



AUDIT INSIGHTS

14 June 2022

# Enhancing government procurement

## Report 18: 2021–22

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The Honourable C Pitt MP  
Speaker of the Legislative Assembly  
Parliament House  
BRISBANE QLD 4000

14 June 2022

This report is prepared under Part 3 Division 3 of the *Auditor-General Act 2009*.



Brendan Worrall  
Auditor-General



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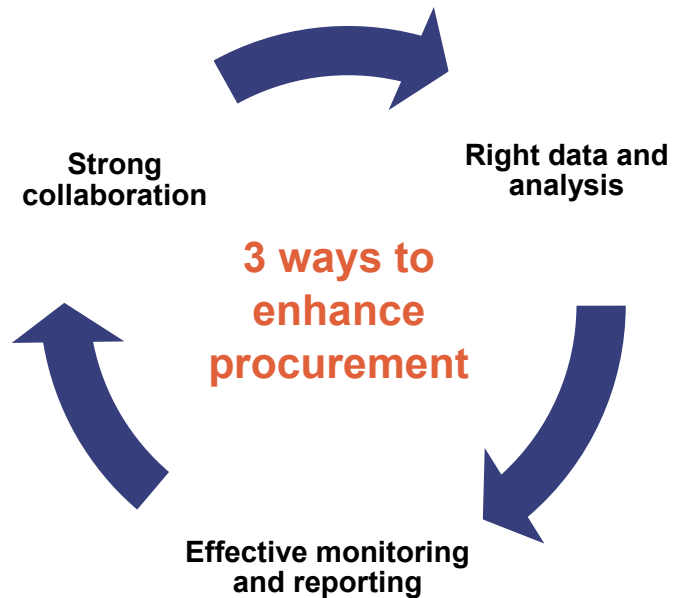
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# In brief

Effective government procurement (the process of purchasing goods and services) can deliver better value for money and savings across government.

- Procurement analysis is often performed with an agency focus rather than a strategic whole-of-government focus.
- Queensland Government Procurement has built a data set that provides insight into expenditure at departments but is not effective at identifying future procurement savings.
- 466 whole-of-government contracts have been negotiated with suppliers but there is no monitoring or reporting on whether departments are using these arrangements and if they are achieving value for money.



## Strong collaboration

Departments are responsible for their own procurement, but to take advantage of the significant purchasing power of the state government, they need to consistently collaborate and share relevant information with other departments in a timely way.

By sharing insights and having effective monitoring and reporting, they will be able to make more informed procurement decisions and get better deals.

## Right data and analysis

Data needs to be of high quality, timely, and classified consistently to use for procurement analysis.

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.

There is 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. This could be supplemented by department-specific procurement data and analysis.

## Effective monitoring and reporting

More monitoring of and reporting on procurement is required. 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, why not.

Queensland Government Procurement also needs to monitor its strategy for improving procurement data.



# 1. Recommendations

We make the following 5 recommendations in this report:

<p><b>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</b></p>	
REC 1	<p>We recommend Queensland Treasury and Queensland Government Procurement work together to:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• report on performance against the targets, at a whole-of-government and department level</li> <li>• require departments to report to Queensland Government Procurement on these measures. Where possible, reporting should be automated to minimise the workload on departments.</li> </ul>
<p><b>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</b></p>	
REC 2	<p>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).</p> <p>The introduction of new financial systems offers an opportunity to implement it, but it can also be used with existing financial systems.</p>
<p><b>Queensland Treasury and Queensland Government Procurement should enhance information and data sharing, between the 2 departments, to support strategic procurement decision-making</b></p>	
REC 3	<p>We recommend Queensland Treasury and Queensland Government Procurement:</p> <ul style="list-style-type: none"> <li>• identify opportunities to collaborate and share departmental expenditure data between the 2 agencies, to improve procurement outcomes and budget monitoring across government</li> <li>• formalise the data sharing arrangement between the 2 agencies</li> <li>• 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.</li> </ul>



<b>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</b>	
REC 4	<p>Departments should:</p> <ul style="list-style-type: none"> <li>• use whole-of-government arrangements</li> <li>• report when they are not using these arrangements and the reasons why to Queensland Government Procurement.</li> </ul> <p>Queensland Government Procurement should:</p> <ul style="list-style-type: none"> <li>• monitor and report if departments are using existing whole-of-government arrangements</li> <li>• identify where departments have instead engaged with the same suppliers outside of these arrangements</li> <li>• engage with these departments to better understand why this has occurred.</li> </ul> <p>Queensland Government Procurement should then use this information when negotiating future whole-of-government arrangements to drive better supply and price.</p>
<b>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</b>	
REC 5	<p>We recommend 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>

## Reference to comments

In accordance with s. 64 of the *Auditor-General Act 2009*, we provided a copy of this report to relevant entities. In reaching our conclusions, we considered their views and represented them to the extent we deemed relevant and warranted. Any formal responses from the entities are at [Appendix A](#).



## 2. Why did we conduct this audit?

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Achieving value for money in government procurement (the process of purchasing goods and services) is always important, but recent events have made it even more so. COVID-19 has had an impact on the state's finances, and government has spent a lot to support rapid responses to the pandemic. In 2019–20, the state recorded its first operating deficit in 7 years and had to borrow \$4.8 billion more than originally budgeted.

While the 2020–21 result was better than expected, borrowings continue to increase, and are expected to reach \$76.9 billion by 2024–25. Additionally, Queensland's population is expected to continue to grow, placing further pressure on government services.

In response to these financial pressures, the state government announced a savings and debt plan in October 2020, targeting savings of \$3 billion over 4 years.

In a time of significant fiscal constraint, departments are being pushed to find savings in their non-frontline expenditure (such as accommodation, food services, printing, utilities, and telecommunications), while still maintaining existing levels of public service delivery.

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. This includes achieving efficiency when acquiring supplies and services of the right quality at the right time.

Enhancing government procurement can lead to significant savings across the state.

### What this report does not do

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We have not undertaken a full evaluative audit to examine the efficiency and effectiveness of procurement processes. Nor have we reviewed the merits behind awarding contracts with existing suppliers for any of the 20 departments.

As a result, we have not provided a conclusion under the auditing standards. Instead, we have analysed available information and presented relevant facts and recommendations.



### 3. Strong collaboration

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This chapter outlines how the first of our 3 elements – effective collaboration among departments – can deliver whole-of-government savings.

Strategic procurement in the Queensland Government involves individual departments, Queensland Government Procurement (within the Department of Energy and Public Works), and 6 ‘category councils’. The category councils are run by departments to oversee and direct strategic procurement for 6 areas of significant expenditure across government.

This is overseen by the Queensland Government Procurement Committee and by the CEO Leadership Board. ([Appendix B](#) shows the existing procurement structure in Queensland.)

While this structure supports collaboration, departments remain responsible for their own procurement of goods and services. A principle of the *Queensland Procurement Policy 2021* (administered by Queensland Government Procurement) is ‘working together to achieve outcomes’, but in practice this is not easy, and there is limited incentive for departments to do this. There are some instances where it has occurred, but more opportunities exist.

#### Opportunity for collaboration among departments

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Queensland Government Procurement is responsible for driving department collaboration. To do so, it needs to engage meaningfully with departments and influence them by demonstrating the savings that can be achieved through collaboration.

If departments work together when procuring the same good or service – including sharing information to negotiate collectively – they are likely to get a better deal. But not all departments are taking advantage of these opportunities. 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.

In one example, we analysed mobile phone expenditure (calls, data usage, service equipment costs) with the main supplier for financial year 2021. We found a variation in the average cost per mobile device, with one department paying \$508 while another paying only \$196. There is an opportunity for departments to better share their usage and expenditure data. This may result in departments identifying where they are paying more per device and opportunities to renegotiate deals with suppliers. Currently, there is limited monitoring and reporting on whether agencies are sharing their data and effectively collaborating.

##### 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.





## Effective collaboration has occurred in some areas, leading to significant savings

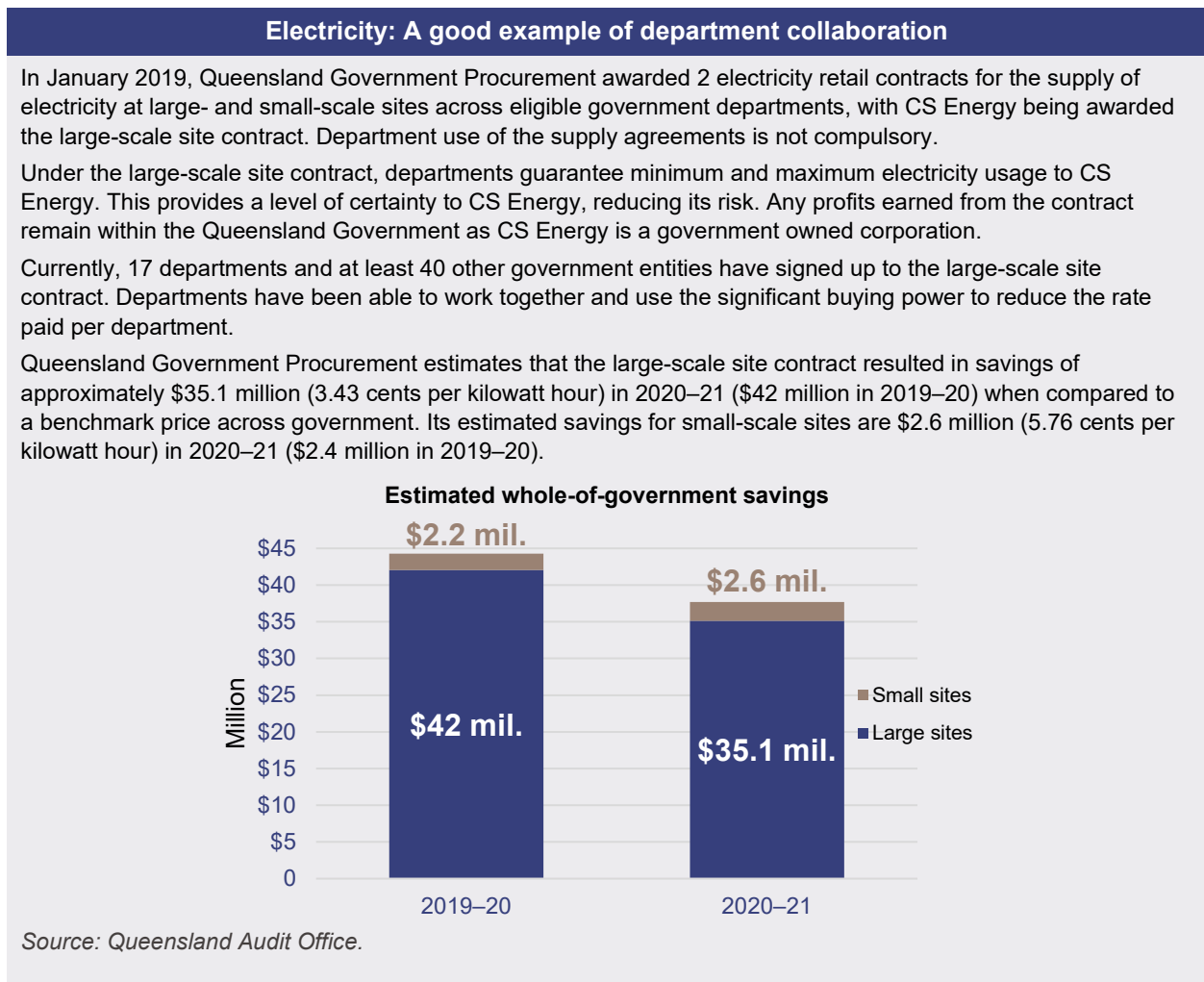
On some occasions, departments have collaborated effectively. In the case of electricity, Queensland Government Procurement was able to demonstrate to the departments that if they worked together, whole-of-government savings could be achieved.

It assisted departments by analysing their electricity expenditure and usage data. This information was then used in negotiations with the supplier by allowing departments to commit to a minimum usage amount in the contract.

Queensland Government Procurement continues to monitor department usage and report on the whole-of-government savings. This is a good example of where all of our 3 elements for enhancing government procurement have been used. Departments successfully collaborated; used the right data and analysis when negotiating with the supplier; and subsequently monitored and reported usage and savings.

Case study 1 (Figure 3A) explores this example in greater detail.

**Figure 3A**  
**Case study 1**



**Benefits of collaboration, under a single, centralised government contract:**

- Value for money has been achieved through reduced electricity costs, due to departments using the significant purchasing power of the state government.
- Procurement processes have been streamlined, as departments are not individually undertaking their own procurement for electricity.
- Under the contract, a proportion of electricity is sourced from renewable sources, which helps achieve the Queensland Government's target of 50 per cent renewable energy by 2030.
- There is greater oversight and data collection by Queensland Government Procurement of electricity consumption and expenditure at departments. This enables central monitoring and reporting of the savings that have been achieved to date.

*Source: Queensland Audit Office.*



## 4. Right data and analysis

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To drive value for money in procurement decisions, departments need good quality data that is accurate, reliable, and timely. It allows departments to understand how much they are spending on goods and services, what they spend it on, and with whom they spend it. It also allows them to identify opportunities to collaborate and achieve savings across government – including by identifying areas where they can combine their goods and services requirements when negotiating with suppliers.

This chapter looks at what data Queensland Government Procurement (within the Department of Energy and Public Works), Queensland Treasury, and others collect on behalf of departments and government. It outlines the current limitations in using this data to achieve whole-of-government savings, and also provides a recommendation on how this can be fixed.

### Our previous report and Queensland Government Procurement's data strategy

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Six years ago, in *Strategic procurement* (Report 1: 2016–17), we identified that departments were using different ways to categorise their procurement data, resulting in similar transactions being included in different categories across departments. This meant data was not easily combined at a whole-of-government level to enable procurement analysis.

We recommended that Queensland Government Procurement collaborates with government departments to develop a procurement data strategy to identify and assess:

- what procurement data government departments need to record
- how procurement data should be categorised, ideally using a universally recognised categorisation approach
- the cost-benefit of options for improving existing systems to improve the quality and accessibility of procurement data from a central source.

Our report *2021 status of Auditor-General's recommendations* (Report 4: 2021–22) captured entities' self-assessed progress in implementing the recommendations we made in our performance and assurance audit reports tabled between 2015–16 and 2017–18. Queensland Government Procurement reported it has fully implemented this recommendation and has developed a data strategy. We continue to find, however, that the data being collected is not consistently categorised and new systems and processes have not always resulted in information suitable for procurement analysis. This has resulted in limited improvements to Queensland Government Procurement's data analysis and reporting since we raised this recommendation.

For the recommendation to be fully implemented, Queensland Government Procurement should be monitoring and reporting on the outcomes and benefits from implementing its data strategy. We comment further on Queensland Government Procurement's data strategy in Chapter 5.

## Queensland Government Procurement's current data and its limitations

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Queensland Government Procurement centrally collects all departments' transactional expenditure data from their financial accounting systems and uses it as the basis for its procurement analysis. Expenditure data differs from procurement data in that it is based on historical information whereas procurement data is often forward looking. Some examples of procurement data are actual and forecasted usage, fees and charges, and supplier data.

We identified the following issues with using this data for procurement analysis and decision-making:

- As departments produce the data to meet their financial, budgeting and reporting obligations rather than for procurement analysis, it is not always suitable for this purpose.
- It includes a significant number of transactions that need to be removed, as they are not relevant to procurement decision-making (such as accounting-related transactions).
- Finance expenditure transactions do not always adequately explain what goods or services are being purchased; therefore, detailed procurement analysis cannot always be performed based on this data alone.
- The data does not link to supplier contracts or whole-of-government arrangements.
- The description fields within finance systems are not consistently used across departments to describe expenditure.
- The categorisation of expenditure by departments in their finance systems is subjective and not consistently applied at a detailed level.

To make the department expenditure data more suitable for procurement analysis, Queensland Government Procurement and the category councils (which oversee strategic procurement for 6 areas of significant expenditure across government) combine it with other data sets.

For example, to better understand how departments were using Microsoft products, the Information and Communications Technology Category Council combined the expenditure data with additional data from departments to confirm how often the products were being used.

Similarly, the General Goods and Services Category Council collects data directly from suppliers as they can provide more valuable information such as what is being purchased and the rates being paid when compared with the department expenditure data.

### How can the procurement data be improved?

#### Queensland Treasury is planning to replace its whole-of-government reporting system

Queensland Treasury is planning to replace its Tridata system, which it uses to collect and analyse departments' financial data on a consistent basis. This offers an opportunity to improve data reliability and relevance, as any replacement system could include better procurement data inputs.



## A universally recognised and consistent expenditure classification system is available

There is an opportunity to improve the quality of the existing data through the implementation of a consistent classification system such as the United Nations Standard Products and Services Code (UNSPSC).

This classification system standardises the description and classification of goods and services and can be applied across all departments, where the benefits outweigh the costs (at a whole-of-government level). Using this system, procurement officers in each department can assign expenditure classification codes to purchase orders in their existing finance systems.

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.

Currently, most Queensland Government departments have the ability to implement the classification system at a detailed level. However, we only identified 2 departments that were classifying their purchases at a detailed level to enable effective analysis.

Classification at this more detailed level enables better quality analysis. It allows departments to conduct detailed analysis on specific products, allowing better targeting of potential savings. It also enables more detailed and strategic reporting, ultimately assisting in better procurement decisions.

### Portable and attractive items

For example, departments generally classify purchases of portable and attractive items, such as mobile phones, computers and power tools, under one code in their finance systems – *portable and attractive items*. The value of this one code in 2021 was \$144 million. Current analysis of this one code, however, provides very limited procurement insights, as the data is not consistently classified and it is hard to determine what products were purchased.

Should a standard classification system be implemented, the data would be much more suitable for procurement analysis, because it would show what type of item was purchased in a consistent and trusted way across departments. Better analysis could then be performed based on what was purchased, when it was purchased and how much each department paid for the same or similar item.

### Consultants

Savings could also potentially be found in the procurement of consultant services if the corresponding expenditure were classified in a more consistent and detailed manner across departments. The current expenditure data does not easily show why a consultant was engaged or how much each engagement has cost. This limits cross-department collaboration, as departments are unable to identify where a consultant has already been engaged by another department for a similar purpose.

#### 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

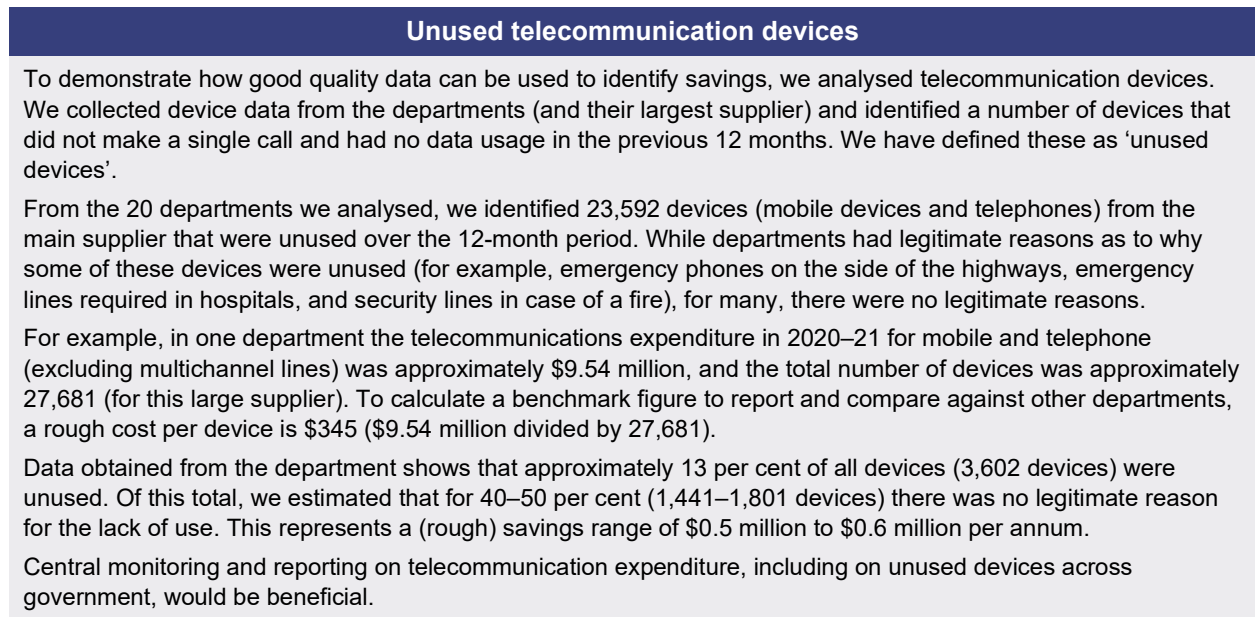
We recommend that Queensland Treasury and Queensland Government Procurement engage with departments to understand the costs and benefits (at a whole-of-government level) of moving to a universal and consistent system for classifying expenditure (such as the United Nations Standard Products and Services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

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

## An example of how better data can identify savings – unused telecommunication devices

Better quality procurement data can lead to the identification of potential, and at times major, savings. Case study 2 (Figure 4A) explores one example.

**Figure 4A**  
**Case study 2**



Source: Queensland Audit Office.

## Opportunity for greater data sharing and analysis

Currently, Queensland Government Procurement collects department expenditure data. In addition, Queensland Treasury is looking to establish a data set similar to the Queensland Government Procurement expenditure data set to perform expenditure analysis that will inform budget and savings decisions.

There is an opportunity for enhanced information and data sharing between Queensland Government Procurement and Queensland Treasury, to support strategic procurement decision-making by Queensland Government Procurement and budget monitoring by Queensland Treasury.

We have also identified instances of departments and category councils undertaking the same, or very similar, procurement analysis and processes. Data analysts are employed across the sector to work on this individual analysis.

Departments will always have individual analysis requirements. But there is an opportunity for them – and category councils – to work better together to reduce duplication in data collection, analysis, processes, and infrastructure.

In addition, Queensland Government Procurement should identify areas where additional data is needed to enhance its procurement analysis (such as data on suppliers, pricing, and department usage).



### **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.



## 5. Effective monitoring and reporting

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This chapter looks at the need to better monitor and report on how departments are achieving whole-of-government savings and initiatives, including whether departments are using existing whole-of-government arrangements. These arrangements have been established with pre-qualified, preferred suppliers and help to speed up the procurement process.

It also looks at whether Queensland Government Procurement is monitoring and reporting on its data strategy.

### There is limited monitoring and reporting of how departments are achieving the government's procurement initiatives

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Departments are required to comply with whole-of-government procurement strategies, policies, and principles.

One principle within the *Queensland Procurement Policy 2021* is a requirement to work together to achieve outcomes. However, we found no evidence of any regular monitoring or reporting on how departments are working together.

In Chapter 3 we raised a recommendation on this issue.

### Monitoring and reporting of whole-of-government arrangements is needed

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At present, 466 whole-of-government arrangements are in place that can be used by any department. Establishing these arrangements takes time and effort. Departments engaged with approximately 22,300 distinct suppliers under the supplies and services financial statement note in the 2020–21 financial year (excludes suppliers associated with hospital and health services and OneSchool).

Currently, Queensland Government Procurement does not monitor whether departments are using the whole-of-government arrangements. It also does not report on why 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.





**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.

## Queensland Government Procurement's data strategy

Queensland Government Procurement has developed a data strategy that outlines the values and focus areas for procurement data from 2021–2024. It includes an objective that its 'data and analytics products are trusted, well-governed, and proactively sought and shared across Queensland Government'. We found that the expenditure data set was not well trusted by departments, due to the issues we discussed in Chapter 4.

It also states that:

by 2024, Queensland Government Procurement and procurement categories will use accurate and comprehensive supplier and procurement data as the driver for responsive procurement policy, strategy and the improvement of procurement products and services.

We identified multiple versions of the data strategy. The original version, endorsed by the Queensland Government Procurement Committee in 2020, did not include clear reportable milestones and performance indicators. While a February 2022 unendorsed data strategy now includes milestone dates with lead and lag key performance indicators, these are high level and Queensland Government Procurement is not reporting against them.

We did not see evidence of collaboration with departments on critical data strategy objectives, such as the implementation of a more consistent data classification system. Departments will play a key role in the implementation of such system.

**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.

# Appendices

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# A. Entity responses

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We gave a copy of this report with a request for comments to:

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

We also provided a copy of the report, with the option of providing a response, to the Premier and Minister for the Olympics; Director-General, Department of the Premier and Cabinet; and the accountable officers of the other 17 core departments.

This appendix contains the detailed responses we received.

The heads of these entities are responsible for the accuracy, fairness, and balance of their comments.



# 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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Dear Mr Worrall *Brendan*

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 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.

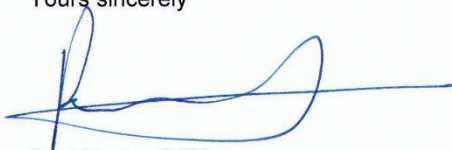
A key focus area of the Strategy is Data Sharing and Governance. This focus area seeks to improve the confidence and trust in procurement data by embedding governance practices, promoting sharing, and unlocking data sets. A new initiative within the Strategy will be to formalise a data sharing agreement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

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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



Paul Martyn PSM  
**Director-General**

Encl.



## Responses to recommendations



### 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"> <li>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</li> <li>report on performance against the targets, at a whole-of-government and department level</li> <li>require departments to report to Queensland Government Procurement on these measures. Where possible, reporting should be automated to minimise the workload on departments.</li> </ul>	Agree	Staged implementation, to be determined by the Queensland Government Procurement Committee (QGPC) by Q2 FY23, in consultation with Queensland Treasury and Categories <ul style="list-style-type: none"> <li>General Goods and Services (GGS) – EPW</li> <li>Building Construction and Maintenance (BCM) – EPW</li> <li>Transport Infrastructure and Services (TIS) – TMR</li> <li>Medical (MED) – Health</li> <li>Information and Communication Technology (ICT) – CHDE</li> <li>Social Services (SOC) - CHDE</li> </ul>	Queensland Government Procurement (QGP) and Queensland Treasury support this recommendation to be implemented through agencies and procurement categories.  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.  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.  It is 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





Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and financial year)	Additional comments
<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.</p>	Agree	Q4 2024	<p>where this data would facilitate visibility and insights about opportunities.</p> <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>
<p>We recommend Queensland Treasury and Queensland Government Procurement:</p>			
<p>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.</p>	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>
<p>We recommend Queensland Government Procurement work with departments to:</p>			



	Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and financial year)	Additional comments
4.	<p>Departments should:</p> <ul style="list-style-type: none"> <li>use whole-of-government arrangements</li> <li>report when they are not using these arrangements and the reasons why to Queensland Government Procurement</li> </ul> <p>Queensland Government Procurement should:</p> <ul style="list-style-type: none"> <li>monitor and report if departments are using existing whole-of-government arrangements</li> <li>identify where departments have instead engaged with the same suppliers outside of these arrangements</li> <li>engage with these departments to better understand why this has occurred.</li> </ul> <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"> <li>General Goods and Services (GGS) – EPW</li> <li>Building Construction and Maintenance (BCM) – EPW</li> <li>Transport Infrastructure and Services (TIS) – TMR</li> <li>Medical (MED) – Health</li> <li>Information and Communication Technology (ICT) – CHDE</li> <li>Social Services (SOC) - CHDE</li> </ul>	<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>

Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and financial year)	Additional comments
			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.



## Comments received from Under Treasurer, Queensland Treasury



Queensland Treasury

Our Ref: 01642-2022

Mr Brendan Worrall  
Auditor-General  
Queensland Audit Office  
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 black ink, appearing to read "Leon Allen".

Leon Allen  
Under Treasurer

14 / 05 / 2022

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## Comments received from Director-General, Department of Transport and Main Roads

Our ref: DG42832  
Your ref: PRJ02225

10 May 2022

Mr Brendan Worrall  
Auditor-General  
Queensland Audit Office



Office of the  
Director-General  
Department of  
Transport and Main Roads

Dear Mr Worrall

Thank you for your email of 21 April 2022 advising of the proposed report to Parliament about Enhancing Government Procurement.

The Queensland Audit Office (QAO) identified that the five recommendations raised in the proposed report centred around collaboration, data and analysis, monitoring and reporting require further action by Queensland Government Procurement and Queensland Treasury. These recommendations will likely impact on the Department of Transport and Main Roads (TMR) if implemented.

TMR supports ongoing collaboration with Queensland Government Procurement to deliver efficient and effective procurement outcomes. TMR has established processes in place that support a number of these QAO recommendations, including implementation of United Nations Standard Products and Services Codes in 2016 and implementing a category management approach to departmental procurement. This has resulted in TMR being able to identify and realise savings in support of the Government's Savings and Debt Plan.

TMR's investment in SAP Ariba digitising procurement and automating back-office processes will deliver enhanced reporting capability and visibility of departmental procurement spend, automating and streamlining back-office processes as well as providing systemised controls to strengthen compliance.

TMR appreciates the opportunity to provide comments on this proposed report. If you require further information, I encourage you to contact

Yours sincerely

A handwritten signature in blue ink that reads "Neil Scales".

Neil Scales  
Director-General  
Department of Transport and Main Roads

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## Comments received from Director-General, Department of Regional Development, Manufacturing and Water

Our ref: CTS 06507/22



Queensland  
Government

Department of  
**Regional Development,  
Manufacturing and Water**

**18 MAY 2022**

Mr Brendan Worrall  
Auditor-General  
Queensland Audit Office  
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BRISBANE QLD 4000

Email: [qao.qao.qld.gov.au](mailto:qao.qao.qld.gov.au)

*BRENDAN*

Dear Mr Worrall

Thank you for your email dated 21 April 2022 regarding, PRJ02225 proposed report 'Enhancing government procurement' (the report), to be submitted to Parliament. I apologise for the delay in responding.

Following a review of the report, I note the findings and recommendations and thank you for the opportunity to provide comment. The report provides useful information that the Department of Regional Development, Manufacturing and Water (the department) will use, to focus on further strengthening its procurement function and reporting.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'G. Fraine'.

Graham Fraine  
**Director-General**

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# Comments received from Director-General, Department of Education



Office of the  
Director-General

Department of  
Education

1 JUN 2022

Mr Brendan Worrall  
Auditor-General  
Queensland Audit Office  
Email: [gao@gao.qld.gov.au](mailto:gao@gao.qld.gov.au)

Dear Mr Worrall

Thank you for your email dated 21 April 2022 regarding the Queensland Audit Office's (QAO) proposed report to parliament titled *Enhancing Government Procurement* (the Report).

I welcome the opportunity to provide feedback on the findings and recommendations of the Report.

A key focus of the report relates to improving the monitoring of the effectiveness of agency efforts to achieve or meet whole-of-Government procurement outcomes, principally in the areas of attaining better value for money and savings.

While savings are an obvious measure of an effective procurement process, a broader definition of value for money will also encompass other Government priorities and commitments, which are not necessarily related to purely fiscal savings or efficiencies. Such targets or indicators might include increasing the number of Indigenous or small-medium enterprises which successfully bid for Government contracts; increased sourcing of goods and materials through local Queensland manufacturing; or the number of new jobs or apprenticeships that are sustained as a consequence of a construction contract awarded.

The approaches and models that are needed to develop and implement effective management and monitoring of such indicators are already under development by Queensland Government Procurement and agency procurement functions. Moreover, agencies and industry stakeholders have engaged through the Queensland Government's Procurement Maturity Project to begin to identify and address reporting gaps prior to the anticipated roll-out of the new Buy Queensland Strategy later this year.

The Report recommends that agencies should use of whole-of-Government procurement arrangements to streamline and improve the process of procuring specific goods and services. An activity which specifically targets this issue has already commenced under the oversight of the Queensland Government Procurement Committee (QGPC) and the category councils. Driving greater adoption of common-use-supply arrangements, improving awareness of and access to these supply arrangements and curbing spend 'off panel' are key aims of the work already underway. The QGPC will continue to actively monitor efforts in this space moving forward.

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The Department of Education is an active participant in the QGPC and a member of three Procurement Category Councils (ICT; General Goods and Services; and Building, Construction and Maintenance) and is committed to ensuring that its significant procurement and purchasing expenditure aligns to and supports the Queensland Procurement Policy and advances the various priorities, targets and commitments outlined in the Buy Queensland Strategy.

Thank you for the opportunity to provide comment on the Report.

Yours sincerely



**MICHAEL DE'ATH**  
**Director-General**

Ref. 22/323531





## B. Queensland’s current procurement structure

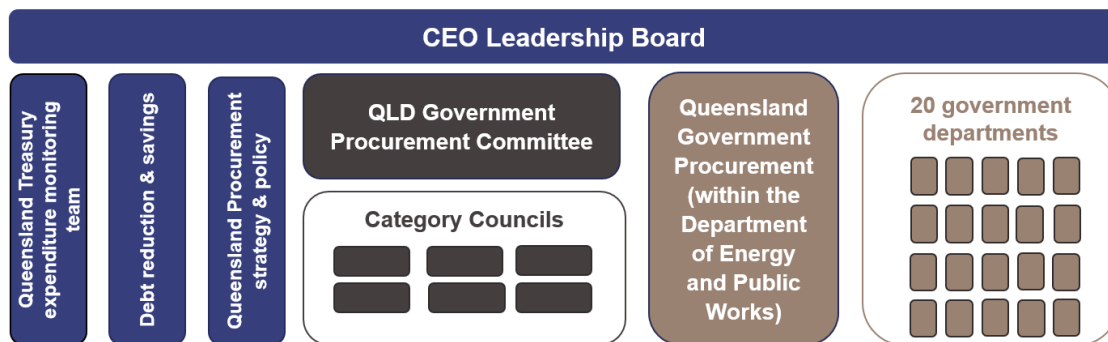
In Queensland, departments are responsible for their own procurement of goods and services. In doing so, they are required to follow whole-of-government initiatives, policies, and minimum standards.

Queensland Government Procurement sits within the Department of Energy and Public Works and is responsible for providing expert procurement policy advice and support to departments. Other responsibilities include:

- facilitating collaboration across departments
- providing guidance to departments in relation to economic, social, and environmental benefits and opportunities
- overseeing a consistent approach to procurement methodology and procedures, including reducing procurement process costs for suppliers and departments across government.

Figure B1 provides an overview of the current procurement structure.

**Figure B1**  
**Overview of procurement arrangements in the Queensland Government**



Notes:

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 CEO Leadership Board is the overarching governance authority for Queensland Government Procurement activities. Board membership includes all directors-general.

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.

There are 6 ‘category councils’, run by departments, that oversee and direct strategic procurement for 6 areas of significant expenditure across government. 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.

Source: Queensland Audit Office.

# C. How we prepared this audit insight

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## About the audit insights

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The purpose of this audit insights 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?

## Scope and methods

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We have not undertaken a full evaluative audit to examine the efficiency and effectiveness of procurement processes. Nor have we reviewed the merits behind awarding contracts with existing suppliers for any of the 20 departments.

As a result, we have not provided a conclusion under the auditing standards. Instead, we have analysed available information and presented relevant facts and recommendations.

We have:

- 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.

## Entities subject to the audit

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We analysed expenditure and procurement data from the 20 government departments, these being:

- 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





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