

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Budget Estimates 2017-18

Prime Minister and Cabinet Portfolio

Department/Agency: Australian National Audit Office

Outcome/Program:

Topic: Replacement Antarctic Vessel Audit

Senator: Senator Xenophon

Question reference number: 20

Type of question: FPA Monday 22 May 2017, page 126

Date set by the committee for the return of answer: 7 July 2017

Number of pages: 2

Question:

...I find those findings very disturbing, and I think that there is a potential cost for that icebreaker contract of some, I think, \$1.912 billion over the next 34 years. It is also quite critical in terms of RFP contract principles and the difference between RFP and RFT. In relation to that contract, has your office looked at whether the contract has a termination clause, because of the significant variations between the RFP and the RFT contracts; and has your office considered whether there is a breakpoint calculation that allows the Commonwealth to terminate the contract and take a different direction that represents a much cheaper option for the taxpayer and, with it, potentially, a much greater degree of local content?

Answer:

In the performance audit *Replacement Antarctic Vessel*, the ANAO examined whether the procurement by the Department of the Environment and Energy (the department) of a replacement Antarctic icebreaking vessel provided value with public resources. The ANAO conclusion was that the department cannot demonstrate that its procurement is providing value with public resources. It should be noted that the ANAO did not find that it was not value for money, but rather that the Department was unable to demonstrate value for money. The conclusion reflects two key findings:

- the procurement process was largely non-competitive; and
- while the vessel is expected to meet the research and resupply needs of the Australian Antarctic Program for the next three decades, the price that is being paid by the department is higher than the cost benchmarks established by the department, and significantly greater than the current chartering costs.

The ANAO has not considered whether there is a breakpoint calculation that allows the Commonwealth to terminate the contract and take a different direction. The scope of the audit included the department's process for procuring a new icebreaker vessel up to the point the contract was signed. The contract that was signed on 28 April 2016 provided the

department with the right to terminate it without needing to give the Contractor any reason or show any cause for termination. Terminating the contract in this way is not without risks which would need to be assessed by the accountable authority. For example, termination could give rise to an obligation on the department to make a termination payment to the Contractor that would include the cost of design and construction work that has already been undertaken by the Contractor. Further, the accountable authority in considering terminating the current contract would also need to assess the risks and benefits in undertaking a new procurement process for a replacement Antarctic vessel including the time to bring a vessel into service, costs involved in doing so and whether such a process is likely to result in an outcome which would more than offset such risks and costs.

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Budget Estimates 2017-18

Prime Minister and Cabinet Portfolio

Department/Agency: Australian National Audit Office

Outcome/Program:

Topic: Future Submarine Project

Senator: Senator Xenophon

Question reference number: 21

Type of question: Written

Date set by the committee for the return of answer: 7 July 2017

Number of pages: 2

Question:

Senator XENOPHON: When you do an audit, you look to the confidentiality provisions and make an assessment as to whether the confidentiality claims are in order—I think that is the case. I will not go into details of Senate standing order 9, but an order for production was made with respect to the submarine design and mobilisation contract. In response, the minister tabled a heavily redacted contract. Can you please, on notice, check the tabled document to see if the redactions made by the minister are wholly and exclusively consistent with the agreed confidentiality clauses and provide your determination to the committee, or has that already been done?

Ms Mellor: I am going to take that on notice, if you do not mind, because we will be planning another confidentiality audit. We have one left in the current standing. We have not done it in relation to that contract, but it may be something that we do.

Senator XENOPHON: Obviously, your work program is your work program but, given this is \$50 billion, that the minister has made a number of assertions and this is something that I jointly co-sponsored with Senator Carr, the opposition shadow industry minister, it concerns me that it was heavily redacted. I wonder whether you had a role in determining whether those redactions were in accordance with the Senate procedural order for entity contracts. Could you take that on notice, please.

Dr Ioannou: Yes

Written Clarification from Senator Xenophon (correspondence of 27 May 2017):

‘Examine the confidentiality provisions of this contract and advise whether the confidentiality is in order’

‘Examine the tabled contract and advise whether the redactions are in accordance with the agreed confidentiality clauses in the contract.’

Answer:

The ANAO is currently undertaking an audit of Naval Construction Programs—Mobilisation Planning scheduled to table in March 2018. This objective of the audit is to assess the effectiveness to date of the Department of Defence's planning for the mobilisation of its

continuous shipbuilding programs in Australia. In the context of this audit the Auditor-General will consider examining the matters raised in your letter.

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Prime Minister and Cabinet Portfolio

Department/Agency: Australian National Audit Office

Outcome/Program:

Topic: 2016-17 Market Research

Senator: Senator Farrell

Question reference number: 174

Type of question: Written

Date set by the committee for the return of answer: 7 July 2017

Number of pages: 1

Question:

For the 2016-17 financial year, what was the total amount spent by the Department on market research (either as a whole contract or as part of a contract)?

Answer:

The below table provides details on the market research activities that was conducted in the period from 1 July 2016 to 30 June 2017

Company	Services Provided	Payments (GST incl.)
ORIMA Research	ANAO 2016 State of the Service Employee Census Reporting	48,960.00
ORIMA Research	Audit Assurance Services Group client survey	49,753.00
ORIMA Research	Performance Audit Services Group client survey	34,155.00
	Total amount spent	132,868.00

The market research services provided relate to the carrying out of online surveys relating to the ANAO's internal stakeholders and external clients.

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Prime Minister and Cabinet Portfolio

Department/Agency: Australian National Audit Office

Outcome/Program:

Topic: 2016-17 Market Research

Senator: Senator Farrell

Question reference number: 175

Type of question: Written

Date set by the committee for the return of answer: 7 July 2017

Number of pages: 3

Question:

For each contract for market research in 2016/2017, can you please provide:

- a) The subject of the market research;
- b) The supplier;
- c) Whether the supplier has been engaged previously and if so, for which contracts;
- d) The total value of the contract;
- e) The term of the contract (time);
- f) The date that the decision was taken to seek market research on the topic;
- g) The date the contract was opened to tender or selection process;
- h) The date the supplier was engaged;
- i) Whether the contract was subject to a tender process, including whether there was a full, partial or closed tender process;
- j) Does the supplier exist on a pre-approved supplier list, if so, when were they added to that list;
- k) Whether the Minister, or the Minister's Office, requested that the research be conducted;
- l) Whether the Minister approved the decision to conduct market research;
- m) Whether the Minister approved the contract with the supplier;
- n) Whether the Minister or the Minister's office was consulted on questions asked;
- o) Whether the Minister or the Minister's office received a copy of the market research;
- p) If the decision to conduct research was initiated by the department or agency, was the Minister or their office consulted before the decision was taken to conduct research, if so – in what form did that consultation take (written, verbal other);
- q) If the decision to conduct research was initiated by the department or agency, did Minister or their office make any amendments or changes to the Department's proposal for market research to be conducted, if so, what changes and to what aspects were they made;
- r) At any stage in the life of the proposal to conduct market research were other departments or agencies consulted?

- s) At any stage in the life of the proposal to conduct market research were other Ministers, or the Prime Minister consulted?
- t) At any stage in the life of the proposal to conduct market research did the expected cost change, if so how?
- u) At any stage in the life of the proposal to conduct market research did the scope, questions or supplier of the research change?
- v) Have any topics or questions of market research been conducted and subsequently conducted again by the same or different supplier?

Answer:

Please refer to the following page.

The below table provides details on the market research activities that was conducted in the period from 1 July 2016 to 30 June 2017.

(a) Subject of the market research	(b) Supplier	(c) Nature of previous engagement	(d) Total value of contract	(e) Term of contract	(f) Date decision taken	(g) Date opened to tender or selection process	(h) Date supplier engaged	(i) Procurement method	(j) Pre-approved supplier list and when	(t) Expected cost change during proposal	(u) Any scope changes	(v) Subsequent engagement
ANAO 2016 State of the Service Employee Census Reporting	ORIMA Research	Online client surveys	48,960.00	29/6/2016 to 30/12/2016	27/6/2016	4/3/2014	5/7/2016	Open tender	SON1871051	Yes, from 43,710 to 48,960	Additional presentations	Subject to operational requirements
Audit Assurance Services Group client survey	ORIMA Research	Online client surveys	49,753.00	25/11/2016 to 30/6/2017	24/11/2016	24/11/2016	16/12/2016	Limited tender	No	No	No	Likely to occur in the future
Performance Audit Services Group client survey	ORIMA Research	Online client surveys	68,310.00	28/07/2017 to 30/11/2017	24/3/2017	8/7/2016	28/3/2017	Limited tender	No	No	Minor changes during proposal	Likely to occur in the future

The market research services provided relate to the carrying out of online surveys relating to the ANAO's clients. The first census was based on employee responses.

1(k)-(s). N/A The procurement of market research services was conducted in accordance with the Commonwealth Procurement Rules to achieve value for money for the Commonwealth. There was no input from the Minister or other departments and agencies in relation to the procurement.

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Department/Agency: Australian National Audit Office

Outcome/Program:

Topic: Cost-benefit analysis for Budget

Senator: Senator Roberts

Question reference number: 251

Type of question: Written

Date set by the committee for the return of answer: 7 July 2017

Number of pages: 1

Question:

Have you considered providing the authority and resources to the ANAO to check cost-benefit-analysis (CBA) re budget ... that has been produced, for at least major policies, by the Parliamentary Budget Office (PBO) ... as guided by the Office of Best Practice Regulation (OBPR) and checked by the Productivity Commission (PC) re economics?

Answer:

As an independent officer of the Parliament, the Auditor-General has discretion in the performance or exercise of his functions or powers. In particular, the Auditor-General is not subject to direction in relation to: whether or not a particular audit is to be conducted; the way in which a particular audit is to be conducted; or the priority to be given to any particular matter. In the exercise of his functions or powers, the Auditor-General must, however, have regard to the audit priorities of the Parliament, as determined by the Joint Committee of Public Accounts and Audit (JCPAA).

The JCPAA consider the operations and the resources of ANAO, including funding, staff and information technology. The JCPAA's authority to consider the resources of the ANAO is outlined in the [Public Accounts and Audit Committee Act 1951](#).