



CPSU answers to Questions on Notice May 2 2023

Finance & Public Administration

“Inquiry into management and assurance of integrity by consulting services”

1 The CPSU was asked to supply further advice on the possible elements of a value-for-money framework.

Previous CPSU submissions to several Inquiries have made the point that the devolved procurement process, the impact of staffing caps, and other factors have created a situation in the APS where consultants are regularly engaged:

- Without assessing whether the work could be done in the agency or with additional APS resources.
- Without a cost or cost/benefit comparison to performing the work in-house, and
- In the absence of considerations about the impact on APS capability and capacity of the continued use of consultants for APS work.

Further, several Inquiries and ANAO audits have regularly found that agencies do not assess or report upon the effectiveness of consultant engagements. While the ANAO conducts regular performance audits on procurement, those audits, given the ANAO’s remit, tend to focus on the procurement process rather than value for money or outcomes. Neither AusTender nor Departmental annual reports provide any transparency on the outcomes or benefits of consultant procurements

CPSU submits that a standardised and rigorous assessment methodology should be developed and applied, and that assessment of value-for-money should expressly take into account the impact of consultant use on public sector capability.

The New Zealand Government’s Performance Capability Framework, and its associated tools and reporting requirements, provides a good model for assessing value in procurement. The NZ Framework:

- Requires agencies to assess its procurement and performance across several criteria which specifically include cost effectiveness, assessing the risks and benefits of the procurement, and how procurement fits with the people strategy of the agency and how it builds internal capacity.
- Requires agencies to measure the performance of consultants against agreed outcomes.
- Provides a common set of tools and metrics for agencies to assess their performance, and
- Requires annual reporting which, through the use of the common assessment tools, allows cross agency comparisons.

Possible questions for Departments re value-for-money

CPSU suggests that some useful lines of inquiry would be around:

Capability:

- What, if any, steps does the Department take to identify capability gaps that have lead the Dept to access external suppliers to cover that gap?
- Where consultants are engaged to cover a skills gap, as per the AusTender designation of “skills not currently available”, what if any, steps does the Department take to require the

transfer of skills or knowledge from the consultants to Department staff? Do consultant contracts include a standard clause of knowledge transfer?

- Has the Department analyzed its past use of consultants to identify where it is repeatedly using consultants to cover a particular capability or capacity gap?
- Does the Department have a long-term workforce plan to increase internal capability and capacity and reduce the use of consultants?

2 The CPSU was asked to provide further advice on the pricing of consultancy work.

Regarding pricing of consultant services CPSU makes these observations:

Firstly, that the rates charged by consultancies are rarely disclosed, and there is no presumed public entitlement to that information – with attempts to gain access to this information regularly denied on the basis of commercial-in-confidence.

Secondly, on the occasions when rates are made public, they appear seem exorbitant, and especially when compared to APS pay rates and costs.

CPSU submits that more transparency over consultant charges and the basis for them is required.

A NSW Government initiative may provide some useful guidance.

The NSW government in 2019 moved to establish a capped maximum rate for consultancies that details the maximum daily rates chargeable for 13 different types of consulting engagements¹.

Media reports at the time revealed some of these caps²:

Engagement type	Partner	Director	Senior manager	Manager	Senior consultant	Consultant	Analyst
Government and business strategy	3960	3410	3025	2420	1980	1430	1210
Business process	3960	3410	3025	2420	1980	1430	1210
Project management	3960	3410	3025	2530	1925	1430	1100
Procurement and supply chain	3960	3410	3025	2420	1980	1430	1210
Telecommunications	3960	3410	3025	2420	1980	1430	1210
Change management	3740	3135	2750	2145	1815	1375	1100
Audit quality assurance and risk	3575	3025	2915	2310	1540	1265	1045

Daily rate based on an 8 hour workday

SOURCE: FINANCIAL REVIEW

A comprehensive comparison of NSW caps to what is paid by the Commonwealth is not possible given the lack of Commonwealth data.

¹ <https://www.afr.com/companies/professional-services/revealed-the-maximum-rates-nsw-will-pay-for-consultants-20190829-p52luq>

² <https://www.afr.com/companies/professional-services/revealed-the-maximum-rates-nsw-will-pay-for-consultants-20190829-p52luq>

However there has been occasional details come to light that allows for some comparison, including McKinsey charging \$16,000 per day for a partner - which is four times the NSW maximum capped rate.

It has also been reported that the Federal government pays up to 50% more for consultants than the NSW government³.

In 2021 evidence to Senate Estimates (QoN No 4303) revealed the fee structure for a PwC consultancy contract with the Department of Agriculture. Of interest to this Inquiry was that:

- This appears to be for work that could largely be performed by the public service.
- The published rates are well in excess of the cost of having the work performed in house., and
- PwC were charging nearly \$6000 per day to provide advice on the Department's own legislation at around 10 times the cost of internal advice.
- Although the terminology used makes a direct comparison with the NSW caps difficult, the PwC charges seems well in excess the NSW caps.

The full list of charges was reported as:

No .	Role	Estimated Days	Daily Rate	Estimated Total (GST incl.)
1.	Engagement Partner	8	N/A	0
2.	Engagement Partner	21	\$5,850.00	\$76,050.00
3.	Collaboration Lead	8.5	\$5,850.00	\$49,725.00
4.	Project Director	36	\$4,474.00	\$161,064.00
5.	Policy & Coordination lead	40	\$3,672.00	\$146,880.00
6.	Policy & Coordination	46	\$2,251.01	\$103,546.46
7.	Policy & Coordination	46	\$1,824.30	\$83,917.80
8.	Strategy Advisor	5	\$4,474.00	\$22,370.00
9.	Strategy Lead	40	\$3,672.00	\$146,880.00
10.	Strategy Analyst	45	\$2,251.01	\$101,295.45
11.	Communications lead	26	\$4,474.00	\$116,324.00
12.	Designer	39	\$2,251.01	\$87,789.39
13.	Strategic Communications	32	\$2,251.01	\$72,032.32
14.	Border Data and Analytics	1	\$5,850.00	\$5,850.00
15.	Border People and Capability	1	\$5,850.00	\$5,850.00
16.	Border Legislation	1	\$5,850.00	\$5,850.00
17.	Border Revenue and Funding	1	\$5,850.00	\$5,850.00
18.	Border Technology	1	\$5,850.00	\$5,850.00
19.	Border Governance	1	\$5,850.00	\$5,850.00
Estimated Total Time and Materials Charge: \$ 1,202,974.42				

Possible questions for Departments re price and value-for-money

³ <https://www.afr.com/companies/professional-services/kpmg-charges-federal-government-up-to-50pc-more-than-nsw-government-20190829-p52lvi>

CPSU suggests that some useful lines of inquiry would be around:

- Does the Department maintain a record of costs charged by various consultants for different work type? If so, do officers with delegations to approve contracts have access to that information?
- Does the Department have a view on what is an acceptable or reasonable rate for consultants to charge? And what is that based on.
- To what extent are Departments aware of the rates paid to consultants by other agencies?

3 CPSU was asked to comment on contract approval delegations.

CPSU notes the evidence to this Inquiry in the submission by the Department of Social Security that:

- It has recently changed its contract delegations to increase the level of seniority required to approve the engagement of consulting services
- Provided greater visibility to the leadership of contracts being signed and the progress of that work, and that
- These measures appear to have led to a decrease in the Department's spending on consultants.

CPSU is not aware of similar actions in other Departments.

Possible questions for Departments re delegations

- What is the schedule of delegations for the approval of contracts?
- Are there APS wide rules or standards that apply to delegations?
- A number of Inquiries and reviews have commented that the capability and capacity to manage procurement contracts is an essential element of successful procurement - Has the Department done any analysis or does it have a view about its capability and capacity to procure the work it needs and have that work delivered on time and budget?
- Do contract variations that increase the scope and/or value of a contract indicate an issue with the original procurement?
- Where a contract variation is being approved is any additional oversight or consideration carried out and do the same approval delegations apply.

4 CPSU was asked to provide further advice on Consultant's client lists and conflict of interest management.

A particular conflict of interest issue arises where consultants are performing work or have access to information that could benefit the consultants other clients. The PwC scandal is an example of this.

Possible questions for Departments re consultants and client lists

- Do the conflict of interest procedures in place rely solely on the Consultancy identifying potential conflicts? If not, what further steps does the Department take?
- When considering conflict of interest issues does the Department have access to the client list of consultancies? If not, then how are potential conflicts identified?
- Has a consultancy under contract identified a conflict of interest that required the contract to end or for some risk management/mitigation to take place?

End.