



Australian Government

Department of Communications and the Arts

Secretary

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Contact: Sarah Vandenbroek*

Ms Susan Cardell
Committee Secretary
Joint Committee of Public Accounts and Audit
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Ms Cardell

**New inquiry based on: ANAO Report No. 19 (2017-18) Australian Government
Procurement Contract Reporting**

Thank you for your invitation to provide a submission to this inquiry based on matters raised in Audit Report No. 19 (2017-18). My Department's submission is attached.

Should the Committee have any questions regarding my Department's submission, please contact Ms Sarah Vandenbroek, Chief Financial Officer on _____ or by email at _____

Yours sincerely

Mike Mrdak AO

9 February 2018

Inquiry by the Joint Committee of Public Accounts and Audit (JCPAA) based on Australian National Audit Office (ANAO) Audit Report No. 19 (2017-18) *Australian Government Procurement Contract Reporting*

Submission by the Department of Communications and the Arts

February 2018

Terms of reference:

Any items, matters or circumstances connected with the selected Auditor-General Report.

The Department has addressed its response under each of the broad headings referenced in correspondence from the Committee Secretary inviting the Department to make a submission.

Consultancy services

A breakup of the Department's consultancy expenditure, by categories of work, over the past five financial years (2012-13 to 2016-17) is provided at Attachment 1.

Non-consultancy services – being i) contractors directly procured for the provision of either short or long term additional labour capacity; and ii) on-hire labour contractors whereby additional labour capacity is sourced through a labour hire agency.

The Department regrets that it is unable to provide the requested breakup of its non-consultancy contractor expenditure as defined above for the past five financial years (2012-13 to 2016-17). The Department's financial data is not stored in such a way as to readily enable identification of these contracts and the associated expenditure details. To do so would require manually reviewing each of the contracts the Department has entered into over the past five financial years in an attempt to identify which contracts may be relevant.

Commentary on matters raised in the audit report

Figure 6.4 Percentage increase in June short term contracts for selected control report entities

The Department notes it was ranked second in figure 6.4 of the audit report. Figure 6.4 shows the percentage increase in short-term contracts (being less than 31 days) by entity between July-May and June, over the five year period 2012-13 to 2016-17.

In considering figure 6.4, the Committee may wish to note the Department of Communications and the Arts is a relatively small Department of State with a modest supplier budget. As a result, the Department's procurement activity is relatively small when compared to other entities in scope of the audit report. This is evidenced by figure 2.1 and table 2.1 in the audit report. Table 2.1 in particular indicates the Department accounts for just 0.6% by number, and 0.2% by value, of contracts awarded by entities in scope of the audit report over the past five financial years.

With a relatively modest budget, typically it is not certain until late in each financial year whether the Department can afford to undertake discretionary, but value-add, activities.

Figure 13.3 Percentage of contracts with confidentiality provisions by entity

The Department also notes it was ranked first in figure 13.3 of the audit report. Figure 13.3 shows the percentage of contracts with confidentiality provisions by entity for the five year period 2012-13 to 2016-17.

In considering figure 13.3, the Committee may wish to note data is presented covering the full five year period 2012-13 to 2016-17. The trend in recent years has been for the Department's contracts to contain less confidentiality provisions. By the Department's assessment, 98 contracts entered into in 2012-13 contained confidentiality provisions. By comparison, only 28 contracts entered into in 2016-17 contained confidentiality provisions.

A detailed analysis of the contracts in question would be required to draw definitive conclusions as to the drivers behind the reduction in contracts entered into containing confidentiality provisions, but the Department would suggest it represents a combination of changes in the Department's programs and policy agenda over the five year period and a greater focus on not including confidentiality provisions in contracts unless a compelling reason can be evidenced.

Attachment 1

Department of Communications and the Arts – Consultancy Information July 2012 to June 2017			
Financial Year	Number of Consultancies with expenditure	Expenditure (\$ including GST)	
1. SUMMARY			
FY2012-13	97	3,206,088	
FY2013-14	83	9,215,208	
FY2014-15	76	7,853,899	
FY2015-16	51	5,452,289	
FY2016-17	<u>39</u>	<u>2,581,338</u>	
	346	28,308,822	
2. BREAKDOWN BY CATEGORY			
			%
<u>FY2012-13</u>			
Legal Services	55	1,281,171	40.0%
Management Advisory Services	20	1,181,415	36.8%
Accounting Services	6	342,653	10.7%
Statistics	1	86,000	2.7%
Other	<u>15</u>	<u>314,849</u>	<u>9.8%</u>
	97	3,206,088	100.0%
<u>FY2013-14</u>			
Management Advisory Services	35	5,491,187	59.6%
Legal Services	36	2,771,647	30.1%
Accounting Services	5	668,365	7.3%
Education and Training Services	1	154,000	1.7%
Other	<u>6</u>	<u>130,009</u>	<u>1.4%</u>
	83	9,215,208	100.0%
<u>FY2014-15</u>			
Management Advisory Services	30	3,626,268	46.2%
Legal Services	25	3,411,640	43.4%
Economics	3	383,062	4.9%
Marketing and Distribution	3	155,039	2.0%
Other	<u>15</u>	<u>277,890</u>	<u>3.5%</u>
	76	7,853,899	100.0%
<u>FY2015-16</u>			
Legal Services	20	4,745,117	87.0%
Management Advisory Services	15	340,353	6.2%
Computer Services	2	145,750	2.7%
Human Resource Services	3	90,228	1.7%
Other	<u>11</u>	<u>130,841</u>	<u>2.4%</u>
	51	5,452,289	100.0%
<u>FY2016-17</u>			
Legal Services	8	1,644,990	63.7%
Management Advisory Services	17	550,731	21.3%
Human Resource Services	2	151,538	5.9%
Computer Services	2	95,000	3.7%
Other	<u>10</u>	<u>139,080</u>	<u>5.4%</u>
	39	2,581,338	100.0%