



Australian Government
Department of Communications and the Arts

Secretary

PDR ID: EC18-000597
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

JCPAA Inquiry on Australian Government Contract Reporting - Questions on Notice

Thank you for your letter of 18 May 2018 regarding questions on notice in relation to my Department's appearance at the Inquiry's public hearing on 23 March 2018.

My Department has had an opportunity to review the questions on notice and its responses to each of the nine questions are attached.

Should the Committee have any further questions, the contact officer within my Department is Ms Sarah Vandenbroek, Chief Financial Officer, who can be contacted on _____ or by email at _____

Yours sincerely

Mike Mrdak AO

10 June 2018

Response to Questions on Notice

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

Australian Government Contract Reporting – Inquiry based on Auditor-General's report No. 19 (2017-18)

Department of Communications and the Arts

GENERAL COMMENTS

Nil.

SPECIFIC QUESTIONS ON NOTICE

On-hire labour

- 1) *What assessment and cost comparison is undertaken internally in regard to the engagement of on-hire labour or contracted workers vs APS staff?*

Response

Hiring managers are encouraged to undertake an assessment of their current workforce capabilities prior to engaging external support. With the Department introducing a skills register in 2018, it is expected this will further support managers in undertaking such an assessment. Should the capabilities or resourcing requirements to complete a particular task or project not be available in house, managers are able to source the required capabilities external to the Department

- 2) *What workforce planning processes do you undertake that monitor and account for your non-APS workforce?*

Response

The Department centrally monitors the number of contractors with network access through the Human Resource Management Information System (Aurion) and through daily employee snapshot reports. Details of non-APS employees who do not require access to the Department's IT network are not recorded centrally, but are managed by hiring managers. All non-APS employees entered into Aurion are allocated an end date and have their access terminated on that specified date.

Value for money

- 3) *What is your internal process and methodology for determining value for money, both prior to selecting a contractor or consultant, and at the completion of the contract or procurement process?*

Response

The Department operates a devolved procurement model supported by a small central procurement team which is responsible for internal procurement policies and guidance, meeting reporting requirements and providing non-legal advice and support to the business areas of the Department. Value for money decisions are made by the delegate

within the area of the Department undertaking the procurement activity. Payments are made subject to relevant requirements of the contract (including delivery of any goods or services) having been met.

The Department's internal guidance on assessing value for money reflects the requirements of section 4 of the Commonwealth Procurement Rules. In essence, value for money is about finding a working solution for an affordable price through an appropriately competitive and non-discriminatory procurement process.

Evaluation criteria will be specific to each particular procurement. However, commensurate with the scale and scope of the business requirement, informed by a risk assessment of the procurement, a value for money assessment will generally consider potential suppliers understanding of the requirement (i.e. the suitability of the proposed delivery solution), the capability and capacity of potential suppliers and the whole-of-life costs associated with each proposal.

- 4) *Given payment under contracts is generally milestone-based ('deliver final report by x date') what assessment as to the value of that milestone is undertaken prior to payment and who undertakes that assessment?*

Response

Assessment of compliance with contract milestones is undertaken by the contract manager within the area of the Department responsible for managing the contract. Where payments are tied to a milestone, the contract manager will seek payment approval from an appropriate financial delegate. Issues considered when assessing delivery of a milestone will depend on the requirements and provisions of the contract in question.

- 5) *Does a formal evaluation of value for money form part of the corporate record available on an ongoing basis to other areas of the agency?*

Response

The value and complexity of the procurement will inform the evaluation methodology. For procurements of a significant value or involving more than low risk, a formal evaluation process is recommended which will include a detailed evaluation report. For low value, low risk procurements, the value for money assessment may simply be documented through an email exchange with the spending delegate.

Regardless of the process, the area of the Department undertaking the procurement activity is required to ensure appropriate records are kept of the evaluation, using the Department's official electronic record keeping system. Documentation in support of a particular procurement process may be made available to other areas of the agency on request, subject to any probity considerations.

- 6) *How many contracts has the department not paid out in full or ceased prior to contract end, in each of the financial years 2012-13 to 2016-17, as a result of the contractor or consultant having delivered a sub-standard product or service?*

Response

The Department regrets that it is unable to answer this question. We do not have a central electronic contract management system. Contract management is devolved to the

responsible business areas of the Department. To attempt to provide this information would require responsible business areas to manually review each contract the Department has entered into over the past five financial years. The Department has published 2,253 contract notices on AusTender over the past five financial years, reflecting contracts awarded worth more than \$10,000 (GST incl).

- 7) *What assessment have you undertaken regarding prices, timeliness and quality of work by contractors and consultants in June, July and at other times of the year?*

Response

No such overall assessment by time of year has been undertaken. As explained above, value for money decisions are made by the area of the Department responsible for the procurement or contract management activity.

Taxation

- 8) *What consideration of a company's domicile for taxation purposes is undertaken during the procurement process?*

Response

The Department notes section 5.3 of the Commonwealth Procurement Rules states "*The Australian Government's procurement framework is non-discriminatory. All potential suppliers to government **must**, subject to these CPRs, be treated equitably based on their commercial, legal, technical and financial abilities and not be discriminated against due to their size, degree of foreign affiliation or ownership, location, or the origin of their goods and services*".

As such, the Department's internal procurement guidance does not make reference to a company's domicile for taxation purposes. If the Department was proposing to enter into a contract with a foreign entity, we would take into account the legal implications including execution requirements and whether GST was payable in finalising the contractual terms.

Short term contracts

- 9) *As one of the two agencies with the highest rates of contracts commenced in June, please provide a detailed breakdown of all short-term contracts commenced by your agency in June.*

Response

Please see Table A attached.

As noted in the Department's submission to the Committee of 9 February 2018, the Department of Communications and the Arts is a relatively small Department of State with a modest supplier budget. This is evidenced by figure 2.1 and table 2.1 in Audit Report No. 19 (2017-18). Table 2.1 shows 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.

Table A: Department of Communications and the Arts – Contract Notices reported on AusTender with a start date commencing in June and contract length of less than 31 days (2012-13 to 2016-17)

FY	CN ID	Supplier Name	Description	Category	Start Date	End Date	Value (AUD)	# days contract (End - Start Date)
2016-17	CN3429176	Arix Pty Ltd AHRI 2017	2017 AHRI Conference	Education and Training Services	2-Jun-17	30-Jun-17	12,114.00	28
2016-17	CN3429177	Maddocks	Legal Advice	Legal services	2-Jun-17	30-Jun-17	21,520.55	28
2016-17	CN3431388	ASG Group Limited	Citrix maintenance renewal	Software	7-Jun-17	30-Jun-17	67,695.63	23
2016-17	CN3431392	Clayton Utz (Canberra)	Legal Services	Legal services	8-Jun-17	30-Jun-17	77,000.00	22
2016-17	CN3433771	Cullen International	Cullen International Service	Electronic reference material	22-Jun-17	30-Jun-17	15,398.83	8
2016-17	CN3433776	Minter Ellison Lawyers	Legal Advice	Legal services	14-Jun-17	30-Jun-17	87,500.00	16
2016-17	CN3433779	AUSTRALIAN GOVERNMENT SOLICITOR	Legal Advice	Legal services	14-Jun-17	30-Jun-17	87,500.00	16
2016-17	CN3433780	PWC	PwC Global Outlook 2017	Electronic reference material	8-Jun-17	30-Jun-17	14,213.23	22
2016-17	CN3436557	Our community Pty Ltd	Our COmmunity Variation	Information technology consultation services	23-Jun-17	30-Jun-17	396,000.00	7
2016-17	CN3436562	ROY MORGAN RESEARCH P/L	Roy Morgan readership data	Statistics	23-Jun-17	30-Jun-17	10,102.40	7
2016-17	CN3436568	Department of Finance	Have your Say module website enhancements	Information technology consultation services	28-Jun-17	30-Jun-17	66,000.00	2
2016-17	CN3436571	IOT Alliance Australia Ltd	Internet of Things Adoption Index	Market research	28-Jun-17	30-Jun-17	12,760.00	2
2016-17	CN3436573	Horizon One Recruitment Pty ltd	Horizon One	Professional procurement services	15-Jun-17	15-Jul-17	19,734.50	30
2016-17	CN3436576	Jones Lang LaSalle (NSW) Pty Limite	Lease rental for 2016-17	Lease and rental of property or building	26-Jun-17	30-Jun-17	48,925.34	4
2015-16	CN3349001	Hyatt Regency Guam Inc	FOPA - Australian Night VIP showcase	Meeting or banquet rooms	2-Jun-16	2-Jun-16	25,000.00	0
2015-16	CN3351529	ERNST & YOUNG	Internal Audit	Audit services	6-Jun-16	30-Jun-16	14,400.00	24
2015-16	CN3351530	AUSTRALIAN GOVERNMENT SOLICITOR	Legal Services	Legal services	8-Jun-16	30-Jun-16	10,000.00	22

FY	CN ID	Supplier Name	Description	Category	Start Date	End Date	Value (AUD)	# days contract (End - Start Date)
2015-16	CN3355161	AC NIELSEN AUSTRALIA PTY LTD	Nielson online ratings 2016/17	Electronic reference material	10-Jun-16	30-Jun-16	13,054.80	20
2015-16	CN3356296	MEDIA MONITORS T/A ISENTIA	Media Monitoring	News and publicity services	1-Jun-16	30-Jun-16	52,423.00	29
2015-16	CN3356845	Squiz Australia Pty Ltd	Intranet Hosting	Information technology consultation services	30-Jun-16	30-Jun-16	217,470.00	0
2015-16	CN3356846	Viocorp International Pty Ltd	Streaming	Photographic and recording media	30-Jun-16	30-Jun-16	10,000.00	0
2015-16	CN3356848	Yellow Edge Pty Ltd	Development of Corporate Model	Human resources services	29-Jun-16	29-Jun-16	46,200.00	0
2015-16	CN3356849	Employers Making a Difference Inc.	Australian Network on Disability	Human resources services	29-Jun-16	29-Jun-16	12,705.00	0
2015-16	CN3356850	MEDIA MONITORS T/A ISENTIA	Media Monitoring	News and publicity services	27-Jun-16	30-Jun-16	44,000.00	3
2014-15	CN3139582	FUJITSU AUSTRALIA LTD	IT Strategy Service	Information technology consultation services	9-Jun-15	26-Jun-15	31,416.00	17
2014-15	CN3139602	RPM Solutions PTY LTD	System Performance Testing	Information technology consultation services	4-Jun-15	30-Jun-15	17,600.00	26
2014-15	CN3139612	Contexti Pty Ltd	Data analyst	Software	16-Jun-15	19-Jun-15	16,755.75	3
2014-15	CN3164932	ASG Group Limited	Software license	Software	5-Jun-15	30-Jun-15	129,607.70	25
2014-15	CN3164962	The Trustee for the ThinkPlace	Develop Digital Comms Strategy	Business administration services	11-Jun-15	30-Jun-15	35,000.00	19
2014-15	CN3165012	Associative Producers	Production of Videos for Lannding Pages	Personnel recruitment	1-Jun-15	30-Jun-15	10,000.00	29
2013-14	CN2265801	KPMG	Internal performance audit	Accounting services	9-Jun-14	30-Jun-14	16,000.00	21
2013-14	CN2265941	Media Heads Pty Ltd	Radio Interviews - 2014 SSO Week	Public relation services	2-Jun-14	6-Jun-14	25,987.50	4
2013-14	CN2283551	Maddocks	Legal Services	Legal services	2-Jun-14	30-Jun-14	53,500.00	28
2013-14	CN2305341	ASG Group Limited	Server Replacement	Computer servers	5-Jun-14	30-Jun-14	247,446.92	25
2013-14	CN2305351	1Spatial Australia Pty Ltd	FME Desktop Upgrade and Maintenance	Software maintenance and support	16-Jun-14	27-Jun-14	18,194.00	11
2013-14	CN2305361	ASG Group Limited	Network storage	Computer servers	5-Jun-14	30-Jun-14	34,581.89	25

FY	CN ID	Supplier Name	Description	Category	Start Date	End Date	Value (AUD)	# days contract (End - Start Date)
2013-14	CN2305371	ASG Group Limited	Maintenance Renewal	Software	5-Jun-14	27-Jun-14	46,160.20	22
2013-14	CN2305381	1Spatial Australia Pty Ltd	FME Server	Software maintenance and support	16-Jun-14	27-Jun-14	26,400.00	11
2013-14	CN2305391	Pitney Bowes Software Pty Ltd	Data Normalisation Module	Software maintenance and support	16-Jun-14	27-Jun-14	42,900.00	11
2013-14	CN2305401	Balance Recruitment Pty Ltd	Training and Communications Plan	Strategic planning consultation services	3-Jun-14	30-Jun-14	12,800.00	27
2013-14	CN2324811	Adcorp	Graduate Advertising	Personnel recruitment	10-Jun-14	30-Jun-14	17,428.10	20
2013-14	CN2324921	ELECTROBOARD SOLUTIONS PTY LTD	Communications equipment	Data Voice or Multimedia Network Equipment or Platforms and Accessories	6-Jun-14	30-Jun-14	20,601.90	24
2013-14	CN2350012	OBS Pty Ltd	Specialist resource	Application implementation services	13-Jun-14	30-Jun-14	64,350.00	17
2013-14	CN2350062	OzTAM Pty Ltd	Acquisition of OzTAM television data	Printed publications	18-Jun-14	23-Jun-14	23,100.00	5
2013-14	CN2350072	Ethos CRS Consulting	Staff Training	Education and Training Services	23-Jun-14	30-Jun-14	11,506.00	7
2013-14	CN2350112	Media Brands UM	Media Buy	Advertising	19-Jun-14	30-Jun-14	23,000.00	11
2012-13	CN1415531	Viocorp International Pty Ltd	Webcasting	Audio and visual presentation and composing equipment	12-Jun-13	13-Jun-13	66,000.00	1
2012-13	CN1433462	SMI Group Pty Ltd	Leasehold Improvements	Commercial or industrial construction	7-Jun-13	30-Jun-13	438,200.00	23
2012-13	CN1433512	ASG Group Limited	VMware Professional services	Software or hardware engineering	5-Jun-13	28-Jun-13	22,799.70	23
2012-13	CN1457471	Orima Research	Research services for Retune Campaign	Market research	3-Jun-13	28-Jun-13	77,000.00	25
2012-13	CN1457481	Dreamtime Public Relations Pty Ltd	Development of Indigenous PR material	Public relation services	3-Jun-13	28-Jun-13	176,000.00	25
2012-13	CN1457501	Juice Promotions	Cyber Security Promotional Products	Promotional merchandise	4-Jun-13	30-Jun-13	78,733.24	26
2012-13	CN1457511	1Spatial Australia Pty Ltd	Upgrade FME to SQL Server Version	Software	3-Jun-13	30-Jun-13	22,000.00	27

FY	CN ID	Supplier Name	Description	Category	Start Date	End Date	Value (AUD)	# days contract (End - Start Date)
2012-13	CN1457531	ASG Group Limited	Expansion Data Centre Storage	Data processing or preparation services	5-Jun-13	28-Jun-13	131,583.63	23
2012-13	CN1457541	ASG Group Limited	Expansion Data Centre Servers	Computer servers	6-Jun-13	28-Jun-13	210,060.53	22
2012-13	CN1457551	Cantlie Recruitment Services	EL2 - Placement Fee	Temporary personnel services	6-Jun-13	30-Jun-13	19,602.00	24
2012-13	CN1457561	SWELL DESIGN GROUP	Re-design and printing of Household Report For DPP Conference	Graphic design	7-Jun-13	30-Jun-13	10,203.60	23
2012-13	CN1490421	Duesburys Nexia	Duesburys financial assessment Enterprise R5	Economic or financial evaluation of projects	7-Jun-13	27-Jun-13	80,000.00	20
2012-13	CN1490431	Tempo Strategies Pty Ltd	Project Management Training	Education and Training Services	7-Jun-13	30-Jun-13	11,412.50	23
2012-13	CN1490461	DEPT OF RESOURCES ENERGY & TOURISM	Development of the ANZLIC framework	Corporate objectives or policy development	12-Jun-13	30-Jun-13	79,750.00	18
2012-13	CN1490471	Microsoft Pty Limited	Software Support	Software	11-Jun-13	30-Jun-13	77,000.00	19
2012-13	CN1490481	ASG Group Limited	Software upgrade	Software	11-Jun-13	30-Jun-13	12,350.56	19
2012-13	CN1490491	BizTech Software Services Unit Trus	Smart Form for CRM	Software maintenance and support	11-Jun-13	30-Jun-13	34,414.60	19
2012-13	CN1490521	The Trustee for the Korsten Family	DRI Closure Report	Technical writing	14-Jun-13	30-Jun-13	27,500.00	16
2012-13	CN1516111	HEWLETT PACKARD AUST LTD	Spaital power workstation and laptops	Desktop computers	3-Jun-13	30-Jun-13	10,400.00	27
2012-13	CN1516151	Viocorp International Pty Ltd	Webcasting	Audio and visual presentation and composing equipment	12-Jun-13	13-Jun-13	25,100.00	1
2012-13	CN1516271	The Trustee for Silverstripe Unit T	Mobile websites configuration	Software	24-Jun-13	28-Jun-13	50,490.00	4
2012-13	CN1516301	RECALL INFORMATION MANAGEMENT Pty L	Transition out offsite storage	File archive storage	19-Jun-13	30-Jun-13	121,000.00	11
2012-13	CN1516311	Adcorp	Virtual Adviser Program - Public media advertising	Newspaper advertising	7-Jun-13	28-Jun-13	14,895.00	21
2012-13	CN1516331	SWELL DESIGN GROUP	Benefits of Broadband publication design	Graphic design	10-Jun-13	28-Jun-13	10,111.85	18

FY	CN ID	Supplier Name	Description	Category	Start Date	End Date	Value (AUD)	# days contract (End - Start Date)
2012-13	CN1516371	Axceler	SharePoint performance monitoring tool	Software maintenance and support	17-Jun-13	30-Jun-13	29,999.00	13