



Australian Government
**Department of Industry, Science,
Energy and Resources**

OFFICE OF THE SECRETARY
DAVID FREDERICKS PSM

EC22-001055

Mr Grant Hehir
Auditor-General
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Mr Hehir

Thank you for your correspondence of 28 April 2022 seeking comment from the Department of Industry, Science, Energy and Resources on the proposed audit report for the performance audit for the procurement of delivery partners for the Entrepreneurs' Programme.

The proposed report concludes that the conduct of the procurement process fell short of the ethical requirements in the CPRs and that the delivery partner contracts are not being appropriately managed.

The department accepts that its approach to this procurement in late 2019 and early 2020 was deficient in significant respects and fell short of the appropriate standards of transparency, consistency and fairness. The department also accepts that its management of these contracts requires improvement.

The department accepts all of your recommendations and will now expedite a program of work to implement a more comprehensive and rigorous probity framework and capability uplift. This work commenced in early 2021 and to date has focused on continuous improvements of the grants process in terms of due diligence, contract management, record keeping and the use of probity advisers. This audit has highlighted the need to expedite this work to include procurement and contract management more generally.

As you are aware, I sought independent advice to me on the department's engagement with the ANAO on this matter and the circumstances surrounding the procurement of delivery partners for the Entrepreneurs' Programme. That report has highlighted the need for systemic, cultural and capability uplift in the department. The independent report makes seven recommendations for enhancements and the department's Executive Board has endorsed the implementation of these recommendations.

The department's Executive Board has also established a small "off-line" team to strengthen the department's probity framework, processes, systems and documentation. This team will be oversighted by a Steering Committee, report regularly to the Executive Board and be oversighted by the department's Audit and Assurance Committee (AAC). The department has already engaged with the AAC chair, Mr Ian McPhee.

As a first priority the review team is reviewing the management of existing contracts and engaging in any large procurements that are in-train across the department's portfolio of activity.

In relation to the Entrepreneurs' Programme, the review team are leaning in heavily on ongoing contract management, with contract management plans put in place in March 2022. Steps are in-

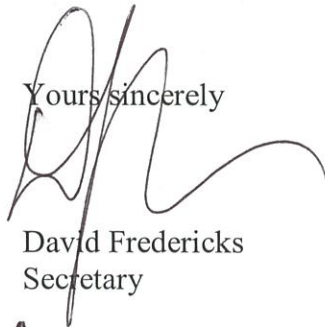
train to improve record keeping, standard operating procedures, performance metrics; and probity and conflict of interest training is being rolled out to staff engaged with the programme.

This work follows from and complements improvements we have been making in our grants management. Measures include a comprehensive Probity Framework for Grants Management inclusive of policies, processes and tools to manage probity, conflict of interest and information handling throughout the grants lifecycle; and improved mandatory training modules.

Please find the department's response to the proposed report at Attachment A.

I would like to thank you and your team for your collaborative approach throughout the audit process.

Yours sincerely



David Fredericks
Secretary

26 May 2022