



Government of **Western Australia**
Department of **Finance**



Thematic Audit Summary Report

Section F: WA Procurement Rules

Procurement Assurance Team

July 2022



Introduction

This report provides an overview of the recent Thematic Audit conducted by the Department of Finance (**Finance**) under the *Procurement Act 2020* (the **Act**).

Part 6 of the Act gives Finance responsibility for the investigation and audit of procurement activities that are conducted under the Act.

Thematic Audits are conducted by the Procurement Assurance Team within Finance and focus on particular requirements within the Procurement Directions issued under the Act. The scope of each Thematic Audit is informed by Finance's assessment of compliance risks and opportunities for improvement in State agencies' procurement processes and frameworks.

Audit Scope

Commencing in October 2021, this Thematic Audit focused on parts of Section F: Agency Obligations of the Western Australian Procurement Rules (the **Rules**). The Rules commenced 1 June 2021, replacing the State Supply Commission (**SSC**) policies, so it was timely to check that these obligations had been properly implemented.

The obligations within Section F form the basis of a transparent and effective procurement framework to support the procurement activities of State agencies. Appendix 1 of this report lists the Rules that were audited in this Thematic Audit. These Rules were selected because they are applicable to all State agencies and they set standards of proper process and oversight for each State agency's procurement activities. This audit did not focus on individual procurements.

Finance audited 82 State agencies, as listed in Appendix 2 of this report (the **Agencies**). Each Agency received an audit report that detailed their compliance against each Rule included in Appendix 1 and, where appropriate, identified opportunities for improvement.

Audit Findings

Finance audited compliance with each of the Appendix 1 Rules and made a finding of 'compliant', 'compliant pending' or 'non-compliant'. The finding of 'compliant pending' was made if an Agency submitted draft policies, procedures or documentation that had been updated to support compliance with the Rules but were awaiting final approval by their Accountable Authority or delegate.

Finance found 43 Agencies (52%) to be fully compliant against the audit scope. 17 Agencies (21%) had at least one finding of compliant pending (but no findings of non-compliant), while 22 Agencies (27%) had at least one finding of non-compliant.

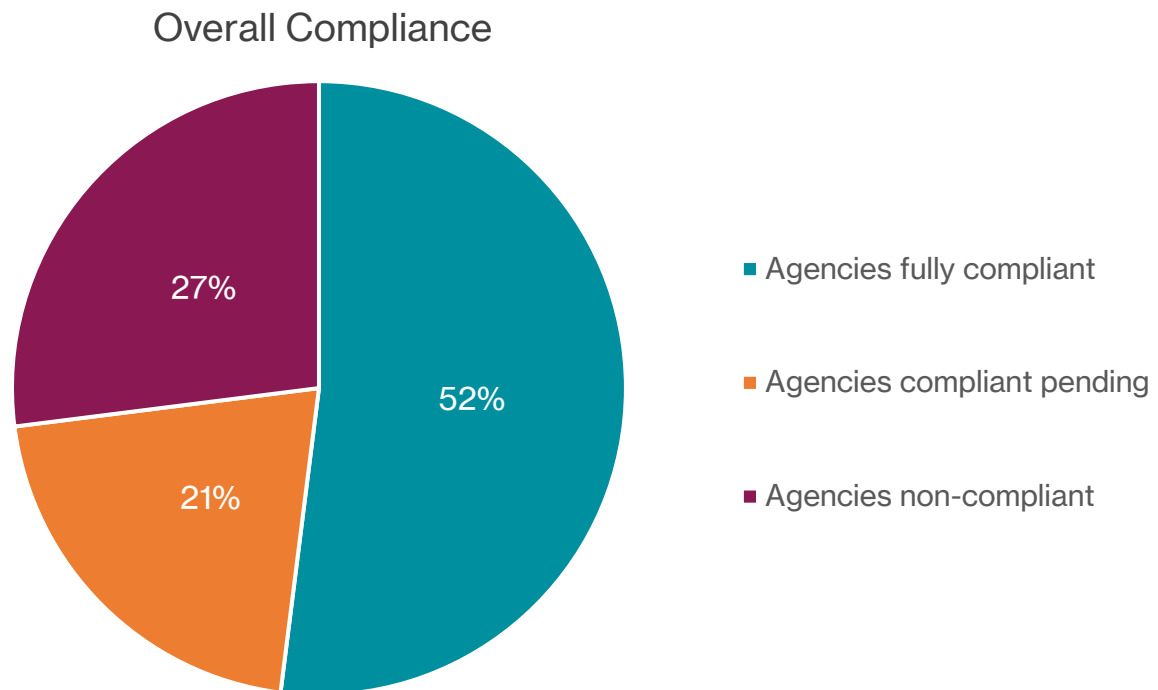


Table 1 shows the rate of compliance for each Rule. Rule F5 (Contracts Register) had the highest rate of compliance and Rule F3 (Delegation and Authorisation Register) had the lowest rate of compliance.

Table 1 – Rate of compliance for each Rule

	Rule F1	Rule F3	Rule F4	Rule F5	Rule F10
	Internal Processes	Delegation & Authorisation Register	Exemption Register	Contracts Register	Complaints
Compliant	76%	63%	93%	96%	81%
Compliant Pending	18%	14%	2%	0%	7%
Non-Compliant	6%	23%	5%	4%	12%

Rule F1 (Internal Processes)

Agencies were asked to provide a copy of their internal procurement-related processes and procedures, including procurement-related intranet content. Finance audited compliance with Rule F1 by reviewing each Agency’s submission to ensure key documents broadly supported the requirements of the Rules. Finance did not audit the submission documents for compliance with each Procurement Direction (including each Rule in the Procurement Rules).

Agencies that were found non-compliant for this Rule either had processes and procedures that only referred to the revoked SSC policies (5%) or had no processes or procedures in place (1%).

Rule F3 (Delegation and Authorisation Register)

Agencies were asked to provide a copy of their Delegation and Authorisation Register to ensure they identified the approvals detailed in Rule F3(2).

Agencies that were found non-compliant did not identify the delegated authority for the approvals detailed in Rule F3(2) and/or the register identified the approvals required for the revoked SSC policies (23%).

Rule F4 (Exemption Register)

Agencies were asked to provide documentation demonstrating that they record the details of procurement exemptions in a register. Most of the Agencies recorded these details in their contract register/contract management system, or in a separate exemption register.

There are no minimum requirements regarding what details should be recorded in an exemption register for Rule F4.

Agencies that were found non-compliant were not maintaining an exemption register at all and not recording details of their exemptions (5%).

Rule F5 (Contracts Register)

Agencies were asked to provide a copy of their contract register. Finance found that most of the Agencies maintained their register in a contract management system or as a Microsoft Excel/Word register.

Rule F5(5) specifies the content requirements for contract registers. Finance made a finding of 'compliant' if the relevant Agency demonstrated compliance with most of the requirements of the Rule. Finance took into consideration the time, and potentially substantial cost, involved in updating/changing a contract management system to ensure strict compliance with Rule F5(5).

The requirement in Rule F5(5)(f) to record the number of approved variations and the total expenditure of standing offers did not exist prior to the commencement of the Rules. Unsurprisingly, these were the two most common details missing from contract registers. However, 96% of the Agencies had a contract register that recorded most of the details required by Rule F5.

Agencies that were found to be non-compliant either did not record most of the details required by Rule F5(5) (3%) or did not have a contract register (1%).

Rule F10 (Complaints)

Agencies were asked to provide a copy of their complaints management policies and/or procedures.

Finance found Agencies to be compliant if they had complaints policies and procedures that were broad enough to cover complaints relating to procurement activities, without requiring the Agency to maintain a complaints policy specific to procurement.

Agencies that were found non-compliant did not have any general complaint management policies and procedures (12%).

Outcome

Finance provided each Agency with a Thematic Audit Report that determined a compliance finding for each of the Appendix 1 Rules and, where appropriate, identified ways to strengthen processes, procedures and documentation.

Agencies that received findings of 'non-compliant' or 'compliant pending' were asked to update, finalise and resubmit the required documents by a set due date. As at the date of this report, 16 Agencies in this category have already updated their documents and processes and are now considered fully compliant.

The processes, procedures and documents reviewed under this Thematic Audit form the supporting framework for each Agency's procurement processes. Finance's audit findings and practice observations identifying areas for improvement, aim to strengthen each Agency's processes and the overall integrity of government procurement.

This audit has also provided Finance with a sector-wide view of State agencies' procurement frameworks and buying behaviours, which Finance will use to develop procurement-related policies and allocate appropriate guidance materials.

As an additional benefit, several Agencies reported that they were undertaking their own reviews, prompted by this Thematic Audit. Those reviews have enabled Agencies to proactively identify other areas of potential non-compliance with the Rules or opportunities to strengthen their procurement processes and procedures.

Findings from this Thematic Audit will help to inform Finance's program of audits under the Act and ensure that Agencies who were identified as having significant compliance issues, or limited experience with procurement, can be provided with additional support and resources such as templates and guides.

Appendix 1 – Rules Included in the Scope of the Audit

RULE	DESCRIPTION
<p>F1</p>	<p>Establish and Maintain Internal Processes</p> <p>1. State agencies must maintain internal processes and procedures to support compliance with the Procurement Rules.</p>
<p>F3</p>	<p>Establish and Maintain a Delegation and Authorisation Register</p> <p>1. A State agency's Accountable Authority must establish a register of the position titles and/or classifications authorised or delegated the authority to make procurement decisions on behalf of the Accountable Authority.</p> <p>2. The register must set out the details (including any conditions or limitations) of the delegated or other authority to:</p> <ul style="list-style-type: none"> a. award contracts b. approve contract Variations c. give an approval or exemption required by these Rules d. make other procurement decisions, as determined by the Accountable Authority of a State agency <p>3. The register may be a standalone document, or it can be incorporated into another register maintained by the State agency.</p>
<p>F4</p>	<p>Establish and Maintain an Exemption Register</p> <p>1. State agencies must establish and maintain an exemption register, to contain details of all relevant exemptions specified in these Rules.</p>
<p>F5</p>	<p>Establish and Maintain a Contracts Register</p> <p>1. A State agency's Accountable Authority must require a contract register to be maintained.</p> <p>2. The contract register must be in a searchable electronic format, which may be part of one or more systems that store and record relevant contract information.</p> <p>3. Contract(s) arising from a Procurement valued at \$50,000 or more (inclusive of GST and all extension options), must be recorded in the register within 30 Days of the contract award date.</p> <p>4. A contract must remain recorded in the active register for at least 12 months after its completion, thereafter the record may be archived.</p> <p>5. A register of contracts must contain the following minimum information:</p> <ul style="list-style-type: none"> a. a unique identifier (contract number); b. the contract title, c. legal identity of the Supplier; d. the commencement date and expiry date of the contract (if applicable); e. the estimated dollar value of the contract at award; f. the number and total value of approved Variations to date; g. for Standing Offers, total expenditure (updated annually); and h. final contract dollar value at final contract completion; <p>6. Where it is not practicable for a State agency to record any of the information required by this Rule, an Authorised Officer of the State agency may approve alternative arrangements. The reasons for the State agency's alternative arrangements must be recorded in the State agency's exemption register and communicated to the Department of Finance.</p>
<p>F10</p>	<p>Be Responsive to Complaints</p> <p>1. State agencies must ensure appropriate complaint handling procedures are in place, including acknowledging receipt of, and providing a timely response to, any complaints received about Procurement or Procurement Activities.</p>

Appendix 2 – Agencies Included in the Audit

Animal Resources Authority	Department of the Premier and Cabinet	Mental Health Commission	South Regional TAFE
Botanic Gardens and Parks Authority	Department of the Registrar, Western Australian Industrial Relations Commission	Metropolitan Cemeteries Board	The Board of the Art Gallery of Western Australia
Building and Construction Industry Training Board	Department of Training and Workforce Development	Minerals Research Institute of Western Australia	The Burswood Park Board
Central Regional TAFE	Department of Transport	North Metropolitan Health Service	The Library Board of Western Australia
Chemistry Centre (WA)	Department of Treasury	North Metropolitan TAFE	The National Trust of Australia (W.A.)
Child and Adolescent Health Service	Department of Water and Environmental Regulation	North Regional TAFE	The Queen Elizabeth II Medical Centre Trust
Commissioner for Children and Young People	East Metropolitan Health Service	Office of the Auditor General	The Western Australian Museum
Commissioner of Main Roads	Economic Regulation Authority	Office of the Director of Public Prosecutions	WA Country Health Service
Construction Industry Long Service Leave Payments Board (MyLeave)	Energy Policy WA	Office of the Information Commissioner	Western Australia Police Force
Department of Biodiversity, Conservation and Attractions	Fire and Emergency Services Superannuation Board	Office of the Inspector of Custodial Services	Western Australian Electoral Commission
Department of Communities	Forest Products Commission	Parliamentary Commissioner for Administrative Investigations (Ombudsman)	Western Australian Greyhound Racing Association
Department of Education	Gold Corporation (Perth Mint)	Parliamentary Inspector of the Corruption and Crime Commission	Western Australian Institute of Sport
Department of Finance	Government Employees Superannuation Board	PathWest Laboratory Medicine WA	Western Australian Land Information Authority (Landgate)
Department of Fire and Emergency Services	Health and Disability Services Complaints Office	Perth Theatre Trust	Western Australian Meat Industry Authority
Department of Health	Health Support Services	Public Sector Commission	Western Australian Sports Centre Trust (VenuesWest)
Department of Jobs, Tourism, Science and Innovation	Infrastructure WA	Public Transport Authority of Western Australia	Western Australian Tourism Commission
Department of Justice	Insurance Commission of Western Australia	Public Trustee	Western Australian Treasury Corporation
Department of Local Government, Sport and Cultural Industries	Legal Aid Commission of Western Australia	Quadriplegic Centre	WorkCover Western Australia Authority
Department of Mines, Industry Regulation and Safety	Local Health Authorities Analytical Committee	Racing and Wagering Western Australia	Zoological Parks Authority
Department of Planning, Lands and Heritage	Lotteries Commission of Western Australia (Lotterywest)	Rottneest Island Authority	
Department of Primary Industries and Regional Development		South Metropolitan Health Service	
		South Metropolitan TAFE	