



Australian Government
Australian Taxation Office

Australian Taxation Office Submission

Inquiry based on ANAO Report No.19 (2017-18) Australian
Government Procurement Contract Reporting

February 2018

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Introduction

1. The ATO welcomes the opportunity to provide a submission in relation to the matters raised in the Australian National Audit Office (ANAO) report: Australian Government Procurement Contract Reporting (ANAO Report No.19 2017-18).
2. In line with the submission request letter received on 14 December 2017, the ATO's submission specifically addresses Part (a) Consultancy services, Non-consultancy services, and Part (b) matters raised in the ANAO report No.19 at specific paragraphs, figures and chapters.
3. The ATO is committed to the efficient and effective use of Commonwealth resources and the ANAO report assists us in gaining insights into how government procurement activity is being managed across the ATO and Commonwealth agencies. The expenditure on consultants and contractors represents approximately 10 per cent of the ATO's operating expenditure.

Part (a): Consultancy and non-consultancy services

Consultancy Services

4. The ATO engages consultants to provide support with agreed strategic priority issues and are typically used to:
 - investigate or diagnose a defined issue or problem
 - carry out reviews and evaluations
 - provide independent advice, information or creative solutions to assist ATO decision making.
5. The ATO manages its budget at the most senior level. The engagement of consultants is monitored and managed through governance and assurance processes, including quarterly reporting to the Resource Forum - the ATO's peak funding body. Value for money considerations are paramount in the decision to engage consultants in the ATO.
6. Since 2015-16, the ATO spend on consultancy services has been trending down, with a further year on year reduction currently projected for 2017-18.
7. To ensure ATO consultancy engagements continue to deliver value for money, the ATO conducted a review of consultancy expenditure in 2016-17 and a number of recommendations that came out of that review are being progressed to bring further improvements to ATO consultancy engagement decisions.

Table 1: New consultancy contracts – Top 3 categories and approximate annual spend (GST incl.)¹

Rank	2012-13	2013-14	2014-15	2015-16	2016-17
1	Business intelligence consulting services \$2.29m	Business intelligence consulting services \$3.94m	Management advisory services \$5.49m	Management advisory services \$12.71m	Management advisory services \$7.89m
2	Management advisory services \$1.69m	Management advisory services \$3.19m	Business intelligence consulting services \$3.87m	Business intelligence consulting services \$5.55m	Business intelligence consulting services \$2.52m
3	Market research \$2.10m	Market research \$1.29m	Market research \$1.95m	Market research \$3.02m	Market research \$3.51m
Other	Various \$2.28m	Various \$4.24m	Various \$2.98m	Various \$12.78m	Various \$7.96m
Total spend	\$8.36m	\$12.66m	\$14.29m	\$34.06m	\$21.88m

1. Category rankings for each financial year were determined using the number of new consultancies gazetted with a start date in that year. The categories are those used in the AusTender contract notices.

Non-consultancy services

8. The ATO engages non-consultancy services through contractor arrangements such as labour hire, specialised contractors and outsourced services (e.g. customer contact services). This contingent workforce – together with casual and non-ongoing workforces – provides flexibility and enables the ATO to be more agile and achieve the best value for money while continuing to deliver outcomes.
9. The ATO uses its contingent workforce to:
 - provide support during workflow peaks
 - complement its ongoing workforce skills and capacity in relation to short term or soon to be terminated outcomes or projects
 - provide more efficient options for delivery of key outcomes within the ATO's average staffing level cap and budget
 - provide access to critical or specialised skills sets where they are in short supply.

Table 2: Top 3 ATO job cluster categories of work performed by specialised directly procured contractors, and by labour hire people^{1,2,3}

Rank	2012-13	2013-14	2014-15	2015-16	2016-17
1	Customer Service	Customer Service	Customer Service	Customer Service	Customer Service
2	IT Systems Administration	IT Systems Administration	IT Systems Administration	IT Systems Administration	Administration
3	IT Service Management	IT Service Management	IT Service Management	IT Service Management	IT Development & Programming

1. Separate breakdowns by job cluster category of work for specialised contractors and labour hire staff are not available.
2. Category rankings for each financial year were determined using the number of specialised contractor and labour hire people in each ATO job cluster at 30 June for that year
3. We have used ATO job cluster descriptions instead of the AusTender categories in order to provide more details in relation to the nature of the activities performed. Further details of the job cluster categories listed in the table are:
 - Administration – Procedural, operational and administrative work to support the ATO's day-to-day operations
 - Customer Service – Service delivery to taxpayers, including assistance and advice in the management of their tax obligations
 - IT Development & Programming – Design, development, testing and maintenance of the ATO's IT applications
 - IT Systems Administration – Technical and operational support for the day to day operations of the ATO's ICT systems and services
 - IT Service Management – Support and issue resolution for internal and external users of the ATO ICT systems and services.

Table 3: Annual spend on non-consultancy services (GST excl.)¹

	Annual spend (\$m)	Annual spend (\$m)	Annual spend (\$m)	Annual spend (\$m)	Annual spend (\$m)
	2012-13	2013-14	2014-15	2015-16	2016-17
Labour hire – engaged for generalist skills through a recruitment agency, which is responsible for supplying the labour and paying them.	14.71	12.03	9.44	23.81	44.32
Specialised contractors – engaged for specialist skills related to IT functions and highly skilled forensic accounting. They are used to supplement our internal expertise or resource capacity to address a particular issue and therefore their period of engagement is generally not ongoing.	33.02	29.77	36.16	61.19	72.39
Outsourced services – Under these arrangements, external service providers are engaged for the provision of an agreed outcome rather than the provision of a certain number of staff. The ATO uses outsourced service arrangements primarily to support a range of external focused activities relating to processing, telephony or debt workloads.	75.45	87.71	126.32	188.55	216.31

1. A breakdown of expenditure by job cluster is not available.

Part (b): Matters raised in the ANAO Report No. 19 2017-18

10. Following are the ATO's comments on the matters raised in the ANAO report identified by the Committee as those on which it would welcome commentary.

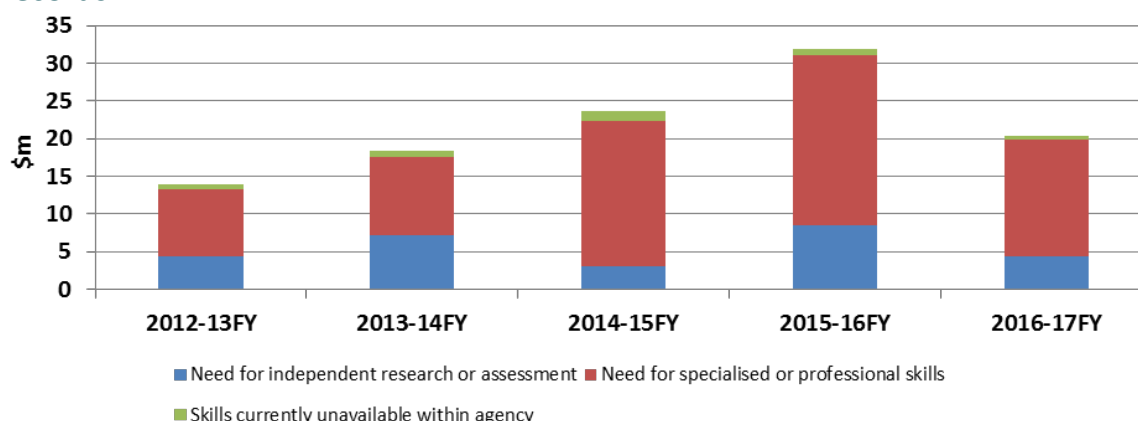
Figure 3.2 – Category mix by value of contracts

11. The high proportion of Management and Business Professional and Administrative Services in the mix of categories for ATO contracts reflects the ATO's deliberate strategy of maintaining a flexible workforce that is responsive to the ATO's peaks and troughs (e.g. Tax Time). This ensures the ATO always has available capacity to meet community service standards and expectations. The ATO's flexible workforce strategy delivers increased value for money as low complexity and high volume work is completed by a lower cost effective and external workforce.

Figure 5.1 – Reasons for requiring consultancy services

12. The ATO generally engages consultants to provide support with agreed strategic priority issues and are typically used to:
- investigate or diagnose a defined issue or problem
 - carry out reviews and evaluations
 - provide independent advice, information or creative solutions to assist in ATO decision making.
13. The reason for the ATO's engagement of consultants is consistent with the information provided in figure 5.1 of the ANAO report.

Figure 1: Reasons for requiring consultancy services included in AusTender contract records



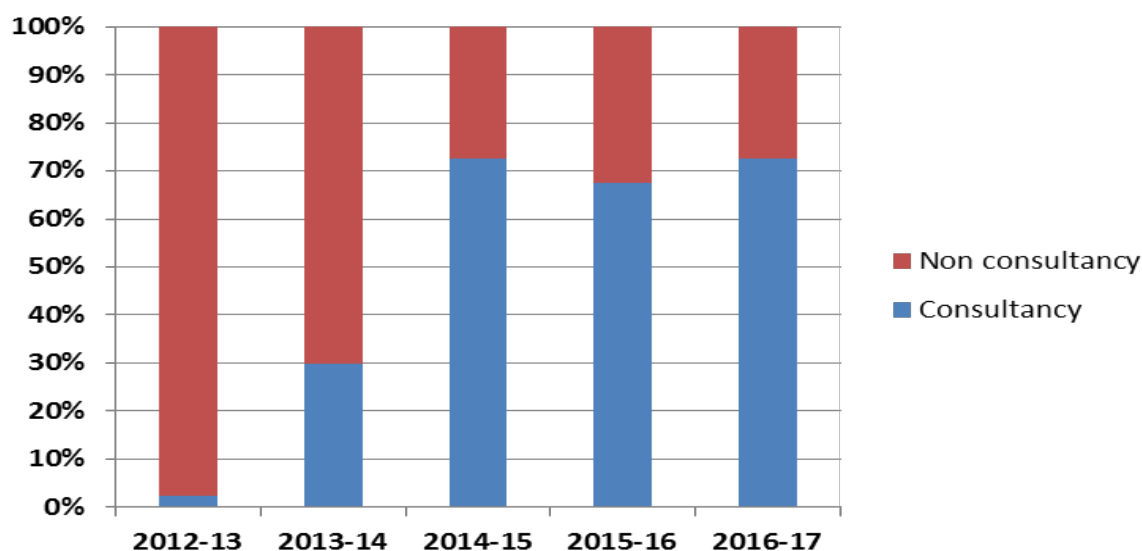
14. ATO consultancy spend has been trending down since 2015-16. To ensure ATO consultancy engagements continue to deliver value for money, the ATO conducted a review of consultancy expenditure in 2016-17 and a number of recommendations that

came out of that review are being progressed to bring further improvement to ATO consultancy engagement decisions.

Paragraphs 5.4-5.7 and Figure 5.2 – Potential underreporting of consultancies

15. The ATO has a range of checks in place, including a Consultancy Gatekeeper, to ensure that all contracts for consultancy services are correctly identified and gazetted. Figure 2 reflects the strong governance the ATO has in place.

Figure 2: Proportions of contracts in certain sub-categories gazetted as consultancies/ non-consultancies*



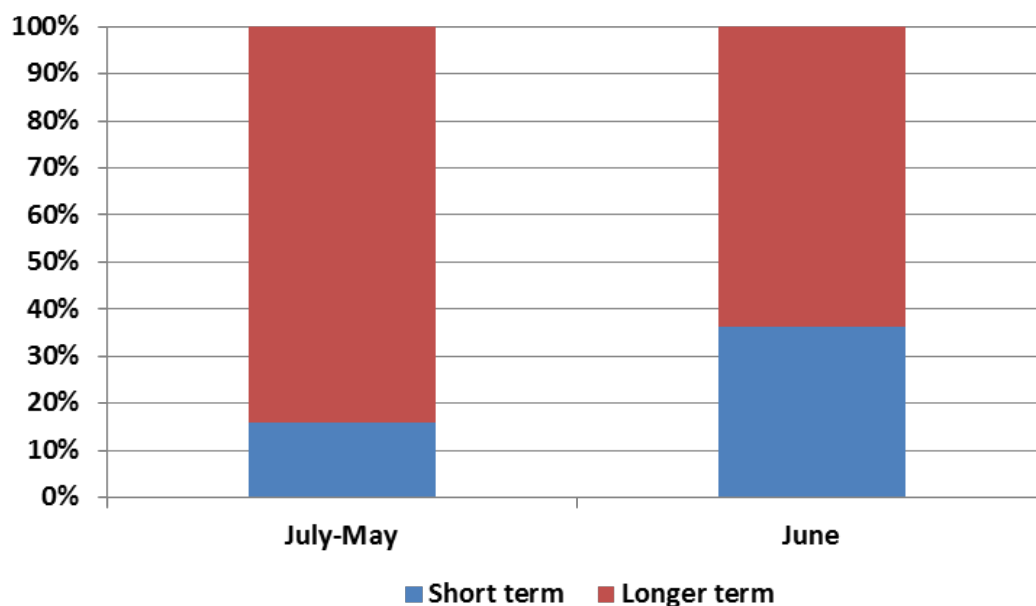
* The sub-categories included: Business intelligence consulting services, Information technology consultation services, Management advisory services, Research programs, and Strategic planning consultation services

16. Over the period 2012-13 to 2016-17:
- For five of the six product and services sub-categories included in Figure 5.2 of the ANAO report, around 70 per cent of the ATO's gazetted contract value for each of the past three financial years has been contracts flagged in AusTender as consultancies. This indicates that the ATO is correctly identifying and gazetting consultancies.
 - No ATO contracts were gazetted under the 'Economic or financial evaluation of projects' sub-category.

Paragraphs 6.3–6.5 and Figure 6.3 – Short-term contracts in June

17. Consistent with Australian Government procurement overall, the ATO also had an increase in short-term contracts in June over the period 2012-13 to 2016-17 – see Figure 3.
18. These end-of-year increases in short-term contracts are largely due to the cyclical nature of ATO workloads so that critical work is effectively delivered (e.g. Tax Time).

Figure 3: Mix of short-term/ longer contracts commencing in June compared to the rest of the year (2012-13 to 2016-17)*



** Short-term contracts are defined as: Contracts less than 31 days in length as calculated by the difference between the contract's 'Start Date' and 'End Date' at the time of extract.*

Paragraphs 7.3-7.5, Tables 7.1 and 7.2, and Figure 7.3 – Contract splitting

19. The ATO has controls in place to prevent practices such as contract splitting and also conducts regular quality assurance processes to identify and rectify any such problems.

Chapter 8: Accuracy and timeliness of procurement contract notice publication

20. The ATO has controls in place to prevent incorrect gazettal's, including duplicate records, and also conducts regular quality assurance processes to identify and rectify any such problems.
21. The ATO was pleased to note we have consistently achieved over 90 per cent on-time gazettal over recent years and that the ATO was the top performer across all APS agencies in relation to this important compliance measure (see figure 8.3 in the ANAO report).

