



Australian Government
Department of the Prime Minister and Cabinet

ONE NATIONAL CIRCUIT
BARTON

Susan Cardell
Committee Secretary
Joint Committee of Public Accounts and Audit

jcpaa@aph.gov.au

Dear Ms Cardell,

**Submission to the Inquiry
Based on the Matters Raised in Audit Report No. 19 (2017-18)**

The Department of the Prime Minister and Cabinet (PM&C) provides the following response to Part (a) and Part (b) of the submission request on the matters raised in the *Australian National Audit Office Report No. 19 (2017-18) Australian Government Procurement Contract Reporting*.

Part (a)

The data provided in this response is based on information published on AusTender for the relevant periods. I note that during the data gathering phase, it was identified that the AusTender reporting categories were inconsistently applied in some instances. In order to provide a more accurate report, a rationalisation and standardisation exercise was conducted.

Consultancy services

The following table outlines the Department's top three categories of work and associated expenditure for consultancies for each of the past five financial years.

Year	Top Categories	No. of Contracts	Total Value of Contracts for Category
2012-13	Management Advisory Services	18	\$ 1,326,359
	Financial and Insurance Services	6	\$ 242,955
	Legal Services	5	\$ 155,938
2013-14	Management Advisory Services	23	\$ 5,064,079
	Legal Services	6	\$ 306,284
	Financial and Insurance Services	4	\$ 135,831
2014-15	Management Advisory Services	14	\$ 1,413,687
	Financial and Insurance Services	6	\$ 1,266,155
	Legal Services	6	\$ 577,876
2015-16	Management Advisory Services	18	\$ 1,240,603
	Business Administration Services	12	\$ 606,970
	Legal Services	10	\$ 332,536
2016-17	Management Advisory Services	30	\$ 5,680,412
	Legal Services	7	\$ 833,000
	Financial and Insurance Services	6	\$ 1,102,075

Non-consultancy service

The following table outlines the Department's top three categories of work and associated expenditure for non-consultancy professional services for each of the past five financial years.

Year	Top Categories	No. of Contracts	Total Value of Contracts for Category
2012-13	IT Consultation Services	25	\$ 2,916,623
	Management Advisory Services	12	\$ 8,440,618
	Business Administration Services	9	\$ 563,750
2013-14	IT Consultation Services	40	\$12,859,393
	Management Advisory Services	19	\$ 1,299,969
	Financial and Insurance Services	12	\$ 2,680,382
2014-15	IT Consultation Services	101	\$19,207,081
	Management Advisory Services	31	\$ 2,121,469
	Financial and Insurance Services	19	\$ 1,635,312
2015-16	IT Consultation Services	126	\$18,895,660
	Management Advisory Services	22	\$ 4,320,237
	Financial and Insurance Services	16	\$ 967,960
2016-17	IT Consultation Services	154	\$21,923,477
	Management Advisory Services	60	\$ 8,465,580
	Business Administration Services	16	\$ 597,781

On-hire labour contractors

The following table outlines the Department's top three categories of work for which on-hire labour contractors have been most frequently engaged for each of the past five financial years.

Year	Top Categories	No. of Contracts	Total Value of Contracts for Category
2012-13	Personnel Recruitment	12	\$ 687,753
	Employment Services	2	\$ 85,500
	Temporary Personnel	2	\$ 70,000
2013-14	Personnel Recruitment	40	\$ 2,119,124
	Temporary Personnel	3	\$ 66,312
	Professional Procurement Services	1	\$ 33,000
2014-15	Temporary Personnel	80	\$ 4,203,861
	Personnel Recruitment	55	\$ 3,031,113
	Human Resources Services	12	\$ 617,169
2015-16	Temporary Personnel	73	\$ 4,534,604
	Personnel Recruitment	29	\$ 2,020,123
	Business Administration Services	3	\$ 227,088
2016-17	Temporary Personnel	74	\$ 4,422,138
	Personnel Recruitment	54	\$ 4,727,421
	Human Resources Services	9	\$ 709,114

Part (b)

Views and Commentary - Figure 3.2

Due to the extensive range of reporting categories available under the United Nations Standard Products and Services Code (UNSPSC), and the likelihood that several categories of services may have been delivered under a particular contracting arrangement, the reported category for a given contract may not be fully reflective of the complete suite of services delivered under the arrangement.

PM&C suggests that a regular review of the Department of Finance's customised UNSPSC categories may be warranted, with a view to rationalising the list while improving accuracy and transparency.

Views and Commentary – Figure 5.1

With the implementation of staffing caps in the Australian Public Service, agencies have more frequently needed to engage external contractor and consultancy services to fill key roles. Through removing ASL caps, agencies may have greater flexibility to recruit specialist staff at a reduced cost.

Views and Commentary – Paragraphs 5.4-5.7 and Figure 5.2

A large percentage of suppliers of Management Advisory and Information Technology services market themselves as providers of “Consultancy Services”. The challenge for agencies is to ensure that sufficient processes and systems are implemented to ensure that all consultancy procurements are reviewed in line with the Department of Finance guidance, and are reported accurately on AusTender. This will be a particular challenge for small agencies.

Views and Commentary – Paragraphs 6.3-6.5 and Figure 6.3

PM&C notes that an increase to expenditure towards the end of a financial year is expected due to yearend accounting adjustments and increased accruals. However it can also be impacted by agencies re-prioritising activities to ensure full utilisation of annual appropriations, as prior year surpluses can only be accessed through application to the Finance Minister for an operating loss.

Views and Commentary – Paragraphs 7.3-7.5, Tables 7.1-7.2 and Figure 7.3

The risk of ‘splitting contracts’ or having multiple contracts with the same supplier with a combined total exceeding the \$80k threshold will always be a challenge for agencies to manage. This risk is further exacerbated with the increasing use of Australian Government Credit Cards to pay for procurements under \$10,000. Agencies need to ensure that the implementation of controls needs to be balanced with administrative efficiency, potential risks and the allocation of resources to monitor and review.

Views and Commentary – Chapter 8

The accuracy and timeliness of the reporting of agency contracts is substantially influenced by:

- the procurement operating model adopted by agencies; and
- the use of an automated procurement system to support recording of contracts, contract management and contract reporting.

PM&C’s timeliness in relation to the reporting of contracts on AusTender has substantially improved over the period analysed in Audit Report No. 19 (2017-18). PM&C will continue to develop processes that ensure delegates understand their obligations in relation to AusTender reporting.

The duplication of AusTender records has not been a significant issue in PM&C’s reporting of contracts.

Other General Views and Commentary

The Australian Government’s Indigenous Procurement Policy (IPP) aims to stimulate Indigenous entrepreneurship and business development. PM&C suggests that consideration be given to updating AusTender in order to readily identify Indigenous Businesses listed on panel arrangements.

If you have any issues or questions regarding this submission please contact Mr Brett Richards, PM&C’s Director of Procurement and Contracts on .

Yours sincerely

Charlotte Tressler
Chief Finance Officer / FAS Corporate Division
Department of the Prime Minister and Cabinet

16 February 2018