

Purchase to Pay

Defence is working hard to improve the way we book travel, purchase stationery and buy goods and services on behalf of the Commonwealth – all parts of the Purchase to Pay (P2P) process, which has been the subject of criticism from the Australian National Audit Office (ANAO) in recent times. Tanya Roberts explains what Defence is doing to streamline the process.

Last financial year the ANAO conducted an audit of Defence's annual financial statements. The resulting audit report contained 18 findings (or areas for improvement) in relation to P2P.

Some of the findings related to:

- outstanding transactions in the Card Management System (that is, Defence Purchasing Card and Defence Travel Card transactions not cleared within the 30 day time frame);
- lack of adherence to procurement guidelines;
- record keeping issues; and
- lack of uniformity in procedures between Groups.

As a result of these findings, the P2P 'Tiger Team' was formed with the express purpose of improving P2P-related reporting and business processes. The team:

- assists Groups to identify and understand their financial responsibilities;
- provides assurance to both Defence and the ANAO over the P2P process; and
- demonstrates Defence's continuing commitment to lead the Commonwealth in good financial management practices.

Defence is now focusing on developing a more seamless and integrated approach to P2P. This will ensure ANAO queries are answered and that data is provided by the areas with the appropriate financial roles and responsibilities. Additionally, the Controls Framework Branch within the Chief Finance Officer Group has made significant progress in mapping all financial processes – this is essential to identify many of the controls in place and correct data sources and financial accountabilities.

In order to address the ANAO findings and to provide Defence management with assurance over the P2P process, the Tiger Team is undertaking the following activities:

- development of a monthly reporting framework that highlights and targets areas of concern and monitors Defence's progress in rectifying the ANAO findings;
- management of the ANAO activity to ensure the ANAO receives the relevant data and answers from appropriate areas;
- liaison with Groups to resolve complex financial issues;
- assistance with the development of financial policy; and
- development of both short-term and long-term strategies to ensure remediation of financial issues.

In essence, good financial governance is the result of having appropriately skilled staff, supported by modern systems and underpinned by sound policy and standardised procedures. So with the right people, adequate systems and strict adherence to financial policy and procedures, Defence is able to display sound financial governance and the ANAO is able to substantiate this in the course of their financial audits – every financial transaction has an impact on this.

SKILLED STAFF + SYSTEMS + POLICY + PROCEDURES = FINANCIAL GOVERNANCE

P2P encompasses all of the systems and procedures required to pay for goods and services in Defence, including purchase orders, direct invoicing, prepayments and the use of the Defence Purchasing Card and Defence Travel Card.

Records Management is all documentation that relates to any procurement decision, such as approval documentation, Travel Budget Calculators, invoices, and Purchase Order Requests – these must be retained in the originating location and be available for audit if required.

Conducting procurement within Defence requires purchasing officers to obtain four approvals prior to the purchase of goods and services:

- Proposal Approver
- Procurement Approver
- Contract Approver
- Contract Signatory

These approvals need to be exercised by suitably qualified delegates [refer to CEI 2.1] and all documentation related to the decision retained. While one position can hold all of the four procurement delegations, an official must not exercise more than two of the Proposal Approver, Procurement Approver and Contract Approver delegations on the same purchase, except for simple procurement valued at \$5000 or less.

The Defence Purchasing Card is a method of payment only, and can be utilised for simple or complex procurement as it does not alter the approvals required to exercise either simple or complex procurement. All signed approvals must be retained for seven years.