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The Institute of Internal Auditors Australia

Session Number – 1B
Auditing supply chain risk in Public Sector

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Session Outline

1. **Introduction to the topic – The concept of supply chain and what it means for public sector entities?**

2. **Identification of your organisation's supply chain and understanding its risk profile**

3. **Specific regulatory and compliance requirements**

4. **An approach to provide assurance of the supply chain risk management**

5. **Questions/Comments**

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The effort and resources that contribute to the delivery of goods and services from a supplier to an end user. This could include people, organisations, systems, activities, information and resources.

Source:
https://www.buyingfor.vic.gov.au/understanding-supply-chain-goods-and-services-procurement-guide

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- Supply Chain Illumination - Why is it important – Risks and Opportunities

- Key challenges

- Mapping the supply chain

- Risk assessment across the lifecycle

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Supply Chain Illumination - Why is it important – Risks and Opportunities

- Are all the relevant risks being managed effectively?
- Has our procurement activity undertaken in line with the broader government objectives?
- Have we achieved value for money?
- Have all the social procurement opportunities being explored and utilised?

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Procurement as a policy instrument

Commonwealth

78,150 contracts published on AusTender with a combined value of $64.5 billion. (2018-19)[1]

NSW Government

$22 billion (2017-18)[2]

1.   https://www.anao.gov.au/work/performance-audit/establishment-and-use-ict-related-procurement-panels-and-arrangements
2.   https://www.audit.nsw.gov.au/our-work/reports/ensuring-contract-management-capability-in-government---healthshare-nsw
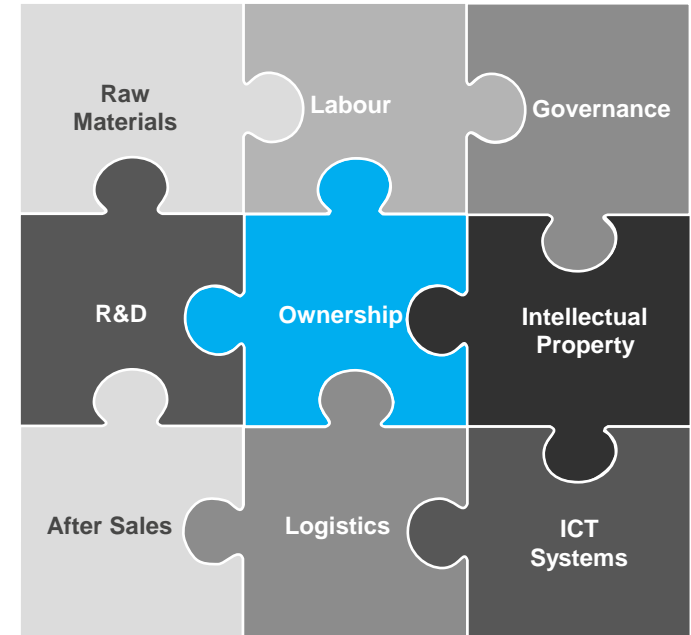
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'Illuminating your supply chain' – Key challenges

- Globalisation and complex supply chains

- Point-in-time data

- 'Black Box' products

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Mapping the supply chain

- Supply chain analysis vs Market analysis
- 'Follow the money'
- Iterative approach
- Component view
- Using technology
- Open Source Intelligence

Risk assessment across the lifecycle

Plan → Procure → Manage & Monitor → Offboard

*Look for both risks and opportunities

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- Commonwealth, State and Local Procurement Frameworks

- *Modern Slavery Act 2018*

- Australian Sanctions Regime including *Autonomous Sanctions Act 2011*

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Commonwealth, State and Local Procurement Frameworks

Procurement Rules and Principles

Queensland Procurement Policy

WA Procurement Policies

Procurement Policy Framework

Commonwealth Procurement Rules

Procurement Policy Framework

Procurement Policies and Frameworks

Treasurer's Instructions

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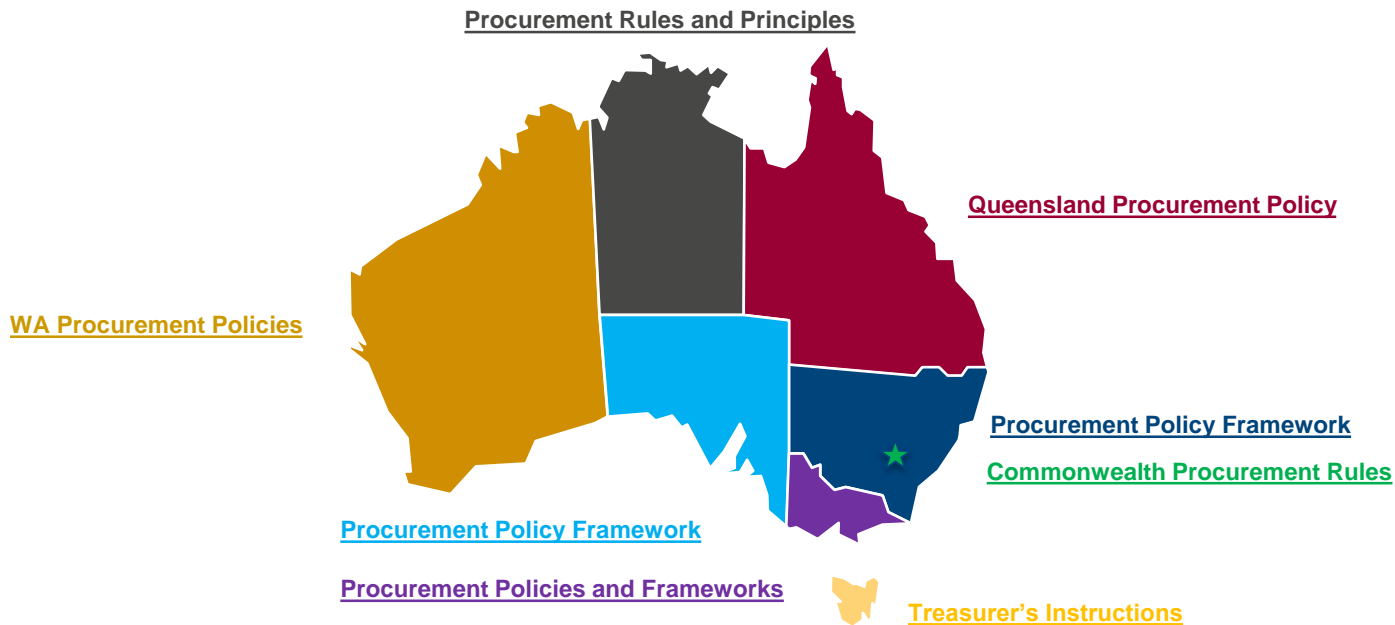
Modern Slavery

"Situations where offenders use coercion, threats or deception to exploit victims and undermine their freedom."

Practices that constitute modern slavery can include:
• human trafficking
• slavery
• servitude
• forced labour
• debt bondage
• forced marriage, and
• the worst forms of child labour

3. Specific regulatory and compliance requirements

Modern Slavery Act 2018

- Commonwealth Act
- Came into force – 1 January 2019
- Establishes a national Modern Slavery Reporting Requirement
- Reporting Requirement applies to large businesses and other entities in the Australian market with annual consolidated revenue of at least AUD$100 million.
- Commonwealth Government requirements
- State and Local Government requirements
- Check reporting deadlines on the Home Affairs website

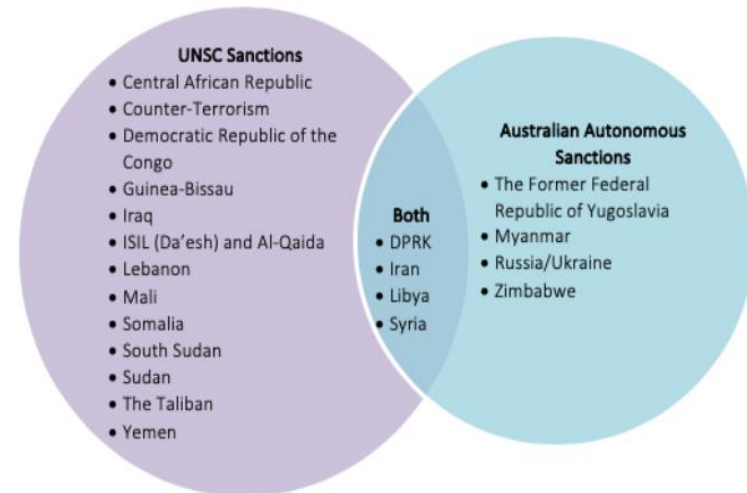## Australian Sanctions Regime including *Autonomous Sanctions Act 2011*

Sanctions are measures not involving the use of armed force that are imposed in situations of international concern.

Types of Sanctions
- UN Security Council
- Australian Autonomous Sanctions

'Sanctions Regime'
- Applied to an individual country or a group
- Common sanction measures include:
  - Restrictions on trade in goods and services
  - Restrictions on engaging in commercial activities
  - Targeted financial sanctions (including asset freezes) on designated persons and entities
  - Travel bans on certain persons
- Serious criminal offences for contravening a sanctions
- Australian Sanctions Office - sanctions@dfat.gov.au

UNSC Sanctions
- Central African Republic
- Counter-Terrorism
- Democratic Republic of the Congo
- Guinea-Bissau
- Iraq
- ISIL (Da'esh) and Al-Qaida
- Lebanon
- Mali
- Somalia
- South Sudan
- Sudan
- The Taliban
- Yemen

Both
- DPRK
- Iran
- Libya
- Syria

Australian Autonomous Sanctions
- The Former Federal Republic of Yugoslavia
- Myanmar
- Russia/Ukraine
- Zimbabwe

Source: Department of Foreign Affairs and Trade

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4. An approach to provide assurance of the supply chain risk management

- Planning and key areas to focus on:

  - Governance and organisational structures to manage third party/supply chain risks

  - Business continuity and regulatory compliance measures

- Use of technology to assist and provide continuous assurance

5. Questions/Comments

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Useful Links and Sources

Commonwealth Procurement Rules:

Department of Finance: https://www.finance.gov.au/government/procurement/commonwealth-procurement-rules

Modern Slavery:

Department of Home Affairs: https://www.homeaffairs.gov.au/criminal-justice/Pages/modern-slavery.aspx

Australian Border Force: https://modernslaveryregister.gov.au/resources/

International Sanctions:

Austrade: https://www.austrade.gov.au/Australian/Export/Guide-to-exporting/Legal-issues

DFAT: https://www.dfat.gov.au/international-relations/security/sanctions/Pages/sanctions

Cyber Security Supply Chain Risk Management

Australian Signals Directorate: https://www.cyber.gov.au/acsc/view-all-content/publications/cyber-supply-chain-risk-management

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