



Australian Government
Department of Health

Secretary

Ms Susan Cardell
Committee Secretary
Joint Committee of Public Accounts and Audit
Parliament House
CANBERRA ACT 2600
Email: jcpaa@aph.gov.au

Dear Ms Cardell

Thank you for your invitation to attend the public hearing for the inquiry into Commonwealth Procurement taking place on 14 February 2018. I have attached my Department's submission in relation to the Audit Report No.61 (2016-17) *Procurement of the National Cancer Screening Register*.

The submission includes:

- an implementation status update on the audit recommendation;
- an outline of future plans and milestones for actions that are still to be completed; and
- changes made due to audit findings (but not specifically recommended in the audit).

I look forward to assisting the Committee with this inquiry.

Yours sincerely

Glenys Beauchamp

25 January 2018

Commonwealth Procurement: Inquiry based on Auditor-General's reports 9,12
(2017-18) and 61 (2016-17)



Australian Government

Department of Health

**Inquiry into Commonwealth Procurement: Audit report
No. 61 (2016-17) Procurement of the National Cancer
Screening Register**

Joint Committee of Public Accounts and Audit

Department of Health Submission

January 2018

Introduction

This submission seeks to provide the Committee with:

- An implementation status update on the Australian National Audit Office recommendations;
- An outline of future plans and milestones for actions that are still to be completed; and
- An overview of broader improvement actions that are being implemented to enhance procurement practices within Health, beyond those specifically recommended in the audit.

Background

The legislation for the National Cancer Screening Register passed in the Senate in October 2016 with an accompanying resolution requesting that the Auditor-General conduct a performance audit of the procurement process. The *National Cancer Screening Register Act 2016* commenced on 1 July 2017.

On 29 June 2017, the ANAO published its report into Procurement of the National Cancer Screening Register. The report recommended that Health should ensure that:

- (a) actual, potential and perceived conflicts of interest records are maintained, up-to-date and appropriately addressed; and*
- (b) Senior Executive Service employees declare in writing, at least annually, their own and their immediate family's financial and other interests.*

The Department of Health accepted this recommendation. The Auditor-General also stated the Department of Health complied with the Commonwealth Procurement Rules, effectively managing an open tender process and considering value for money.

As a result of the ANAO recommendation, actions have been taken to ensure annual written declarations are completed by Senior Executive Service (SES) officers. Until April 2017, the SES Declaration of Interests form was paper based. It is now managed as an online form and is based on guidance from the Australian Public Service Commission.

To address specifically elements of the recommendation the following actions have been taken:

(a) actual, potential and perceived conflicts of interest records are maintained, up-to-date and appropriately addressed:

- (i) Records maintained
 - a. Conflict of interest declarations are a mandatory requirement; and
 - b. Records are kept centrally and completion rates are tracked.
- (ii) Declarations are up-to-date
 - a. SES are required to review declarations annually;
 - b. SES are required to review declarations where there is a change in circumstances; and
 - c. SES are required to review declarations where there has been a change in position.
- (iii) Conflicts are appropriately addressed:

- 3 -

- a. Additional guidance and advice has been incorporated into the conflict of interest declaration form to ensure officers have an understanding of what may constitute a conflict; and
- b. The updated conflict of interest declaration form requires that all declarations and proposed management strategies are discussed and agreed between staff and their immediate manager.

(b) Senior Executive Service employees declare in writing, at least annually, their own and their immediate family's financial and other interests.

To ensure declarations are robust and conflicts appropriately addressed, the SES Declaration has been moved to an online platform. The online Declaration is supported by direct communication to all SES officers informing them of the requirement to complete the declaration and to review and update the information annually or when there is a change to circumstances. Since the implementation of the online form, the completion rate for substantive SES officers is 99.25 per cent acknowledging a minor administrative lag associated with movements of SES in and out of the Department. Additional guidance and advice has been incorporated into the conflict of interest form that prompts and requires a discussion of declarations and management strategies with the immediate supervisor, regardless of whether a conflict has been identified. It is also a requirement that any proposed management strategy is agreed to by the immediate supervisor with additional advice being sought as needed from relevant corporate areas such as recruitment, procurement, legal or professional integrity.

In addition, a review and update was undertaken on templates and guidance materials for significant or complex procurements. This included additional detail being added to the template for the Tender Evaluation Plan to provide guidance on probity protocols and the management of conflict of interest during a tender process.

Improvement actions in progress that address the ANAO recommendation

Following the implementation of the online SES Declaration form in April 2017, a review was also conducted to identify ways in which the current declaration can be improved. An updated form has recently been finalised drawing on Australian Public Service Commission advice and suggested templates. Improvements to the form include a more detailed explanation of what should be declared, a separate section for declaration of personal relationship interests and the requirement for the employee to describe their management strategy for declarations. The updated form incorporates clear guidance to ensure that the officer undertaking the declaration has an appropriate understanding of their responsibilities when declaring and managing conflicts of interest. The form includes a requirement that officers discuss their conflicts and management strategies with their manager before finalising. This new form is being rolled out in February for all SES officers to revise their declarations as part of the annual update. The form will also be available to non-SES staff where a declaration is required.

The improvements to the Declaration Form are part of a broader program of work underway to strengthen conflict of interest processes within Health. A revision of Health's Conflict of Interest Policy (which applies to all staff) was undertaken to bring together separate business rules relating to conflict declarations across such areas as associations, committees, contractors and outside employment. The revised policy provides guidance to all employees on managing conflicts of interest. It will help with identifying business situations (e.g. procurement and grants management; recruitment; outside employment; company

directorships/partnerships) in which conflict of interest is relevant, must be considered and should be declared. To support the roll out of the revised policy Health is planning to develop mandatory conflict of interest training for all staff.

Additional improvement actions that support ANAO findings and continuous improvement within procurement

Health has implemented a number of actions to improve our organisational adherence to procurement policies and procedures and to provide additional guidance on the active management of probity during procurement processes. A revised Procurement Framework was released in 2017 which introduced several improvement actions that will address findings identified in the ANAO audit.

A review of all procurement templates resulted in replacement of outdated templates with the Department of Finance's Commonwealth Contracting Suite documentation. Additional detail on probity protocols has been incorporated into the templates and guidance for significant and complex procurements. The review extended to Health's intranet site which was updated to provide additional supporting material to assist users in understanding governance and compliance in procurement. The Frequently Asked Questions section of the procurement intranet was updated to specifically address questions regarding probity briefing and conflict of interest declarations.

A number of new tools and guidance materials have been developed under the Procurement Framework to improve compliance. The Procurement Decision Tree, provided as an example at Attachment A, is a process flow chart that provides guidance to business areas to plan and select the appropriate approach to market. The Decision Tree is supported by step by step online guidance with all relevant templates embedded and additional tools to record items such as correspondence with tenderers during the evaluation process.

Additional guidance was developed on the management of risk within procurement which includes examples of procurement risk and examples of the possible consequences and treatments for conflict of interest situations. Delegates are supported through the Delegate Checklist that, once completed, provides some additional assurance that the procurement process has been carried out appropriately and that probity issues have been considered and documented. Additional support is also available from the internal Procurement Advice and Support team in the form of probity presentations, one on one telephone support and escalation to legal advice where appropriate.

Compliance under the Procurement Framework is further supported by making use of these tools mandatory, including a requirement to seek procurement advice on all procurements above \$80,000. Delegate approval for the approach to market is also built into the SAP financial management system.

The Procurement Framework aligns with the Department's Contract Management Framework which was released in September 2017. The Contract Management Framework includes detailed guidance to users on ethical behaviour, potential conflicts of interest and how to implement and maintain a probity plan for the duration of the contract. In addition to the centralised procurement advice and support, individual areas of the Department that undertake high risk or critical projects engage independent probity and risk specialists, as required, to ensure that advice is tailored and contextual to the work being undertaken.



Procurement Method Decision Tree

This decision tree assists in determining the simplest and most effective method for your procurement, reducing the risk of non-compliance or adverse audit findings.

Once a determination is made you must follow the relevant process and complete the documentation and SAP requirements for that process. Links to each process and associated templates are contained in this document, within the green boxes. All values are GST Inclusive.

Vary an existing contract / arrangement: To vary an existing contract, the [Contract Variation](#) process must be followed.

Tips:

- Open tenders are time consuming – allow a minimum of three months for the conduct of an Open tender (planning to contract execution).
- Limited tenders over \$80,000 must have a justification consistent with [CPR 10.3 – Conditions for Limited Tender](#), or [CPR Appendix A – Exemption from Division 2](#)
- A PO is required for any procurement (regardless of value) involving granting access to Departmental buildings or IT systems. Search '[ManWoLF](#)' for detailed information.

Step 1 – Consultancy Test

Is this procurement for a consultancy?
[Consultancy Test and Examples](#)
(Scroll to the bottom of the linked page)
Answer the questions in steps 2, 3 & 4 on that page. If the answer to each question is yes your procurement is a consultancy.

Yes

Consultancy mandatory requirements

- You cannot pay for this arrangement with a credit card.
- You must have a contract and register the arrangement in SAP.

Go to Step 2

[Link - Consultancy Test and Examples](#)

No

Step 2 - Indigenous Procurement Policy (IPP) – All procurement under \$200,000 - Mandatory check for all Non Corporate Commonwealth Entities*

Does the IPP apply to this procurement?
Complete the [IPP Checklist](#) to determine if the IPP applies.

Yes

Indigenous Supplier

If you have found a suitable Indigenous supplier through [Indigenous Business Direct](#) go to Step 5 for \$10,000 or more, Step 3 for less than \$10,000.

If you have not identified a potential supplier go to Step 3

[*Commonwealth Entities Flip Chart](#)

[Link - IPP Checklist](#)

No

Step 3 – Under \$10,000

Is the estimated value of the procurement less than \$10,000?

Yes

Under \$10,000

You should use a credit card unless the procurement involves:

- a contract, purchase order or Asset
- standing offer arrangement (Panel), or
- multi-payment such as labour hire.

Important

- If the procurement requires a Purchase Order (e.g Consultancy or other contract arrangement) follow the Under \$10,000 with PO process. NEW: PO required for all on-boarding activities
- If a PO or contract is not required (e.g purchase of a frame for an award) follow the Under \$10,000 without PO process.

Credit Card

[Link - Credit Card Under \\$9,999](#)

Non-credit card

[Link - Under \\$10,000 without a PO](#)

Non-credit card

[Link - Under \\$10,000 With a PO](#)

No

Step 4 – Panels – All \$values

Is this procurement covered by a [Whole-of-Government Panel](#)?

Yes

Does this procurement contain ICT related goods or services?

No

yes - If the procurement involves ICT related goods or services the [IT Front Door](#) must be contacted before proceeding.

Contact PAS
Procurement.Advice@health.gov.au
02 6289 5924

No

Have you identified a suitable Health panel to provide your goods/services?

Yes

No

Have you identified a suitable external panel to provide your goods/services?

Yes

No

Panel Method

If the procurement involves ICT related goods or services the [IT Front Door](#) must be contacted before proceeding.

Follow the panel process.

Important!
Procurement through a panel is not considered a Limited Tender process. The Panel Process below must be followed.

[Link - Panel Process](#)

Step 5 – Limited Tender or Open Tender

Mandatory Requirement:

If the procurement is \$80,000 or more you must contact PAS before proceeding.

If the procurement involves ICT related goods or services the [IT Front Door](#) must also be contacted.

[Link - Limited Tender Process](#)

Involves approaching one or more specific suppliers to submit a quote, Excluding Panel Arrangements.

[Link - Open Tender Process](#)

The open market is approached via a Request for Tender published on AusTender.