

D14/09641
LAC13/427



The Hon. Andrew Constance MP
Minister for Finance and Services



Ref: MC13/1879

Ms Ronda Miller
Clerk of the Legislative Assembly
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Ms Miller

I refer to your letter of 15 November 2013 requesting a response to relevant recommendations in Report 12/55 of the Public Accounts Committee's *Examination of the Auditor-General's Performance Audits October 2011 – March 2012*.

As Minister for Finance and Services, I am responsible for reporting on any action taken in relation to Recommendation 6:

That the NSW Government establishes a standardised approach to risk-based contract management plans across government agencies by implementing a \$250k threshold to identify contracts in need of a contract management plan.

I am pleased to provide you with the enclosed response on Recommendation 6, for inclusion in the whole-of government response to parliament.

Should you require further assistance with this matter, Mr Sam Kidman, Director Governance, Department of Finance and Services can be contacted on 9372 8896.

Yours sincerely

 8/7/14

Andrew Constance MP

**RESPONSE TO REPORT 12/55 OF THE PUBLIC ACCOUNTS COMMITTEE
EXAMINATION OF THE AUDITOR-GENERAL'S PERFORMANCE AUDITS OCTOBER 2011 – MARCH 2012**

RECOMMENDATION	NSW GOVERNMENT RESPONSE (Provided by the Minister for Finance and Services)
<p>Recommendation 6:</p> <p>That the NSW Government establishes a standardised approach to risk-based contract management plans across government agencies by implementing a \$250k threshold to identify contracts in need of a contract management plan.</p>	<p>The NSW Government, through the NSW Procurement Board, has established a standardised approach to risk-based contracting and contract management plans across government agencies.</p> <p>This standardised approach does not mandate a \$250k threshold. However, it allows agencies to adopt an approach to contract management on the basis of factors such as:</p> <ul style="list-style-type: none"> • the agency's authority to procure (accreditation status) • the value of a contract • the nature of the goods or services being procured • the way in which the procurement was undertaken (whether by tender, prequalification scheme or a more complex method of procurement). <p>This approach gives agencies the flexibility to concentrate contract management planning and monitoring resources on high-risk contracts, regardless of the monetary value of the contract.</p> <p>Adopting an artificial \$250k threshold could create anomalies as agencies would not be required to use contract management resources on high-risk engagements under the threshold. Instead they would be required to unnecessarily allocate contract management planning resources to low-risk, commoditised contract areas above the threshold.</p>