procurement reporting obligations. The project will also contribute to the education of agencies in procurement reporting requirements.

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### **Providing Practical Assistance to Agencies**

Finance has a number of initiatives to increase its support of agencies on procurement issues, including:

- the Procurement Discussion Forum - this is a regular session conducted by Finance for Australian Government officials to facilitate agency awareness and interaction on procurement matters;
- the Procurement Seminar Series and Annual Procurement Conference – these initiatives provide up-to-date information on key and emerging procurement matters; and
- the establishment of the Procurement Agency Advice Branch (PAAB) - PAAB provides agencies with advice on the requirements of the Procurement Policy Framework, including procurement reporting requirements.

Finance is also developing guidance to assist agencies with their reporting systems. This will provide support to agency staff to refine their internal requirements and to coordinate their approach to reporting.

### **IMPROVING THE PROCUREMENT REPORTING REQUIREMENTS**

Finance is undertaking a number of projects to address those matters outlined in the ANAO reports and is reviewing the procurement reporting requirements in consultation with the Department of the Prime Minister and Cabinet (which administers the Annual Reporting requirements) and the ANAO.

Finance has also established an informal working group to facilitate agency input into the review.

#### **Rationalisation**

Finance supports the ANAO's recommendation that Finance and the Department of the Prime Minister and Cabinet, in consultation with key stakeholders, examine options for improving the accuracy and completeness of reporting of government procurement. Finance notes the ANAO's conclusion that a reduced number of reporting mechanisms to meet transparency requirements is likely to generate better, more efficient reporting by agencies.

Finance considers that a single reporting mechanism will improve access to procurement information for stakeholders. Finance views AusTender, the Australian Government's central on-line facility for procurement information, as the appropriate mechanism. AusTender is being further developed to inform stakeholders not only about procurement opportunities, but to enhance reporting of contract details.

At present different data is required to meet the three reporting regimes (AusTender, Senate Order and Annual Reporting). The timing and frequency of reporting requirements also differ. This can create confusion, for example, when a comparison between AusTender and Senate Order information is sought.

The requirement for different information in each regime increases the risk of error in the data reported, as agencies are required to draw data from different systems. Finance is examining, with other agencies including the Department of the Prime Minister and Cabinet, the opportunities for information reported on AusTender to be

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drawn directly from agencies' procurement reporting systems. This will improve the accuracy of data on the value of reported procurements.

The objective is to develop a model for AusTender that would promote accurate and efficient reporting and that, subject to the agreement of the Committee, would satisfy its requirements for transparency and replace the current Senate Order and Annual Reporting requirements.

ANAO report 27 identifies that savings are likely to be obtained by aligning the procurement reporting requirements for the Senate Order with AusTender. AusTender has an optional feature to report confidentiality information for the Senate Order. However, this feature is underutilised due to the different data requirements of the Senate Order and other reporting requirements. Similarly, AusTender could be used to identify consultancy contracts, required in the Annual Reporting requirements.

Finance proposes to develop a Discussion Paper on rationalising and improving reporting requirements, including reviewing the requirement to report contracts that do not relate to procurement (such as discretionary grants) and ongoing contracts (that is, those entered into in previous reporting periods). These have been identified as factors that contribute to reporting complexity and confusion.

### **Confidentiality**

Addressing the reporting arrangements is only one element to achieve appropriate transparency. The primary motivation for the Senate Order appears to be to ensure that officials do not use confidentiality provisions to avoid scrutiny of contractual arrangements. The CPGs support this view by seeking to ensure that Australian Government procurement activities are transparent.

Finance's review of the procurement reporting requirements is also examining the treatment of confidential information and the associated guidance provided to agencies. A key focus will be to ensure that agencies consider confidentiality matters appropriately throughout the procurement process. Finance is revising guidance, including sharing better practice to assist agencies to manage confidentiality. The revised guidance will also include requirements for treatment of material which is confidential to the Commonwealth.

### **Conclusion**

Accountability and transparency are important aspects of Finance's development of the procurement policy framework. This focus has also been mirrored in the efforts of many agencies. Finance supports actions to improve the clarity of statements on reporting requirements, requirements for the treatment of confidential information and the quality of reporting.