



Australian Government
Department of Home Affairs

EXECUTIVE MINUTE

on

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT
REPORT No. 465

Commonwealth Procurement—Inquiry based on Auditor-General’s reports 1, 13 and 16 (2016-17)

General comments

The Department of Home Affairs (Home Affairs) supports the Joint Committee of Public Accounts and Audit (JCPAA) recommendations and welcomes the opportunity to provide this response back to the JCPAA.

Home Affairs’ ongoing reform programme assures that we are ready to meet the challenges and opportunities in our current and future operating environments and to deliver integrated services that effectively:

- manage the infrastructure and the Detention Health and Services contracts of the Immigration Detention Network and the Regional Processing Centre Nauru
- provide expert clinical advice, health policy and clinical governance
- deliver overall financial management, including procurement, financial strategy, policies processes, systems and procedures.

Recommendation 7

The Committee recommends that the Department of Immigration and Border Protection reports back to the Committee on:

- a) its implementation of appropriate performance monitoring of the contractor for the provision of health services in onshore immigration detention, including assessments against performance measures set in the contract;**
- b) its implementation of a risk-based remediation plan;**
- c) its progress finalising key documents, including the Departmental Medical Audit Tool and the Health Policy and Procedures Manual; and**
- d) advice as to which targeted audits have been undertaken to assess the contractor’s policies and procedures against relevant clinical benchmarks, and the outcomes of all such targeted audits.**

Response:

Recommendation 7 a) its implementation of appropriate performance monitoring of the contractor for the provision of health services in onshore immigration detention, including assessments

Following recommendations documented in the 2015 Australian National Audit Office (ANAO) report, the Department has undertaken actions to strengthen its performance monitoring framework and monitoring practices, based on an assessment of the risks in the effective delivery of health services in onshore detention.

The Department undertook a contract performance risk assessment project to identify key contract and service delivery risks associated with the delivery of health care services in onshore immigration detention facilities. Findings from the performance risk assessment enabled the Department to develop a Performance Assurance Review program to evaluate internal controls to manage the identified risks and provide recommendations for continuous improvement. The Performance Assurance Review program, which was implemented during 2016-2017, is in addition to, and complements the existing Performance Management Framework.

Improved performance review activities will focus on measures including:

- timeliness and quality to measure indicators and trends in performance
- audit and review - regular subject matter expert audits across all service delivery areas to assess targeted areas of quality and value for money service deliver
- user/stakeholder feedback provides a measure of satisfaction in service delivery and assists in evaluating the suitability and effectiveness of that service delivery
Methodology may include regular reporting, complaints management review, feedback from key user groups and debriefs.

This auditing process is conducted on site at each facility by the Department Service Delivery teams. As part of the process, the contracted service provider is required to provide the Department with weekly data. Should failures in performance be identified, the Department works with the health service provider to ensure controls are put in place for continuous improvement under the identified service delivery category. The process enables the Department to have greater oversight of service delivery performance and assists in analysis of emerging trends, ensuring that health care services are delivered as per the Immigration Detention Health Services Contract.

The Department is confident that it now has a robust auditing process which measures the provision of health services delivery. The Department has seen a marked improvement in compliance with service delivery guidelines as well as a steady decline in the financial value of performance failures due to the rectification of identified service delivery issues.

Recommendation 7 b) its implementation of a risk-based remediation plan;

During 2016/2017 the Department implemented a risk-based remediation plan centered on its findings from the Performance Assurance Review program undertaken to meet the recommendations of the 2015 ANAO report.

The implementation involved a number of actions to strengthen the Performance Management Framework in monitoring the health service provision in onshore immigration detention facilities. The previous audit process concentrated on managing a number of performance measures identified in the Immigration Detention Health Services Contract. While the process measured those areas identified as having a high risk of negative consequences to service provision; the monitoring of the performance measures did not provide a risk based approach to reduce risks. The Department has acknowledged this finding.

To complement the Framework the Department has now implemented a more robust risk-based approach to monitoring which involves:

- active monitoring of risks and controls rather than the managing of the contract through audits only
- ‘lessons learned’ reviews undertaken each month to ensure continual improvement
- monthly analysis of health service provider reports
- regular review of services not covered under the performance measurement framework
- staff involved in managing the contract undertaking frequent communication and consultation to ensure internal and external stakeholders understand the decision making process, are aware of accountabilities and the relevance of actions required.

The Department has determined that the above activities enable an appropriate amount of risk oversight, management and assurance to ensure that health service provision meets contractual requirements.

Since implementation of a broader risk-based approach to contract management, the financial value of performance failures and abatements for non-compliance of service provision has been in steady decline due to greater visibility of issues, allowing timely rectification of identified service delivery concerns.

Recommendation 7 c) its progress finalising key documents, including the Departmental Medical Audit Tool and the Health Policy and Procedures Manual

Health policies and procedures relevant to the portfolio’s responsibilities are expected to be compiled into an integrated framework by mid-2018.

The Department, through its Health Policy and Health Services Contract Management has agreed on a joint process to resolve the non-activation of the Departmental Medical Audit Tool (DMAT). Under the new approach the DMAT, as specified under the contract, will be amended and replaced with a clinically appropriate tool that:

- a) Obtains data from International Health and Medical Services (IHMS) that can be used to populate an agreed set of clinical Key Performance Indicators (KPIs). These have already been proposed by the Independent Health Advisory Panel (IHAP) and need only be endorsed and accepted by the Department (thus becoming Departmental clinical KPIs).
- b) Collects additional clinical metadata that would allow the Department to determine the quality and appropriateness of the healthcare provided to detainees, by measuring the number of instances where detainee healthcare records fail to meet accepted industry standards.

Recommendation 7 d) advice as to which targeted audits have been undertaken to assess the contractor's policies and procedures against relevant clinical benchmarks, and the outcomes of all such targeted audits.

The Immigration Detention Health Services Contract (onshore) and the Regional Processing Health Services Contract (Nauru), both have IHMS as the health services provider. Monthly performance measures reporting is included as part of the performance management framework and a broader contract management framework. This framework is supported by fortnightly contract meetings chaired by the Department, including with IHMS, to address, track, and monitor and resolve any contract management issues, including any performance related issues. Issues that cannot be resolved at these fortnightly meetings are escalated to another governance body - the Health Services Provider Committee Meeting for decision.

The formal performance management regime is supported by scrutiny from the ANAO, Commonwealth Ombudsman and other external scrutiny bodies. Issues raised by these external scrutiny bodies are reflected in the Department's ongoing contract management discussions with IHMS.

Following feedback from scrutiny bodies, an emphasis on training and education has been implemented for staff in contract management roles to enhance their knowledge and skills. In the Health Services Contract Management Section (manage the IHMS contracts), six staff have completed relevant contract management courses, including three staff members with a Diploma of Government (Procurement & Contracting), one staff member with a Diploma of Government (Management), two staff members with a Certificate IV in Government (Procurement & Contracting), and one member with a Bachelor in Management. National Office staff have also been undertaking projects to review quality of care and service provision, provided to detainees in held detention.

Recommendation 8

The Committee recommends that the Department of Immigration and Border Protection report back to the Committee providing a postimplementation progress report for each of the audit recommendations in ANAO Audit No. 16 (2016-17) including:

- **an update on procurement processes and their compliance with the CPRs; and**
- **an update on staff training, development and guidance on procurement practices.**

The ANAO audit of the procurement of garrison support and welfare services for the Nauru and Manus offshore processing centres highlighted a number of weaknesses in the Department's administration of procurement and made two recommendations (see **Attachment A**) to address procurement skills and capability gaps, and planning and management oversight of procurement activities.

The Department developed an action plan (see **Attachment B**) to address the report's recommendations. The action plan has been updated to include post-implementation progress that addresses the audit recommendations. The Department notes that the Manus Island RPC has now closed (31 October 2017).

There are three principal reform focus areas that were developed following consultations with key

stakeholders:

- a) a portfolio-wide strategic procurement and contract management framework enabling spending analytics, compliance and assurance activities across the Department
- b) streamlining of procurement processes using technology to automate transactions wherever practicable; and
- c) upskilling and professionalising staff to expertly support high-value and complex procurement.

Initial reform activities included a full review of the Department’s Procurement Manual to ensure compliance with the Commonwealth Procurement Framework including the Commonwealth Procurement Rules. Individual procurement activities (i.e. seeking approvals, tendering etc.) their respective policy, guidance and templates were split out from the manual and hosted on a new easy to navigate Procurement intranet providing staff stepped direction on various procurement functions.

The same process was undertaken for the Department’s Contract Management Manual but in addition, all policy, guidance and templates were brought in line with the endorsed Departmental Contract Management Framework. The development of the Contract Management Framework provides a standardised basis to competently manage all aspects of the contracts within the Department.

Upskilling and professionalisation is a fundamental tenant of the Department’s procurement reform project. Procurement and Contract Management portfolio-wide rubrics have been developed to identify the level of education and accreditation staff require when undertaking procurement or contract management activities commensurate to risk and complexity.

Skills gaps are identified when allocating procurement functions to new staff through the network of Divisional Category Managers and central procurement area Account Managers. In addition, the newly introduced Capability Assessments and Contract Audits are also providing opportunities for development across the Department.

There is a variety of Procurement and Contract Management development options for staff. These are delivered both internally through contracted providers and staff (non-accredited courses) and externally through registered training providers (accredited courses). A list of courses and attendee numbers for the 2017 calendar years is included below:

Course	Introduction to Procurement	Certificate IV Procurement and Contract Management	Diploma Procurement and Contract Management	Advanced Diploma Procurement and Contract Management
Summary	One day, face to face Home Affairs specific training	PSP40616 Certificate IV, 8 facilitated training sessions	PSP50616 Diploma, 14 face-to-face training sessions	PSP60616 Advanced Diploma, 12 facilitated training sessions
2017 Attendees	195	29	32	12

Communication between procurement specialists has been enhanced the through introduction of a

Departmental community of practice as well as regular Category Managers meetings that bring together the central procurement area and the Divisional procurement representatives. Further enterprise-wide stakeholder engagement, particularly delegation holders involved in large and complex procurements, will be critical for the successful implementation of the action plan and the longer-term objectives of the procurement reform programme.

Ongoing support and improvement will be achieved through a network of practitioners, specialists and advisors supported by appropriate systems and processes that are better suited to the broad range of departmental procurement activities.

Enhancements of the current governance frameworks has been undertaken, inclusive of Assurance, Risk Management, legislative and financial oversight, as well as the establishment of procurement Steering Committees for the more complex and/or high-risk activities.

The report identified deficiencies in the Departmental record keeping processes, in particular - persistent shortcomings in record keeping for procurement activities. The Records Management Action Plan 2016-20 was developed and approved by the Department's Executive Committee in November 2016. Implementation to date includes:

- a departmental records management system (TRIM) upgrade to ensure that the system maintained compatibility with associated systems and platforms including the move to Windows 10 and Microsoft Office 16
- introduction of a Business Classification Scheme, providing easier end user access; and
- a full suite of TRIM training products to enhance user knowledge and awareness including compulsory components and improved search functions through the introduction of enterprise taxonomy.

I am confident that our actions have produced improvements to our processes and human resource capabilities relevant to these recommendations. I affirm a continued commitment to ongoing improvement and full implementation of all recommendations.

I thank the JCPAA for the opportunity to respond.

Cheryl-anne Moy
Chief Audit Executive

18 March 2018

ATTACHMENTS

- A. ANAO audit of the procurement of garrison support and welfare services for the Nauru and Manus offshore processing centres recommendations
- B. Action Plan

Audit Recommendations

Recommendation No. 1

That the Department of Immigration and Border Protection address, as a priority:

- a) through training and staff selection the significant procurement skill and capability gaps identified in this audit amongst personnel at all levels, including:
 - the central procurement unit;
 - budget unit;
 - program area staff; and
 - delegates.
- b) through guidance, training and staff selection – an approach to ensuring that officials have appropriate seniority and experience to undertake key procurement roles, such as chief negotiators and delegates, and effectively manage procurement risk; and
- c) through guidance, training and a strategic approach to records management persistent shortcomings in record keeping for procurement activities.

Recommendation No. 2

That the Department of Immigration and Border Protection take practical steps to ensure adherence to the requirements of the resource management framework when undertaking procurements, including:

- a) the obligation to manage all aspects of a procurement process in accordance with the *Commonwealth Procurement Rules*;
- b) compliance with Government approved scope and contract value;
- c) in respect to open tender processes, adopting a value for money assessment which compares tenders against other bids;
- d) the application of documented eligibility criteria in line with the Request for Tender and consistent with the *Commonwealth Procurement Rules*, with any modifications advised to all potential suppliers;
- e) the need to ethical conduct throughout the procurement to ensure consistent and fair treatment of suppliers;
- f) the need to recognise and manage actual, potential and perceived conflicts of interest; and
- g) the maintenance of clear and complete records of all tender bids, key actions, decisions, conflict of interest and SES disclosure declaration

Attachment B: Action Plan

The Department recognises the importance of efficient, effective, economical and ethical procurement practices and has both short and longer term plans to increase the contracting and procurement capability.

Action	Timeframe	Lead Officer(s)	Proposed Output / Status
Immediately enhance processes for approving complex, high-risk procurements through a system of assurance steps, including specific thresholds for high-risk procurements (to be developed in consultation with the Chief Risk Officer (CRO)) and assistance for delegates making complex procurement decisions. The Chief Finance Officer (CFO) and Chief Audit Executive (CAE) will oversee and sign-off that each high-risk procurement has been undertaken appropriately prior to delegate approval. These enhancements will be embedded in the Procurement Reform Programme.	End September 2016	CFO CRO	Complete (update 13/11/2017) A High Risk High Value oversight process has been implemented. There are enhanced approval and oversight arrangements in place for procurements Identified as “High Risk/High Value”.
Complete health check by internal audit of the process and planning for current, planned procurement around garrison and welfare, health and settlement services.	End September 2016	CAE CFO	Complete (update 31/10/2017) Contract Diagnostic Internal Audit completed and implemented.
Review conflict of interest processes and declarations for all procurements above a defined risk and value threshold (to be based on contract diagnostics undertaken by the Chief Audit Executive)	End September 2016	CAE	Complete (update 13/11/2017) A High Risk High Value oversight process has been implemented. There are enhanced approval and oversight arrangements in place for procurements Identified as “High Risk/High Value”.

<p>Enhance governance arrangements for high-risk procurements including mandating the use of steering committees with membership to include the Department's principal assurance areas; CFO, CRO and General Counsel.</p> <p>Under enhanced governance arrangements, steering committees will be tasked with considering issues including risk, probity, and contestability, achievement of value for money, compliance and outcome delivery.</p>	<p>End October 2016</p>	<p>CFO CRO</p>	<p>Complete (update 13/11/2017)</p> <p>A High Risk High Value oversight process has been implemented. There are enhanced approval and oversight arrangements in place for procurements Identified as “High Risk/High Value”. Organisation changes have prompted the CAE and CRO role that were combined in one position to be split; the CRO remains on the HRHV governance committee, enabling the CAE to retain audit independence.</p>
<p>Develop a simplified and enhanced risk assessment framework for procurements to ensure that high-risk procurements are appropriately managed and have the early involvement from risk, probity, contracting and legal experts.</p>	<p>End October 2016</p>	<p>CRO</p>	<p>Completed (updated 16/11/2017)</p> <p>Departmental Risk Management Framework and related procurement guidance completed and is available to the Department through the Procurement and Contracts intranet presence.</p>
<p>Strengthen the policy and guidance on the engagement of independent commercial, probity and contract management advisors in procurement.</p>	<p>End September 2016</p>	<p>CFO</p>	<p>Completed (updated 16/11/2017)</p> <p>Guidance completed and is available to the Department through the Procurement and Contracts intranet presence.</p> <p>Continuous improvement to policy and guidance is provided through the Template Action Group that includes the Departments Procurement and Contracts Branch (PCB) and Commercial and Employment Law Branch (CELB).</p>

Medium Term Reforms (October 2016 to December 2017)

Implement the information management strategy to ensure the right people can access the right information at the right time, to support informed, effective decision making. This strategy has a range of initiatives, which include:

- Implementing robust leadership and governance of information, underpinned by clear policies and standards.
- Building information management capability, including tools and procedures that facilitate timely and reliable access to information across multiple systems
- Building the capacity for sustainable information management by instilling appropriate disciplines in our people, processes and systems. This includes ensuring that information is created, stored and used in accordance with legislation.

Progressively to June 2017

First Assistant Secretary Corporate Services

Complete (update 16/11/2017)

Records Management Action Plan for 2016-20 was agreed to by the Departments Executive Committee in November 2016

18 Nov 2017 - TRIM upgraded to TRIM RM8, ensured the system maintains compatibility with associated systems and platforms, including the move to Windows 10 and Microsoft Office 16.

3 Mar 2017 - Business Classification Scheme (BCS) will be implemented in TRIM RM8 providing easier end user access.

Department TRIM Training suite includes:

- Records Awareness mandatory online learning module
- TRIM RM8 Essentials mandatory online learning module – primary training tool
- TRIM RM8 Day to Day online learning module
- TRIM RM8 Power Users online learning module
- TRIM RM8 Essentials, Day to Day and Power Users classroom based learning
- TRIM RM8 virtual classroom
- TRIM RM8 help cards
- Good Guide to Records Management and TRIM

CELB have completed a review of

			<p>procurement templates to ensure all contracts include a requirement for managing Commonwealth records</p> <p>Enterprise taxonomy was rolled out in TRIM on 18 November 2017 to improve the search capability in TRIM through 'tagging'</p>
<p>Whole-of-Department Procurement and Contract Management Reform. Fast track the inflight reform program to encompass all procurement and contract management functions across the Department.</p> <p>This work will include improved guidance, education and training as well as longer term system improvements. Capability uplift will be ensured across the Department generally, with particular focus on areas undertaking high-risk procurement and contract management through implementation of an enhanced Skills and Competency framework that addresses the prerequisite requirements needed to effectively conduct procurement and manage contracts.</p> <p>Improved contract management will build upon the contract management framework that is being developed in the Detention Services Division. The framework has been developed using the <i>ANAO Better Practice Guide</i>, guidance from the Chartered Institute of Procurement and Supply and other leading best practice guidance.</p>	June 2017	CFO	<p>In progress (update 17/01/2018)</p> <p>Revised procurement and contract management policy and guidance has been completed and is available to the Department through a new easily navigable Procurement and Contracts intranet presence – 1 July 2017.</p> <p>Departmental Procurement Framework established including Account and Category Managers positions within PCB.</p> <p>Upskilling and Professionalisation Strategy paper approved by the CFO in October 2017 and implemented.</p> <p>Electronic and online Procure to Pay acquisition is underway. Expected implementation completion is programed for the 2nd quarter 2018/19.</p>
<p>Increase coverage within the Department's Strategic Assurance Programme for 2016/17.</p> <p>The Department's assurance programme for 2016/17 will have a specific focus on procurement and contract management. This will include a contract diagnostic internal audit which will assess the appropriateness of the Department's management of its contracts for completeness and validation.</p>	Throughout 2016/17	CAE	<p>Complete (update 31/10/2017)</p> <p>Contract Diagnostic Internal Audit completed and implemented.</p>

<p>Enhance accountability of the Department's procurement and contract management risk through the enterprise risk process.</p> <p>Procurement and contracting has been identified as one of the Department's 11 enterprise risks.</p> <p>Under the risk management framework, Deputy Secretary Corporate (Band 3) will oversee the management of this risk. The level of risk and the need for any further improvements will be discussed at the Department's risk committee.</p>	Ongoing	Deputy Secretary Corporate	<p>In progress (update 17/01/2018)</p> <p>Ongoing oversight and update of risks.</p> <p><u>Enterprise Risk 8 2017/18</u></p> <p>Procurement and contract management controls fail - Procurement and contract management in the Department doesn't deliver on business needs or does not meet compliance obligations.</p>
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