



Purchasing Through Common Use Arrangements





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WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

Purchasing Through Common Use Arrangements

Report 19
November 2014



**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

PURCHASING THROUGH COMMON USE ARRANGEMENTS

This report under the provision of section 25 of the *Auditor General Act 2006* (AG Act) details the findings of the recently completed across government benchmarking audit of Purchasing Through Common Use Arrangements.

Across government benchmarking audits build on the annual financial audits undertaken at all agencies. They are conducted at a sample of agencies and involve more detailed testing than is required for the annual financial assurance audits.

Agencies in our sample were rated against key lines of inquiry to inform their management and Parliament of their relative performance. Although we found the agencies generally performed well, I trust that this report also provides an insight to the types of control weaknesses and exposures that can exist so that all agencies, including those not audited, can consider their own performance.

The information provided from this audit will, I am sure, assist Parliament to evaluate agencies' compliance with key purchasing requirements relating to Common Use Arrangements.

A handwritten signature in black ink, appearing to read 'C. Murphy'.

COLIN MURPHY
AUDITOR GENERAL
12 November 2014

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Purchasing Through Common Use Arrangements

Background and What We Did

Purchasing through Common Use Arrangements (CUAs) helps agencies to reduce the time and effort involved in selecting a supplier that provides good quality goods and services at a competitive price. CUAs are essentially a whole-of-government standing offer, awarded to suppliers for the provision of goods and services commonly used within government. CUAs essentially increase the likelihood that agencies will receive value for money in their use of taxpayers' funds when procuring goods and services. They can also reduce the risk of an agency procuring sub-standard goods or services or of favouritism of particular suppliers.

The Department of Finance maintains 62 CUAs. Most CUAs are mandatory in the Perth metropolitan area, though government corporations and a few other agencies are exempted. Government agencies in regional Western Australia that purchase goods and services have authority to buy locally, up to the value of \$50 000 per line item, even when a mandatory common use contract exists. However, if they do so, written quotations must be called in the region, with at least one contractor from the mandatory common use contract being invited to bid. Regional price preferences must be applied, if appropriate, and the purchase must represent value for money.

The most recent Department of Finance report 'Who buys what' reported that in 2011-12, the total goods and services expenditure by agencies was \$25.71 billion, of which total CUA expenditure was \$1.079 billion.

Our objective was to determine whether agencies are effectively using CUAs or have reasonably justified their rationale for not selecting a supplier under the CUA.

We selected and audited 283 purchases at eight agencies. The types of purchases selected included IT products and services, industrial services, cleaning, labour hire, office supplies and remuneration services.

Our lines of inquiry were:

- Have agencies established policies and procedures for procurement of goods and services through the use of CUAs and for circumstances when CUAs will not be used?
- Have agencies adhered to the use of CUAs? If purchases were not made through the CUA, has this decision been justified and approved by management?
- For those purchases not made through the CUA, has the outcome been monitored to ensure value for money has been achieved?

The audit was conducted in accordance with Australian Auditing and Assurance Standards.

Conclusion

Overall, agencies had well established policies for the use of CUAs and they were generally following satisfactory procedures and complying with requirements. Where purchases were not from an approved supplier under the CUA, the reasons were adequately justified in advance. However, for four of the eight agencies audited, there was a lack of formal monitoring of the outcome of non-CUA purchases to assess whether the agency received value for money.

What Did We Find?

Of the eight agencies audited, the Busselton Water Corporation, Department for Child Protection and Family Support and Department of the Attorney General were rated as 'Good' against all three criteria. No agency was rated as poor against any of our three lines of inquiry.

The following table is a summary of our findings. Agencies were rated on a three point scale of 'Poor', 'Fair' or 'Good'.

Agency	Policies and procedures	CUA used or justification to purchase from non-CUA suppliers	Monitoring of outcomes for non-CUA purchases
Bunbury Water Corporation*	Good	Good	Fair
Busselton Water Corporation*	Good	Good	Good
Department for Child Protection and Family Support	Good	Good	Good
Department of Lands	Good	Fair	Fair
Department of the Attorney General	Good	Good	Good
Insurance Commission of Western Australia	Good	Good	Fair
The Western Australian Museum	Good	Fair	Good
Western Australian Treasury Corporation	Good	Good	Fair

* Exempted from State Supply Regulations and use of CUAs

Policies and procedures

It is important to have established policies and procedures in place for the use of CUAs. This ensures that staff are aware of the requirement to use suppliers that are approved under the CUA and to provide guidance to staff for circumstances where CUAs may not be used.

Seven out of the eight agencies audited had well established policies and procedures for procurement of goods and services through CUAs. The eighth agency required only minor improvements.

Appropriate use of CUAs or justification to purchase from non-CUA suppliers

Of the 283 purchases we audited, 190 (67 per cent) were made from non-CUA suppliers. This was indicative of our sampling which was intended to select both CUA and non-CUA purchases, and is not necessarily indicative of the overall percentage of purchases from non-CUA suppliers.

Agencies were consistently using the CUAs, whenever possible. We noted that all purchases that were made outside of the CUAs were for justified purposes and were approved by the appropriate authority. The main reasons for using suppliers other than those on the CUA related to specialised products for which there was no CUA or where 'Buy Local' policies had been implemented.

None of the purchases we sampled at the Bunbury and Busselton Water Corporations were made from CUA suppliers. Both agencies followed the directions of the 'Buy Local' policy to favour local suppliers.

We also identified:

- A purchase of \$25 000 by the Department of Lands that was made without obtaining quotes. Under State Supply Commission policies, at least two quotes should have been obtained.
- A purchase from a CUA of over \$20 000 by the WA Museum was not published on Tenders WA in accordance with the CUA buying rules.

Monitoring of outcomes for non-CUA purchases

Four agencies did not perform any formal periodic monitoring of purchases from suppliers outside the CUA to assess whether value for money had been achieved. Although we were advised that officers revisited the outcomes of the non-CUA purchases, these agencies did not record and retain evidence of these reviews, as required by the government procurement policy.

Reviews can assist management through:

- making staff accountable for their decisions to use non-CUA suppliers
- identifying possible favouritism of a particular supplier
- providing feedback for any future decisions to use non-CUA suppliers.

Recommendations

All agencies should ensure that:

- all non-CUA purchases are justified and approved by the appropriate delegated authority
- State Supply Commission policies are followed for all purchases (whether within CUA or outside of a CUA) and the appropriate buying rules for contracts are followed
- a regular comprehensive review of purchases from suppliers outside the CUA is performed.

Agencies' Responses

Agencies in our sample generally accepted the recommendations and confirmed that they will improve their policies and/or practices for CUA and non-CUA purchases.

Auditor General's Reports

REPORT NUMBER	2014 REPORTS	DATE TABLED
18	Audit Results Report – Annual 2013-14 Assurance Audits	12 November 2014
17	Opinions on Ministerial Notifications	25 September 2014
16	Our Heritage and Our Future: Health of the Swan Canning River System	13 August 2014
15	Working with Children Checks	30 June 2014
14	Information Systems Audit Report	30 June 2014
13	Royalties for Regions – are benefits being realised?	25 June 2014
12	Government Funded Advertising	25 June 2014
11	Licensing and Regulation of Psychiatric Hostels	25 June 2014
10	Universal Child Health Checks Follow-Up	18 June 2014
9	Governance of Public Sector Boards	18 June 2014
8	Moving On: The Transition of Year 7 to Secondary School	14 May 2014
7	The Implementation and Initial Outcomes of the Suicide Prevention Strategy	7 May 2014
6	Audit Results Report – Annual 2013 Assurance Audits (Universities and state training providers – Other audits completed since 1 November 2013)	7 May 2014
5	Across Government Benchmarking Audits – Controls Over Purchasing Cards – Debtor Management – Timely Payment of Invoices	1 April 2014
4	Behaviour Management in Schools	19 March 2014
3	Opinion on ministerial decision not to provide information to Parliament about funding for some tourism events	18 March 2014
2	Charging Card Administration Fees	12 March 2014
1	Water Corporation: Management of Water Pipes	19 February 2014



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