

**JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT  
INQUIRY BASED ON ANAO REPORT NO. 19 (2017-18) AUSTRALIAN  
GOVERNMENT PROCUREMENT REPORTING**

**DEPARTMENT OF VETERANS' AFFAIRS - SUBMISSION**

**Introduction**

This submission is provided in response to a request from the Joint Committee of Public Accounts and Audit (JCPAA) for data and commentary on ANAO Report No. 19 (2017-18) *Australian Government Procurement Reporting* (the Report). The submission is in two parts, matching the structure of the JCPAA request. Part A provides data for the last five financial years for consultancy and non-consultancy services. Part B provides commentary on those sections of the Report highlighted by JCPAA for comment.

**Part A.**

For each of the types of engagements listed below, DVA was asked to provide data for each of the last five financial years, including:

1. Total expenditure by type;
2. A list of the top three categories of work within each type; and
3. A breakdown of expenditure against the top three categories.

**Consultancy Services**

Table 1 provides a breakdown of expenditure on Consultancy Services by Financial Year, as reported in DVA Annual Reports.

**Table 1: Total Expenditure on Consultancies 2012-3 to 2016-17**

	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Expenditure (\$m)</b>	5.88	6.97	11.03	10.01	16.16

Table 2 provides an analysis of the top three categories<sup>1</sup> of Consultancies commitments entered into by value for each Financial Year, based on publication date in AusTender<sup>2</sup>.

Note that in any given year, expenditure data contained in Annual Reports will differ from value of contracts published on AusTender, for the following reasons:

- AusTender reports on commitments rather than expenditure;
- some commitments are for more than one Financial Year;
- some contracts under-spend against the commitment; and
- some contracts do not meet the AusTender publication threshold of \$10,000.

<sup>1</sup> Categories are the United Nations Standard Product Code (UNSPC) recorded in AusTender.

<sup>2</sup> AusTender was used as the data source for this table, as UNSPC data is not held in Departmental financial systems. This was considered to be the best way to provide a 'like with like' correlation with data in the Report.

**Table 2: Breakdown of Top Three Categories of Consultancy Commitments Entered Into by Percentage of Total Value for each Year**

Year	Category 1	Percentage of Total Value	Category 2	Percentage of Total Value	Category 3	Percentage of Total Value
2012-13	Research programs	42.49%	Economic or financial evaluation of projects	13.07%	Health programs	9.90%
2013-14	Research programs	53.88%	Data Voice or Multimedia Network Equip. or Platforms <sup>3</sup>	5.14%	Strategic planning consultation services	4.73%
2014-15	Audit services <sup>4</sup>	32.01%	Architectural services <sup>5</sup>	23.77%	Interior finishing <sup>6</sup>	10.75%
2015-16	Economic or financial evaluation of projects	28.64%	Comprehensive health services	14.04%	Research programs	7.52%
2016-17	Strategic planning consultation services	48.03%	Research programs	26.56%	Economic or financial evaluation of projects	5.36%

## Contractors

JCPAA requested a breakdown of expenditure by ‘non-consultancy services’ and ‘on-hire labour contractors’. DVA does not directly hire contract labour. It only hires contract staff through specialised companies providing contractor services, almost always under Standing Offers.

Table 3 provides a breakdown of expenditure on Contractors by Financial year, based on data in DVA’s Accounts Payable system.

**Table 3: Total Expenditure on Contractors 2012-3 to 2016-17**

	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Expenditure (\$m)</b>	29.915	32.100	27.628	23.537	33.012

Table 4 provides a breakdown of expenditure on the top three categories of Contractors by value for each Financial Year, based on data in DVA’s Accounts Payable system.

<sup>3</sup> Provision of services to convert ‘Gallipoli - The First day’ website across to tablet applications.

<sup>4</sup> Supply of Internal Audit Services for last half 2014-15FY, all 2015-16FY, all 2016-17FY and 2017-18FY (three years total).

<sup>5</sup> Architectural design consultancy services related to the design of a new Australian Interpretive Centre at Villers-Brettonneux, France.

<sup>6</sup> Interpretive description consultancy services for the design of a new Australian Interpretive Centre at Villers-Brettonneux, France.

**Table 4: Breakdown of Expenditure on Top Three Contractor Categories by Percentage of Total Value for each Year**

Year	Category 1	Percentage of Total Value	Category 2	Percentage of Total Value	Category 3	Percentage of Total Value
2012-13	Information & Communications technology	90%	Internal audit	5%	Finance	3%
2013-14	Information & Communications technology	91%	Internal audit	4%	Finance	3%
2014-15	Information & Communications technology	73%	Administration	22%	Finance	3%
2015-16	Information & Communications technology	62%	Administration	33%	Health administration services	4%
2016-17	Information & Communications technology	68%	Administration	26%	Management advisory services	4%

**Part B.**

JCPAA sought DVA’s views and commentary on the matters raised in the following paragraphs, figures, tables and chapters of the Report.

**Figure 3.2 – Proportion of contract value by type.**

Compared to other entities, DVA’s expenditure on Management and Business Professionals is relatively low, and expenditure on Information & Communications Technology (ICT) is relatively high. As a service delivery agency, ICT services form the basis of a large part of DVA’s operations, and maintaining and updating these services account for a significant amount of this contract expense.

The 2016-17 Budget directed nearly \$24 million towards improvements to DVA’s outdated ICT systems to provide services to veterans and their families in more strategic, sustainable and efficient ways. This constituted part of the start of a significant period of change for DVA with the ongoing implementation of the *Veteran Centric Reform* program.

Alongside investments in the accessibility of MyAccount and myGov, the development of MyService has been a key feature of DVA’s ICT transformation. Through partnership with the Department of Human Services, DVA has developed MyService to be a fully digital rehabilitation and compensation claims process that includes online verification of identity. In the 2016 private beta trial, 54 claims were processed using MyService with the mean Time Taken to Process claims reducing by 36.8% from claims handled manually over the 2015-16 financial year. This investment in accessible ICT processes positions DVA to better support the needs of the younger veteran cohort in particular.

**Figure 5.1 – Increase in consultancies.**

Although the Department’s total expenditure on consultants has risen from \$5.88 million in the 2012-13 financial year to \$16.16 million in the 2016-17 financial year, there have been annual fluctuations subject to Government priorities.

The largest annual increase was in the 2016-17 financial year, and is predominately due to a strategic partnership with PwC Australia to deliver a second pass business case for Veteran Centric Reform. The value of the strategic partnership was \$11 million.

The next largest increase was from the 2013-14 to the 2014-15 financial year, and was predominately due to consultancies relating to the Centenary of Anzac commemorative activities.

### **Paragraphs 5.4-5.7 and Figure 5.2 – Largest six advisory and consultation categories by financial year.**

DVA notes that Figure 5.2 shows significant year-on-year fluctuation in both Whole of Government consultancy commitments and the split among different consultancy categories. Since DVA consultancy commitments did not exceed 3% of Whole of Government commitments in any of the Financial Years in question, it is unable to offer insights into the reasons for the size of the fluctuations. However, DVAs own experience is that the largest three consultancy categories change from year to year in concert with government budgetary decisions. For example, expenditure in 2014-15 was substantially influenced by design work for the new Sir John Monash Centre at Villers-Bretonneux, with this project comprising almost all of the value of two of the top three categories of work in that year.

Further, AusTender data for a given year can be affected by large multi-year contracts. For example, the largest category for DVA in 2014-15 is *Audit Services*. This is comprised of a single contract to deliver internal audit services over a three year term.

DVA would like to offer comment on the suggestion in paragraph 5.7 that, based on reporting by industry, entities might be under-reporting consultancy contracts. DVA uses the guidelines published on the Department of Finance *Buying for the Australian Government* website when deciding whether to categorise a procurement as Consultancy or Contractor services. DVA's experience, however, is that the situation in Industry is somewhat less clear.

### **Paragraphs 6.3-6.5 and Figure 6.3 – Proportion of short-term contracts commencing in June.**

DVA notes the increase in short-term contracts in June, but also notes that Figure 6.4 shows that DVA's increase is below the Whole of Government median.

The proportional increase in contracts written towards the end of the Financial Year can partly be attributed to:

- fiscal prudence, where organisations are cautious about entering into some contracts until the reality of actual vs estimated expenditure becomes more apparent; and
- the low tempo of procurement activity in December and January - times when both Government and Industry are in partial shutdown.

### **Paragraphs 7.3-7.5 and Table 7.1 and Table 7.2 and Figure 7.3 – Potentially related contracts.**

It is assumed that this section of the Report was designed to evaluate the degree of compliance of entities with Division 2 of the *Commonwealth Procurement Rules* (CPRs),

which impose additional rules on procurements at or above the procurement threshold, which is currently \$80,000.

The median for potentially related contracts across entities reported in Figure 7.3 was approximately 20%. At approximately 16%, DVA was lower than the median.

It was impractical for DVA to analyse all of the five years' worth of data to determine whether any potentially related contracts were actually related, so a detailed analysis was conducted on a sample of the data covering the period March-June 2017. This revealed 98 contracts that met the criteria set out in the Report for being considered as potentially-related. All but four of these were exempt from the provisions of Division 2 of the CPRs<sup>7</sup>. The remainder consisted of two pairs of duplicate entries.

Accordingly DVA is confident that its processes are adequate to ensure compliance with Division 2 of the CPRs.

### **Chapter 8: Accuracy and timeliness of procurement contract notice publication.**

Two significant issues for DVA arise from this Chapter: potential duplicate entries in AusTender, and below average performance in publishing contracts within the target time frame. Each of these is addressed below:

- **Duplicate entries in AusTender.** Figure 8.1 indicates that DVA is an outlier in terms of potential duplicate entries in AusTender, at around 4.25% of total value. The Report also suggests that DVA contract value in the categories 'Temporary Personnel Services' and 'Computer Services' is approximately 12 times the Whole of Government average. DVA has identified two instances of duplicate bulk uploads to AusTender, in June/July 2015 and August 2016. One of the duplicate bulk upload pairs has been identified as human error, but DVA has been unable to establish the cause of other duplicate upload pair. Systems error is suspected, but this cannot be verified. The value of these duplicates is equivalent to 2.14% of total value.

DVA has been unable to reconcile the remaining apparent discrepancies, and is engaging with ANAO to gain a better understanding of their methodology with a view to explaining them. This work is ongoing at the time of deadline for JCPAA submissions. DVA will liaise with JCPAA Secretariat to update the Committee when the work is complete.

- **Timeliness in publishing contracts on AusTender.** Figure 8.3 indicates that DVA has the lowest percentage of any reporting entity in publishing contracts on AusTender within 42 days of commencement date. On the face of it, this is unacceptable.

However, since the publication of the Report DVA has analysed the AusTender dataset used by ANAO. This seems to show that ANAO compared the start date to publication

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<sup>7</sup> Reasons for exemption from Division 2 include: procurement under the Legal Services Multi-Use List; procurements under Standing Offer Notices, notably for contractor hire; procurements from Commonwealth entities; amended contracts where the final contract value was less than \$80,000; and Overseas Contracts.

date for every transaction record, whether the record was for an original contract or an extension.

DVA records the original start date of the contract when processing an extension to an existing contract. An example is a contract that was established for one year with the option of two one-year extensions. The original contract was published on time, and the original start date is also entered when processing the extensions in the second and third year. In this situation, if the start date and publication date are considered in isolation to other information in the record, then a misleading impression is created that the two extensions are late by one and two years respectively.

Table 5 provides an analysis of DVA’s late contracts. It shows that almost 60% of DVA’s nominally late contracts are extensions. If extensions are excluded, then DVA’s on-time publication rate rises to roughly 87% - better than the median of entities.

**Table 5: Contracts Published where Publication Date is more than 42 days after Start Date by Type – Initial or Extension**

	Number of contracts	Percentage Late	Percentage On-Time
<b>Total number of contracts in data set</b>	4443		
<b>Late Contracts - both initial contracts and extensions</b>	1386	31.20%	68.80%
<b>Late contracts – Initial versions of contracts only</b>	580	13.05%	86.95%

Nevertheless, any level of non-compliance with CPRs needs to be minimised, and accordingly DVA has taken the following immediate steps to bring its on-time performance to as close to 100% as possible:

- A communication from the Secretary reminding all staff that the requirements of Secretary’s Instruction *SI – Mandatory Recording and Reporting for Procurement and Contracts* are to be complied with in their entirety, including the requirement to publish Contracts on AusTender within 42 days of entering into the Contract, a requirement that is taken from s7.16 of the CPRs;
- Adding an explicit requirement to DVA’s formal quarterly compliance reporting process for Senior Executive-level certification of compliance with section 7.16 of the CPRs, including explanations for any non-compliance; and
- Implementing a centralised monthly review of AusTender data to identify any contracts that have not been published in accordance with s7.16 of the CPRs.