

## **Procurement of Office Furniture**

Department of Home Affairs  
Services Australia

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Canberra ACT

14 June 2023

Dear President  
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in the Department of Home Affairs and Services Australia. The report is titled *Procurement of Office Furniture*. I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website — <http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, which appears to read 'Rona Mellor', is positioned above the printed name.

Rona Mellor PSM  
Acting Auditor-General

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
Canberra ACT

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# Audit snapshot

## Auditor-General Report No.37 2022–23

### *Procurement of Office Furniture*



#### Why did we do this audit?

- ▶ The Department of Home Affairs and Services Australia are two of the top five Australian Government entities with the highest estimated contract value on office furniture. Services Australia accounted for over 50 per cent of the total estimated contract value on office furniture across government between 2017 and 2022.
- ▶ ANAO conducted this audit to provide increased transparency of procurement frameworks and assure the Australian Government that Home Affairs and Services Australia undertake their procurement activities effectively.



#### Key facts

- ▶ Both Home Affairs and Services Australia are non-corporate Commonwealth entities under the *Public Governance, Performance and Accountability Act 2013*, and so are subject to the Commonwealth Procurement Rules (CPRs).
- ▶ ANAO reviewed 40 procurements of office furniture by Services Australia and 18 from Home Affairs with a published start date between 1 July 2017 and 30 June 2022.



#### What did we find?

- ▶ Home Affairs was largely compliant with the Commonwealth Procurement Rules (CPRs). Services Australia was partially compliant with the CPRs.
- ▶ Services Australia was unable to show how it demonstrated value for money was being achieved in its procurement processes.



#### What did we recommend?

- ▶ There are three recommendations for Services Australia to improve its processes for planning procurement arrangements and for demonstrating how value for money is to be achieved.
- ▶ Services Australia agreed to the recommendations.

\$355m

worth of contracts and amendments for office furniture reported across the government on AusTender since 1 July 2017.

990 and 28

contracts were reported by Home Affairs and Services Australia respectively on AusTender for office furniture between 1 July 2017 and 30 June 2022.

93%

of procurements by Services Australia reviewed were conducted through a panel arrangement or standing offer arrangement.

# Summary and recommendations

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## Background

1. Procurement is the process of acquiring goods or services. Procurement is integral to the Australian Government and a core function of the Commonwealth public sector. Under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), an entity's accountable authority has a duty to promote the efficient, effective, economical and ethical use and management of public resources. Under the PGPA Act, the Minister for Finance issues the Commonwealth Procurement Rules (CPRs) for officials to follow when undertaking a procurement.<sup>1</sup> The CPRs govern how entities acquire goods and services and are designed to ensure the government and taxpayers get value for money. The CPRs state:

[Procurement] begins when a need has been identified and a decision has been made on the procurement requirement. Procurement continues through the processes of risk assessment, seeking and evaluating alternative solutions, and the awarding and reporting of a contract.<sup>2</sup>

2. Between 1 July 2017 and 30 June 2022, the Australian Government spent over \$355 million on office furniture across government. During this period, Services Australia recorded 990 contracts on AusTender under the categories of 'office furniture', 'office and desk accessories' and 'workstations and office packages' with a total value of \$180 million, which accounted for 51 per cent of total estimated contract value across government. During this same period, Home Affairs recorded 28 contracts on AusTender against the same categories with a total estimated contract value of \$1.7 million. Home Affairs also receives office furniture as part of contracts with its leasehold providers.

## Rationale for undertaking the audit

3. The audit involved the examination of procurements of office furniture by Home Affairs and Services Australia. Home Affairs and Services Australia were within the top five Australian Government agencies with the highest estimated contract value for office furniture. This audit provides assurance to the Parliament on the effectiveness of Home Affairs' and Services Australia procurement activities.

## Audit objective and criteria

4. The objective of the audit was to examine whether procurements of office furniture were consistent with the CPRs and achieved value for money.

5. To form a conclusion against the objective, the following high-level criteria were applied.

- Have the procurement processes for office furniture demonstrated the achievement of value for money?

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1 The ANAO applied the 1 January 2018 version of the Commonwealth Procurement Rules in its audit of sampled procurements from the Department of Home Affairs and Services Australia. This version was chosen as the cited rules have remained functionally identical since 2018. In some cases, the ANAO applied a later version of the CPRs when relevant to specific procurements and has cited those versions accordingly. The latest version of the CPRs came into effect on 1 July 2022.

2 Commonwealth Procurement Rules (Cth) rule 2.7, as at 1 January 2018.

- Has associated decision-making and expenditure been accountable and transparent?

## Conclusion

6. Home Affairs largely complied with the CPRs when procuring office furniture and in most contracts reviewed demonstrated how value for money was achieved. Services Australia partially complied with the CPRs when undertaking procurement of office furniture and in most contracts reviewed did not demonstrate how value for money was achieved.

7. In most contracts reviewed, Home Affairs demonstrated how value for money was achieved, including when approaching one supplier.

8. In most contracts reviewed, Services Australia did not demonstrate how value for money was achieved. Services Australia often approached one supplier, despite internal guidance to approach multiple suppliers, and did not benchmark prices when doing so. These decisions limited opportunities for competitive pricing which made it difficult to demonstrate how value for money was achieved.

9. Home Affairs procurement practices have been mostly accountable and transparent, however its public reporting of contracts on AusTender was sometimes delayed or inaccurate. Home Affairs undertakes regular reviews and evaluations of its procurement arrangements. Services Australia's procurement decision-making has been mostly accountable and transparent. Services Australia did not undertake any evaluation of procurement arrangements to determine whether current procurement practices were providing best value for money.

## Supporting findings

### Value for money

10. Home Affairs appropriately planned most selected procurements for office furniture. Services Australia's planning of its office furniture panels was partially compliant with the CPRs as its planning of the workstations panel was unable to demonstrate value for money. Services Australia planned most of its office furniture panel orders through its Leasehold Improvement Program or the Face-to-face Transformation program and most sampled procurements had appropriate planning (see paragraphs 2.2 to 2.33).

11. Both Home Affairs and Services Australia had limited use of open procurement approaches. Although Home Affairs' procurement policies encourage competition, including in both panel and limited tender procurements, there were examples where less competitive approaches were used. There were examples where Services Australia's use of panel arrangements fell short of supporting the intent of the CPRs to encourage competition and achieve value for money (see paragraphs 2.34 to 2.43).

12. In the sampled procurements, Home Affairs developed relevant evaluation criteria in request documents for all but one contract. Services Australia developed relevant and appropriate evaluation criteria in its request documentation for the procurement panels. Services Australia developed relevant criteria for all but three sampled procurements (see paragraphs 2.44 to 2.68).



13. Home Affairs demonstrated how value for money was achieved in the majority of the procurements sampled by receiving multiple quotes from suppliers or through market research and benchmarking. Services Australia did not demonstrate how value for money was achieved in most procurements sampled. Where justifications were based on the value for money evaluation from the establishment of its panels (where some panels when established were seen as being able to demonstrate value for money outcomes as officials were expected to seek quotes from multiple suppliers), there was poor recordkeeping or a lack of price evaluation (see paragraphs 2.69 to 2.95).

14. Home Affairs has processes in place to ensure that officials manage conflicts of interests and incumbency advantages in most procurements sampled. Officials at Services Australia did not fully follow internal processes to manage conflicts of interest and did not manage incumbency advantages in the procurements sampled. Services Australia did not comply with the CPRs when it created a process to order from one supplier on a panel by first signing a contract at a nominated price before deciding on items for purchase (see paragraphs 2.96 to 2.111).

15. Home Affairs and Services Australia have appropriate controls in place to ensure the accurate receipt of goods and the integrity of payments to suppliers. Services Australia could improve the quality of its records and approval process on its financial information management system (see paragraphs 2.112 to 2.125).

### **Accountable and transparent decision making**

16. Officials at Home Affairs and Services Australia obtained appropriate approvals before entering into a contract in procurements sampled (see paragraphs 3.2 to 3.4).

17. Most sampled procurements from Home Affairs procurement had records to show that value for money was assessed, with the quality of evidence improving over the sample period. Services Australia maintained procurement records consistent with the scale, scope, and risk of the procurement for most sampled procurements (see paragraphs 3.5 to 3.13).

18. Home Affairs reported 50 per cent of sampled contracts on AusTender accurately and within 42 days. Services Australia reported 92 per cent of sampled contract on AusTender accurately and within 42 days (see paragraphs 3.14 to 3.22).

19. Home Affairs undertakes regular reviews and improvement of procurement processes. Services Australia has practices in place to use lessons learned from previous panels to inform the design of future panel arrangements. ANAO found no evidence of Services Australia reviewing its internal procurement methods to analyse whether panels were achieving value for money or if any other form of procurement method would be more appropriate (see paragraphs 3.23 to 3.32).

## **Recommendations**

**Recommendation no. 1** Services Australia strengthens processes for planning procurements, including the establishment of panel arrangements, to ensure that officials give thorough consideration of value for money and an understanding of the purpose of a procurement to align with the CPRs.

**Paragraph 2.25**

**Services Australia response:** *Agreed.*

**Recommendation no. 2**      Services Australia implement processes for officials to evaluate value for money for procurements, including orders off panels, consistent with its scale, scope and risk, especially when opportunities to show value for money through competitive pricing are limited or not available.

**Paragraph 2.90**

**Services Australia response:** *Agreed.*

**Recommendation no. 3**      Services Australia:

**Paragraph 3.33**

- (a)      implement guidelines to review its procurement process to evaluate if panels are achieving value for money before extending an existing panel or when establishing for new panels; and
- (b)      Consider external panels or alternative procurement methods before extending an existing panel or when establishing new panels.

**Services Australia response:** *Agreed.*

## Summary of Home Affairs and Service Australia responses

20.      The proposed audit report was provided to Home Affairs and Services Australia. Letters of response provided by Home Affairs and Services Australia are included at Appendix 1. The summary responses provided are included below. The improvements observed by the ANAO during the course of this audit are at Appendix 2.

### Department of Home Affairs

The Department notes that the ANAO found that Home Affairs was largely compliant with the Commonwealth Procurement Rules 2022 (CPRs) when procuring office furniture, and was able to demonstrate how value for money was achieved.

Whilst the ANAO had no recommendations for the Department to action, the Department notes the ANAO identified a particular area for improvement which was around the timeliness and accuracy of AusTender reporting. A range of improvements have already been undertaken by the Department to improve reporting compliance.

The Department is committed to making continuous improvements to its procurement processes and regularly reviews and updates procurement guidance and templates to ensure fair and transparent processes and value for money outcomes. The Department's guidance and templates also consider risk in procurement, aligned with the Department's enterprise risk framework, and promote accurate record keeping.

### Services Australia

The Agency notes the ANAO's findings that the Agency partially complied with the Commonwealth Procurement Rules when undertaking procurement of office furniture, and that procurement decision-making has been mostly accountable and transparent.

The Agency notes that many of the procurements examined by the ANAO were undertaken on or before 30 June 2022, and that since then, the Agency has strengthened its processes and controls

for supporting the achievement of value-for-money in procurement consistent with updates to the Commonwealth Procurement Rules (CPRs) and best practice. These improvements include updated procurement processes, guidance, templates and changes to the Accountable Authority Instructions.

The Agency will continue to strengthen the arrangements supporting procurement of furniture, including by uplifting capability across the Agency through staff training, and embedding processes, policies and templates in Agency procurements; improving procurement planning and encouraging competition as once means of delivering value-for-money in procurement; and emphasising evaluation of existing panel arrangements to inform consideration of future establishment or use of new panel arrangements.

## Key messages from this audit for all Australian Government entities

21. Below is a summary of key messages identified in this audit and may be relevant for the operations of other Australian Government entities.

### Procurement

- A thorough consideration of value for money and an understanding of the purpose of a procurement is essential to planning a procurement activity aligned to the CPRs, especially when establishing panels that may see frequent, high-value purchases. Entities can avoid issues that may occur when evaluating value for money through detailed planning, which includes seeking stakeholder input, reviewing the entity's business needs and working with the market's capacity to competitively respond to a procurement.
- When using a procurement panel, it is best practice to approach multiple suppliers to encourage competition and achieve value for money as demonstrated by Home Affairs. When multiple suppliers are not approached, entities should document this rationale for why specific suppliers were approached and others were not.
- Not maintaining adequate records limits an entity's ability to demonstrate that its conduct of a procurement has met the Commonwealth Procurement Rules. Retaining relevant documentation from all stages of a procurement will better place an entity to ensure transparency around its decision-making process.



## **Audit findings**

# 1. Background

## Introduction

1.1 Procurement is the process of buying goods or services. Procurement is integral to the Australian Government and a core function of the Commonwealth public sector. Under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), an entity's accountable authority has a duty to promote the efficient, effective, economical and ethical use and management of public resources. Under the PGPA Act, the Minister for Finance issues the Commonwealth Procurement Rules (CPRs) for officials to follow when undertaking a procurement.<sup>3</sup> The CPRs governs how entities buy goods and services and are designed to ensure the government and taxpayers get value for money. The CPRs state:

[Procurement] begins when a need has been identified and a decision has been made on the procurement requirement. Procurement continues through the processes of risk assessment, seeking and evaluating alternative solutions, and the awarding and reporting of a contract.<sup>4</sup>

1.2 The CPRs outline rules officials 'must' follow and rules officials 'should' follow as good practice.<sup>5</sup> Accountable authorities and officials must put in place procedures to ensure that their procurements are consistent with the principles of the CPRs.

## Procurement of office furniture

1.3 Between 1 July 2017 and 30 June 2022, the Australian Government has contracted an estimated \$355 million on office furniture. Between 1 July 2017 and 30 June 2022, Services Australia recorded 990 contracts on AusTender under the categories of 'office furniture', 'office and desk accessories' and 'workstations and office packages' with a total value of \$180 million, which accounted for 51 per cent of total spend across government. During this same period, Home Affairs recorded 28 contracts on AusTender related to the procurement of office furniture with a total value of \$1.7 million. Home Affairs also receives office furniture as part of contracts with its leasehold providers.

1.4 The CPRs allow for the establishment of panels for procurement. An agency can develop its own panel arrangement or use panels that are open to all of government. Between 1 July 2017 and 30 June 2022, 10 panels were listed on AusTender as open to all government entities for the procurement of office furniture or chairs (see Table 1.1).

**Table 1.1: Office furniture panels open to all government entities active between 1 July 2017 to 30 June 2022**

Lead agency	SON ID <sup>a</sup>	Title	Suppliers	Panel period
Services Australia	SON151551	Workstations Loose Furniture and Marketing Products	1	1 Jun 2013 to 30 Jun 2018
Services Australia	SON2659512	Network Task Chairs and Front of House Seating	12	8 Dec 2014 to 7 Dec 2019

3 The ANAO used the 1 January 2018 version of the *Commonwealth Procurement Rules* in its audit of sampled procurements from the Department of Home Affairs and Services Australia. See footnote 1 for more details.

4 Commonwealth Procurement Rules (Cth) rule 2.7, as at 1 January 2018.

5 Commonwealth Procurement Rules (Cth) rule 3.1, as at 1 January 2018.

Lead agency	SON ID <sup>a</sup>	Title	Suppliers	Panel period
Australian Bureau of Statistics	SON2143311	Office Furniture and Storage Panel	5	14 Mar 2014 to 12 Mar 2019
CSIRO	SON3271852	Provision of a Workstation Furniture System	2	24 Sep 2015 to 28 Aug 2020
Department of Industry, Science and Resources	SON3308533	Workstation and Furniture Panel	10	12 Nov 2015 to 15 Nov 2020
CSIRO	SON3303962	Task and Meeting Room Chairs	5	15 Nov 2015 to 13 Nov 2020
Department of Defence	SON3373673	Office Furniture, LIA Furniture, Whitegoods & Household Furniture Hire	18	1 Sep 2016 to 31 Aug 2023
Services Australia	SON3520188	Workstations, Office Furniture, Marketing Products & Loose Furniture	2 <sup>b</sup>	4 Jul 2018 to 30 Jul 2023
			5 <sup>c</sup>	
Department of Health and Aged Care	SON3699989	Workstation and Furniture	18	17 Jul 2020 to 14 Jul 2024
Services Australia	SON3713023	Task Chairs and Customer Seating	2	21 Aug 2020 to 21 Aug 2024

Note a: SON ID is the Standing Offer Notice ID reference number from AusTender.

Note b: SON3520188 has a 'Package A' component for two suppliers to provide workstations and office furniture.

Note c: SON3520188 has a 'Package B' component for five suppliers to provide loose furniture.

Source: ANAO analysis of AusTender data accessed February 2023.

1.5 Services Australia established two panels between 1 July 2017 and 30 June 2022, which are the:

- Workstations, Office Furniture, Marketing Products and Loose Furniture panel; and
- Task Chairs and Customer Seating panel.

1.6 These two panels accounted for 78 per cent of the agency's office furniture expenditure during the five-year period. Both panels were open for use to government entities and Home Affairs has used the workstations panel for five contracts with a total value of \$273,111.

## Procurements analysed in this audit

1.7 The ANAO included procurements with a United Nations Standard Product and Services Category Codes (UNSPSC)<sup>6</sup> title in AusTender of 'office furniture', 'office and desk accessories' and 'workstations and office packages' from 1 July 2007 to 30 June 2022 in the scope of the audit. The ANAO then chose a sample of procurements undertaken by Home Affairs and Services Australia

<sup>6</sup> AusTender uses the UNSPSC to categorise contracts that have been awarded and provides details of the primary purpose or output of each contract. Department of Finance, *What the Government Buys* [Internet], AusTender, 2023, available from <https://help.tenders.gov.au/getting-started-with-austender/information-made-easy/what-the-government-buys/> [accessed 22 March 2023].

over a five-year period. This sample consists of 58 office furniture procurement contracts with a start date between 1 July 2017 and 30 June 2022, with 40 procurements from Services Australia and 18 from Home Affairs.<sup>7</sup>

1.8 The sampled procurements were selected based on risk, value and type of procurement. Most of Services Australia's office furniture was procured through panel arrangements, which is reflected in 37 of the 40 sampled procurements. The value of the sampled contracts ranged from \$11,878 to \$13,283,878 with a total value of \$76,109,813 for Services Australia and \$1,488,610 for Home Affairs.

## Rationale for undertaking the audit

1.9 The audit involved the examination of procurements of office furniture by Home Affairs and Services Australia. The entities were two of the top five Australian Government entities with the highest estimated contract value for office furniture. This audit provides assurance to the Parliament over the effectiveness of Home Affairs' and Services procurement activities.

## Audit approach

### Audit objective, criteria and scope

1.10 The objective of the audit was to examine whether procurements for office furniture have been consistent with the CPRs and are demonstrating the achievement of value for money.

1.11 To form a conclusion against the objective, the following high-level criteria were applied.

- Have the procurement processes for office furniture demonstrated the achievement of value for money?
- Has associated decision-making and expenditure been accountable and transparent?

### Audit methodology

1.12 The audit methodology included:

- analysing AusTender data relating to procurement of office furniture, provided by the Department of Finance, for the period of 1 July 2007 to 30 June 2022;
- examining Home Affairs and Services Australia records relating to procurement planning, conduct and decision-making for procurements of office furniture between 2017 and 2022;
- an assessment of Home Affairs and Services Australia processes; and
- meetings with relevant staff from Home Affairs and Services Australia.

1.13 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$319,080.

1.14 The team members for this audit were Jessica Carroll, Kai Clark, Michaelia Liu, Sophie Crandall and Michelle Page.

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<sup>7</sup> The ANAO identified during its audit one sampled procurement from Home Affairs that was twice reported to AusTender. For statistical purposes, the report will refer to 17 sampled procurements. For all other purposes, the report will refer to 18 sampled procurements.



## 2. Value for money

### Areas examined

The ANAO examined whether value for money had been achieved for the procurement of office furniture.

### Conclusion

In most contracts reviewed, Home Affairs demonstrated how value for money was achieved, including when approaching one supplier.

In most contracts reviewed, Services Australia did not demonstrate how value for money was achieved. Services Australia often approached one supplier, despite internal guidance to approach multiple suppliers, and did not benchmark prices when doing so. These decisions limited opportunities for competitive pricing which made it difficult to demonstrate how value for money was achieved.

### Areas for improvement

The ANAO made two recommendations to Services Australia: strengthen processes for planning procurements, including the establishment of panel arrangements; and implement processes for officials to evaluate value for money in panel orders.

The ANAO made two suggestions to Services Australia to improve its processes to: ensure that staff involved in a procurement declare interests where relevant; implement controls to review confidentiality agreements and verify conflict of interest declarations for the agency's procurement activities; and improve its documentation of spending approvals and tracking of financial delegations on its electronic records system.

2.1 Achieving value for money is the core rule of the Commonwealth Procurement Rules (CPRs). Under the CPRs, officials responsible for a procurement must be satisfied, after reasonable enquiries, that the proposed procurement will achieve value for money. As two Australian Government entities in the top five with the highest estimated expenditure on office furniture, it is important that Home Affairs and Services Australia can demonstrate they are achieving value for money in office furniture procurements.

### Have procurements for office furniture been appropriately planned?

Home Affairs appropriately planned most selected procurements for office furniture. Services Australia's planning of its office furniture panels was partially compliant with the CPRs as its planning of the workstations panel was unable to demonstrate value for money. Services Australia planned most of its office furniture panel orders through its Leasehold Improvement Program or the Face-to-face Transformation program and most sampled procurements had appropriate planning.

2.2 The CPRs outline that a thorough consideration of value for money begins by officials clearly understanding and expressing the goals and purpose of the procurement, and that these considerations will inform the development and implementation of the procurement. Appropriate consideration of value for money at the planning stage assists in achieving efficient, effective,

ethical and economical procurement practices required under the *Public Governance, Performance and Accountability Act 2013* and the CPRs.

## Home Affairs

2.3 Home Affairs uses comprehensive templates and clear internal guidance for procurement processes to help officials appropriately and thoroughly plan procurements. The templates include sections that guide officials in planning a procurement for the following planning areas:

- defining the need for the procurement;
- type of procurement method;
- estimation of cost; and
- value for money assessment.

2.4 Procurement of furniture by Home Affairs is undertaken by a number of areas across the agency with the Procurement Division providing supporting advice. The majority of furniture is procured by Minor Capital Branch through office conversion projects and ad hoc purchasing. Procurement of furniture is also undertaken by integrated fit-out services through the leasing of offices, however these procurement activities were out of scope for this audit.

2.5 In the sampled procurements from Home Affairs, the ANAO found that 12 of the 17 (71 per cent) had sufficient appropriate planning records including procurement plans and risk assessments. Five of the procurements did not have a detailed procurement plan.

## Services Australia

2.6 Between 1 July 2017 and 30 June 2022, 99.4 per cent of Services Australia's spending on office furniture occurred through standing offers and panels the agency established.

2.7 From 1 July 2013 and 8 December 2014, the agency used two panels to procure office furniture to procure workstations and chairs respectively the:

- Workstations, Loose Furniture and Marketing Products panel (SON1515551); and
- Network Task Chairs and Front of House Seating panel (SON2659512).

2.8 These panels expired on 30 June 2018 and 7 December 2019 respectively after the agency extended the panel durations.

2.9 To replace these panels, officials in Services Australia's Property Branch began planning to establish new panels for workstations and chairs purchases in 2017 and 2019 respectively. The replacement panels, known as Workstations, Office Furniture, Marketing Products and Loose Furniture (SON3520188) and Tasks Chairs and Customer Seating (SON3713023), were established on 4 July 2018 and 21 August 2020.

### *Planning for the Workstations, Office Furniture, Marketing Products and Loose Furniture panel*

2.10 Planning for the Workstations, Office Furniture, Marketing Products and Loose Furniture panel (workstations panel) started in early 2017 after the final extension for the previous panel (SON1515551) was exercised. The planning and execution of the workstations panel was undertaken by the agency's property branch. A tender evaluation committee was established and

internal areas including legal, finance and procurement, provided supporting advice. An external ergonomist was also contracted to provide advice.

2.11 On 24 August 2017, the agency's property branch briefed the Secretary of the Department of Human Services (now Services Australia) to approve the approach to market for the workstations panel. In response to a question from the secretary on the existence of any whole-of-government furniture panels, the property branch advised there was no whole-of-government furniture panel managed by the Department of Finance at the time. Officials from Services Australia did not inform the secretary that there were other non-mandatory furniture panels managed by other Australian Government agencies available for Services Australia to access.

2.12 As part of the planning for the new panel, the property branch included two packages under the panel.

- Package A included the manufacture and installation of workstations and marketing products for all departmental sites across Australia. Package A would also require the successful tenderers to assist with prototyping of new and specialised furniture products and the provision of fit-out works as an option under the package.
- Package B included the procurement of loose furniture. Including Package B as a separate package was intended to support participation by small, medium and indigenous firms.

2.13 Tenderers could apply for either Package A, Package B or both. The creation of these two packages came about after lessons learned from the previous panel where competition was limited in the market and Services Australia anticipated that splitting requirements into two separate packages would allow for more potential suppliers.

2.14 One of the initial requirements for tenderers for Package A was to attend a mandatory industry briefing in Canberra. The briefing was identified as a risk mitigation strategy during the procurement planning to ensure that Services Australia would receive tenders that met its specifications. After the agency received advice from three tenderers that they could not attend the briefing, and following internal legal advice and later advice from Department of Finance noting that requiring potential tenderers to attend a mandatory briefing was not compliant with the CPRs, Services Australia removed the mandatory requirement to attend the industry briefing and extended the Request for Tender (RFT) closure date to 8 January 2018. On 24 November 2017, Services Australia hosted the briefing with 12 potential tenderers despite it no longer being a mandatory requirement to submit a tender. By not understanding these requirements before the RFT was issued, the agency delayed the procurement.

2.15 On 8 January 2018, the day the RFT closed, the evaluation plan for tenderers was approved by the delegate. Evaluation of Package A and Package B were separated with different evaluation criteria for each package. This is discussed further in paragraphs 2.51 onwards.

- For Package A, the RFT documentation included a catalogue of items in which tenderers would be required to nominate a price for manufacture and supply of each item. The catalogue was drawn from the previous panel arrangement, however, the internal review discussed in paragraph 2.17 found that the catalogue was incomplete, there were numerous inaccuracies in the drawings, and no written specifications were provided.
- For Package B, the RFT documentation included a 'Basket of Goods' detailing items for tenderers to nominate a price against.

2.16 The tenderers that responded offered discounts for volume, used different types of fabrics and offered different products for the items contained in the catalogue and 'Basket of Goods'. Officials from the Chief Finance Officer Division assisted with evaluation of pricing items in the catalogue and the 'Basket of Goods' in the tenders submitted.

2.17 The internal review subsequently determined that this assistance may have been more useful if engaged earlier to provide appropriate subject matter expertise. The review also found that the varying submission quality made it difficult for the subject matter experts to determine 'best price' (as opposed to value for money).

2.18 On 7 June 2018, the final probity sign-off noted that:

'the timeframe for reviewing the documents covered by this probity sign off has been exceptionally tight. In these circumstances, we have been unable to review the documents to the level of detail we would prefer to completely ensure the defensibility of the process, particularly in relation to Package A, as there were extensive revisions made to the tender evaluation report for Package A after we provided our previous sign off'.

2.19 On 8 June 2018, the National Manager of the property branch signed the final evaluation report for Packages A and B.

2.20 Services Australia's planning for the workstations panel did not follow good practice for considering value for money under the CPRs and its poor management of procurement timeframes contributed to difficulties in evaluating whether suppliers on the panel offered value for money.

#### *Planning for the Tasks Chairs and Customer Seating panel*

2.21 Planning for the Tasks Chairs and Customer Seating panel (chairs panel) started in 2018 with the final extension of the previous panel arrangement due to expire on 7 December 2019. The property branch planned and executed the chairs panel, with the National Manager signing the approval to proceed with a panel arrangement on 2 November 2018.

2.22 The estimated value of the procurement over the life of the panel was \$18.8 million with a further \$11.1 million over the two optional one-year extensions to the panel.

2.23 The new panel arrangement was based on the previous panel arrangement. Probity advice was sought early, a tender evaluation committee was established, and advice received from internal areas including legal, finance and procurement. An external ergonomist was also contracted to provide advice.

2.24 The original timeline for the panel tender process was 12 months, from RFT release to when the new panel would be in operation. The RFT was released in February 2019, however, the evaluation of tenders was more time-consuming than anticipated due to the differing complexity of tenders received. Services Australia requested further information from tenderers, completed quality assurance, moderated evaluation scores and drafted the evaluation report. The extended evaluation and subsequent delayed report led to the lapse of the previous panel arrangement, with the new panel starting in January 2020 instead of June 2019.

## Recommendation no. 1

2.25 Services Australia strengthens processes for planning procurements, including the establishment of panel arrangements, to ensure that officials give thorough consideration of value for money and an understanding of the purpose of a procurement to align with the CPRs.

**Services Australia response:** *Agreed.*

2.26 *Procurements that were selected for review as part of this audit were undertaken on or before 30 June 2022, before the updated CPRs came into effect requiring changes to procurements, including advice to officials on approaching multiple suppliers from panels. As a result of the updated CPRs, the Agency has strengthened its processes and controls for supporting the achievement of value-for-money in procurement.*

2.27 *Notwithstanding the Agency's focus on supporting Australians in a timely manner during periods of natural disasters, the Agency has strengthened its procurement processes to include steps for procurement planning, establishing the appropriate method of procurement (with advice from Procurement or Technology Sourcing Branch), seeking endorsements and gaining approval to proceed; and recommending completion of a Procurement Plan for all procurements over \$10,000 (including those proposed against an existing arrangement, such as a Panel or Whole-of-Australian-Government arrangement).*

2.28 *The Agency will continue to work to embed the use of its strengthened processes, policies and templates to improve procurement practices across the Agency. In particular, the Agency will:*

- *work to uplift procurement capability across the organisation, including through staff training, and an increased focus by Procurement Branch in partnering more closely with areas undertaking procurements, to provide advice at the procurement planning stage on the appropriate method of procurement and number of suppliers to approach (encouraging competition and strengthening value for money propositions); and*
- *further strengthen the range of procurement guidance and templates implemented from 1 July 2022 and embed these across the Agency.*

### *Planning for individual procurement orders*

2.29 Planning for the procurement of office furniture is undertaken through the Leasehold Improvement program and the Service Centre Transformation project. The Leasehold Improvement program annually identifies service centres and offices in need of refurbishment and allocates funding according to various priorities and estimated costs. Services Australia only required a spending proposal to record a purchase from a panel.<sup>8</sup>

2.30 Procurement of office furniture is also undertaken through the Face-to-Face Transformation project. This project is the redesign of Service Australia's face-to-face services, which include the fit outs for service centres. To meet the objectives of the redesign, the furniture used in the service centres had to be multipurpose and be able to be used across multiple contexts. This decision led to the redesign of the furniture catalogue.

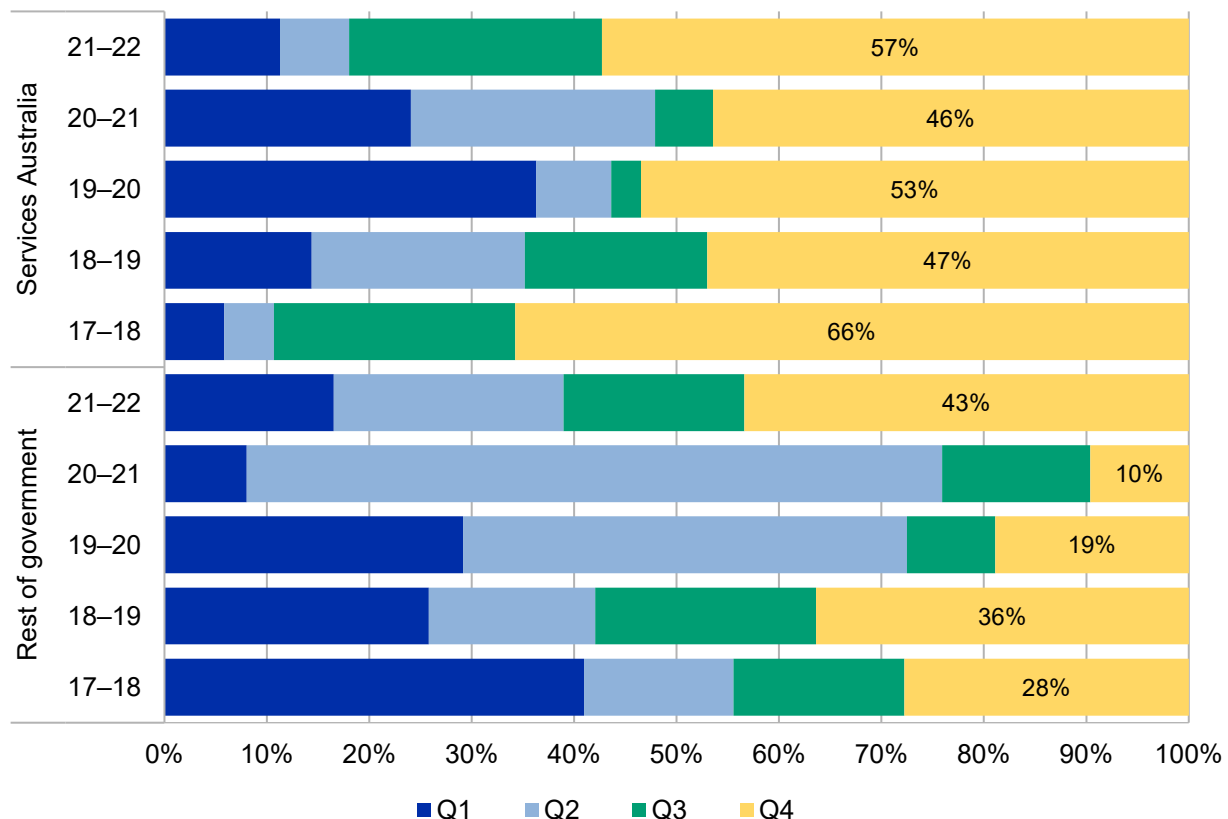
<sup>8</sup> Consistent with guidance materials shared with the ANAO in March 2023, the agency's procurement guidance and templates require procurement and evaluation plans for procurements over \$10,000.

2.31 The program is run through the Face-to-face Property Implementation Branch which is responsible for the development, implementation and evaluation of new concept service centre layouts. Services Australia uses a roadmap (plan) to direct planning for these services centres. As at October 2022, 75 of 318 service centres had undergone new fit outs. Services Australia advised the ANAO that it plans to have a majority of service centres upgraded by 2024.

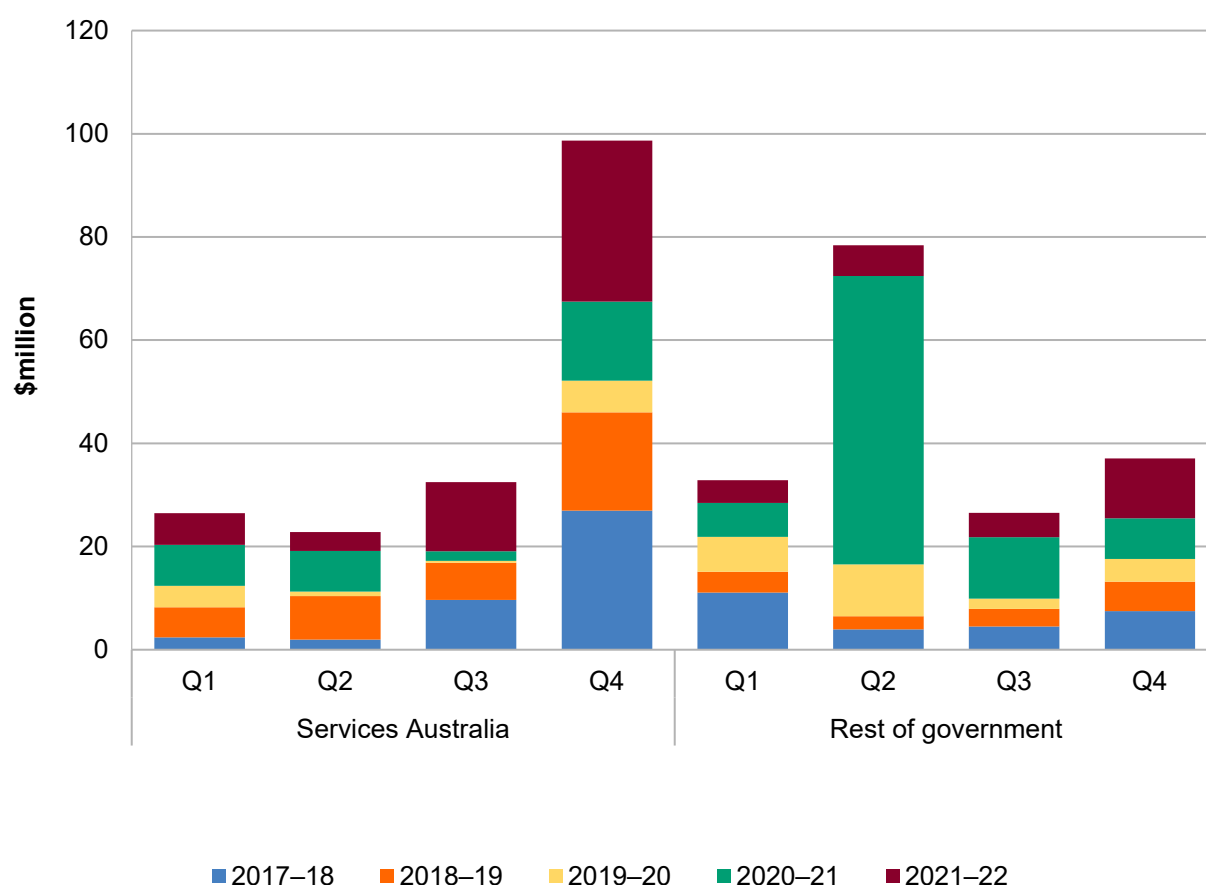
2.32 Most of the sampled procurements included appropriate planning through either the Lease Hold Improvement program or Face-to-Face Transformation project. For three of the procurements sampled there was limited planning documentation. These procurements were for ad hoc furniture purchases with a value less than \$80,000.

2.33 Some sampled contracts were part of bulk orders purchased under the agency's Leasehold Improvement Program. Officials often made bulk orders of office furniture at the end of each financial year, with some orders stored by the supplier until a need was identified later. When compared to the rest of the Australian Government entities, the percentage and total value of Services Australia's spending on office furniture was significantly higher in quarter four of the financial year (see Figure 2.1 and Figure 2.2 respectively).

**Figure 2.1: Percentage of office furniture spend per quarter from 2017–18 to 2021–22**



Source: ANAO analysis.

**Figure 2.2: Value of office furniture spend per quarter from 2017–18 to 2021–22**

Source: ANAO analysis.

## To what extent were open and competitive approaches used?

Both Home Affairs and Services Australia had limited use of open procurement approaches. Although Home Affairs' procurement policies encourage competition, including in both panel and limited tender procurements, there were examples where less competitive approaches were used. There were examples where Services Australia's use of panel arrangements fell short of supporting the intent of the CPRs to encourage competition and achieve value for money.

2.34 Procuring from a panel is not an open process as it involves the entity approaching suppliers on the panel to request a quote. Closed procurement processes are less competitive than open approaches as they do not give all potential suppliers access to opportunities to compete for work. Auditor-General Report No.5 of 2022–23 *Digital Transformation Agency's Procurement of ICT-Related Services* identified that the CPRs requirement to report panel procurements on AusTender under the same procurement method used to initially establish the panel, even when non-competitive approaches were used, was not transparent to the public.

2.35 Auditor-General Report No.31 of 2011–12 *Establishment and Use of Procurement Panels* identified a low percentage of panel procurements that involved multiple quotes and lack of

documentation on how procurements represented value for money.<sup>9</sup> Auditor-General Report No.4 of 2020–21 *Establishment and Use of ICT Related Procurement Panels and Arrangements* concluded that entities should ensure when using a panel arrangement that they encourage competition to support the intent of the CPRs rather than doing the minimum necessary, such as seeking a single quote, to achieve technical compliance.<sup>10</sup> Each procurement from a panel represents a separate procurement process, so while value for money was initially demonstrated when the panel was established, entities are still required to demonstrate achieving value for money with each individual purchase.<sup>11</sup>

## Home Affairs

2.36 Home Affairs' procurement policies and guidance encourages officials to use a panel arrangement as the first choice if it meets the requirements of the procurement, rather than approaching the market, regardless of the value of the procurement. For procurements valued less than \$80,000, the Accountable Authority Instructions outline where there is no panel arrangement in place that suits the requirements of the procurement, officials should undertake their own market research before seeking quotes from potential suppliers. For procurements valued at \$80,000 or more, both policies and guidance direct officials to consider an appropriate panel arrangement as the first choice of procurement approach.<sup>12</sup>

2.37 Home Affairs' procurement policies and guidance aims to promote the best practice of seeking three quotes, including in panel procurements.<sup>13</sup> Where only a single supplier is approached, Home Affairs requires officials to explain why they only approached one supplier and demonstrate how this approach will still demonstrate value for money.

2.38 Of the contracts reviewed, all 17 did not use an open procurement approach.<sup>14</sup> Nine were conducted through a panel arrangement and eight used limited tender. As shown in Table 2.1, 55 per cent of contracts approached one supplier.

2.39 When Home Affairs officials selected limited tender as its procurement method, it complied with Home Affairs' guidance and policies, as well as the CPR requirements, in seven of eight cases. One limited tender contract did not provide a justification for using limited tender.

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9 Auditor-General Report No.31 2011–12 *Establishment and Use of Procurement Panels*, p. 21.

10 Auditor-General Report No.4 2020–21 *Establishment and Use of ICT Related Procurement Panels and Arrangements*, pp. 72–73.

11 Department of Finance, *Procuring from a panel – panels 101* [Internet], available from <https://www.finance.gov.au/government/procurement/buying-australian-government/procuring-panel-panels-101>, [accessed 6 April 2023].

12 Home Affairs' current guidance outlines that procurements valued between \$200,000 and \$50 million are generally finalised through an open Approach to Market. However, it also states that 'it is important that, as part of the procurement planning, Department officials investigate whether there is an existing arrangement that can be accessed, before conducting a procurement process to set up a new contractual arrangement'.

13 Home Affairs' Accountable Authority Instructions between 21 December 2017 and 1 September 2021 outline that officials must seek one to three written or verbal quotes. Similarly, the AAls from 1 September 2021 to state that in some instances, obtaining a single quote is sufficient. The scale, scope and risk of the procurement are key factors that influence the number of quotes required. Procurement planning documentation outlines that it is best practice to approach 3 suppliers, and where officials do not, they should justify their approach.

14 The ANAO identified during its audit one sampled procurement from Home Affairs that was twice reported to AusTender. For statistical purposes, the report will refer to 17 sampled procurements.



2.40 In the contracts reviewed by ANAO, Home Affairs often cited market research was conducted including consideration of which suppliers had the goods and services required for procurement and any previous engagement with Home Affairs. Home Affairs also listed the seeking of multiple competitive quotes from suppliers to demonstrate value for money.

**Table 2.1: Number of suppliers approached in sampled contracts in Home Affairs**

Number of suppliers approached	Number of contracts	Percentage of sample %
One	9	53
Two	1	6
Three or more	5	29
Unsure	2	12
<b>Total</b>	<b>17</b>	<b>100</b>

Source: ANAO analysis of department records.

## Services Australia

2.41 Services Australia's internal guidance encourages an open tender process for procurements valued at \$80,000 or more unless it is made using an existing panel or whole-of-government arrangement, the CPRs permit a limited tender, or the procurement is exempt from Division 2 of the CPRs. For panel procurements, officials must abide by any competitive requirements established in the panel and still demonstrate value for money under the CPRs. The Procurement Branch in Services Australia recommends for panel procurements valued at or above \$10,000, more than one quote should be sought to demonstrate value for money.

2.42 Thirty-seven of the 40 sampled procurements from Services Australia were purchased from a panel or standing offer notice. Of the 37 procurements, 21 (57 per cent) approached only one supplier (see Table 2.2). Seven contracts where only one supplier was approached were under the agency's previous workstations standing offer arrangement, which had only one supplier when established. There were 12 contracts where only one supplier was approached under the workstation panel.

**Table 2.2: Number of suppliers approached in sampled contracts in Services Australia**

Number of suppliers approached	Number of contracts	Percentage of sample %
One	21	53
Two	12	30
Three or more	7	17
<b>Total</b>	<b>40</b>	<b>100</b>

Source: ANAO analysis of agency records.

## Reporting of procurement methods

2.43 Between 1 July 2017 and 30 June 2022, Home Affairs reported 28 contracts on AusTender, 12 were conducted by limited tender, and 16 were open tender. Of these 16, eight were through

panel arrangements.<sup>15</sup> All panel procurements were reported as open tender on AusTender. In the same period, Services Australia reported 990 contracts on AusTender. All 984 contracts that used a standing offer or panel arrangement were also reported as open tender. This includes 143 contracts that used a standing offer established with a single supplier.<sup>16</sup> Three contracts were reported by Services Australia as limited tender during this period.

### **Were relevant evaluation criteria included in request documentation to enable the proper identification, assessment and comparison of quotes and submissions?**

In the sampled procurements, Home Affairs developed relevant evaluation criteria in request documents for all but one contract. Services Australia developed relevant and appropriate evaluation criteria in its request documentation for the procurement panels. Services Australia developed relevant criteria for all but three sampled procurements.

#### **Home Affairs**

2.44 Home Affairs provides officials with templates to meet record keeping obligations under the CPRs, which include procurements plans, risk assessments, evaluation plans, approach to market documents and evaluation reports. Internal guidance for Home Affairs requires officials to record evaluation criteria in procurement plans and be approved by a delegate. The guidance outlines that evaluation criteria should be measurable, clear and transparent.

2.45 The templates provided include standard evaluation criteria which fall into three categories:

- general, including commercial criteria;
- technical criteria; and
- financial criteria, which includes pricing and pricing structures.

2.46 Standard criteria can be supplemented depending on the type of procurement. If additional evaluation criteria are developed or the standard criteria are removed this must be approved by Procurement, Property and Contracts Division.

2.47 Once evaluation criteria have been settled and all approach to market documentation has been developed, an evaluation plan is required. The evaluation plan must be approved by the delegate before approaching the market.

#### ***Evaluation of sampled procurements***

2.48 Evaluation criteria were included in request for tender documents for all but one sampled procurement from Home Affairs. For the one sampled procurement that did not have any evaluation criteria, this was a limited procurement under \$80,000 for replacement desks. In all cases

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15 Department of Finance, *Contract Notice by Procurement Method 1 July 2017 to 30 June 2022*, AusTender, [accessed 27 March 2023].

16 Between 1 June 2013 and 30 June 2018, Services Australia had a standing offer with Schiavello International for the provision of workstations, loose furniture, and marketing products (SON1515551). There was only one supplier on this standing offer. Between 1 July 2017 and 30 June 2022, all 143 contracts were reported on AusTender as open tender.

where documents were present, evaluation criteria considered technical, commercial and financial capabilities of the suppliers.

## Services Australia

2.49 Services Australia provides officials with templates to meet recordkeeping obligations under the CPRs, which include procurements plans, risk assessments, evaluation plans, approach to market documents and evaluation reports. The evaluation report template offers guidance on developing and using evaluation criteria.

### *Development of panels*

2.50 Services Australia developed relevant evaluation criteria for the workstations and chairs panels. The RFT for both panels set out that tenders would be evaluated according to a technical evaluation, pricing evaluation, and value for money and risk evaluation.

#### Workstations panel

2.51 The workstations panel included separate evaluation criteria for Package A and Package B. Both packages included a four-step process of evaluation.

- Stage one — screening against the Minimum Content and Format Requirements and Conditions for Participation, and initial due diligence review. The committee may exclude a Tender from further consideration if minimum conditions were not met.
- Stage two — technical evaluation (evaluation of ability to meet the technical requirements, that is, not including the price criterion).
- Stage three — pricing evaluation (financial analysis).
- Stage four — value for money and risk assessment.

2.52 Stage two and stage three were run concurrently, and stage four was determined from the outcomes of stages two and three.

2.53 Package A had nine scored and five unscored criteria and Package B had five scored and four unscored criteria (see Table 2.3). The additional criteria for Package A were due to the technical requirements outlined in the Statement of Requirement. Both packages were evaluated separately and had separate evaluation reports.

**Table 2.3: Evaluation criteria for the RFT for the provision of workstations including related office furniture, marketing products and loose furniture**

Package	Description of Evaluation Criteria	Score or unscored
Package A and B	The tenderer's demonstrated capability and corporate experience to provide the requirements of package A/B	Scored
Package A and B	The tenderer's demonstrated capability to transport, deliver and install the requirements of package A	Scored

Package	Description of Evaluation Criteria	Score or unscored
Package A and B	The tenderer's capability to provide customer support services Australia wide	Scored
Package A	The tenderer's demonstrated ability to support Innovation and design	Scored
Package A	The tenderer's capability for assembly, disassembly, relocation and storage of products	Scored
Package A	Cable and power reticulation requirements	Scored
Package A	The tenderer's demonstrated experience and expertise in the manufacture of marketing products	Scored
Package A and B	Warranties, repairs and spare parts	Scored
Package A and B	The tenderer's compliance with environmental and social performance requirements	Scored
Package A and B	The tenderer's current corporate governance framework	Unscored
Package A	The tenderer's proposed strategies for managing manufacturing, delivery and installation risks	Unscored
Package A and B	The tenderer's certifications and compliance with applicable Australian standards (and in its absence, international standards)	Unscored
Package A and B	The tenderer's demonstrated ability to transition-in	Unscored
Package A and B	The tenderer's proposed approach to providing benefits to the Australian economy	Unscored

Source: ANAO analysis of entity records.

2.54 The RFT outlined that the committee could specify a minimum score for any evaluation criteria. It further stated that a tenderer that failed to meet the minimum score for the relevant evaluation criteria in relation to the package would be excluded from the RFT process.

2.55 Tenderers were advised to provide enough detail in their tender against each evaluation criterion to ensure that the committee could gain a clear understanding of their offer and that all requirements in the RFT have been addressed. Tenderers were advised that unclear or

contradictory statements would result in a low scoring assessment and only tenderers with high scores would be found suitable.

2.56 The evaluation plan, developed after the RFT was released, outlined a tender assessment scoring system (see Table 2.4). These scores were used in the evaluation of Package A and Package B. The committee did not specify a minimum score for evaluation criteria needed to progress and therefore no tenderers were planned to be excluded from the RFT process on that basis.

**Table 2.4: Tender assessment scoring system**

Definition	Score	
Exceeds	The tenderer <b>exceeds</b> the requirement in most key areas of the criterion and meets to a <b>very high</b> standard in all other areas. Their strategies are credible and fully address all requirements. The tenderer's claims have been substantiated where possible and would provide ' <b>Value Add</b> ' to the department. Note: For this score 'exceed' and 'value add' would need to constitute an improvement of value to the department and any additional cost must be taking into consideration.	9–10
Very Good	The tenderer meets the requirements to a <b>very high</b> standard in all key areas of the criterion and meets to a <b>high</b> standard in all other areas. Their strategies are credible and fully address all requirements. The tenderer's claims have been substantiated where possible/applicable.	7–8
Good	The tenderer meets the requirements to a <b>high</b> standard in all key areas of the criterion and meets to a <b>well</b> standard in all other areas. Their strategies are credible and fully address all requirements. Most of the tenderer's claims have been substantiated.	5–6
Marginal	The tenderer addressed the <b>minimum</b> requirements in all areas of the criterion. Their strategies are credible and address all minimum requirements.	3–4
Poor	The tenderer addressed only the <b>minimum</b> requirements and <b>only in key areas</b> of the criterion. Their strategies are credible but address only key areas of the criterion.	1–2

Source: ANAO analysis of departmental records.

2.57 In the assessment of tenderers for Package A of the furniture panel, only two tender submissions progressed to further stages of assessment: value for money and risk assessment. The report to the delegate outlined that tenderer one and tenderer four were the only two tenderers found to be acceptable. For Package B, most of the tenderers were progressed to the next stage of assessment with a lower score than tenderers excluded from Package A (see Table 2.5).

**Table 2.5: Evaluation scores for tenderers for the workstations panel**

Tenderer	Evaluation score	Successful tenderer
Package A		
Tenderer 1	62	Yes
Tenderer 2	19.44	No
Tenderer 3	23.16	No
Tenderer 4	80.50	Yes
Tenderer 5	47.50	No
Package B		
Tenderer 1	64	Yes
Tenderer 2	31.50	Yes
Tenderer 3	32.50	Yes
Tenderer 4	86	Yes
Tenderer 6	14.50	No
Tenderer 7	38	Yes
Tenderer 8	26.20	No
Tenderer 9	31	Yes

Source: ANAO analysis of departmental records.

2.58 The evaluation report for Package A further states that:

At the completion of Stage two it was clear that Tenderers 2, 3 and 5 did not achieve high enough scores to remain in contention...

In any event, the tender received from Tenderers 2, 3 and 5 failed to comply with the minimum contract and format requirement, and therefore these tenders must be excluded from consideration.

2.59 Services Australia advised the ANAO in March 2023 that:

The required capabilities and experience of tenderers for Package A, which includes the design, manufacture and installation of workstations and Front of House (FOH) office furniture, were markedly different from those who tendered for Package B.

2.60 Tenderers two, three and five were considered to have failed to comply with minimum standards by Services Australia as they did not submit evidence of compliance for the Declaration of Compliance with the Code for the Tender and Performance of Building Work 2016. The ANAO could not determine how these tenderers failed to comply with minimum standards as the requirement was to provide a declaration which all tenderers included in their tender documentation. The report notes that the committee met with the Australian Building and Construction Commission which advised that a declaration would satisfy the requirement, however Services Australia stated that tenderers would need to supply additional evidence, not just a declaration to meet the eligibility criteria.

2.61 By excluding tenderers on an evaluation score from the first stage of evaluation criteria, Services Australia limited the potential number of suppliers. Tenderers that did not progress were removed from the technical evaluation of prototypes and a fair evaluation of all criteria.

#### Chairs Panel

2.62 The chairs panel also included the same four-step process of evaluation outlined in paragraph 2.51.

2.63 The evaluation criteria were relevant to the statement of requirements and similar to the furniture panel; both scored and unscored criteria were included. For the scored criteria, weightings were included in the RFT (see Table 2.6).

**Table 2.6: Evaluation criteria for the RFT for the provision of task chairs and customer seating**

Criteria	Scored/Unscored	Weighting %
Product Offering	Scored	40
Demonstrated Experience & Capacity	Scored	15
Demonstrated ability in product delivery and related management	Scored	15
Compliance with applicable Australian standards (and in its absence, international standards)	Scored	15
Environmental Sustainability Requirements	Scored	15
Indigenous Participation	Unscored	—
The tenderer's proposed approach to providing benefits to the Australian Economy	Unscored	—
The tenderer's current corporate governance framework	Unscored	—

Source: ANAO analysis of entity records.

2.64 The evaluation plan outlined that Services Australia may develop a shortlist of tenders at any time during the evaluation process. Shortlisting would be conducted on the basis of an assessment of the tenders against the requirements of the RFT and tenders that were not included on the shortlist would not generally be considered further. Services Australia intended to request that shortlisted tenderers provide samples and/or prototypes of all the products tendered by the tenderer.

2.65 Pricing evaluation (stage three) of tenders was conducted and considered separate from the evaluations of stage one and stage two. Stage four was determined taking into account technical evaluation under stage two and pricing evaluation under stage three and a risk assessment.

2.66 There were 22 tender responses to the RFT. Five tenders did not meet the minimum requirement and were excluded from further evaluation. The committee set a minimum weighted score of 60 to progress to stage three of evaluation. Of the 17 tenders that progressed to stage two of the evaluation, six did not meet the criterion specification for the mandatory chair categories, and six did not have a weighted score of 60 or above. These 12 tenders were excluded from further evaluation.

2.67 Further information was requested from the five remaining tenderers and only four responses were received. Services Australia requested samples of products and three tenderers delivered samples to the agency as requested. After completing all evaluation stages, Schiavello, Sturdy and Zenith were found to meet the requirements and were recommended to the delegate for approval. However, after a final request for information Schiavello was found to be unsuitable for the panel after requested information was not produced.

### *Evaluation of sampled procurements*

2.68 Most of the sampled procurements included evaluation criteria. Procurements from panels relied on evaluation criteria that were determined during the panel establishment. For three procurements that were conducted under limited tender, there was no evidence of evaluation criteria for these procurements. These three procurements were for limited tender of ad hoc office furniture purchases less than \$80,000.

## **Were successful candidates those assessed as providing the best value for money?**

Home Affairs demonstrated how value for money was achieved in the majority of the procurements sampled by receiving multiple quotes from suppliers or through market research and benchmarking. Services Australia did not demonstrate how value for money was achieved in most procurements sampled. Where justifications were based on the value for money evaluation from the establishment of its panels (where some panels when established were seen as being able to demonstrate value for money outcomes as officials were expected to seek quotes from multiple suppliers), there was poor recordkeeping or a lack of price evaluation.

2.69 The CPRs state that entities must award a contract to a tenderer if they meet the conditions for participation, can undertake the contract and will provide the best value for money in line with the evaluation criteria. Achieving value for money is a core rule of the CPRs and officials undertaking a procurement should encourage competition, be non-discriminatory, and facilitate accountable and transparent decision making.<sup>17</sup>

2.70 The CPRs require officials to consider relevant financial and non-financial costs and benefits when assessing value for money, which includes: the quality of goods and services; the fitness for purpose of the proposal; the supplier's experience and performance history; the flexibility of the proposal; the environmental sustainability of the goods and services; and whole-of-life costs.<sup>18</sup>

## **Home Affairs**

### *Value for money in panel work orders*

2.71 For panel orders valued between \$10,000 and \$80,000, Home Affairs' Accountable Authority Instructions state that officials should undertake market research and seek a minimum of three quotes as best practice.

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<sup>17</sup> Commonwealth Procurement Rules (Cth) rules 4.4 and 10.36, as at 1 January 2018; The CPRs were amended on 1 July 2022 to include rule 9.14 which states 'to maximise competition, officials *should*, where possible, approach multiple *potential suppliers* on a *standing offer*.'

<sup>18</sup> Commonwealth Procurement Rules (Cth) rule 4.5, as at 1 January 2018.



2.72 The ANAO sampled nine panel procurements from Home Affairs for the purchase of office furniture. The details of these work orders and associated panels are in Table 2.7.

**Table 2.7: Sampled panel work orders from Home Affairs**

Panel ID	Panel name	Number of orders	Total value
SON391849	Supply and installation of goods for office fitouts and refurbishments	1	\$65,892.57
SON3328191	Property and Project Management Services Panel	1	\$19,998.00
SON3308533	Workstation and Furniture Panel	5	\$280,166.70
SON3520188	Workstations, Office Furniture, Marketing Products & Loose Furniture	1	\$22,319.00
SON3699989	Workstation and Furniture	1	\$26,609.00

Source: ANAO analysis.

2.73 In six sampled panel procurements by Home Affairs (67 per cent), officials recorded how the work order achieved value for money by showing a comparison of supplier quotes, market research to identify a benchmark value, or how approaching only a single supplier offered value for money. Three panel work orders approached at least three suppliers while the other three approached only one supplier.

2.74 Three sampled work orders (33 per cent) valued at \$148,500, \$30,496 and \$19,998 had no records to show how value for money was achieved.

#### *Value for money in non-panel procurements*

2.75 In seven of eight sampled procurements where Home Affairs approached suppliers in a limited tender, the successful candidate was assessed as offering the best value for money and their selection was supported by appropriate reasoning.

2.76 One procurement valued at \$33,902 had no records to show how value for money was achieved.

### **Services Australia**

#### *Value for money when establishing the workstation and chairs panels*

2.77 Services Australia established the workstations and chairs panels to procure furniture for its national offices and service centres. Both panels' evaluation committees assessed the suppliers as offering a value for money outcome after a four-stage evaluation process that considered the general risk of a supplier and their capacity to meet technical and pricing requirements.

2.78 The evaluation reports for both panels were unable to evaluate if the supplier prices offered value for money as the committee was unable to adequately compare the quality of goods against its price. A review of the request for tender process noted that this issue might have been avoided by consulting the internal finance team earlier and with better planning on design specifications.

2.79 Despite the issue with evaluating prices, the reports noted that the panels would provide a 'value for money outcome' as officials were expected to seek quotes from multiple suppliers to

create competitive prices before entering a contract. The ANAO found that in the 26 sampled panel orders under these two panels, 12 approached only one supplier (46 per cent).

2.80 When considering whole-of-life costs, Services Australia officials estimated that \$100 million and \$29.9 million over six years would be spent on the workstations panel and the chairs panel respectively. As at 30 June 2022, Services Australia has spent a respective \$125 million over four years and \$7.5 million over two years on the workstations and chairs panels.

2.81 The ANAO found no evidence of reviews into Services Australia's use of the panels, with a request to extend the workstations panel deed incorrectly informing the senior executive responsible that the amount spent on the panel was in line with an estimate of \$100 million over four years.

#### *Value for money in panel work orders*

2.82 Until 1 July 2022, Services Australia only required officials to use a spending proposal to record how value for money was achieved for panel orders valued at or over \$10,000. The ANAO sampled 37 procurements from Services Australia that purchased office furniture from a panel. The details of these work orders and associated panels are at Table 2.8.

**Table 2.8: Sampled panel work orders from Services Australia**

Panel ID	Panel name	Number of orders	Total value
SON1515551	Workstations Loose Furniture and Marketing Products	7	\$19,545,151.11
SON2659512	Network Task Chairs and Front of House Seating	3	\$2,745,897.34
SON3271852	Provision of a Workstation Furniture System	1	\$2,552,000.00
SON3520188	Workstations, Office Furniture, Marketing Products & Loose Furniture	25	\$50,386,543.59
SON3713023	Task Chairs and Customer Seating	1	\$779,531.50

Source: ANAO analysis.

2.83 All 37 sampled panel procurements used a spending proposal to assess value for money. The ANAO found that 29 proposals (78 per cent) were not compliant with the CPRs as officials stated that value for money was achieved when the supplier was appointed to the panel.

2.84 This reason was mostly used when one supplier was approached, with 20 of 21 proposals (95 per cent) citing the panel's existence as justifying value for money despite the workstations and chairs panels being established on the assumption that officials would seek competitive quotes from multiple suppliers (see paragraph 2.79). The total value of these 20 sole supplier orders was \$59.6 million, with the largest value at \$13.3 million.

2.85 While commodity goods like office furniture may not need a detailed value for money assessment, the CPRs oblige entities to record how value for money was achieved.<sup>19</sup> Entities that

<sup>19</sup> Commonwealth Procurement Rules (Cth) rule 7.2, as at 1 January 2018.

approach only one supplier inhibit their ability to use price competition to show value for money. The ANAO assessed five out of 37 proposals (14 per cent) as recording sufficient reason to show how value for money was achieved. All five procurements approached multiple suppliers and compared quoted prices to assess value for money.

2.86 Services Australia advised that it faced constraints in using price competition to show value for money. The agency noted that seven contracts were from a panel with only one supplier listed and six contracts were for the modification or retrofit of a supplier's products.

2.87 Another way to assess value for money is by comparing or benchmarking a procurement to similar purchases or by assessing the costs of not proceeding with the procurement. ANAO found no evidence of benchmarking against prices of furniture on other panels across government.

2.88 In the seven spending proposals under the agency's standing offer with one supplier, the ANAO found no evidence of benchmarking or consideration of other costs. The ANAO also found no evidence of these assessments in all other purchases where only one supplier was approached.

2.89 Benchmarking relies upon entities recording data from their procurement activities. The ANAO could not compare spending on workstations across entities as Home Affairs and Services Australia did not fully record the line-item costs of a workstation, which includes packaged accessories and installation services. The ANAO also could not compare spending on workstations between whole-of-government panels due to differences in pricing schemes and a lack of disaggregated data for purchases of workstations.

## Recommendation no. 2

2.90 Services Australia implement processes for officials to evaluate value for money for procurements, including orders from panels, consistent with their scale, scope and risk, especially when opportunities to show value for money through competitive pricing are limited or not available.

**Services Australia response:** *Agreed.*

2.91 *The Agency has developed a procurement framework to comply with the requirements of the Commonwealth Procurement Rules (CPRs). The Agency has made a number of changes over the last five years of the audit's sample period, which have strengthened the level of assurance that the Agency is achieving value-for-money outcomes in procurement, including ended a panel which had only one provider. Specifically, in July 2022 the Agency introduced a number of changes to policies, processes, procedures, templates and internal controls, in this respect, aimed at enhancing procurement effectiveness and value for money.*

2.92 *These changes are supported by a range of tools, guidance material and templates developed and maintained by the Department of Finance to provide assurance, accountability and transparency into Government procurement activities, and make it easier for businesses to participate in the economy and grow their business through contracting to the Australian Government.*

2.93 *The Agency is committed to strengthening this position by:*

- *engaging with other entities through established procurement cross-entity working groups to ensure the Agency has parity with the range of tools, guidance material and templates available*
- *better embedding the use of the processes and templates implemented since 1 July 2022 across the Agency*
- *reviewing Agency procurement guidance and materials regularly, to ensure they reflect ongoing evolution in procurement policy and good practice*  
*uplifting procurement capability across the organisation, including involving the Procurement Branch in partnering more closely with areas undertaking key procurements*

### **Value for money in non-panel procurements**

2.94 In the three sampled procurements where Services Australia approached suppliers outside of a panel arrangement, two recorded a comparison of quotes from suppliers of office chairs and whiteboards respectively to support that the chosen supplier offered best value for money.

2.95 The third procurement stated that two other suppliers were approached but had no record of the approach and did not record a comparison of quotes or other evidence to support that value for money was achieved.

### **Were procurements conducted ethically, including identifying and managing any conflicts of interest and transparently managing incumbency advantages?**

Home Affairs has processes in place to ensure that officials manage conflicts of interests and incumbency advantages in most procurements sampled. Officials at Services Australia did not fully follow internal processes to manage conflicts of interest and did not manage incumbency advantages in the procurements sampled. Services Australia did not comply with the CPRs when it created a process to order from one supplier on a panel by first signing a contract at a nominated price before deciding on items for purchase.

2.96 Under the CPRs, officials undertaking procurement must act ethically, which includes recognising and dealing with actual, potential and perceived conflicts of interest, dealing equitably with the market and carefully considering the use of public resources.<sup>20</sup>

2.97 The Department of Finance identifies probity as the evidence of ethical behaviour, which it defines as complete and confirmed integrity, uprightness and honesty in a particular process. The purpose of applying probity in procurement is to provide assurance to delegates, suppliers and government that a procurement was conducted in a manner that is fair, equitable and defensible.<sup>21</sup>

20 Commonwealth Procurement Rules (Cth) rule 6.6, as at 1 January 2018.

21 Department of Finance, *Ethics and Probity in Procurement* [Internet], Finance, Canberra, 2021, available from <https://www.finance.gov.au/government/procurement/buying-australian-government/ethics-and-probity-procurement> [accessed 16 January 2023].

## Home Affairs

### *Probity arrangements*

2.98 Home Affairs provides a better practice guide to inform its officials on the importance of probity and the probity requirements when conducting procurement. Its procurement templates also outline when a probity advisor may be needed in large or high-risk procurements.

### *Conflicts of Interest*

2.99 Home Affairs requires its officials conducting a procurement to sign a conflict-of-interest declaration when approaching the market. The department also includes provisions for officials to declare any conflicts of interests in its mandatory procurement templates. There was no record of any conflict-of-interest declarations made by officials at Home Affairs in six sampled procurements. Appropriate declarations were made in the remaining 11 procurements.

### *Managing incumbency advantages*

2.100 There were three cases where Home Affairs chose an incumbent supplier in sampled procurements. In two of the procurements, officials justified the decision by noting that the department required installation services on workstations procured earlier from the supplier. In the third procurement, officials noted familiarity with the supplier when procuring 200 task chairs valued at \$135,000 to justify not approaching other suppliers on the panel.

2.101 Home Affairs has updated existing procurement guidance to address incumbent supplier advantages. The department's probity in procurement better practice guide also addresses how officials should treat incumbent providers.

## Services Australia

### *Probity arrangements*

2.102 Officials in Services Australia's Property Branch consulted external probity advisors for the establishment of the workstations and chairs panels. The agency's management of timeframes affected the level of assurance provided by the probity advisor, who noted that:

The timeframe for reviewing the documents covered by this probity sign off has been exceptionally tight. In these circumstances, we have been unable to review the documents to the level of detail we would prefer to completely ensure the defensibility of the process, particularly in relation to Package A, as there were extensive revisions made to the tender evaluation report for Package A after we provided our previous sign off.

2.103 Services Australia's subsequent procurement from the chairs panel showed improvement in probity practices. In contrast to the workstations panel, officials kept better registers of probity issues and conflict of interests, proactively sought probity advice when concerned about potential issues arising and received stronger assurance in the final sign-off from the probity adviser.

### *Conflicts of interests*

2.104 Services Australia requires SES employees to 'maintain a current Declarations of Interest in the agency's register.' The agency also requires officials and non-APS staff to sign a confidentiality agreement and conflict of interest declaration before participating in a procurement. There was no record of property branch officials declaring any or no conflicts of interest when ordering from the workstations or chairs panels.

2.105 No relevant material personal interests were found in declarations made by SES employees overseeing Services Australia's property portfolio from 2014 to 2022 or in declarations made by staff involved in the procurement of the workstations and chairs panels. There were declarations in 2014, 2019, and 2020 made by the one SES employee overseeing the agency's property branch despite the requirement for annual declarations. Subsequent SES employees in the property branch have made the required declarations.

2.106 There were two issues arising from the declaration of interests in Service Australia's procurements for the panels. In both procurements, there were no records of the delegate and external consultant making any declaration of interests. There was also no evidence that the agency was aware that its consultant had contributed to the design of a workstation package for a supplier found successful in both procurements. In the workstations and chairs panel procurements, nine and four officials respectively signed a blank declaration form that did not refer to procurement.

#### Opportunity for improvement

2.107 Services Australia could improve its processes to ensure that staff involved in a procurement declare interests where relevant and implement controls to review confidentiality agreements and verify conflict of interest declarations for the agency's procurement activities.

#### *Managing incumbency advantages*

2.108 There was no evidence that Services Australia considered the management of incumbency advantages when establishing office furniture panels or when procuring from these panels. The ANAO identified 14 panel orders in its sample where the agency approached only one supplier despite the presence of another. In 10 panel orders (71 per cent), the agency cited a need for the supplier's maintenance services or a desire to maintain product consistency on-site. One order cited a short timeframe for procurement and three had no reasons for approaching only one supplier.

2.109 In one case the agency used a process to exclusively order from one supplier to 'gain efficiencies ... in terms of administration and payments.' In 2019, Property Branch officials created a process under the workstations panel to order non-capital Package A items from Schiavello. Under this process, officials first signed a work order with Schiavello at a nominated price. Once signed, officials then requested quotes for furniture items and finalised the purchase by issuing a change order to the contract. This process was not available to other suppliers and was not meant to be used with Schiavello for Package B or capital Package A orders, which the agency noted:

will be procured by the customary process. That is, the release of a RFQ [request for quote], an Official Order if the quote is accepted, a Purchase Order when the Official Order signed by both parties, and then Invoice to the Department's electronic Invoicing email.

2.110 The use of an exclusive process to order from a supplier on a panel by first signing a contract before deciding upon purchased items is not compliant with the CPRs. Services Australia advised that this process 'was not a procurement for new furniture' and was for the retrofit of non-electric Schiavello workstations and repair of Schiavello products that were out of warranty. There was limited evidence to support this advice and no evidence of the agency considering a process that would be in line with the CPRs.

2.111 This process was used in two sampled procurements valued at \$2.2 million and \$1.1 million to purchase workstations and accessories from Schiavello. The contracts noted that the agency will

provide a 'Request for Quote with the specific details of the purchase including items required and delivery location' to which a 'change order will be issued after the acceptance of each individual quoted parcel of work'. The recorded purpose of the orders was to meet an increased demand for sit-stand workstations and to reduce credit card spending on capital items like workstations.

## Are appropriate controls in place to ensure the accurate receipt of goods and the integrity of payments to suppliers, including managing risks of fraud?

Home Affairs and Services Australia have appropriate controls in place to ensure the accurate receipt of goods and the integrity of payments to suppliers. Services Australia could improve the quality of its records and approval process on its financial information management system.

2.112 Internal controls allow entities to properly use public resources by ensuring that suppliers are paid on-time, at an agreed amount, with no risk of fraud occurring. A basic standard of controls includes having different officials involved in approving and processing a procurement to prevent the risk of fraud that could occur if one person was allowed to sign a contract, draft a purchase order, and pay a supplier without any oversight.

2.113 Section 16 of the *Public Governance, Performance and Accountability Act 2013* and section 10 of the *Public Governance, Performance and Accountability Rule 2014* requires entities to maintain an appropriate system of risk oversight and internal control for the entity to manage the risk and incidents of fraud. The CPRs oblige entities to record relevant approvals for a procurement and have evidence of supplier agreements like a written contract, purchase order, invoice or receipt.<sup>22</sup> Entities must also pay suppliers on-time after accepting delivery and an invoice receipt.<sup>23</sup>

2.114 Home Affairs' and Services Australia's Accountable Authority Instructions detail the steps officials must take to ensure the accurate receipt of goods, integrity of payments to suppliers and the management of fraud risks. Both entities outline a schedule of financial delegations, which specifies who in the entity may sign a contract and the maximum amount that they may spend in a procurement.

2.115 Home Affairs' Accountable Authority Instructions requires the Secretary of Home Affairs to take all reasonable measures to prevent, detect and deal with fraud in the department while officials are expected to comply with the department's Fraud Control and Anti-Corruption Plan and the Commonwealth Fraud Control Framework. In Services Australia, officials must consider and manage risk in line with the department's Risk Management Policy and Framework and comply with the Fraud and Corruption Control Plan.

2.116 The ANAO tested payment controls in its sample from both entities and reviewed contracts from the 2021–22 financial year, which included five contracts from Home Affairs and eight contracts from Services Australia.

2.117 To test the internal controls of both entities, the ANAO reviewed:

- the spending proposal sent to the delegate;

<sup>22</sup> Commonwealth Procurement Rules (Cth) rules 7.2 and 7.3, as at 1 January 2018.

<sup>23</sup> Commonwealth Procurement Rules (Cth) rule 5.8, as at 14 December 2020.



- whether the delegate had the authority to approve the purchase;
- whether any contract variation occurred and, if so, whether it was approved;
- the invoices received from entities; and
- the accuracy of payments to suppliers.

2.118 Home Affairs and Services Australia have effective controls to ensure the accurate receipt of goods or services and the integrity of payments to suppliers, including managing risks of fraud.

2.119 No errors were found with payments or approvals in the five selected procurements in Home Affairs and the eight selected procurements from Services Australia.

## Financial delegations

2.120 From 1 July 2018 to 30 June 2022, both entities' Accountable Authority Instructions specified which officials in the relevant property areas have the authority to approve proposed expenditure and enter or vary a written contract or other arrangements.

### *Home Affairs*

2.121 All five selected contracts from Home Affairs received approvals in-writing from the authorised delegates. Home Affairs advised that the department does not use its financial management information system (FMIS) to exercise delegations.

### *Services Australia*

2.122 All eight selected contracts from Services Australia received appropriate approvals from the authorised delegates in its FMIS. There were three procurements where the approver listed in the proposal and the approver recorded in the FMIS did not match. Services Australia advised that the delegate changed by the time the proposal was uploaded.

2.123 The ANAO also found that officials used the 'Override Spending Approver ID' function in the FMIS in all eight selected procurements. Services Australia advised that the override function allows another official with the correct delegation to approve a spending proposal, which may be done if the original approver is on leave for example. Services Australia did not provide evidence for why this function was used across all selected procurements.

### Opportunity for improvement

2.124 Services Australia could improve its recording of spending approvals and tracking of financial delegations on its financial management information system.

## Payment of invoices and receipt of goods

2.125 In all selected contracts from Home Affairs and Services Australia, officials recorded accurate invoices from suppliers and receipt of goods in its FMIS and there were no errors in payments or receipt of goods.



### 3. Accountable and transparent decision making

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#### Areas examined

The ANAO examined whether decision-making had been accountable and transparent.

#### Conclusion

Home Affairs procurement practices have been mostly accountable and transparent however the public reporting of contracts on AusTender was sometimes delayed or inaccurate. Home Affairs undertakes regular reviews and evaluations of its procurement arrangements. Services Australia's procurement decision-making has been mostly accountable and transparent. Services Australia did not undertake any evaluation of procurement arrangements to determine whether current procurement practices were providing best value for money.

#### Areas for improvement

The ANAO made one recommendation for Services Australia to implement processes to review its panel arrangements to evaluate whether its panel administration and procurement practices are achieving value for money before extending an existing arrangement or when procuring for new arrangements.

The ANAO made one suggestion for Home Affairs to improve the timeliness and accuracy of its reporting to AusTender.

3.1 Accountability means that officials are responsible for the actions and decisions that they take in relation to procurement and for the resulting outcomes. Transparency involves relevant entities taking steps to enable appropriate scrutiny of their procurement activity. The Commonwealth Procurement Rules (CPRs) oblige officials to record procurement requirements and processes, value for money considerations, and any approvals and decisions when committing relevant money.<sup>24</sup>

#### Was approval obtained prior to purchases or entering into a contract?

Officials at Home Affairs and Services Australia obtained appropriate approvals before entering into a contract in procurements sampled.

3.2 For non-corporate Commonwealth entities, an accountable authority can delegate authority to officials within their entity to commit relevant money. These are outlined in the relevant entity's Accountable Authority Instructions. Before a delegate approves a spending proposal, they must consider the business need, if it is a proper use of public resources, if the proposal is affordable and whether funds are available.

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24 Commonwealth Procurement Rules (Cth) rule 7.2, as at 1 January 2018.

## Home Affairs

3.3 Home Affairs records the approval of contracts through an online portal, which requires officials to complete a section 23 approval to commit relevant funds.<sup>25</sup> Once approved, officials must download these documents and enter them into the department's financial management information system. They must also be uploaded to its records management system. Any records of approvals must be included. All contracts reviewed had records of approvals.

## Services Australia

3.4 Services Australia manages its final approvals of spending in its procurement financial system. Officials must complete a spending proposal document using the appropriate template, which is then sent to the relevant spending delegate. The delegate then reviews the document and approves it electronically after completing an approval checklist. All contracts reviewed had relevant approvals.

## Were procurement records maintained commensurate with the scale, scope and risk of the procurement?

Most sampled procurements from Home Affairs procurement had records to show that value for money was assessed, with the quality of evidence improving over the sample period. Services Australia maintained procurement records consistent with the scale, scope, and risk of the procurement for most sampled procurements.

3.5 Under Division 1 of the CPRs, officials must maintain and retain in line with the *Archives Act 1983*, records consistent with the scale, scope, and risk of a procurement. Records should provide accurate and concise information on:

- the requirement for the procurement;
- the process that was followed;
- how value for money was considered and achieved;
- relevant approvals; and
- relevant decisions and the basis of those decisions.

## Home Affairs

3.6 The department's Recordkeeping Policies and Recordkeeping Guidelines state that officials are responsible for:

- keeping comprehensive, authentic and reliable records that support and evidence sound decision-making;
- ensuring records are treated as valuable corporate assets and documented to a standard that would withstand independent scrutiny;
- ensuring recordkeeping is an integral part of all business processes; and

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25 Section 23 of the PGPA Act gives authority to the Commonwealth to commit relevant money by entering into and varying arrangements. This authority can be delegated by the relevant accountable authority to officials within their entity to exercise this power on their behalf. Section 18 of the PGPA rule requires an official to make a written record of the approval as soon as practicable after giving it.

- keeping records in the approved recordkeeping system in accordance with documented and authorised business processes.

3.7 Goods and services, including office furniture, are classified by risk and value into five categories:

- minor procurement — procurements valued less than \$10,000;
- simple procurement — procurements valued between \$10,000 and \$200,000;
- complex procurement — procurements valued between \$200,000 and \$50 million which do not involve significant risk;
- strategic procurement — procurements valued between \$200,000 and \$10 million which involve significant risk, or procurements valued between \$10 million and \$50 million;
- high risk and/or high value (HRHV) procurements — procurements valued more than \$50 million, or procurements valued between \$10 million and \$50 million and identified as having high or extreme risk.

3.8 Record keeping requirements in Home Affairs increase accordingly with the value and risk of the procurement.

3.9 Of the 17 sampled procurements from Home Affairs, 12 did not maintain complete or largely complete records of all required documents. These documents were generally planning or evaluation documents which were unsigned, in draft form, or missing.

## Services Australia

3.10 Services Australia's procurement record keeping policies are detailed in the Accountable Authority Instructions, which require officials to maintain records of all business activities with a level of detail proportionate to the value, risk, and complexity of the activities.

3.11 Services Australia categorises its procurements into three broad types based on estimated procurement values of \$10,000 to \$79,999, at \$80,000 to \$200,000, and over \$200,000. Record keeping requirements for each category of procurement require the same level of documentation with the exception of a tender evaluation report and a spending proposal being additional records mandated for procurements over \$80,000.

3.12 For panel procurements for the period of samples reviewed, documentation required included a purchase order and a contract. Services Australia updated its procurement policy in July 2022 and additional documentation is now required as part of panel procurements value at or over \$10,000, which includes an evaluation plan and evaluation report. For procurements valued at \$80,000 or more, the Tender Evaluation Report and Spending Proposal must be completed, signed by all members of the Tender Evaluation Committee, and then cleared by the Procurement Partnering team for compliance with all obligation of the CPRs and corporate and financial policies.

3.13 For 37 of the 40 sampled procurements, all included the required documentation of a purchase order and contract. Three limited tender procurements did not retain all the required documentation including evidence of a contract with the chosen supplier.

## Have relevant contracts and amendments been accurately reported on AusTender within 42 days of a contract being entered into or amended?

Home Affairs reported 50 per cent of sampled contracts on AusTender accurately and within 42 days. Services Australia reported 92 per cent of sampled contract on AusTender accurately and within 42 days.

3.14 Under the CPRs, non-corporate Commonwealth entities must report all contracts and amendments on AusTender within 42 days of entering into or amending a contact for any contracts valued at or above \$10,000.<sup>26</sup> Entities are responsible for the completeness, accuracy and timeliness of their own notices published on AusTender.

### Home Affairs

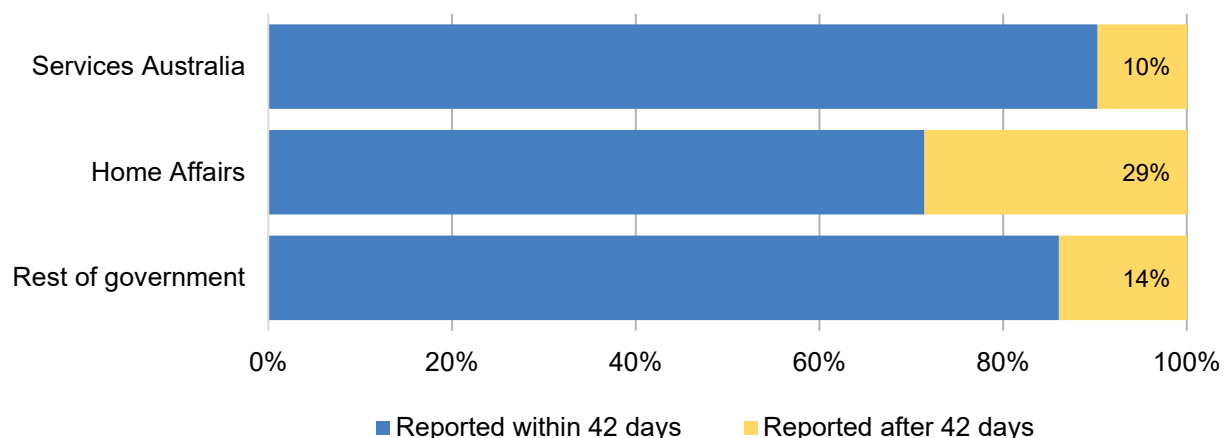
3.15 Home Affairs' internal procurement policies state that it is the responsibility of the procurement delegate to ensure all information provided to AusTender is high quality and meets minimum reporting requirements. Publication of Home Affairs' contracts is completed on a weekly basis by the Procurement, Property and Contracts Division which uploads the contract data entered into the department's financial management system.

3.16 Between 1 July 2017 and 30 June 2022, Home Affairs reported 28 contracts relating to office furniture on AusTender. Of the 28 contracts reported by Home Affairs:

- eight contracts (29 per cent) were reported more than 42 days past the start date<sup>27</sup>;
- the total value of contracts reported late was \$974,506; and
- the average delay for reporting was 84 days.

3.17 Home Affairs reports a greater percentage of office furniture contracts outside the required 42 days when compared to the rest of the Australian Government entities (see Figure 3.1).

**Figure 3.1: Office furniture contracts reported within 42 days**



Source: ANAO analysis.

<sup>26</sup> Commonwealth Procurement Rules (Cth) rules 7.16 and 7.17, as at 1 January 2018.

<sup>27</sup> Home Affairs reported one procurement on AusTender twice, CN3672385 and CN3689664. The ANAO has included this duplicate contract, which was reported late, as it is relevant to reporting on AusTender.

### *Sampled procurements*

3.18 In the 18 sampled contracts from Home Affairs, nine contracts (50 per cent) were reported inaccurately as the ANAO found one or more discrepancies in the supplier details, contract dates, contract value or number of amendments found between the sampled procurement documents and the AusTender notice.

#### **Opportunity for improvement**

3.19 Home Affairs could improve the timeliness and accuracy of its reporting to AusTender.

### **Services Australia**

3.20 The majority of Services Australia's contracts are reported monthly through a centralised batch upload process using information from the agency's financial management system. Manual reporting by staff is required if a purchase was made using a credit card.

3.21 Between 1 July 2017 and 30 June 2022, 990 contracts relating to office furniture were reported by Services Australia on AusTender. Of the 990 contracts reported by Services Australia:

- 96 contracts (10 per cent) were reported more than 42 days past the start date;
- the total value of contracts reported late was \$6,568,119; and
- the average delay for reporting was 29 days.

### *Sampled procurements.*

3.22 In the 40 sampled contracts from Services Australia, three contracts (eight per cent) were reported inaccurately. The ANAO found discrepancies between the contract dates and the AusTender notice. There was also one contract where a variation of \$1.3m was not reported.

## **Have evaluations or reviews been conducted against the objectives of the procurements and the results used to inform future processes?**

Home Affairs undertakes regular reviews and improvement of procurement processes. Services Australia has practices in place to use lessons learned from previous panels to inform the design of future panel arrangements. ANAO found no evidence of Services Australia reviewing its internal procurement methods to analyse whether panels were achieving value for money or if any other form of procurement method would be more appropriate.

### **Home Affairs**

#### *Procurement procedures*

3.23 Home Affairs' internal procurement guidance is updated regularly to streamline record-keeping and approval processes and reflect changes in the CPRs as required. In 2022, Home Affairs implemented a new procurement management portal which integrates manual approvals with automated procurement checkpoint controls.

3.24 Home Affairs has developed a digital procurement portal for procurement under \$80,000 and is developing a digital procurement portal for procurements over \$80,000.

3.25 Home Affairs has updated existing procurement guidance in relation to incumbent supplier advantage. Its Probity in Procurement Better Practice Guide also addresses dealing with incumbent providers to ensure the market is tested regularly.

## **Services Australia**

### *Procurement procedures*

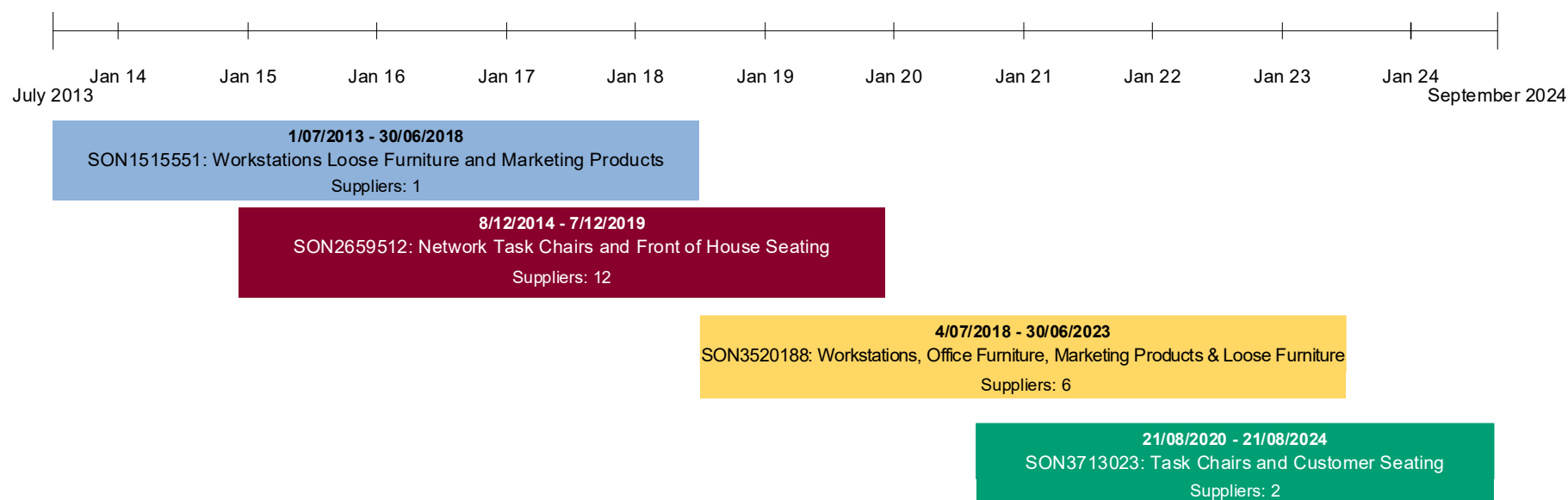
3.26 Services Australia regularly updates its procurement processes and guidance to reflect changes in the CPRs.

3.27 Services Australia has redeveloped internal guidance, templates, policy and processes to incorporate changes made to the updated CPRs as required, most recently with the changes that came in effect in July 2022. At the same time, Services Australia redeveloped internal guidance to improve records and record keeping practices. All procurements (including purchasing under a panel) with an estimated whole of life value greater than \$80,000 (or \$7.5 million for construction services) now require a mandatory referral to the Procurement Branch or Technology Sourcing Branch. As mentioned in paragraph 3.12, procurement guidelines also now require additional documentation as part of a panel procurement.

### *Review of internal panel arrangements*

3.28 The ANAO examined Services Australia's contracts reported in AusTender relating to the procurement of office furniture from 1 July 2007 onwards. From 1 July 2013 the entity established a series of overlapping, multi-year panels (see Figure 3.2). Previous to this, there were no panels established.

**Figure 3.2: Services Australia's panels for office furniture and chairs**



Source: ANAO analysis.

3.29 The ANAO found that Services Australia has processes to conduct, document and use lessons learned for development of panels. Lessons learned from the Workstations Loose Furniture and Marketing Products (SON1515551) panel arrangement were used to assist with planning the panel procurement for Workstations, Office Furniture, Marketing Products & Loose Furniture (SON3520188).

3.30 As discussed in paragraph 2.15, the panel evaluation committee changed the design of the panel (SON3520188), split the panel into Packages A and B. The committee hoped this would encourage competition and incentivise small-medium enterprises and indigenous organisations to bid for the loose furniture category (Package B).

### *Review of external panel arrangements and alternative procurement methods*

3.31 As discussed earlier in paragraph 2.87, the ANAO found no evidence of any type of benchmarking against prices of furniture on other panels across government.

3.32 The ANAO also found no evidence that Services Australia reviewed its internal procurement methods to determine if its panels achieved value for money, or if any form of procurement other than a panel arrangement, such as open tender, would be more appropriate for its needs.

## **Recommendation no. 3**

3.33 Services Australia:

- (a) implement guidelines to review its procurement process to evaluate if panels are achieving value for money before extending an existing panel or when establishing for new panels; and
- (b) consider external panels or alternative procurement methods before extending an existing panel or when establishing for new panels.

**Services Australia response:** *Agreed.*

3.34 *The Agency's current procurement policies require its officials to use existing Commonwealth arrangements whenever the requirement falls within the scope of the arrangement and meets the relevant business need, unless the goods can be supplied under a mandatory coordinated procurement arrangement or the requirement is being sourced from an Australian Disability Enterprise (ADE) or Indigenous Small or Medium Enterprise (SME) and represents a value-for-money outcome.*

3.35 *The policies also require officials to apply competitive requirements including when procuring from panels. These requirements are supported by procurement planning templates that require officials within the Agency to seek advice on the appropriate method of procurement, including any existing panel arrangements and how many suppliers should be approach to maximise competition.*

3.36 *The Agency has strengthened its Contract Management Framework to emphasise appropriate planning, promote the achievement of value-for-money over the life of the contract, and to support the evaluation of whether value-for-money is being achieved, prior to extending a contract deed, or panel.*



3.37 Specifically, the Agency will ensure that the Agency's current guidelines to evaluate if panels are achieving value for money are applied, before seeking extension of an existing panel or when establishing a new panel. This includes review of existing panel arrangements under the Agency's Contract Management Framework and completing the Contract Management Health Check issued by Procurement Branch.

3.38 In addition, the Agency has also updated relevant Contract Management Plans, including risk treatments and lessons learned, to support procurement from these panels and support the Agency in making an objective evaluation of the panel's performance.

3.39 Consistent with the Agency's Accountable Authority Instructions on the mandatory use of existing panels, instructions to panel users will be updated to explain the requirements for testing value-for-money when purchasing from a panel, and these will be reflected in supporting templates and documentation. These improvements will be supplemented by ongoing review of process maps and instructional material, as well as improved training and guidance on issues of procurement and financial delegations. The Agency is currently consulting with other entities on their existing furniture panel arrangements.



Rona Mellor PSM  
Acting Auditor-General

Canberra ACT  
14 June 2023



## **Appendices**

## Appendix 1 Entity responses



Australian Government  
Department of Home Affairs

Mr Grant Hehir  
Auditor-General  
Australian National Audit Office  
GPO Box 707  
Canberra ACT 2601

Dear Mr Hehir

Thank you for the opportunity to provide feedback and comments on the section 19 Report for the *Procurement of Office Furniture* that was provided to the Department of Home Affairs (the Department) on 2 May 2023.

The Department acknowledges the value of the Australian National Audit Office (ANAO) providing independent analysis of, and insights into, the Department's management of the procurement of office furniture in line with Commonwealth Procurement Rules 2022 (CPRs).

The Department notes that the ANAO found that Home Affairs was largely compliant with the CPRs when procuring office furniture, and was able to demonstrate how value for money was achieved.

Whilst the ANAO had no recommendations for the Department to action, the Department notes the ANAO identified a particular area for improvement which was around the timeliness and accuracy of AusTender reporting. To address this, the Department can advise that a range of improvements have already been implemented and include:

- amended guidance and instructions on the Procurement and Contracts intranet pages to advise and assist in entering contracts into the Department's Financial Management Information System
- providing regular intranet notices and reminders via the Procurement Community of Practice and outreach meetings to business areas
- implementation of the digitised enter/amend contract form to streamline the contract data entry, verification and AusTender reporting process. This form is built to improve the data quality on AusTender reported contracts and to increase the 42-day AusTender compliance
- promotion of formal training sessions
- comprehensive contract verification process is conducted to ensure contract data is accurately entered into easySAP prior to AusTender publishing
- regular monitoring of the Department's 42-day AusTender reporting compliance rate.

Other actions the Department has undertaken include:

- the development of a Records and Information Management Guide for Procurement and Contract Management to improve record keeping and ensure records are complete
- implementation of a digitised procurement portal. The procurement portal has digitised procurement plans (with risk assessments embedded) and procurement approval documentation for procurements up to \$200K. The next phase of the project is to roll out the procurement portal for procurements over \$200K.

The Department is committed to making continuous improvements to its procurement processes and regularly reviews and updates procurement guidance and templates to ensure fair and transparent processes and value for money outcomes. The Department's guidance and templates also consider risk in procurement and align with the Department's enterprise risk framework and promote accurate record keeping.

As noted in the Report, the Department has recently updated existing procurement guidance to address incumbent supplier advantages and has a comprehensive Probity in Procurement Better Practice Guide which outlines how officials should treat incumbent providers.

Please find attached at **Attachment A** our summarised Short Response for inclusion in the formal report.

The Department would like to thank the ANAO for their collaborative approach throughout the audit process.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Graham', with a stylized flourish at the end.

Dr Michelle Graham  
Acting Chief Audit Executive

22 May 2023



**Australian Government**  
Services Australia

Our Ref: EC23-001970

Chief Executive Officer  
Rebecca Skinner PSM

Mr Grant Hehir  
Auditor-General  
Australian National Audit Office  
GPO Box 707  
CANBERRA ACT 2601

Dear Mr <sup>Grant</sup>Hehir

**Service Australia's response the Australian National Audit Office's (ANAO) performance  
audit of Procurement of Office Furniture**

Thank you for providing Services Australia (the Agency) with the opportunity to comment on the ANAO's performance audit, *Procurement of Office Furniture*.

I note the audit's findings for the Agency's arrangements for procurement of office furniture are partially effective, having regard to:

- Partial compliance with the Commonwealth Procurement Rules when undertaking procurement of office furniture.
- Demonstrating how value for money was achieved.
- Evaluating procurement arrangements to determine whether current practices are providing best value for money.

The Agency has implemented updated procurement guidance and obligations at various times between 1 July 2017 and 30 June 2022 to reflect updates to the Commonwealth Procurement Rules (CPRs) and best practice, including updated procurement processes, guidance, templates and changes to the Accountable Authority Instructions. Changes implemented from July 2022 have improved guidance and processes relating to documentation, to ensure it is commensurate with scope scale and risk.

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The Agency has established probity guidance to support the delivery of compliant procurements, including guidance for the management of incumbency bias. These enhanced requirements were not part of the procurement rules prior to 1 July 2022, and therefore the improvements to the Agency's procurement practices would not have been reflected in the sample of procurements examined by the ANAO as part of this audit.

The Agency acknowledges there is opportunity to further strengthen the arrangements supporting procurement of furniture, including by:

- Continuing work across the Agency to uplift capability in procurement, including strengthening staff training and embedding processes, policies and templates in procurement activities across the Agency.
- Strengthening the approach to partnering by specialist procurement areas to better support procurement planning and encourage competition as a means of strengthening value-for-money propositions.
- Strengthening contract management frameworks to emphasise the evaluation of value-for-money outcomes, including in the context of extending any existing panel arrangements or establishing new panels.

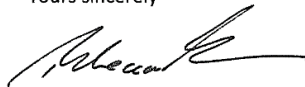
The Agency will work to ensure this is done consistent with the Commonwealth Procurement Rules as the foundation of the Commonwealth procurement framework to provide assurance, accountability and transparency into Government procurement activities, and make it easier for businesses to participate in the economy and grow their business through contracting to the Australian Government.

The Agency considers the implementation of the recommendations will further strengthen the arrangements in place and enhance compliance with the Commonwealth Procurement Rules. This is set out in further detail in response to each of the recommendations.

I would like to thank the ANAO for its cooperative and professional approach throughout the audit process.

The Agency's contact for this matter is Mr Andrew Rodrigues, National Manager Audit. Mr Rodrigues is available on 02 6132 2790 or [andrew.rodrigues@servicesaustralia.gov.au](mailto:andrew.rodrigues@servicesaustralia.gov.au).

Yours sincerely



Rebecca Skinner

30 May 2023

## Appendix 2 Improvements observed by the ANAO

1. The existence of independent external audit, and the accompanying potential for scrutiny improves performance. Improvements in administrative and management practices usually occur either in anticipation of ANAO audit activity; during an audit engagement; as interim findings are made; or after the audit has been completed and formal findings are communicated.
2. The Joint Committee of Public Accounts and Audit (JCPAA) has encouraged the ANAO to consider ways in which the ANAO could capture and describe some of these impacts. The ANAO's 2022–23 Corporate Plan states that the ANAO's annual performance statements will provide a narrative that will consider, amongst other matters, analysis of key improvements made by entities during a performance audit process based on information included in tabled performance audit reports.
3. Performance audits involve close engagement between the ANAO and the audited entity as well as other stakeholders involved in the program or activity being audited. Throughout the audit engagement, the ANAO outlines to the entity the preliminary audit findings, conclusions and potential audit recommendations. This ensures that final recommendations are appropriately targeted and encourages entities to take early remedial action on any identified matters during the course of an audit. Remedial actions entities may take during the audit include:
  - strengthening governance arrangements;
  - introducing or revising policies, strategies, guidelines or administrative processes; and
  - initiating reviews or investigations.
4. During the course of the audit, the ANAO observed changes in both Home Affairs' and Services Australia's approaches to their procurement processes. It is not clear whether these actions were planned in response to proposed or actual audit activity. The ANAO has not sought to obtain assurance over the source of these actions or whether they have been appropriately implemented.
5. The changes observed in Home Affairs are outlined below:
  - Home Affairs has developed a central system through which officials must process their procurements. The new portal for procurements between \$10,000 and \$80,000 guides officials through each step of the procurement. A procurement plan is conducted through the portal and other stages use a manual template which need to be uploaded into the system. This was introduced by the department in the second half of 2022;
  - From 1 March 2022, the department has required contracts to be entered into the Financial Management Information System (FMIS) using a purpose-built portal. This portal allows business areas to directly enter their contracts into FMIS, thereby, facilitating shorter time period from contract signing to data entry and thereby, AusTender reporting; and
  - Home Affairs has updated existing procurement guidance in relation to incumbent supplier advantage. The department's Probity in Procurement Better Practice Guide also addresses dealing with incumbent providers.
6. The changes observed by the ANAO during the course of the audit in Services Australia's approach to its procurement of office furniture are outlined below:



- Services Australia has redeveloped internal guidance, templates, policy and processes to incorporate changes made to the updated CPRs which came in effect in July 2022;
- all procurements (including purchasing under a panel) with an estimated whole of life value greater than \$80,000 (or \$7.5 million for construction services) now require a mandatory referral to the Procurement Branch or Technology Sourcing Branch; and
- additional documentation is required as part of a panel procurement, which includes an evaluation plan and evaluation report. For procurements valued at \$80,000 or more, the Tender Evaluation Report and Spending Proposal must be completed, signed by all members of the Tender Evaluation Committee, and then cleared by the Procurement Partnering team for compliance with all obligation of the CPRs and corporate and financial policies.