
Managing Conflicts of Interest in Procurement

Tabled 8 September 2021



Audit question

In this review, we examined whether three agencies applied probity principles when they procured services.

It follows four separate referrals made to the Auditor-General alleging that the departments did not do so

Who and what we examined

We examined whether the departments followed their procurement policies and procedures when:

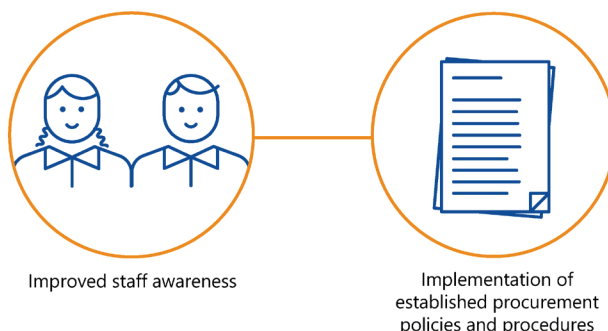
- the Department of Health and Human Services (now Department of Health) procured medical services for the Hotel Quarantine Program, during the COVID-19 emergency response
- the Department of Jobs, Precincts and Resources (DJPR) procured security services for the Hotel Quarantine Program, during the COVID-19 emergency response
- DHHS (now DFFH) engaged community service providers to implement the Victorian Family Preservation and Reunification Response
- and when Parks Victoria engaged an archaeological surveyor as a sole supplier to assess and record Aboriginal rock art sites

Conclusion

Our work to review the clinical governance system included two reports. The first examined clinical governance systems and processes in four public health services.

In this report, we looked at the Department's progress in implementing systems and processes for managing quality and safety risks.

Why this audit is important



Nothing came to our attention that indicates self-interest unduly influenced any of the procurements.

However, none of the departments fully followed their procurement policies and procedures. The reasons staff gave provide context for their decisions, but do not justify them. They include that:

- Staff experienced challenges that hampered their compliance with policies and procedures. The COVID-19 pandemic is one example.
- Staff missed opportunities to monitor and review contracts after the initial procurement to make sure they achieved value for money.
- Staff did not fully consider how the public might view potential or perceived conflicts of interest.
- Regardless of the challenges, staff should be guided by the principles of public service conduct—integrity, impartiality, accountability and respect.

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Why this audit is important

Managing probity is key to maintaining public confidence that government decision-making is fair and ethical.

The community puts their trust in the public service to effectively and efficiently administer public funds. They expect public servants to follow policies and procedures when they procure goods and services, and they want value for money.

Overall, this review highlights the need for improved staff awareness and implementation of established procurement policies and procedures.

Background



Buyers and suppliers act with integrity and impartiality



Buyers introduce suitable competition to ensure market equality



Procedures are consistent, transparent and auditable



Buyers and suppliers identify and manage conflicts of interest

In particular, staff need to consistently declare and manage any potential or perceived conflicts of interest due to personal or professional relationships with a supplier.

Background

Probity should underpin all aspects of government procurement activity so that:

- buyers and suppliers act with integrity and impartiality
- buyers introduce suitable competition to ensure market equality
- procedures are consistent, transparent and auditable
- buyers and suppliers identify and manage conflicts of interest—actual, potential or perceived.

Recommendations

We made nine recommendations.

We recommended DH and DJPR review their critical incident procurement policy and procedures and give staff guidance to ensure compliance.

We also recommended they provide training and communications for staff.

We recommended DFFH and Parks Victoria revise existing procurement policies and provide ongoing training to ensure any potential, perceived or actual conflicts of interest are declared.

More information

You can find out more by visiting www.audit.vic.gov.au, where you can read the full report.