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**Australian Government**  
**Department of Defence**

**Minute**

Assistant Secretary Audit  
Audit & Fraud Control Division

AFCD/ASA/OUT/2016/005  
AF27622984

**ASFC (CP3-2-011)**

**AUDIT BRANCH ASSISTANCE TO ASSISTANT SECRETARY FRAUD  
CONTROL—PROCUREMENT OF SERVICES**

**47E(a)**

1. In accordance with your request, Audit Branch conducted a review of procurement practices at **s47E(d)**. This task originated from an anonymous Public Interest Disclosure received by the Directorate of Investigations and Recoveries in April 2016. Due to the systemic nature of the allegations, Audit Branch was requested to conduct a review to substantiate the allegations in relation to procurement practices over several years, prior to any further actions or investigation. Consequently, this review focussed on the extent to which the procurements complied with the FMA Act/the PGPA Act, the Commonwealth Procurement Guidelines/the Commonwealth Procurement Rules, the Defence Procurement Policy Manual and the DMO Support Services Business Rules/the CASG Business Rules.
2. Audit Branch has assessed each of the allegations against these policies and the analysis is at Annex A. Overall, Audit Branch identified instances of maladministration in the conduct of procurement activities. The key issues identified by Audit Branch were inadequate justification of Value for Money, through sole source procurement activities occurring which did not allow a competitive process; a lack of accountable and transparent decision making; and poor records management.
3. Through the course of undertaking the review, Audit Branch also identified a number of other issues that are contained at Annex B.

**Tom Clarke**

Assistant Secretary Audit  
Audit and Fraud Control Division  
CP3-2-012  
Telephone: 02 6266 4204

**Annexes:**

- A. Assessment of Allegations
- B. Other Issues

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## ASSESSMENT OF ALLEGATIONS

**Allegation 1: Inappropriate Procurement <sup>47E(d)</sup> - Acquisition of Services Associated with <sup>47E(d)</sup>****Conclusion**

1. Audit Branch found evidence to support this allegation.
2. There were a significant number of non-compliances with the Commonwealth Procurement Rules (CPRs), Defence Procurement Policy Manual (DPPM) and the DMO Support Services (DMOSS)/Capability Acquisition Sustainment Support Services (CAS-SS) Business Rules, as detailed in Table 1. In addition there were also a number of instances where Audit Branch was unable to test the policy requirements because of an absence of the required procurement documentation, which is also detailed in Table 1.

**Analysis and Findings**

3. The allegation detailed a number of inappropriate procurement practices occurring during the procurement <sup>47E(d)</sup> which were mainly in relation to non-compliances of the DMOSS Business Rules. <sup>47E(d)</sup>

<sup>47E(d)</sup>

This is a non-compliance of the DMOSS Business Rules.

4. <sup>s47E(a)</sup> <sup>47E(a)</sup> Audit Branch tested the procurement process for <sup>47E(a)</sup> of these <sup>47E(a)</sup> procurements <sup>47E(a)</sup>

5. Procurements undertaken using the DMOSS Panel must comply with the Panel Business Rules, Division 1 of the CPRs and the DPPM where applicable. Audit Branch tested these procurements against the Mandatory Policy of the applicable DPPM, Panel Business Rules and CPRs<sup>1</sup>. Audit Branch tested five of the twelve core Business Rules that related specifically to the procurement process used for <sup>47E(a)</sup>. The results of this testing are provided at Table 1.

6. Audit Branch also tested the applicable mandatory policy of the DPPM<sup>2</sup> and CPRs for the procurement <sup>47E(a)</sup>. Forty seven mandatory policy statements were tested for the 2013 procurement and 57 mandatory policy statements were tested for the <sup>47E(a)</sup> procurement. <sup>47E(a)</sup>, Audit Branch found significant DPPM and CPR/FMA/PGPA non-compliances including inadequate Value for Money (VFM) processes, documentation and justification; inappropriate records management, <sup>47E(a)</sup>

<sup>1</sup> The Panel Business Rules were developed to: “facilitate the standardised application of the CAS-SS/DMOSS Panel across Defence, and to emphasise to users the need to follow correct procurement policy practices when using the CAS-SS Panel to meet their legislative obligations” (see CAS-SS Business Rules).

<sup>2</sup> “The DPPM is the primary reference document for all Defence and DMO officials involved in the procurement process....The guidance provided in the DPPM incorporates mandatory procurement policy drawn from the higher level Commonwealth or Defence procurement guidance, in particular the CPRs. The requirements are mandatory for all Defence officials” (see: Defence Procurement Policy Manual dated July 2012).

<sup>3</sup> Procurement Categorisation Tool V1.2 dated 1 July 2012.

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7. Audit Branch found that s47E(a)

[REDACTED]

**Allegation 2: Inappropriate Procurement 47E(d) - Acquisition of Services Associated with 47E(d)**

**Conclusion**

8. Audit Branch was provided with insufficient evidence to assess this allegation.

9. The appropriate records and documentation have not been retained in accordance with Defence's record keeping policy and procedures. 47E(a) unable to provide Audit Branch with appropriate documentation to enable an assessment of whether 47E(a) initial engagement 47E(a) was appropriate. 47E(a) 47E(a) no records or knowledge of 47E(a) initially engaged 47E(a)

Audit Branch was advised that records management was poor 47E(a)

[REDACTED]

**Analysis and Findings**

10. Despite insufficient procurement records being maintained, Audit Branch were able to obtain documentation 47E(a) contract extension 47E(a)

[REDACTED]

11. Procurements undertaken using the DMOSS Panel must comply with Division 1 of the CPRs, the DPPM and the Panel Business Rules, where applicable. Audit Branch tested the applicable mandatory policy for the procurement s47E(a). For the majority of policy statements, Audit Branch observed compliance. However, similar to Allegation 1 regarding the procurement 47E(a) there is a clear non-compliance of the DPPM as the DMOSS business rules, under 'Contract Structure'<sup>6</sup> and 'Contract Duration'<sup>7</sup>, were not

<sup>4</sup> s47E(d)

<sup>5</sup> s47E(a)

<sup>6</sup> The CAS-SS (DMOSS) Panel is to be used by CASG Procurement officers for short-term, task-based, performance-managed contracting, and is not a labour hire panel.

<sup>7</sup> External Service Providers Support Services sourced under the CAS-SS Panel by CASG Procurement officers are to satisfy short term needs or requirements only, and are not to be used for long-term labour hire or 'body-shop' purposes.

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adhered to. 47E(a)

12. Whilst the business rules were not complied with, Audit Branch acknowledges that 47E(a) performs its duties in an operational environment. Coupled with a critical staff shortage and tight timeframes, there are compelling reasons for long term labour services to be procured from the DMOSS panel, as a single source limited tender.

### **Allegation 3: Inappropriate Procurement** 47E(d)

#### **Conclusion**

13. Audit Branch found evidence to support this allegation.

14. There were a significant number of non-compliances with the CPRs and DPPM as detailed at Table 1. In addition, there were also a number of instances where Audit Branch was unable to test the policy requirements because of an absence of the required (mandatory) procurement documentation 47E(a). This is also detailed at Table 1.

#### **Analysis and Findings**

15. The allegation detailed a number of inappropriate procurement practices since the original procurement of 47E(d). Audit Branch notes that 47E(a)

16. The allegations were mainly in relation to the inappropriate practice of sole sourcing 47E(d) failing to procure in accordance with Commonwealth policy and rules. Further, Audit Branch notes the 47E(d)

Audit Branch found that 47E(a) non-compliance with DPPM policy by not using the DMOSS Panel: "Where a standing offer exists that meets the procurement requirement, it must be used unless there are valid reasons for not doing so<sup>8</sup>." Audit Branch found no valid reasons for the 47E(a) to not use the DMOSS Panel.

17. Audit Branch tested the applicable mandatory policy of the DPPM and CPRs for the procurement of 47E(a). Fifty mandatory policy statements were tested for the 47E(a) procurement and 76 mandatory policy statements were tested for the 47E(a) procurement. For both 47E(a) procurements, Audit Branch found significant DPPM and CPR/FMA/PGPA non compliances, 47E(a) an inadequate Value for Money (VFM) process, documentation and justification and inappropriate record management/documentation.

18. While Audit Branch tested procurement policy based on approval documentation (Reg 9/Section 23/Section 44), which stipulated that the procurement was categorised as "Simple," Audit Branch notes that if the policy was tested based on a Complex procurement, the outcome would be more non-compliances to policy.

<sup>8</sup> CAS-SS (DMOSS) Business Rules.

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19. s47E(a)

**Suggested Action for Allegations 1 to 3**

Audit Branch suggests that ASFC write to Head Maritime Systems (HMS) informing him of the findings of this review and suggests the following:

- (1) 47E(a)
- (2) 47E(a) intends to obtain long term labour hire services from the CAS-SS panel, 47E(a) request special dispensation from 47E(a)
- (3) That all future procurements for the 47E(a) use the CAS-SS Panel (or the relevant Panel), as per the DPPM.
- (4) Refresher training for Key personnel involved in procurement in the 47E(a) undergo in Simple Procurement, Complex Procurement and all associated procurement policy (including CAS-SS Business Rules);
- (4) A dedicated person within the 47E(a), with procurement knowledge be nominated to provide Quality Assurance (QA) to ensure the correct procurement process is followed for all future procurements, with all the required documentation recorded in the appropriate 47E(a) files.

**Table 1: Results of Compliance Testing with Policy**

Policy	47E(a)	47E(a)	47E(a)
Policy	47E(a)	47E(a)	47E(a)
<b>DPPM</b>			
- Met	25	10	44
- Not Met	28	51	1
- Partially Met	5	1	3
- Unable to Test	14	29	2
<b>CPRs</b>			
- Met	1	1	1
- Not Met	3	3	3
<b>DMOSS Rules</b>			
- Met	2	N/A	1
- Not Met	13	N/A	2

**NOTES:**

1. 47E(a) procurements were tested. The DMOSS panel was used for these procurements.
2. 47E(a) procurements were tested. The DMOSS panel was not used for these procurements.
3. 47E(a) procurement was tested. This procurement used the DMOSS panel.
4. Numerous sections/rules were not applicable to the procurements listed above and are not reflected in the figures

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~~FOUO~~**Allegation 4: s47E(d)**

20. s47E(d)

**Conclusion**

21. Audit Branch found s47E(a)

**Analysis and Findings**

22. The Directorate of Fraud Control provided Audit Branch with s47E(d)

. Audit Branch tested s47E(a)

23. Audit Branch obtained s47E(a)

24. s47E(a)

25. There is long standing Defence policy that official international travel, funded by Defence and commencing in Australia, must be approved on the Overseas Visit Authority (OVA) Form AA062<sup>9</sup>. Audit Branch found that s47E(a)

26. The Whole of Australian Government official international travel policy<sup>10</sup>, which came into effect in December 2013 (and ended in early 2015), imposed another approval process to all Departments, in addition to the Defence OVA approval requirement. It specified the approval of overseas travel by Departmental Secretaries/Cabinet Minister/Prime Minister, depending on the proposed cost of travel.

27. s47E(a)

s47E(a)

<sup>9</sup> As specified in Joint Directive 27/2012 Joint Directive by CDF and Secretary, Department of Defence Regarding Overseas Travel, the Defence Travel website [Under the Accountable Authority Instructions (AAI 2-Approval and Commitment of Relevant Money), the Defence Travel website is considered to be a reference that informs personnel of the approval and commitment of relevant money for travel purposes (See AA1 2.1.7.13)] and reiterated in DEFGRAM 700/2013 Revised Overseas travel approval arrangements and DEFGRAM 8/2014 Revised Overseas Travel Arrangements.

<sup>10</sup> Finance Circular No. 2013/06 Official International Travel – Approval and Use of the Best Fare of the Day.

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28. s47E(a)

[REDACTED]

29. s47E(a)

[REDACTED]

30. The frequency, costs and impact of overseas travel in a fiscally constrained environment has promoted strict guidelines for overseas travel authorisation s47E(a)

[REDACTED]

31. Audit Branch s47E(a)

[REDACTED]

32. Audit Branch s47E(a)

[REDACTED]

#### **Suggested Action for Allegation 4**

Audit Branch suggests that ASFC:

(6) s47E(a)

[REDACTED]

(7) Write to DEPSEC CASG s47E(a)

[REDACTED]

(8) Write to Head Maritime Systems s47E(a)

[REDACTED]

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## ANNEX B

## OTHER ISSUES

33. During the course of this engagement Audit Branch noted some common issues and concerns.

34. It is questionable whether true value for money is achieved when 47E(a) continually conduct single source limited tenders. Whilst there is less administration and quicker decision making with this approach;

a. it provides limited opportunity for Defence to achieve the best possible outcome. 47E(a) 47E(a). With other ancillary benefits, it is unlikely that the total price of the contract has represented a value for money outcome; and

b. single source limited tenders increase the risk of contractor underperformance and corruption.

35. s47E(a)

36. The effectiveness of contract management was not included as a scope item of this review. However, during the conduct of the review, poor contract management practices were identified, which indicated that further scrutiny of 47E(a) contracts should be applied.

**Suggested Action:**

(9) Assistant Secretary Audit include the 47E(a) as a sample on any future audits in relation to contract management, budget management, contractor performance or project management.

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# Australian Government

## Department of Defence

### DIRECTORATE – Directorate of Investigations and Recovery

### CAE, ASA or ASFC CORRESPONDENCE – ACTION

**Document Title:** Minute

**Subject:** Audit into Alleged Maladministration & Procurement Non-Compliance 47E(d)

**Originator:** Jason Woods 14 Feb 2017

**Preparer:** Patricia Churcher 14 Feb 2017

**Codes:** A – Action I – Information C – Comments D – Discuss S – For Signature R – Review

Name & Appointment	Code	Action Remarks
Meryl Clarke ASFC	S	For signature
EA ASFC	A	For registration on objective and forward to DEPSEC CASG, HMS, and 22 ASA Please email copy to patricia.churcher@defence.gov.au

*Defending Australia and its National Interests*



**Australian Government**  
**Department of Defence**

Minute

Assistant Secretary Fraud Control

AFCD/ASFC/OUT/2017/112

**DEPSEC CASG**

[kim.gillis@defence.gov.au](mailto:kim.gillis@defence.gov.au)

For Information:

**HMS**

[adam.grunsell@defence.gov.au](mailto:adam.grunsell@defence.gov.au)

**ASA**

**AUDIT INTO ALLEGED MALADMINISTRATION & PROCUREMENT NON-COMPLIANCE** 47E(d)

1. On 13 April 2016, a report was submitted to the Defence Public Interest Disclosure Scheme related to alleged fraudulent procurement practices within 47E(d). The matter was accepted for investigation in accordance with the Public Interest Disclosure Act 2013 (PID Act).

2. Due to the nature of the allegations in the report, I requested Audit Branch conduct a review of the procurement practices 47E(d) assess the veracity of the allegations made by 47E(d). Audit Branch have concluded their review and provided their report which is attached as Annex A.

**Key Issues**

3. You will note from the report that a number of issues were identified in the Audit Branch review relating to procurements, 47E(a). These are summarised below:

- a. Maladministration in procurement activities, including:
  - i. Significant non compliance with Commonwealth Procurement Rules (CPR) – see Annex A, Table 1.
  - ii. Significant non compliance with the Defence Procurement Policy Manual (DPPM) – see Annex A, Table 1.
  - iii. Inadequate training for employees exercising delegations 47E(a)
  - iv. 47E(a)
  - v. Lack of Value for Money (VFM) consideration prior to procurement activities.
  - vi. Inappropriate records management practices, including the absence of appropriate documentation to support procurement decisions.
  - vii. Inappropriate and continued use of single source tender method to engage resources, 47E(a)

s47E(a)

4. The issues reported to this office, and s47E(a) Audit review, show that S 47E(a) & s47E(d) [REDACTED]. It is the assessment of this office that s47E(d) [REDACTED] by your office to address both the issues 47E(d) 47E(d) [REDACTED]

### Actions Requested

5. This office requests that you now address the issues identified in the Audit Branch review. Specifically, it is requested:

- a. Review all delegations issued to employees within 47E(d) [REDACTED]
- b. Identify all employees who do not hold the appropriate procurement competencies to undertake their duties.
- c. Where appropriate procurement competencies are not held by the employee, direct that they undertake training to rectify this as a matter of priority.
- d. Refresher training for key personnel involved in procurement in the 47E(d) [REDACTED] in Simple Procurement, Complex Procurement and all associated procurement policy.
- e. Communicate with all employees within 47E(d) [REDACTED] remind them of the requirement that they must hold both the appropriate procurement competency and an approved delegation, prior to participating in any procurement activity.
- f. 47E(d) [REDACTED]
- g. 47E(d) [REDACTED]
- h. 47E(d) [REDACTED]
- i. If 47E(d) [REDACTED] intends to obtain long term labour hire services from the CAS-SS panel, 47E(d) [REDACTED] considers requesting special dispensation from 47E(d) [REDACTED] 47E(d) [REDACTED]
- j. All future procurements for the 47E(d) [REDACTED] use the CAS-SS panel (or the relevant panel), as per the DPPM.
- k. Refresher training on the CAS-SS Business Rules
- l. Consider embedding a dedicated person within 47E(d) [REDACTED], with procurement knowledge who can provide Quality Assurance to ensure the correct procurement process is followed for all future procurement activities and to ensure that all required documentation is recorded appropriately within Objective.
- m. 47E(d) [REDACTED]
- n. Remind all staff about the correct processes for travel and record keeping.



6. To assist in the management of our record on this matter, I would appreciate advice from you on the actions you intend to take and subsequent advice on the completion of those actions. I would appreciate your initial advice by 6 March 2017.

7. Please contact me directly should you have any concerns or queries in relation to this matter. Alternately, your staff may wish to discuss the matter with my Director of Investigations, Mr Jason Woods, on 02 6266 4322 or at [jason.woods@defence.gov.au](mailto:jason.woods@defence.gov.au)

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**Meryl Clarke**  
Assistant Secretary Fraud Control  
CP3-2-011  
Telephone: 02 6266 4857

20 February 2017

Attachment: Audit Branch Review – Assessment of Allegations



## ASSESSMENT OF ALLEGATIONS

**Allegation 1: Inappropriate Procurement 47E(d) - Acquisition of Services Associated with 47E(d)****Conclusion**

1. Audit Branch found evidence to support this allegation.
2. There were a significant number of non-compliances with the Commonwealth Procurement Rules (CPRs), Defence Procurement Policy Manual (DPPM) and the DMO Support Services (DMOSS)/Capability Acquisition Sustainment Support Services (CAS-SS) Business Rules, as detailed in Table 1. In addition there were also a number of instances where Audit Branch was unable to test the policy requirements because of an absence of the required procurement documentation, which is also detailed in Table 1.

**Analysis and Findings**

3. The allegation detailed a number of inappropriate procurement practices occurring during the procurement 47E(d) which were mainly in relation to non-compliances of the DMOSS Business Rules. 47E(d)

47E(d)

47E(d) This is a non-compliance of the DMOSS Business Rules.

4. s47E(a)

Audit Branch tested the procurement process for 47E(a) of these 47E(a) procurements 47E(a)

5. Procurements undertaken using the DMOSS Panel must comply with the Panel Business Rules, Division 1 of the CPRs and the DPPM where applicable. Audit Branch tested these procurements against the Mandatory Policy of the applicable DPPM, Panel Business Rules and CPRs<sup>1</sup>. Audit Branch tested five of the twelve core Business Rules that related specifically to the procurement process used for 47E(a). The results of this testing are provided at Table 1.

6. Audit Branch also tested the applicable mandatory policy of the DPPM<sup>2</sup> and CPRs for the procurement 47E(a). Forty seven mandatory policy statements were tested for the 2013 procurement and 57 mandatory policy statements were tested for the 47E(a) procurement. 47E(a), Audit Branch found significant DPPM and CPR/FMA/PGPA non-compliances including inadequate Value for Money (VFM) processes, documentation and justification; inappropriate records management 47E(a)

<sup>1</sup> The Panel Business Rules were developed to: "facilitate the standardised application of the CAS-SS/DMOSS Panel across Defence, and to emphasise to users the need to follow correct procurement policy practices when using the CAS-SS Panel to meet their legislative obligations" (see CAS-SS Business Rules).

<sup>2</sup> "The DPPM is the primary reference document for all Defence and DMO officials involved in the procurement process....The guidance provided in the DPPM incorporates mandatory procurement policy drawn from the higher level Commonwealth or Defence procurement guidance, in particular the CPRs. The requirements are mandatory for all Defence officials" (see: Defence Procurement Policy Manual dated July 2012).

<sup>3</sup> Procurement Categorisation Tool V1.2 dated 1 July 2012.

7. Audit Branch found s47E(a)

[REDACTED]

## **Allegation 2: Inappropriate Procurement 47E(d) - Acquisition of Services Associated 47E(d)**

### **Conclusion**

8. Audit Branch was provided with insufficient evidence to assess this allegation.

9. The appropriate records and documentation have not been retained in accordance with Defence's record keeping policy and procedures. 47E(a) unable to provide Audit Branch with appropriate documentation to enable an assessment of whether 47E(a) 47E(a) initial engagement 47E(a), was appropriate. 47E(a) 47E(a) no records or knowledge of 47E(a) initially engaged 47E(a) 47E(a)

Audit Branch was advised that records management was poor 47E(a) 47E(a)

### **Analysis and Findings**

10. Despite insufficient procurement records being maintained, Audit Branch were able to obtain documentation 47E(a) contract extension 47E(a) 47E(a)

[REDACTED]

11. Procurements undertaken using the DMOSS Panel must comply with Division 1 of the CPRs, the DPPM and the Panel Business Rules, where applicable. Audit Branch tested the applicable mandatory policy for the procurement s47E(a). For the majority of policy statements, Audit Branch observed compliance. However, similar to Allegation 1 regarding the procurement 47E(a), there is a clear non-compliance of the DPPM as the DMOSS business rules, under 'Contract Structure'<sup>6</sup> and 'Contract Duration'<sup>7</sup>, were not

<sup>4</sup> s47E(d)

<sup>5</sup> s47E(a)

<sup>6</sup> The CAS-SS (DMOSS) Panel is to be used by CASG Procurement officers for short-term, task-based, performance-managed contracting, and is not a labour hire panel.

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adhered to. 47E(a)

12. Whilst the business rules were not complied with, Audit Branch acknowledges that 47E(a) performs its duties in an operational environment. Coupled with a critical staff shortage and tight timeframes, there are compelling reasons for long term labour services to be procured from the DMOSS panel, as a single source limited tender.

### **Allegation 3: Inappropriate Procurement 47E(d)**

#### **Conclusion**

13. Audit Branch found evidence to support this allegation.

14. There were a significant number of non-compliances with the CPRs and DPPM as 47E(a). In addition, there were also a number of instances where Audit Branch was unable to test the policy requirements because of an absence of the required (mandatory) procurement documentation 47E(a). This is also detailed at Table 1.

#### **Analysis and Findings**

15. The allegation detailed a number of inappropriate procurement practices since the original procurement of 47E(d). Audit Branch notes that 47E(a)

16. The allegations were mainly in relation to the inappropriate practice of sole sourcing 47E(d) failing to procure in accordance with Commonwealth policy and rules. Further, Audit Branch notes 47E(d)

. Audit Branch found that 47E(a) non-compliance with DPPM policy by not using the DMOSS Panel: "Where a standing offer exists that meets the procurement requirement, it must be used unless there are valid reasons for not doing so<sup>8</sup>." Audit Branch found no valid reasons for the 47E(a) to not use the DMOSS Panel.

17. Audit Branch tested the applicable mandatory policy of the DPPM and CPRs for the procurement of 47E(a). Fifty mandatory policy statements were tested for the 47E(a) procurement and 76 mandatory policy statements were tested for the 47E(a) procurement. For both 47E(a) procurements, Audit Branch found significant DPPM and CPR/FMA/PGPA non compliances, 47E(a) an inadequate Value for Money (VFM) process, documentation and justification and inappropriate record management/documentation.

18. While Audit Branch tested procurement policy based on approval documentation (Reg 9/Section 23/Section 44), which stipulated that the procurement was categorised as "Simple," Audit Branch notes that if the policy was tested based on a Complex procurement, the outcome would be more non-compliances to policy.

<sup>8</sup> CAS-SS (DMOSS) Business Rules.

19. s47E(a)

### Suggested Action for Allegations 1 to 3

Audit Branch suggests that ASFC write to Head Maritime Systems (HMS) informing him of the findings of this review and suggests the following:

- (1) 47E(a)
- (2) 47E(a) intends to obtain long term labour hire services from the CAS-SS panel, HMS request special dispensation from 47E(a)
- (3) That all future procurements for the 47E(a) use the CAS-SS Panel (or the relevant Panel), as per the DPPM.
- (4) Refresher training for Key personnel involved in procurement in the 47E(a) undergo in Simple Procurement, Complex Procurement and all associated procurement policy (including CAS-SS Business Rules);
- (4) A dedicated person within the 47E(a), with procurement knowledge be nominated to provide Quality Assurance (QA) to ensure the correct procurement process is followed for all future procurements, with all the required documentation recorded in the appropriate 47E(a) files.

**Table 1: Results of Compliance Testing with Policy**

Policy	47E(a)		
Policy	47E(a)	47E(a)	47E(a)
<b>DPPM</b>			
- Met	25	10	44
- Not Met	28	51	1
- Partially Met	5	1	3
- Unable to Test	14	29	2
<b>CPRs</b>			
- Met	1	1	1
- Not Met	3	3	3
<b>DMOSS Rules</b>			
- Met	2	N/A	1
- Not Met	13	N/A	2

**NOTES:**

1. 47E(a) procurements were tested. The DMOSS panel was used for these procurements.
2. 47E(a) procurements were tested. The DMOSS panel was not used for these procurements.
3. 47E(a) procurement was tested. This procurement used the DMOSS panel.
4. Numerous sections/rules were not applicable to the procurements listed above and are not reflected in the figures



**Allegation 4: s47E(d)**

20. s47E(d)

**Conclusion**

21. Audit Branch found s47E(a)

**Analysis and Findings**

22. The Directorate of Fraud Control provided Audit Branch with s47E(d)

. Audit Branch tested s47E(a)

23. Audit Branch obtained s47E(a)

24. s47E(a)

25. There is long standing Defence policy that official international travel, funded by Defence and commencing in Australia, must be approved on the Overseas Visit Authority (OVA) Form AA062<sup>9</sup>. Audit Branch found that s47E(a)

26. The Whole of Australian Government official international travel policy<sup>10</sup>, which came into effect in December 2013 (and ended in early 2015), imposed another approval process to all Departments, in addition to the Defence OVA approval requirement. It specified the approval of overseas travel by Departmental Secretaries/Cabinet Minister/Prime Minister, depending on the proposed cost of travel.

27. s47E(a)

**s47E(a)**

<sup>9</sup> As specified in Joint Directive 27/2012 Joint Directive by CDF and Secretary, Department of Defence Regarding Overseas Travel, the Defence Travel website [Under the Accountable Authority Instructions (AAI 2-Approval and Commitment of Relevant Money), the Defence Travel website is considered to be a reference that informs personnel of the approval and commitment of relevant money for travel purposes (See AA1 2.1.7.13)] and reiterated in DEFGRAM 700/2013 Revised Overseas travel approval arrangements and DEFGRAM 8/2014 Revised Overseas Travel Arrangements.

<sup>10</sup> Finance Circular No. 2013/06 Official International Travel – Approval and Use of the Best Fare of the Day.

28. s47E(a)

[REDACTED]

29. s47E(a)

[REDACTED]

30. The frequency, costs and impact of overseas travel in a fiscally constrained environment has promoted strict guidelines for overseas travel authorisation. s47E(a)

[REDACTED]

31. Audit Branch s47E(a)

[REDACTED]

32. Audit Branch s47E(a)

[REDACTED]

#### **Suggested Action for Allegation 4**

Audit Branch suggests that ASFC:

(6) s47E(a)

[REDACTED]

(7) Write to DEPSEC CASG s47E(a)

[REDACTED]

(8) Write to Head Maritime Systems s47E(a)

[REDACTED]

## OTHER ISSUES

33. During the course of this engagement Audit Branch noted some common issues and concerns.

34. It is questionable whether true value for money is achieved when 47E(a) continually conduct single source limited tenders. Whilst there is less administration and quicker decision making with this approach;

a. it provides limited opportunity for Defence to achieve the best possible outcome. 47E(a)

47E(a) With other ancillary benefits, it is unlikely that the total price of the contract has represented a value for money outcome; and

b. single source limited tenders increase the risk of contractor underperformance and corruption.

35. s47E(a)

36. The effectiveness of contract management was not included as a scope item of this review. However, during the conduct of the review, poor contract management practices were identified, which indicated that further scrutiny of 47E(a) contracts should be applied.

**Suggested Action:**

(9) Assistant Secretary Audit include the 47E(a) as a sample on any future audits in relation to contract management, budget management, contractor performance or project management.