



Examination of Auditor-General
Report 18: 2021-22
***Enhancing government
procurement***

Report No. 28, 57th Parliament
Transport and Resources Committee
December 2022

Transport and Resources Committee

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Chair's foreword

This report presents a summary of the Transport and Resources Committee's examination of the Auditor-General 'Report No. 18: 2021-22 Enhancing government procurement'.

The committee's task was to consider the Auditor-General's findings in relation to the report. The committee is satisfied that Queensland Government Procurement (within the Department of Energy and Public Works) and Queensland Treasury are taking appropriate actions to address the Auditor-General's recommendations and the committee has recommended that the Legislative Assembly note the contents of this report.

On behalf of the committee, I thank the Queensland Audit Office, the Department of Energy and Public Works and Queensland Treasury for their assistance with the committee's examination.

I commend this report to the House.

A handwritten signature in black ink that reads "Shane King". The signature is written in a cursive, flowing style.

Shane King MP

Chair

Recommendations

Recommendation 1

The committee recommends that the Legislative Assembly note the contents of this report.

1 Executive summary

The Auditor-General's report examines government procurement (the process of purchasing goods and services) and how more effective processes can deliver better value for money and savings across government.

The Queensland Audit Office (QAO) made five recommendations:

Recommendation 1:

Queensland Treasury and Queensland Government Procurement (within the Department of Energy and Public Works) should monitor and report on how departments are collaborating to achieve whole-of-government procurement outcomes

Recommendation 2:

Queensland Treasury and Queensland Government Procurement should engage with departments about the costs and benefits (at a whole-of-government level) of moving to a universal classification system for expenditure

Recommendation 3:

Queensland Treasury and Queensland Government Procurement should enhance information and data sharing, between the 2 departments, to support strategic procurement decision making

Recommendation 4:

Departments should use existing whole-of-government procurement arrangements (designed to streamline and improve procurement for specific goods or services), and Queensland Government Procurement should monitor and report on this

Recommendation 5:

Queensland Government Procurement should ensure its most recent data strategy is endorsed. It should also develop, and report against, a detailed implementation plan which outlines how its data strategy objectives will be achieved.¹

The Auditor-General Report was tabled on 14 June 2022 and then referred to the Transport and Resources Committee to consider and report on to the Assembly. As part of its considerations, the committee received briefings from the QAO, the Department of Energy and Public Works (DEPW) and Queensland Treasury.

¹ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, pp 2-3.

2 Introduction

2.1 Role of the committee

The Transport and Resources Committee (committee) is a portfolio committee of the Legislative Assembly which commenced on 26 November 2020 under the *Parliament of Queensland Act 2001* and the Standing Rules and Orders of the Legislative Assembly.²

The committee's primary areas of responsibility are:

- Transport and Main Roads
- Energy, Renewables, Hydrogen, Public Works and Procurement
- Resources.

The committee has responsibility within its portfolio areas for the assessment of the integrity, economy, efficiency and effectiveness of government financial management by:

- examining government financial documents
- considering the annual and other reports of the Auditor-General.³

2.2 Role of the Auditor-General

The role of the Auditor-General is to provide Parliament with independent assurance of public sector accountability and performance. This is achieved through reporting to Parliament on the results of its financial and performance audits.

The QAO state that their financial audits assess the financial statements of the state's public sector entities in order to assure those entities, and the users of their published financial statements, that the information they contain can be relied upon.⁴

The QAO state that their performance audits examine 'government programs to consider if public money is being used well and that government is meeting taxpayers' expectations around service delivery'.⁵

The Queensland Audit Office's (QAO) Report No. 18: 2021-22, titled '*Enhancing government procurement*' (Auditor-General Report) was prepared under Part 3 Division 3 of the *Auditor-General Act 2009* and was tabled in the Legislative Assembly in accordance with section 67 of that Act on 14 June 2022. This report presents the results of the QAO's performance audit.

2.3 Referral of the Auditor-General Report

Standing Order 194B provides the Committee of the Legislative Assembly shall as soon as practicable after a report of the Auditor-General is tabled in the Assembly, refer that report to the relevant portfolio committee for consideration. The Auditor-General Report was referred to the committee on 24 June 2022.

A portfolio committee may deal with this type of referral by considering and reporting on the matter and making recommendations about it to the Assembly.

² *Parliament of Queensland Act 2001*, s 88 and Standing Order 194.

³ *Parliament of Queensland Act 2001*, s 94(1)(a).

⁴ Queensland Audit Office, Financial audit practice statement fact sheet, p 1, https://www.qao.qld.gov.au/sites/default/files/factsheets/financial_audit_practice_statement.pdf

⁵ Queensland Audit Office, Performance audit engagements factsheet, p 1, <https://www.qao.qld.gov.au/sites/default/files/2020-11/Fact%20sheet%E2%80%9494Performance%20audit%20engagements.pdf>

2.4 Purpose and scope of the Auditor-General report

The report was prepared in the context of the Queensland Government announcing a savings and debt plan in October 2020 targeting savings of \$3 billion over 4 years, as a response to increased borrowings by the State to resource its rapid response to the COVID-19 pandemic. Under the plan, departments are encouraged to acquire services and supplies (such as telecommunications) in a cost-efficient way while maintaining existing levels of service delivery.

The purpose of the report was to:

examine general government spending in order to identify patterns and trends that may represent opportunities for savings. We also examined the government's strategic procurement practices to identify opportunities for greater strategic use of data and for collaboration across departments.

Our focus was on the following key questions:

- How effective is the design of the current approach to strategic procurement including use of data?
- What opportunities exist for savings in government spending at a whole-of-government perspective?
- What opportunities exist for departments to share procurement and spend opportunities within similar expenditure categories?⁶

The report was not a full evaluative audit of procurement processes. It did not examine the merits of awarded supply contracts for any of the 20 departments.⁷ The report:

- analysed expenditure data from the 20 government departments
- conducted interviews with staff from relevant entities, including procurement category leads and other such staff that can provide extra context to the expenditure data and procurement processes
- reviewed relevant documents, including procurement strategies, action plans, meeting minutes, internal guidelines, policies, procedures, and relevant whole-of-government supplier contracts.⁸

2.5 Examination process

The committee received a public briefing from the QAO on 15 August 2022 and then held a public briefing with officers from DEPW and Queensland Treasury on 29 August 2022. See Appendix A for a list of witnesses. A copy of the transcripts can be accessed on the committee's webpage.

⁶ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 31.

⁷ The 20 Departments subject of the report included: Department of Agriculture and Fisheries; Department of Children, Youth Justice and Multicultural Affairs; Department of Communities, Housing and Digital Economy; Department of Education; Department of Employment, Small Business and Training; Department of Energy and Public Works; Department of Environment and Science; Department of Health; Department of Justice and Attorney-General; Department of Regional Development, Manufacturing and Water; Department of Resources; Department of Seniors, Disability Services and Aboriginal and Torres Strait Islander Partnerships; Department of State Development, Infrastructure, Local Government and Planning; Department of the Premier and Cabinet; Department of Tourism, Innovation and Sport; Department of Transport and Main Roads; Queensland Corrective Services; Queensland Fire and Emergency Services; Queensland Police Service; Queensland Treasury.

⁸ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 31.

2.6 Committee comment and recommendation

The committee is satisfied that DEPW and Queensland Treasury are taking appropriate actions to address and implement the Auditor-General’s recommendations.

Recommendation 1

The committee recommends that the Legislative Assembly note the contents of this report.

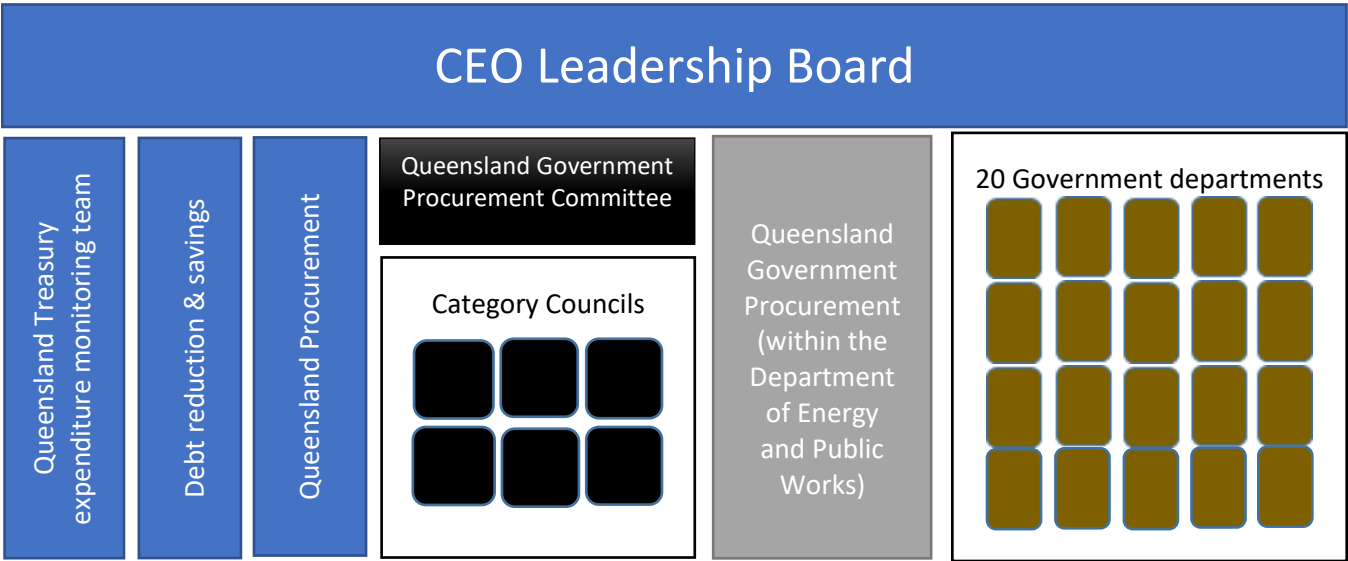
3 Examination of the Auditor-General’s Report

3.1 Overview of procurement arrangements in the Queensland Government

In Queensland, departments are responsible for their own procurement of goods and services. In doing so, they are required to follow whole-of-government initiatives, policies, and minimum standards. If Departments work well together, they will likely achieve a better deal in procurement of goods and services. Collaboration between Departments is supported by a framework that includes individual departments, Queensland Government Procurement (sitting within the Department of Energy and Public Works) and 6 ‘category councils’,⁹ run by departments to oversee and direct strategic procurement for 6 areas of significant expenditure across government.¹⁰

Queensland Government Procurement drives department collaboration and is responsible for providing expert procurement policy advice and support.¹¹ The report includes the diagram shown below as a representation of the government’s procurement structure.¹²

Figure 1 – Queensland Government procurement structure



⁹ The 6 category councils are: Building Construction and Maintenance, General Goods and Services, Information and Communication Technology, Medical Goods and Services, Social Services, and Transport Infrastructure and Services.

¹⁰ Queensland Audit Office, Auditor-General’s Report No 18 - Enhancing government procurement, p 5.

¹¹ Queensland Audit Office, Auditor-General’s Report No 18 - Enhancing government procurement, p 30.

¹² Queensland Audit Office, Auditor-General’s Report No 18 - Enhancing government procurement, p 30.

Outlines of the key elements within the procurement structure above are noted below:

- The CEO Leadership Board is the overarching governance authority for Queensland Government Procurement activities. Board membership includes all directors-general
- The Queensland Treasury expenditure monitoring team was established in October 2021 to deliver expenditure monitoring across departments
- The government's debt reduction and savings plan and the Queensland procurement strategy and policy are the overarching government policies and strategies that support the procurement structure
- The Queensland Government Procurement Committee provides direction, decisions, and strategic advice about whole-of-government procurement and category council management activities. Committee membership is reviewed every 12 months.¹³

3.2 Enhancing procurement in Queensland

The QAO notes that:

In 2019-20, the state recorded its first operating deficit in 7 years and had to borrow \$4.8 billion more than originally budgeted.

...

Queensland government departments spend a significant amount on non-frontline activities – approximately \$18.5 billion in 2020–21 – and their accountable officers are expected to carry out their operations efficiently, effectively, and economically.¹⁴

The report advised that strong collaboration, correct data and analysis, and effective monitoring and reporting are central to enhancing procurement processes.¹⁵

3.2.1 Strong collaboration

While the report notes some examples of effective collaboration between departments relating to procurement (see case study below), it states that some departments are not taking advantage of the opportunity to get a better deal for goods and services by working collaboratively. 'Departments are often hesitant to share their expenditure data with other departments. This can be because they want to maintain independent control of their own procurement, and it can also be due to confidentiality reasons.'¹⁶

The QAO included a case study of strong collaboration regarding procurement of electricity. The report notes the 2019 award of a large-scale electricity supply contract to CS Energy in which departments combined their significant buying power to reduce the rate paid per department. 'Queensland Government Procurement estimates that the large-scale site contract resulted in savings of approximately \$35.1 million (3.43 cents per kilowatt hour) in 2020–21 (\$42 million in 2019–20) when compared to a benchmark price across government.'¹⁷

3.2.2 Right data and analysis

Some examples of procurement data include actual and forecasted usage, fees and charges and supplier data.¹⁸ Good quality data and analysis is required to drive value for money in procurement

¹³ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 30.

¹⁴ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 4.

¹⁵ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 1.

¹⁶ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 1.

¹⁷ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 6.

¹⁸ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 9.

decisions. 'Better data allows departments to analyse and understand what suppliers are charging other departments for similar goods and services. They can then use this to drive negotiations with suppliers and allow for more insightful procurement analysis and savings.'¹⁹ The report identifies an opportunity to 'formalise arrangements to share information and data between Queensland Government Procurement, Queensland Treasury and other agencies to enhance cross-government expenditure analysis.'²⁰ This could be achieved by:

... implementation of a consistent classification system such as the United Nations Standard Products and Services Code (UNSPSC).

...

Implementation of this classification system would help ensure departments' expenditure is classified on a more consistent basis and would enable more usable data for better whole-of-government analysis, leading to better identification of savings.²¹

The report notes that in 2021, \$144 million was spent on portable and attractive items (including mobile phones, computers and power tools), however the lack of granular classification by most departments meant it was difficult to determine what products were purchased.²²

At the public hearing on 15 August 2022, QAO advised:

When you see the broad range of items categorised in portable and attractive items, agencies on a collective basis do not get to see who the supplier is and how much we are paying per item. It is not the best information then to try and drive a more informed procurement outcome. The universal classification system would stipulate more standardised categories at a much more detailed level. It would be able to identify a small machinery type item, potentially even down to whether it was a tractor or a leaf blower, as opposed to the higher level of classifications we have.²³

The report notes how good quality data can support enhanced savings. One case study on unused telecommunication devices identified 23,592 unused mobile phones and telephones across departments in a 12 month period. While there were some legitimate reasons why such devices were unused (for example, staff absences due to COVID-19) the analysis could not determine a legitimate reason for lack of use of all devices. Redundant devices could represent a potential saving for one department of \$0.5 million to \$0.6 million annually.²⁴

3.2.3 Effective monitoring and reporting

Whole-of-government arrangements have been established with pre-qualified, preferred suppliers and can help speed up the procurement process.²⁵ To support whole-of-government savings and initiatives, the report notes that better monitoring and reporting is required on departmental achievements in this area.²⁶

Specifically, government needs to know if departments are taking advantage of existing whole-of-government arrangements designed to speed up procurement processes and achieve savings – and if not,

¹⁹ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 1.

²⁰ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 1.

²¹ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 10.

²² Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 10.

²³ Public briefing transcript, Brisbane, 15 August 2022, p 3.

²⁴ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 11.

²⁵ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 13.

²⁶ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 13.

why not. Queensland Government Procurement also needs to monitor its strategy for improving procurement data.²⁷

There are 466 whole-of-government arrangements that can be used by departments however individual departmental usage of such arrangements is not monitored. The report finds that some departments are 'engaging separately with the same suppliers. This creates duplication of procurement processes and potentially means departments are not obtaining the best value for money, as they are not working together to take advantage of the state's significant purchasing power.'²⁸

3.3 Audit recommendations

The QAO made five recommendations, which are noted in full below:

Recommendation 1:

Queensland Treasury and Queensland Government Procurement (within the Department of Energy and Public Works) should monitor and report on how departments are collaborating to achieve whole-of-government procurement outcomes

We recommend Queensland Treasury and Queensland Government Procurement work together to:

- develop performance measures and targets that monitor whether departments are collaborating on procurement. These should be designed to drive department collaboration to achieve increased efficiency, effectiveness, and economy in procurement activity at a whole-of-government level
- report on performance against the targets, at a whole-of-government and department level
- require departments to report to Queensland Government Procurement on these measures. Where possible, reporting should be automated to minimise the workload on departments.

Recommendation 2:

Queensland Treasury and Queensland Government Procurement should engage with departments about the costs and benefits (at a whole-of-government level) of moving to a universal classification system for expenditure

We recommend that Queensland Treasury and Queensland Government Procurement engage with departments to understand the costs and benefits (at a whole-of-government level) of moving to a universal and consistent system for classifying expenditure (such as the United Nations Standard Products and Services Code).

The introduction of new financial systems offers an opportunity to implement it, but it can also be used with existing financial systems.

Recommendation 3:

Queensland Treasury and Queensland Government Procurement should enhance information and data sharing, between the 2 departments, to support strategic procurement decision making

We recommend Queensland Treasury and Queensland Government Procurement:

- identify opportunities to collaborate and share departmental expenditure data between the 2 agencies, to improve procurement outcomes and budget monitoring across government
- formalise the data sharing arrangement between the 2 agencies
- where additional data (such as on suppliers, prices, and usage) is needed to make informed procurement decisions, Queensland Government Procurement and the category councils should collect it and share it with departments.

²⁷ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 1.

²⁸ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 13.

Recommendation 4:

Departments should use existing whole-of-government procurement arrangements (designed to streamline and improve procurement for specific goods or services), and Queensland Government Procurement should monitor and report on this

Departments should:

- use whole-of-government arrangements
- report when they are not using these arrangements and the reasons why to Queensland Government Procurement.

Queensland Government Procurement should:

- monitor and report if departments are using existing whole-of-government arrangements
- identify where departments have instead engaged with the same suppliers outside of these arrangements
- engage with these departments to better understand why this has occurred.

Queensland Government Procurement should then use this information when negotiating future whole-of-government arrangements to drive better supply and price.

Recommendation 5:

Queensland Government Procurement should ensure its most recent data strategy is endorsed. It should also develop, and report against, a detailed implementation plan which outlines how its data strategy objectives will be achieved

We recommend the Queensland Government Procurement Committee endorses the most recent data strategy.

We also recommend that Queensland Government Procurement develops an implementation plan that outlines how it will achieve all of its objectives within its most recent data strategy. This plan should include appropriate key performance measures that monitor progress against the objectives and milestone dates.²⁹

3.4 Agency responses to the Auditor-General Report

Section 64 of the *Auditor-General Act 2009* outlines that a copy of the report was required to be provided to the responsible Ministers and agencies. Responses were received from the:

- Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement
- Director-General, Department of Energy and Public Works
- Under Treasurer, Queensland Treasury
- Director-General, Department of Transport and Main Roads
- Director-General, Department of Regional Development, Manufacturing and Water
- Director-General, Department of Education.³⁰

All 5 of the Auditor-General's recommendations were agreed to by government with the maximum stated timeframe for implementation being the fourth quarter of 2024.³¹

²⁹ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, pp 2-3.

³⁰ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, pp 17-29.

³¹ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, pp 21-24.

The response from the Minister for Energy, Renewables and Hydrogen, Public Works and Procurement's, dated 17 May 2022, noted that:

the three themes (strong collaboration, right data and analysis, effective monitoring and reporting) outlined in the QAO report have strong alignment with the Buy Queensland approach, comprising the Queensland Government Procurement Strategy and Queensland Procurement Policy, which was launched in 2017. Buy Queensland directs what is now a procurement investment by the Queensland Government of around \$18.5 billion per annum.

...

I am assured by the Director-General, Department of Energy and Public Works (DEPW) that the areas for improvement outlined in the report are being addressed within the framework of the Buy Queensland approach, and through the Procurement Data and Analytics Strategy 2021-24.

I acknowledge the significant progress made since the introduction of Buy Queensland, while actively pursuing opportunities to further mature the function. Since 2017, Queensland Government Procurement, within DEPW, along with lead procurement category agencies, have significantly improved data access, quality and analysis capability.³²

The response from the Director-General of DEPW, dated 27 May 2022, noted that:

DEPW, through Queensland Government Procurement (QGP), remains committed to ensuring the state maximises value from its annual procurement investment of over \$18 billion. QGP welcomes the report and the opportunity to continue to work with Queensland Treasury, lead agency procurement categories and agencies on enhancing procurement by using data to drive responsive procurement policy, strategy and the improvement of procurement products and services.

...

DEPW has delivered significant improvements since the 2017 audit in the way procurement data is collected, categorised and shared which has enabled enhanced access to and use of procurement data across the sector. This is further reinforced through the Procurement Data and Analytics Strategy 2021-24 and the activities to mature both the data sources and the analytics outputs.

I note that through the Procurement Data and Analytics Strategy 2021-24, QGP is already working to implement recommendations (Recommendations 2 and 5), with the Queensland Procurement Policy providing direction for Recommendations 1 and 4 to be implemented.³³

Copies of the full responses from the Minister and Director-General are included in Appendix B.

4 Implementing the recommendations

4.1 Recommendation 1 – reporting for whole-of-government procurement outcomes

In their response to this recommendation, DEPW advised that there will be a 'Staged implementation, to be determined by the Queensland Government Procurement Committee (QGPC) by Q2 FY23'.³⁴

In response to the Department's implementation of this recommendation, DEPW advised:

At a whole-of-government level we report on things like the SME target and the spend within Queensland and the regional suppliers spend - so spend with Queensland businesses and regional spend. We work with our colleagues in the Department of Employment, Small Business and Training to report against the now 30 per cent SME target and we work with our colleagues in the Department of Seniors, Disability Services and Aboriginal and Torres Strait Islander Partnerships to report against the Queensland Indigenous Procurement Policy three per cent target. Then it is working with the category councils. We provide data to them so they can report against each of their category plan targets and then we work with

³² Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 17.

³³ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 19.

³⁴ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 21.

the agencies so they can report. There are tiered KPIs. We look at how we can use the centralised data to support that reporting.³⁵

4.2 Recommendation 2 – universal classification system for expenditure

In their response to this recommendation, DEPW advised that:

QGP will work with Queensland Treasury on the development of costs and benefits associated with the implementation of a universal and standardised procurement categorisation system. Preliminary scoping has already commenced as part of the Procurement Data and Analytics Strategy 2021-24.³⁶

Expanding on this, the Department advised the committee that:

All agencies are classifying and understanding to a different degree. The two agencies reported on page 10 are using the universal classification—the UNSPC, the United Nations Standard Product Code. Those two organisations are the Department of Transport and Main Roads and Queensland Health. Both are very large organisations.

...

Both of them have their own instance of the SAP system which makes it easier to classify and roll out a major change like that. They have done that. They both obviously have very large spends and it is in their interests to be able to classify in a consistent way so that they can do the analysis and drive savings through understanding. They are both decentralised systems. The Department of Transport and Main Roads and Queensland Health operate their procurement through their health and hospital services and Transport and Main Roads regional offices which makes sense given the spend is so close to those offices. In so doing they needed a system that was able to aggregate up in a very consistent way and so that is what they have done. Other departments use different systems. Smaller departments are less sophisticated. While ... it would be wonderful if everyone used UNSPC, it is a major change for departments, particularly for small departments, to implement and we are conscious of that and want to work with them.³⁷

The QAO provided the committee with the following context about the benefits of universal classification and examples of different classifications that are being used by different departments:

At the moment, the dataset that Queensland government procurement uses is based on accounting system transactions—so the financial data that entities use to produce their annual financial statements. At a high level within the financial statements, those expenditures are categorised relatively consistently because there is guidance from Queensland Treasury about how that is to be put together. Once you get down into lower levels of detail, the categorisation of expenditure becomes less consistent.³⁸

4.3 Recommendation 3 – enhanced information and data sharing

In their response to this recommendation, DEPW advised that:

Data sharing and Governance is a key focus area of the Procurement Data and Analytics Strategy. QGP along with Queensland Treasury will establish mechanisms and structures, formalised through a data sharing agreement, to enable access to data.

QGP will support lead agency procurement categories with the identification, collection, hosting and sharing of category specific procurement data.³⁹

The Department discussed collaborative contracts at the public briefing and advised the committee that:

³⁵ Public briefing transcript, Brisbane, 29 August 2022, p 7.

³⁶ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 22.

³⁷ Public briefing transcript, Brisbane, 29 August 2022, p 3.

³⁸ Public briefing transcript, Brisbane, 15 August 2022, pp 2-3.

³⁹ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 22.

There are the whole-of-government arrangements like the electricity arrangement and the Queensland travel arrangement. In terms of the travel arrangement, we were able to negotiate return of credits as a result of all of the travel that was cancelled or delayed during COVID.

...

Through those arrangements we have great relationships with our suppliers and are able to negotiate those sorts of things. The other things that we have are standing offer arrangements and preferred supplier panels. They are common use arrangements whereby we and the owners of those arrangements do the due diligence and checking upfront so we are making it much easier for budget sector agencies to access those suppliers knowing that that due diligence has been done and that we have negotiated for better prices and, importantly, that the quality of service is clarified. That saves time for people on the other side when they are doing the buying.⁴⁰

The Department noted the ongoing status of implementing this recommendation, stating, 'We know that there is still some way to go. I think that was one of the pleasing things about the audit report: it was very supportive of that journey that we have been on and is pushing us to continue.'⁴¹

4.4 Recommendation 4 – use of whole-of-government procurement arrangements

In their response to this recommendation, DEPW advised that:

QGP is supportive of this recommendation and its implementation through the procurement categories but acknowledges the challenges with capturing data and reporting.

The QPP, through Clause 5.3, requires that agencies use common-use supply arrangements to achieve savings and benefits wherever practical.

QGP will work with categories to investigate options for the collection and measurement of spend outside of procurement arrangements, including guidance advice, behavioural change and data collection mechanisms from departments and suppliers.

QGP will continue to work with categories on the development of analysis tools to support supplier centric reporting from expenditure data.⁴²

4.5 Recommendation 5 – endorsement of QGP procurement strategy

In their response to this recommendation, DEPW advised that:

The Procurement Data and Analytics Strategy 2021-24 was endorsed by QGPC on 16 December 2020.

A detailed implementation plan and roadmap has been developed in consultation with PDAG and will be submitted to QGPC on 8 June 2022 for its endorsement.

Regular monitoring of progress with the Procurement Data and Analytics Strategy 2021-24 initiatives will occur through PDAG and with reporting to QGPC on a six-monthly basis.⁴³

⁴⁰ Public briefing transcript, Brisbane, 29 August 2022, p 2.

⁴¹ Public briefing transcript, Brisbane, 29 August 2022, p 2.

⁴² Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 23.

⁴³ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, pp 23-24.

Appendix A

Officials at the public briefing held on 15 August 2022

Queensland Audit Office

- Mr Robert Kilbride, Senior Director
- Mr Damon Olive, Assistant Auditor-General.

Officials at the public briefing held on 29 August 2022

Department of Energy and Public Works

- Ms Sharon Bailey, Deputy Director-General, Queensland Government Procurement

Queensland Treasury

- Mr David Newby, Director, Financial Reporting, Queensland Treasury
- Mr William Ryan, Head of Fiscal, Economics and Fiscal Policy, Queensland Treasury.

Appendix B

Entity responses

As mandated in Section 64 of the *Auditor-General Act 2009*, the Queensland Audit Office gave a copy of this report with a request for comments to the:

1. Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement
2. Director-General, Department of Energy and Public Works
3. Treasurer and Minister for Investment
4. Under Treasurer, Queensland Treasury.

The head of these entities are responsible for the accuracy, fairness, and balance of their comments. This appendix contains the detailed responses to the audit recommendations.⁴⁴

⁴⁴ Queensland Audit Office, Auditor-General's Report No 18 - Enhancing government procurement, p 16.

Comments received from Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement:



Minister for Energy, Renewables and Hydrogen
Minister for Public Works and Procurement

Our Ref: MN03699-2022

17 MAY 2022

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Mr Brendan Worrall
Auditor-General
Queensland Audit Office
Level 14, 53 Albert Street
BRISBANE QLD 4000
By email: qao@qao.qld.gov.au

Dear Mr Worrall

Thank you for your email of 21 April 2022 regarding the Queensland Audit Office (QAO) proposed report on Enhancing government procurement.

I note the three themes (strong collaboration, right data and analysis, effective monitoring and reporting) outlined in the QAO report have strong alignment with the *Buy Queensland* approach, comprising the Queensland Government Procurement Strategy and Queensland Procurement Policy, which was launched in 2017. *Buy Queensland* directs what is now a procurement investment by the Queensland Government of around \$18.5 billion per annum.

Since its launch, *Buy Queensland* has supported over 62,440 Queensland businesses through approximately \$42.24 billion in procurement investment. This includes approximately \$7.93 billion in goods and services supplied to the Queensland Government by over 26,850 Queensland regional businesses.

I am assured by the Director-General, Department of Energy and Public Works (DEPW) that the areas for improvement outlined in the report are being addressed within the framework of the *Buy Queensland* approach, and through the Procurement Data and Analytics Strategy 2021-24.

I acknowledge the significant progress made since the introduction of *Buy Queensland*, while actively pursuing opportunities to further mature the function. Since 2017, Queensland Government Procurement, within DEPW, along with lead procurement category agencies, have significantly improved data access, quality and analysis capability.

These enhancements have enabled government to measure and monitor key policy commitments of the *Buy Queensland* approach at a whole-of-government level, including, for example, the Small and Medium Enterprise Procurement Target. As a result of strong collaboration, analysis, monitoring and reporting, in the Target's first year of operation (2020-21), the Queensland Government's investment in Queensland small and medium enterprises rose to 28.36 per cent – exceeding the initial target of 25 per cent. The government has confirmed its intention to achieve 30 per cent from the 2022-23 financial year. Doing so will require focussed and sustained activity, built on the collaborative, evidence-based, and accountable approach outlined by your report, and which is intrinsic to the *Buy Queensland* approach.

Having established these strong foundations, it is the Queensland Government's intention to consolidate, promote and harness *Buy Queensland* achievements, to produce a more robust version of *Buy Queensland*, reflecting current government priorities and strengthening compliance with procurement policy. This means that procurement analysis must also continue to mature, supported by our investment in a future state procurement environment. As a result, improved systems and data will drive consistency, maturity and open market access, making it easier for Queensland suppliers and buyers to partner and deliver outcomes for local communities.

I hope this information answers your enquiry. If you need more information or help with this matter,

Yours sincerely

Mick de Brenni MP
Minister for Energy, Renewables and Hydrogen
Minister for Public Works and Procurement

Comments received from the Director-General, Department of Energy and Public Works:

Our Ref: MN04752-2022

27 MAY 2022

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
Level 14, 53 Albert Street
BRISBANE QLD 4000
By email: qao@qao.qld.gov.au



Department of
Energy and Public Works

Dear Mr Worrall

Thank you for your recent email regarding the Queensland Audit Office's (QAO) revision to the report, Enhancing government procurement.

I note the revision to Recommendation 3 and the collaborative approach undertaken for its development. The new recommendation is supported by the Department of Energy and Public Works (DEPW) and actions to improve data sharing between Queensland Treasury and Queensland Government Procurement are outlined in the attached response.

DEPW, through Queensland Government Procurement (QGP), remains committed to ensuring the state maximises value from its annual procurement investment of over \$18 billion. QGP welcomes the report and the opportunity to continue to work with Queensland Treasury, lead agency procurement categories and agencies on enhancing procurement by using data to drive responsive procurement policy, strategy and the improvement of procurement products and services. The three themes; strong collaboration, right data and analysis, effective monitoring and reporting outlined in the QAO report are supported through the Queensland Procurement Policy and the Procurement Data and Analytics Strategy 2021-24.

QGP's procurement analytics are an important enabler of measurement and insights into the outcomes and impacts of Queensland Government's procurement. DEPW has delivered significant improvements since the 2017 audit in the way procurement data is collected, categorised and shared which has enabled enhanced access to and use of procurement data across the sector. This is further reinforced through the Procurement Data and Analytics Strategy 2021-24 and the activities to mature both the data sources and the analytics outputs.

I note that through the Procurement Data and Analytics Strategy 2021-24, QGP is already working to implement recommendations (Recommendations 2 and 5), with the Queensland Procurement Policy providing direction for Recommendations 1 and 4 to be implemented.

A key focus area of the Strategy is Data Sharing and Governance. This focus area seeks to improve the confidence and trust in procurement data by embedding governance practices, promoting sharing, and unlocking data sets. A new initiative within the Strategy will be to formalise a data sharing agreement between Queensland Government Procurement and Queensland Treasury to enable access to information and data to support strategic procurement decision making.

The QGP governance structure will continue to provide oversight of the recommendations through the Queensland Government Procurement Committee, Category Councils and Procurement Data and Analytics Governance Sub-committee. Recognising the procurement operating model, centrally enabled agency delivered, collaboration will occur with agencies responsible for each procurement category and departments in the development of implementation activities.

If you need any more information or help with this matter, [REDACTED]

Yours sincerely

A handwritten signature in blue ink, appearing to read "Paul Martyn", with a long horizontal flourish extending to the right.

Paul Martyn PSM
Director-General

Department of Energy and Public Works

Enhancing government procurement

Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and financial year)	Additional comments
We recommend Queensland Treasury and Queensland Government Procurement work together to:			
1. <ul style="list-style-type: none"> develop performance measures and targets that monitor whether departments are collaborating on procurement. These should be designed to drive department collaboration to achieve increased efficiency, effectiveness, and economy in procurement activity at a whole-of-government level report on performance against the targets, at a whole-of-government and department level require departments to report to Queensland Government Procurement on these measures. Where possible, reporting should be automated to minimise the workload on departments. 	Agree	<p>Staged implementation, to be determined by the Queensland Government Procurement Committee (QGPC) by Q2 FY23, in consultation with Queensland Treasury and Categories</p> <ul style="list-style-type: none"> General Goods and Services (GGS) – EPW Building Construction and Maintenance (BCM) – EPW Transport Infrastructure and Services (TIS) – TMR Medical (MED) – Health Information and Communication Technology (ICT) – CHDE Social Services (SOC) – CHDE 	<p>Queensland Government Procurement (QGP) and Queensland Treasury support this recommendation to be implemented through agencies and procurement categories.</p> <p>Clause 5.1 of the Queensland Procurement Policy (QPP) confers responsibility on agencies for the identification of opportunities to work together to deliver savings, efficiencies and benefits. It is acknowledged that where collaboration across agencies and through categories already occurs this will continue.</p> <p>The Procurement Data and Analytics Governance Subcommittee (PDAG) of QGPC will work with categories to use the Queensland Procurement Policy Analytics Framework (QPPAF) to identify data collection inputs from agencies and define measures that will be reported through to QGP.</p> <p>Is it also noted that access to additional budget and demand data from agencies and Queensland Treasury would support the identification of common procurement needs and where there are opportunities for collaboration. A key initiative outlined in the Procurement Data and Analytics Strategy 2021-24 is the development of an internal to government forward procurement pipeline where this data would facilitate visibility and insights about opportunities.</p>
2. Engage with departments to understand the costs and benefits (at a whole of government level) of moving to a universal and consistent system for classifying expenditure (such as the United Nations Standard Products and Services codes). The introduction of new financial systems offers an opportunity to implement it, but it can also be used with existing financial systems.	Agree	Q4 2024	<p>QGP will work with Queensland Treasury on the development of costs and benefits associated with the implementation of a universal and standardised procurement categorisation system.</p> <p>Preliminary scoping has already commenced as part of the Procurement Data and Analytics Strategy 2021-24.</p>
We recommend Queensland Treasury and Queensland Government Procurement:			
3. Identify opportunities to collaborate and share departmental expenditure data between the two agencies, to improve procurement outcomes and budget monitoring across government. Formalise the data sharing arrangement between the two agencies. Where additional data (such as on suppliers, prices, and usage) is needed to make informed procurement decisions, Queensland Government Procurement and the category councils should collect it and share it with departments.	Agree	Q4 2024	<p>QGP will continue to work with Queensland Treasury on the identification and application of opportunities share departmental expenditure data.</p> <p>Data sharing and Governance is a key focus area of the Procurement Data and Analytics Strategy. QGP along with Queensland Treasury will establish mechanisms and structures, formalised through a data sharing agreement, to enable access to data.</p> <p>QGP will support lead agency procurement categories with the identification, collection, hosting and sharing of category specific procurement data.</p>
We recommend Queensland Government Procurement work with departments to:			
			where this data would facilitate visibility and insights about opportunities.
2. Engage with departments to understand the costs and benefits (at a whole of government level) of moving to a universal and consistent system for classifying expenditure (such as the United Nations Standard Products and Services codes). The introduction of new financial systems offers an opportunity to implement it, but it can also be used with existing financial systems.	Agree	Q4 2024	<p>QGP will work with Queensland Treasury on the development of costs and benefits associated with the implementation of a universal and standardised procurement categorisation system.</p> <p>Preliminary scoping has already commenced as part of the Procurement Data and Analytics Strategy 2021-24.</p>
We recommend Queensland Treasury and Queensland Government Procurement:			
3. Identify opportunities to collaborate and share departmental expenditure data between the two agencies, to improve procurement outcomes and budget monitoring across government. Formalise the data sharing arrangement between the two agencies. Where additional data (such as on suppliers, prices, and usage) is needed to make informed procurement decisions, Queensland Government Procurement and the category councils should collect it and share it with departments.	Agree	Q4 2024	<p>QGP will continue to work with Queensland Treasury on the identification and application of opportunities share departmental expenditure data.</p> <p>Data sharing and Governance is a key focus area of the Procurement Data and Analytics Strategy. QGP along with Queensland Treasury will establish mechanisms and structures, formalised through a data sharing agreement, to enable access to data.</p> <p>QGP will support lead agency procurement categories with the identification, collection, hosting and sharing of category specific procurement data.</p>
We recommend Queensland Government Procurement work with departments to:			

Examination of Auditor-General Report No. 18: 2021-22 - Enhancing government procurement

4.	<p>Departments should:</p> <ul style="list-style-type: none"> • use whole-of-government arrangements • report when they are not using these arrangements and the reasons why to Queensland Government Procurement <p>Queensland Government Procurement should:</p> <ul style="list-style-type: none"> • monitor and report if departments are using existing whole-of-government arrangements • identify where departments have instead engaged with the same suppliers outside of these arrangements • engage with these departments to better understand why this has occurred. <p>Queensland Government Procurement should then use this information when negotiating future whole-of-government arrangements to drive better supply and price.</p>	Agree	<p>Staged implementation, to be determined by QGPC by Q2 FY23 in consultation with Categories</p> <ul style="list-style-type: none"> • General Goods and Services (GGS) – EPW • Building Construction and Maintenance (BCM) – EPW • Transport Infrastructure and Services (TIS) – TMR • Medical (MED) – Health • Information and Communication Technology (ICT) – CHDE • Social Services (SOC) – CHDE 	<p>QGP is supportive of this recommendation and its implementation through the procurement categories but acknowledges the challenges with capturing data and reporting.</p> <p>The QPP, through Clause 5.3, requires that agencies use common-use supply arrangements to achieve savings and benefits wherever practical.</p> <p>QGP will work with categories to investigate options for the collection and measurement of spend outside of procurement arrangements, including guidance advice, behavioural change and data collection mechanisms from departments and suppliers.</p> <p>QGP will continue to work with categories on the development of analysis tools to support supplier centric reporting from expenditure data.</p>
Queensland Government Procurement should:				
5.	<p>the Queensland Government Procurement Committee endorses the most recent data strategy.</p> <p>We also recommend that Queensland Government Procurement develops an implementation plan that outlines how it will achieve all of its objectives within its most recent data strategy. This plan should include appropriate key performance measures that monitor progress against the objectives and milestone dates.</p>	Agree	In progress	<p>The Procurement Data and Analytics Strategy 2021-24 was endorsed by QGPC on 16 December 2020.</p> <p>A detailed implementation plan and roadmap has been developed in consultation with PDAG and will be submitted to QGPC on 8 June 2022 for its endorsement.</p> <p>Regular monitoring of progress with the Procurement Data and Analytics Strategy 2021-24 initiatives will occur through PDAG and with reporting to QGPC on a six-monthly basis.</p>

Comments received from Under Treasurer, Queensland Treasury:



Queensland Treasury

Our Ref: D1642-2022

Mr Brendan Worrall
Auditor-General
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PO Box 15396
CITY EAST QLD 4002

Email: QAO.Mail@qao.qld.gov.au

Dear Mr Worrall

Thank you for the work completed on the final *Enhancing Government Procurement* report received on 21 April 2022 from Ms Rachel Vagg, Assistant Auditor-General.

It is noted the proposed report outlines five recommendations for enhancing the data available for more effective strategic procurement. Three of these recommendations involve Queensland Treasury (Treasury). Officials from Treasury have worked in consultation with Queensland Government Procurement (QGP) to develop a joint response which will be provided by the Department of Energy and Public Works in their response to you.

Treasury supports the QGP position on these three recommendations and remains committed to facilitating opportunities to collaborate and share data between Treasury and QGP to improve procurement outcomes across government.

If you require any further information, please contact [redacted] who will be pleased to assist.

Yours sincerely

A handwritten signature in dark ink, appearing to read "Leon Allen".

Leon Allen
Under Treasurer

14 / 05 / 2022

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GPO Box 644 Brisbane
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Appendix C – Abbreviations

DEPW	Department of Energy and Public Works
PDAG	Procurement Data and Analytics Governance Subcommittee (of QGPC)
QAO	Queensland Audit Office
QGP	Queensland Government Procurement
QGPC	Queensland Government Procurement Committee
SME	small-to-medium enterprise
SAP	Systems application and products
UNSPC	United Nations Standard Products and Services Code