



Our reference: 2018/413

16 February 2018

Ms Susan Cardell
Committee Secretary
Joint Committee of Public Accounts and Audit
PO Box 6021
Parliament House ACT 2600

Dear Ms Cardell,

The National Archives of Australia refers to correspondence dated 14 December 2017 addressed to the Director-General, Mr David Fricker, requesting a submission to the Joint Committee of Public Accounts and Audit's inquiry based on matters raised in the ANAO Audit Report No. 19 (2017-18) *Australian Government Procurement Contract Reporting*.

The Archives provides the attached submission.

Kind regards,

Jason McGuire
A/g Assistant Director-General
Corporate Services



Joint Committee of Public Accounts and Audit

National Archives of Australia's submission on the matters raised in
the Australian National Audit Office (ANAO) Report No. 19 (2017-18),
Australian Government Procurement Contract Reporting

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Contents

Contents

Introduction	4
Submission Part (a)	5
Consultancy services	5
Expenditure over the past five financial years	5
Non-consultancy services.....	7
On-hire labour contractors.....	8
Past five financial years	8
Submission Part (b)	11
Figure 3.2.....	12
Figure 3.2 Response.....	12
Figure 5.1.....	13
Figure 5.1 Response.....	13
Paragraphs 5.4-5.7 and Figure 5.2	15
Response to Paragraphs 5.4-5.7 and Figure 5.2.....	17
Paragraphs 6.3-6.5 and Figure 6.3	19
Response to Paragraphs 6.3-6.5 and Figure 6.3.....	20
Paragraphs 7.3-7.5 and Table 7.1 and Table 7.2 and Figure 7.3.....	21
Response to Paragraphs 7.3-7.5 and Table 7.1 and Table 7.2 and Figure 7.3	23
Chapter 8: Accuracy and timeliness of procurement contract notice publication.....	24
Response to Potential duplicate contract entries on AusTender.....	30
Response to the Timeliness of AusTender publication	30

Introduction

Introduction

The National Archives of Australia refers to correspondence dated 14 December 2017, requesting a submission to the Joint Committee of Public Accounts and Audit's inquiry based on matters raised in the ANAO Audit Report No. 19 (2017-18) *Australian Government Procurement Contract Reporting*. The National Archives of Australia (Archives) provides this submission for Committee's consideration.

Submission Part (a)

Consultancy services

The Committee has requested information on the top 3 categories of work for which consultancies have been most frequently used for each of the past 5 financial years, and expenditure figures on consultancies for each of the past 5 financial years, including a breakdown of expenditure against the top 3 categories. The Archives provides the following information to the Committee.

Table 1: The top 3 categories of work for which consultancies have been most frequently engaged, for each of the past 5 financial years

Financial year	Category 1	Category 2	Category 3
2012-13	Legal services	Business intelligence services	Audit services
2013-14	Legal services	Strategic planning consultation services	Business intelligence services
2014-15	Strategic planning consultation services	Business intelligence services	Legal services
2015-16	Business intelligence services	Information technology consultation services	Audit Services
2016-17	Legal services	Business intelligence services	Strategic planning consultation services

Expenditure over the past five financial years

2012-13

The total expenditure for consultancies in the 2012-13 financial year was \$ 919,661. A breakdown of expenditure against the top 3 categories is listed in the table below.

Table 2: a breakdown of expenditure against the top 3 categories for the 2012-13 financial year

Category	Value (AUD)
1: Legal services	\$ 623,577.36
2: Business intelligence services	\$ 255,243.63
3: Audit services	\$ 22,000.00

Submission Part (a)

2013-14

The total expenditure for consultancies in the 2013-14 financial year was \$ 829,258. A breakdown of expenditure against the top 3 categories is listed in the table below.

Table 3: a breakdown of expenditure against the top 3 categories for the 2013-14 financial year

Category	Value (AUD)
1: Legal services	\$ 434,295.60
2: Strategic planning consultation services	\$ 385,311.36
3: Business intelligence consulting services	\$ 175,980.00

2014-15

The total expenditure for consultancies in the 2014-15 financial year was \$ 2,819,945. A breakdown of expenditure against the top 3 categories is listed in the table below.

Table 4: a breakdown of expenditure against the top 3 categories for the 2014-15 financial year

Category	Value (AUD)
1: Strategic planning consultation services	\$ 1,879,431.10
2: Business intelligence consulting services	\$ 476,357.50
3: Legal services	\$ 250,000.00

2015-16

The total expenditure for consultancies in the 2015-16 financial year was \$ 930,822. A breakdown of expenditure against the top 3 categories is listed in the table below.

Table 5: a breakdown of expenditure against the top 3 categories for the 2015-16 financial year

Category	Value (AUD)
1: Business intelligence consulting services	\$ 479,806.00
2: Information technology consultation services	\$ 183,767.50
3: Audit services	\$ 53,250.00

2016-17

The total expenditure for consultancies in the 2016-17 financial year was \$ 2,403,706. A breakdown of expenditure against the top 3 categories is listed in the table below.

Table 6: a breakdown of expenditure against the top 3 categories for the 2016-17 financial year

Category	Value (AUD)
1: Legal services	\$ 843,072.91
2: Business intelligence consultation services	\$ 510,110.00
3: Strategic planning consultation services	\$ 494,617.20

Non-consultancy services

The Committee has requested information on the top 3 categories of work for which contractors have been most frequently engaged for each of the past 5 financial years, and expenditure figures on contractors for each of the past 5 financial years, including a breakdown of expenditure against the top 3 categories of work.

During the reporting period, the Archives did not directly procure labour from individuals. The Archives procures and contracts for labour through labour hire firms.

Submission Part (a)

On-hire labour contractors

The Committee has requested information on the top 3 categories of work for which on-hire labour contractors have been most frequently engaged for each of the past 5 financial years, and expenditure figures on on-hire labour contractors for each of the past 5 financial years, including a breakdown of expenditure against the top 3 categories of work. The Archives provides the following information to the Committee.

Table 7: The top 3 categories of work for which on-hire labour contractors have been most frequently engaged.

Financial year	Category 1	Category 2	Category 3
2012-13	Project Management	Computer services	Computer programmers
2013-14	Software or hardware engineering	Computer programmers	Project management
2014-15	Computer programmers	Project administration or planning	Computer services
2015-16	Computer services	Temporary personnel services	Project administration or planning
2016-17	Computer services	Computer programmers	Software or hardware engineering

Past five financial years

2012-13

The total expenditure for on-hire labour contractors in the 2012-13 financial year was **\$788,989**. A breakdown of expenditure against the top 3 categories is listed in the table below.

Table 8: a breakdown of expenditure against the top 3 categories for the 2012-13 financial year

Category	Value (AUD)
1: Project Management	\$ 398,998.00
2: Computer services	\$ 252,699.75
3: Computer programmers	\$ 98,648.85

2013-14

The total expenditure for on-hire labour contractors in the 2013-14 financial year was **\$820,308.99**. A breakdown of expenditure against the top 3 categories is listed in the table below.

Table 9: a breakdown of expenditure against the top 3 categories for the 2013-14 financial year

Category	Value (AUD)
1: Software or hardware engineering	\$ 542,297.49
2: Computer programmers	\$ 132,721.00
3: Project management	\$ 131,290.50

2014-15

The total expenditure for on-hire labour contractors in the 2014-15 financial year was **\$599,676**. A breakdown of expenditure against the top 3 categories is listed in the table below.

Table 10: a breakdown of expenditure against the top 3 categories for the 2014-15 financial year

Category	Value (AUD)
1: Computer programmers	\$ 265,892.00
2: Project administration or planning	\$ 117,145.60
3: Computer services	\$ 91,032.00

2015-16

The total expenditure for on-hire labour contractors in the 2015-16 financial year was **\$708,089**. A breakdown of expenditure against the top 3 categories is listed in the table below.

Table 11: a breakdown of expenditure against the top 3 categories for the 2015-16 financial year

Category	Value (AUD)
1: Computer Services	\$ 570,874.40
2: Temporary Personnel services	\$ 115,651.92
3: Project administration or planning	\$ 11,562.37

Submission Part (a)

2016-17

The total expenditure for on-hire labour contractors in the 2016-17 financial year was **\$2,598.853**. A breakdown of expenditure against the top 3 categories is listed in the table below.

Table 12: a breakdown of expenditure against the top 3 categories for the 2016-17 financial year

Category	Value (AUD)
1: Computer services	\$ 2,050,906.32
2: Computer programmers	\$ 191,620.00
3: Software or hardware engineering	\$ 71,500.00

Submission Part (b)

The Committee has asked that the National Archives of Australia provide views and commentary on the matters raised in the audit report's following paragraphs/figures and chapters:

- Figure 3.2
- Figure 5.1
- Paragraphs 5.4–5.7 and Figure 5.2
- Paragraphs 6.3–6.5 and Figure 6.3
- Paragraphs 7.3–7.5 and Table 7.1 and Table 7.2 and Figure 7.3
- Chapter 8: Accuracy and timeliness of procurement contract notice publication

The Archives' submission on each of paragraphs/figures and chapters is outlined in this section.

Submission Part (b)

Figure 3.2

Figure 3.2: Proportion of contract value by entity (2012–2013 to 2016–17) from the Australian National Audit Office No. 19 (2017-18) *Australian Government Procurement Contract Reporting*.

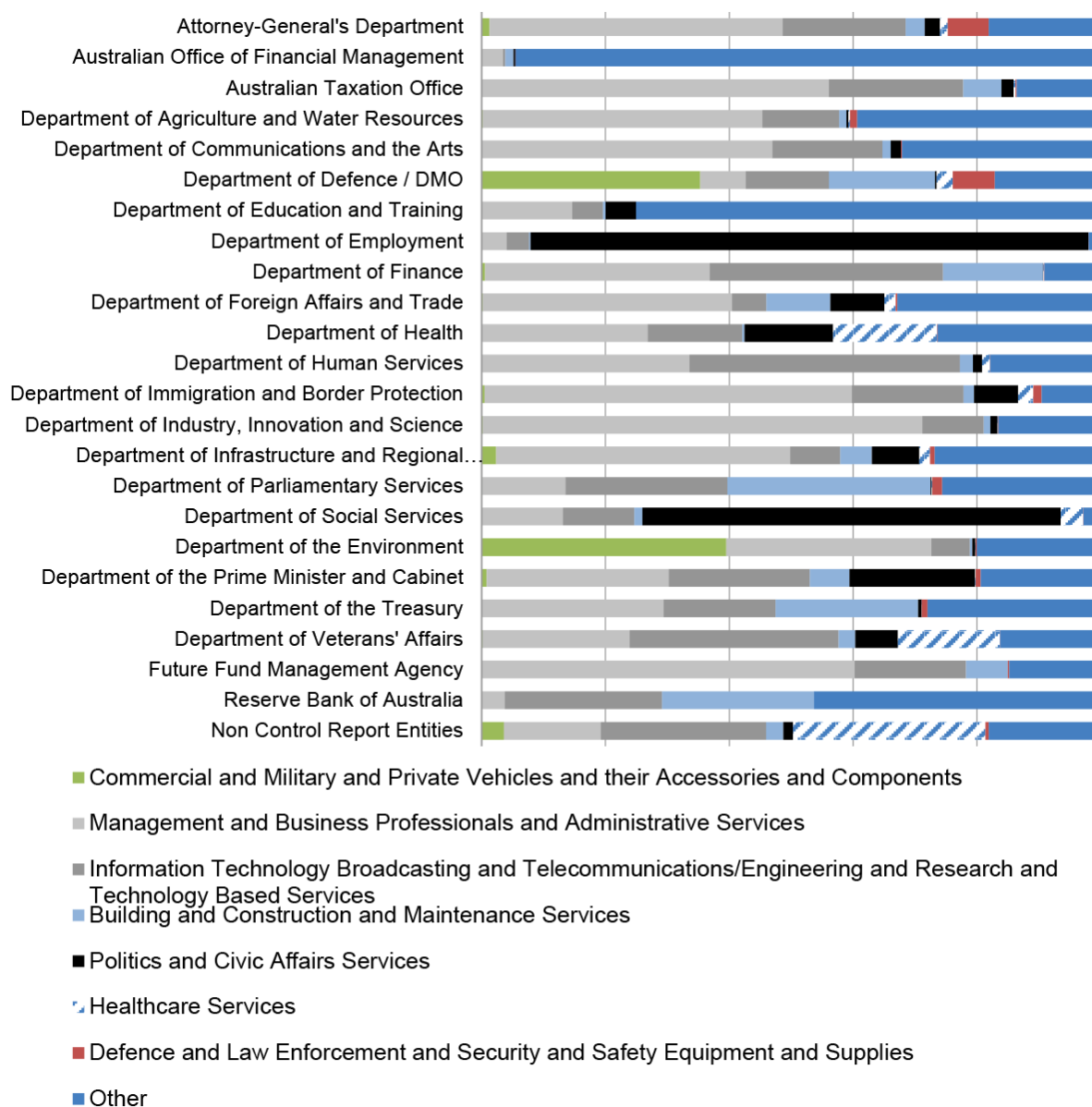


Figure 3.2 Response

The majority of the National Archives of Australia's procurement activities for the reporting period were related to Property Operating Expenses, as detailed in the chart below.

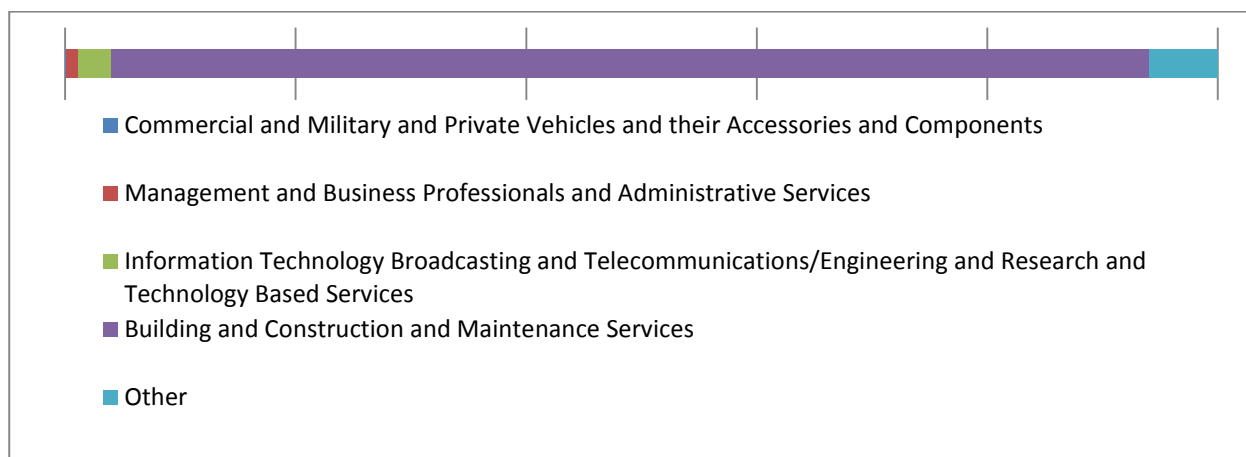


Figure 5.1

Figure 5.1: Consultancy contract value by consultancy reason and financial year (2012–13 to 2016–17) from the Australian National Audit Office No. 19 (2017-18) *Australian Government Procurement Contract Reporting*.

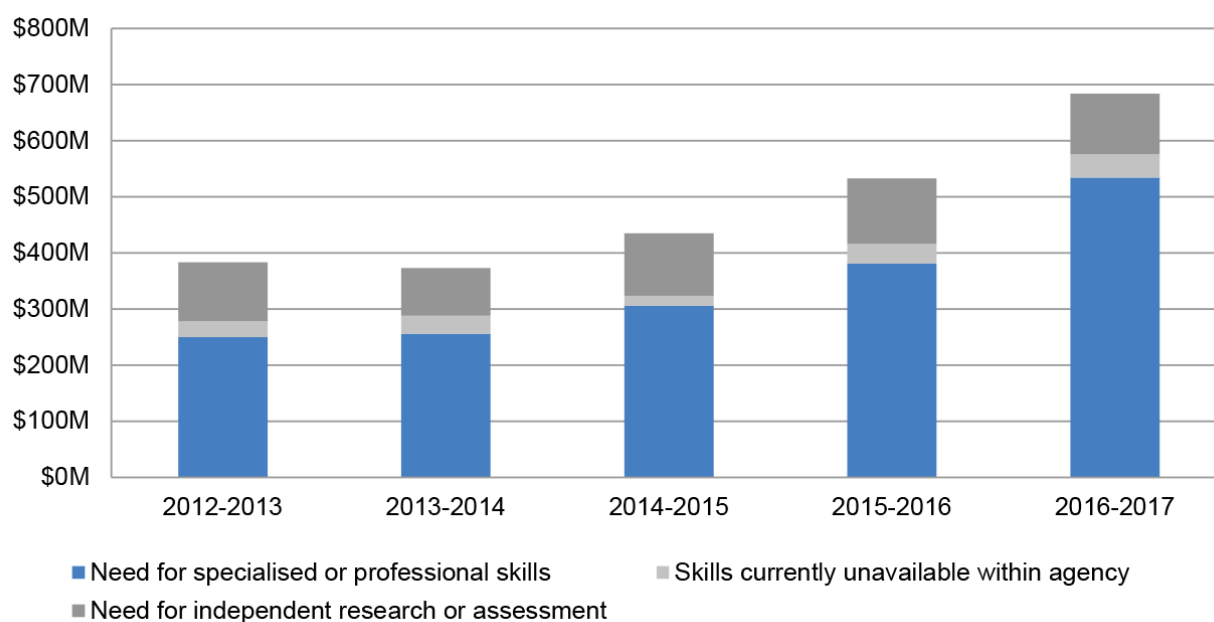
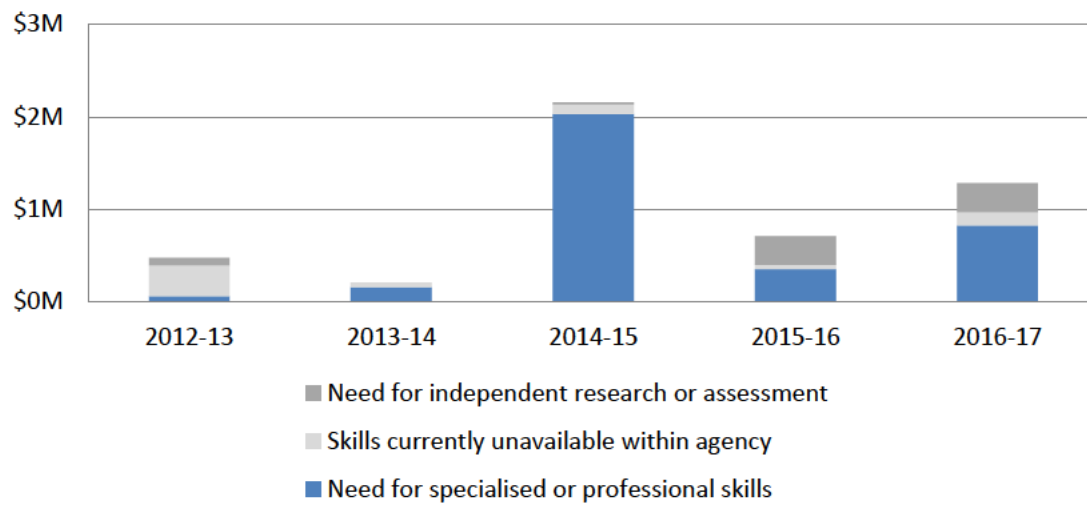


Figure 5.1 Response

The National Archives of Australia is not a material contributor to the Commonwealth's procurement of consultancy services. The Archives' Consultancy contracts by total value and reason for each financial year are detailed in the graph below:

Submission Part (b)



Paragraphs 5.4-5.7 and Figure 5.2

5.4 ANAO identified the largest six product and services sub-categories with contracts flagged as consultancies. These categories make up approximately 47 per cent of the value of contracts flagged as consultancies. However, almost 85 per cent of contract value in these categories belongs to contracts not flagged in AusTender as consultancy. The following analysis shows the contract value of these six service categories, regardless of the consultancy flag.

5.5 Using the six categories identified above, Table 5.2 shows the largest suppliers by the value of contracts in these categories. The table also shows the total value of contracts for each supplier regardless of product/service category.

5.6 For both suppliers and service categories with the largest value of contracts flagged as consultancies, analysis in this chapter shows a substantial difference in the value of contracts identified in AusTender using the 'consultancy' flag and the total value of contracts for the identified suppliers and categories.

5.7 Many of these suppliers publically report consultancy as a substantial component of their business. Contracts with these suppliers and contracts in service categories including 'management advisory services' and 'information technology consultation services' have the vast majority (by value) classified as not being consultancy. This may suggest entities have under-reported consultancy contracts.

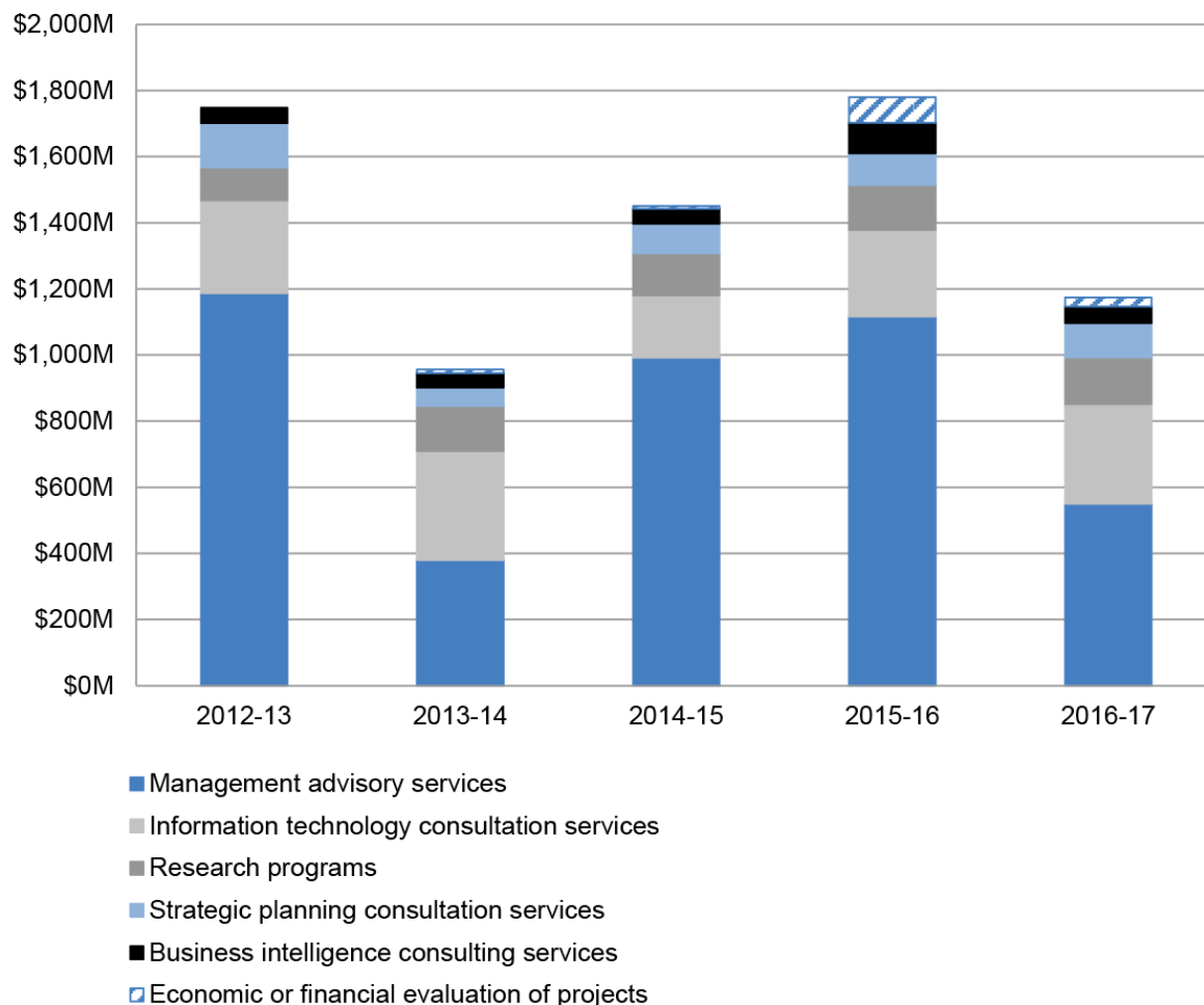
Table 5.2: Largest suppliers by value of contracts for the largest six advisory and consultation categories (2012-13 to 2016-17)

Supplier	Number of contracts per supplier (contracts in the largest six advisory and consultation categories)	Contract value per supplier (contracts in the largest six advisory and consultation categories) (\$000's)	Contract value per supplier (all categories) (\$000's)
Cardno	42	466,973	867,688
Accenture	83	309,192	1,190,205
Colin Joss & Co	3	305,524	352,615
Abt JTA	20	302,403	761,901
Serco Global Services	1	246,646	246,646
KPMG	539	192,484	620,026

Submission Part (b)

<i>Supplier</i>	<i>Number of contracts per supplier (contracts in the largest six advisory and consultation categories)</i>	<i>Contract value per supplier (contracts in the largest six advisory and consultation categories) (\$000's)</i>	<i>Contract value per supplier (all categories) (\$000's)</i>
PwC	367	186,613	523,532
SMEC International	4	177,723	318,792
Ernst & Young	303	163,274	422,422
Boulderstone Hornibrook	2	162,946	425,137
Deloitte	364	149,427	364,818
Bechtel Management	2	107,132	107,132
Stellar Asia Pacific	1	96,263	96,263
Palladium International	13	87,463	491,544
GRM International	28	87,355	112,617
URS Corporation	44	63,312	906,403
DMV Consulting	28	59,371	83,765
Salmat	3	56,056	75,136
Microsoft	95	55,104	245,944
Nova	34	55,064	353,188

Figure 5.2: Largest six advisory and consultation categories by financial year (2012–13 to 2016–17) from the Australian National Audit Office No. 19 (2017-18) *Australian Government Procurement Contract Reporting*.



Response to Paragraphs 5.4-5.7 and Figure 5.2

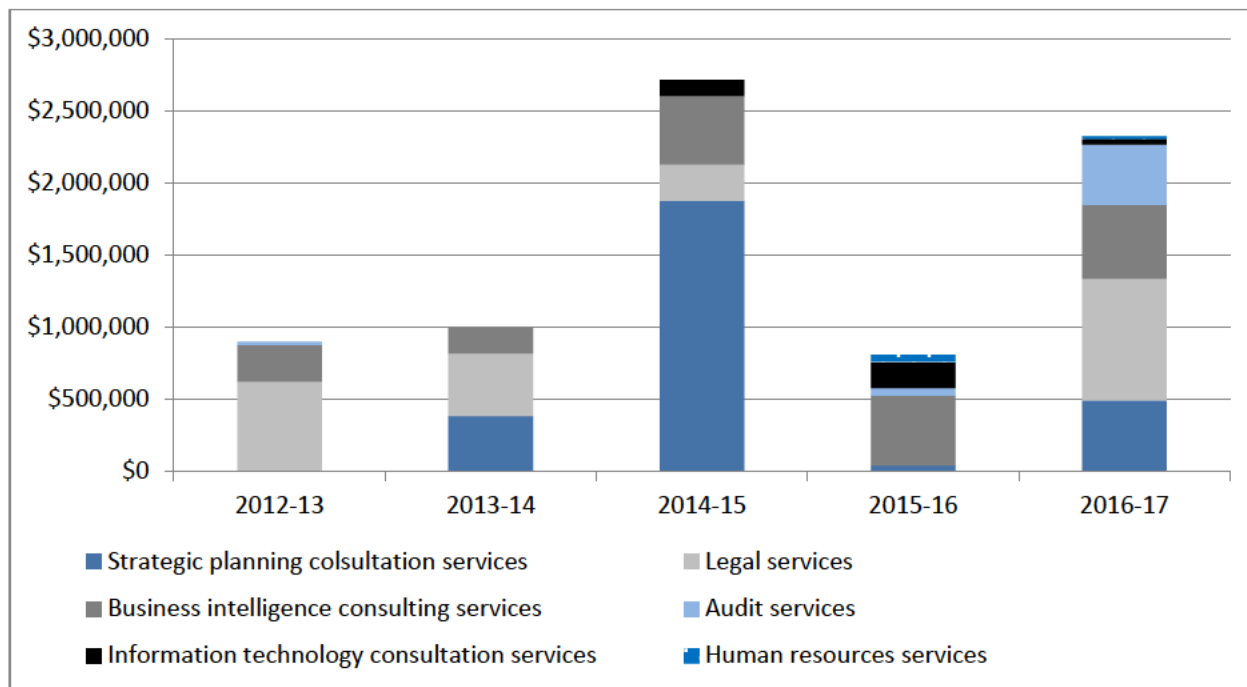
The National Archives of Australia relies on the guidance issued by the Department of Finance to determine if contracts are consultancy services and reports them as such on AusTender by use of the consultancy flag.

The definition of a consultancy, as defined by the Department of Finance at:

<https://www.finance.gov.au/procurement/procurement-policy-and-guidance/buying/reporting-requirements/consultancies-reporting/practice.html>, is used for the purposes of meeting our AusTender reporting obligations. This definition may differ from the broader interpretation of a consultancy service used by many suppliers to the Archives.

Submission Part (b)

The Archives selects the most appropriate UNSPSC category for the goods or services being procured irrespective of whether the consultancy flag has been checked. The largest six advisory and consultation categories by financial year procured by the Archives' are detailed in the graph below:



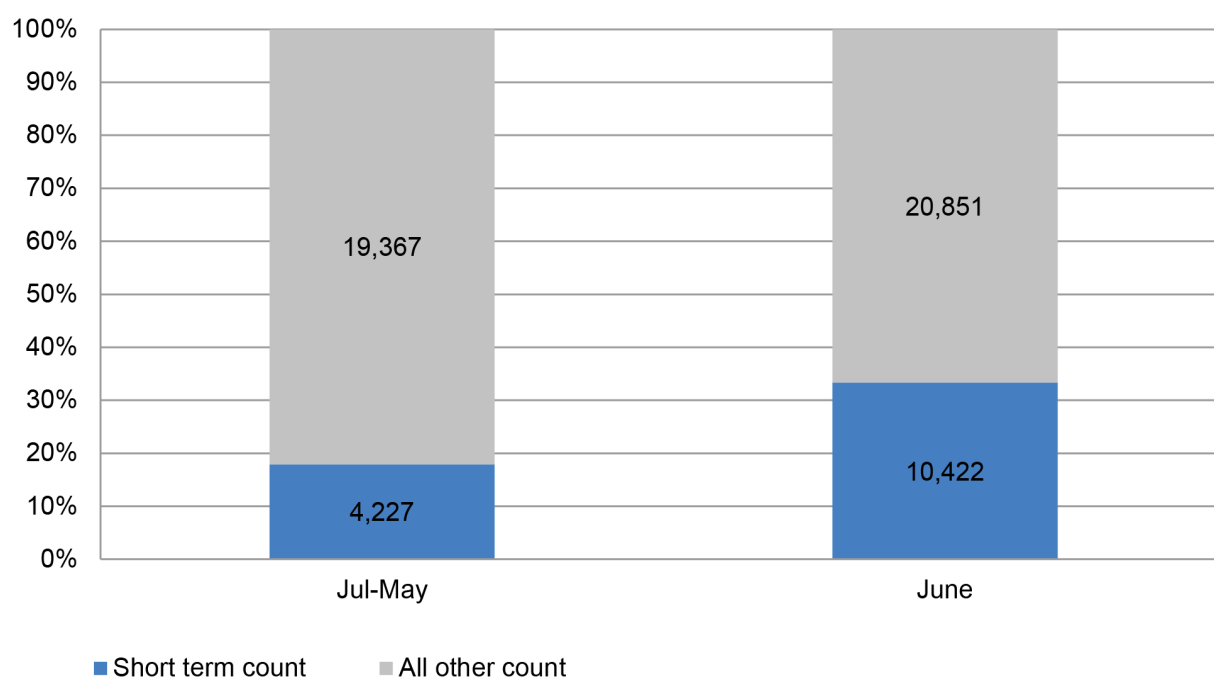
Paragraphs 6.3-6.5 and Figure 6.3

6.3 At the Whole-of-Government level, this represents an increase from an average of 845 short term contracts per month in July thru May to an average of 2084 in June (a 147 per cent increase). The value of short-term contracts entered into in June is also higher than the value of contracts entered into in each of the other months.

6.4 Figure 6.3 shows the relative proportion (by number) of short-term and all other contracts in June compared to the proportion of short term contracts in all other months.

6.5 Figure 6.4 shows the percentage increase in short-term contracts between July–May and June by entity. While all 20 Control Report entities in the analysis had an increase in short term contracts in June, the extent varied considerably, ranging from 57 per cent to over 700 per cent increases.

Figure 6.3: Proportion of contracts (by number) commencing in June compared to the rest of the year (2012–13 to 2016–17) from the Australian National Audit Office No. 19 (2017-18) Australian Government Procurement Contract Reporting.

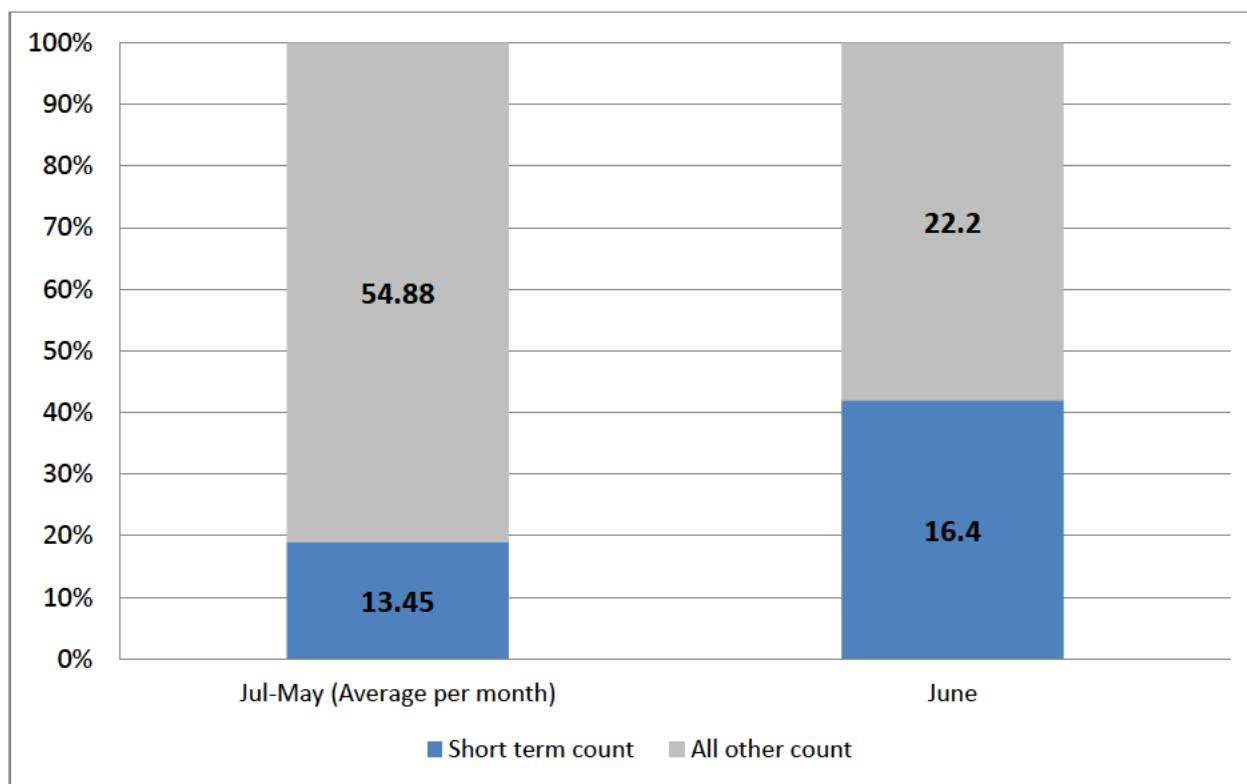


Submission Part (b)

Response to Paragraphs 6.3-6.5 and Figure 6.3

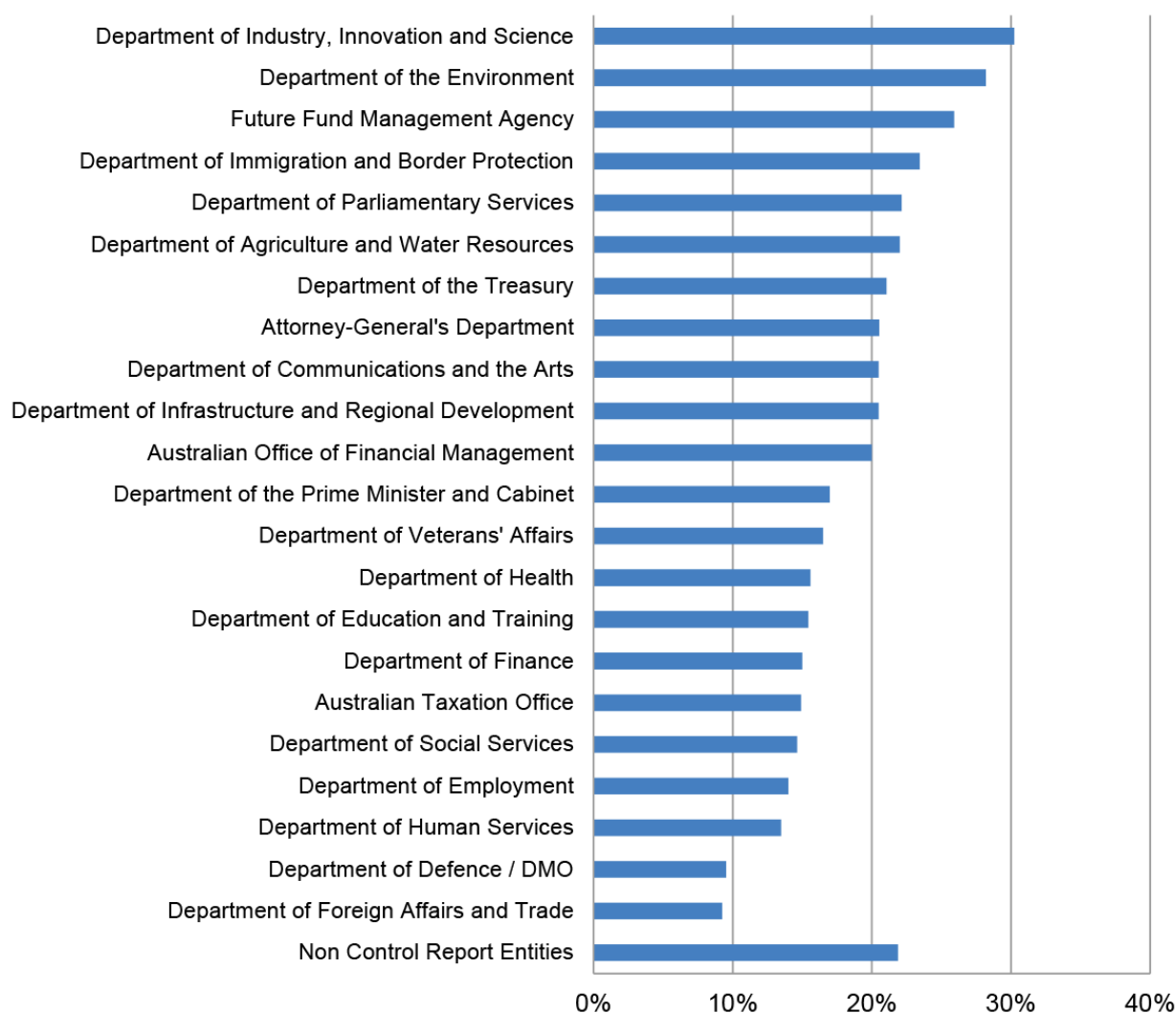
The National Archives procures goods and services in accordance with the Commonwealth Procurement Rules, in particular the core rule of achieving value for money. The Archives conducts its procurement activities in line with its appropriation each financial year.

The average number of contracts for each month from July to May compared to the average number of contracts in June for all financial years is detailed in the graph below.



Paragraphs 7.3-7.5 and Table 7.1 and Table 7.2 and Figure 7.3

Figure 7.3: Potentially related contracts under \$80,000 as a percentage of contracts between \$80,000 and \$160,000 by entity (2012–13 to 2016–17) from the Australian National Audit Office No. 19 (2017-18) *Australian Government Procurement Contract Reporting*.



7.3 The CPRs state that 'a procurement must not be divided into separate parts solely for the purpose of avoiding a relevant procurement threshold'. ANAO conducted analysis to identify sets of two contracts that had the following characteristics:

- both contracts were with the same entity;*
- each of the contracts were entered into with the same supplier;*

Submission Part (b)

- *the contracts had a start-date within the same quarter; and*
- *the combined value of the two contracts was above \$80,000, but each of the reported contract values were below \$80,000.*

7.4 The ANAO identified 4914 individual contracts (or 2457 pairs of contracts) that met the above criteria.

7.5 The ANAO further analysed these 4914 contracts in order to categorise the pairs by whether one or both of the contracts identified as having an Open Tender process.

Table 7.1: 'Potentially related' contracts (2012–13 to 2016–17)

Financial year of contract start date	Number of 'potentially related' contract pairs	Number of contracts with a value of \$80,000-\$160,000
2012–13	521	6111
2013–14	472	6022
2014–15	501	6766
2015–16	475	6969
2016–17	488	6656
Total	2457	32524

Table 7.2: 'Potentially related' contracts by procurement method (2012–13 to 2016–17)

Procurement method	Number of 'potentially related' contract pairs	Number of contracts
At least one contract identified as Open Tender	950	1900
Neither contract identified as Open Tender	1507	3014
Total	2457	4914

Response to Paragraphs 7.3-7.5 and Table 7.1 and Table 7.2 and Figure 7.3

The National Archives of Australia values its procurement activities in accordance with section 9 of Commonwealth Procurement Rules (CPRs) to determine the procurement method. This includes the application paragraphs 9.4 and 9.5 which state:

9.4 When a procurement is to be conducted in multiple parts with contracts awarded either at the same time or over a period of time, with one or more suppliers, the expected value of the goods and services being procured must include the maximum value of all of the contracts.

9.5 A procurement must not be divided into separate parts solely for the purpose of avoiding a relevant procurement threshold.

Where goods and services of a similar nature are required on a regular or ongoing basis, the Archives endeavours to plan its procurements and procure strategically to achieve value for money. These goods and services may be procured from a panel arrangement or directly sourced by relying on an exemption from Division 2 of the CPRs. This includes the application of exemption 17 at Appendix A of the CPRs for procurements undertaken from a SME with at least 50 percent Indigenous ownership.

Chapter 8: Accuracy and timeliness of procurement contract notice publication

Potential duplicate contract entries on AusTender

8.1 In addition to the analysis of potentially related contracts in Chapter 6, ANAO also identified a number of transactions with characteristics indicating the contract may have been mistakenly reported on AusTender multiple times. These contracts had the characteristics of:

- same entity;
- same supplier ABN (or supplier name where no ABN)
- same start date; and
- identical contract value.

8.2 In order to better identify potential duplicate entries on AusTender, unlike other sections of the report, this analysis has not aggregated related contracts where there were matching key fields in AusTender.

8.3 Results of this analysis indicate that almost two per cent of contracts reported on AusTender may be duplicate entries. This would have the effect of overstating reported AusTender procurement value, on average, more than \$100 million per year (approximately 0.25 per cent).

8.4 This analysis would not identify instances where one of the contracts in a potential duplicate entry has been amended subsequent to its original publication.

8.5 Further analysis would be required to identify instances where entities contracts were validly reported reflecting goods or services being procured at the same price, on the same day, on multiple occasions from the same supplier.

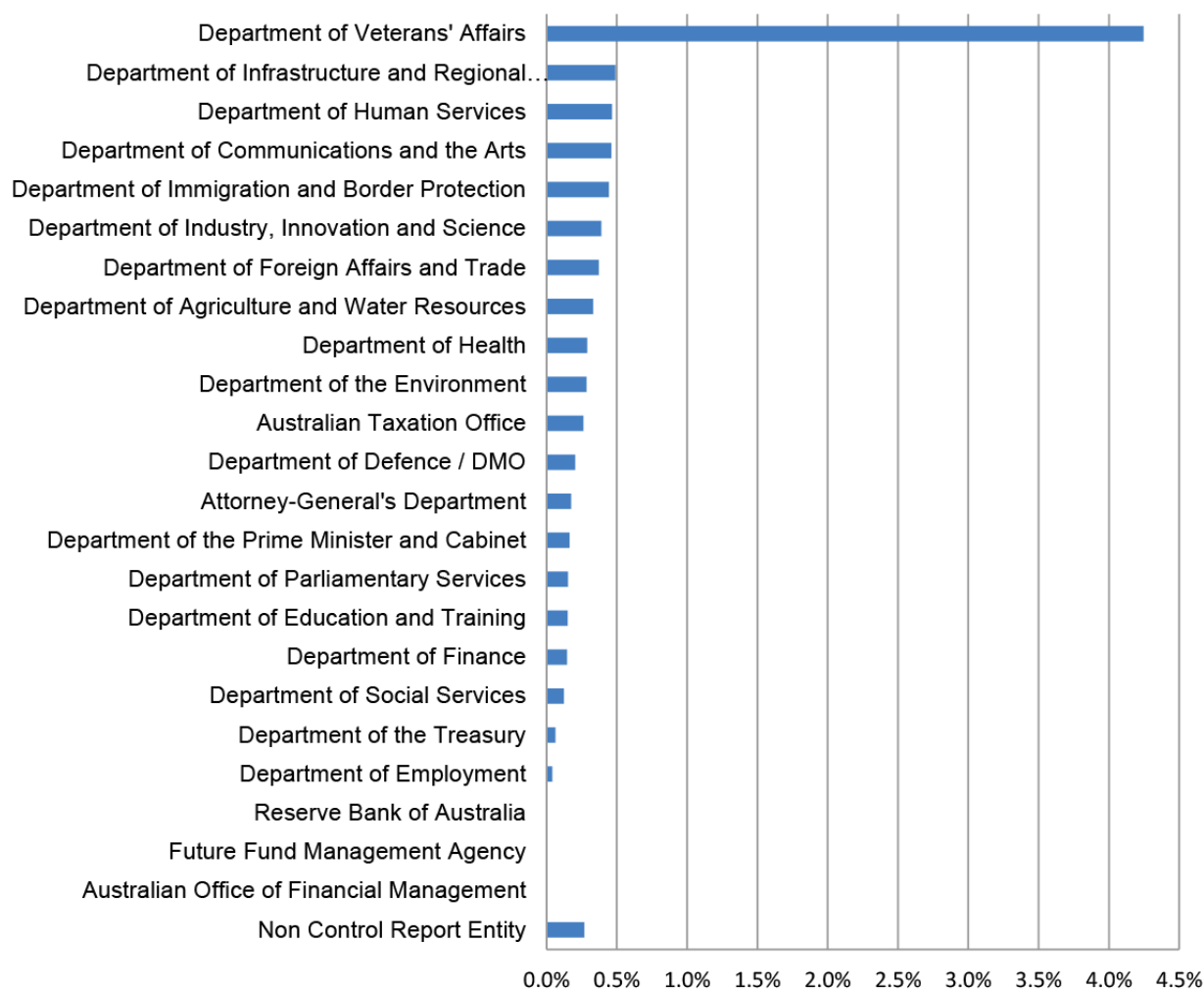
Table 8.1: Estimated number and value of potential duplicate entries on AusTender

Financial Year	Number of potential duplicate contract entries	Contract value of potential duplicate contract entries (\$000's)
2012-13	1261	99,715
2013-14	1235	163,972
2014-15	1376	95,079
2015-16	1241	133,606
2016-17	1245	91,068
Total	6358	583,441^a

8.6 ANAO identified that two UNSPC categories make up a disproportional value of the potential duplicate entries. While contracts classified as 'Temporary Personnel Services' and 'Computer Services'⁴⁵ account for only 2.35 per cent of total contract value, they account for 29.9 per cent of the total value of contracts identified as potential duplicate entries. ANAO's understanding is that these categories of contracts may be less likely to reflect duplicate entries as entities may enter into multiple contracts with supplier firms for staff contracted for the same period of time at the same rate.

Submission Part (b)

Figure 8.1: Estimated value of potential duplicate entry AusTender contracts as a percentage of total contract value by entity (2012–13 to 2016–17)



Source: ANAO analysis of AusTender data.

8.7 It should be noted that the Department of Veterans' Affairs had 29 per cent of its contract value in the categories 'Temporary Personnel Services' and 'Computer Services'. This is approximately 12 times higher than the Whole-of-Government average for these categories at 2.35 per cent.

8.8 As discussed previously, this may account for much of the reason why the Department of Veterans' Affairs has a 4.25 per cent value of potential duplicate entries compared with the 0.25 per cent Whole-of-Government average.

Timeliness of AusTender publication

8.9 The CPRs state that relevant entities must report contracts and amendments on AusTender within 42 days of entering into (or amending) a contract if they are valued at or above the reporting threshold.

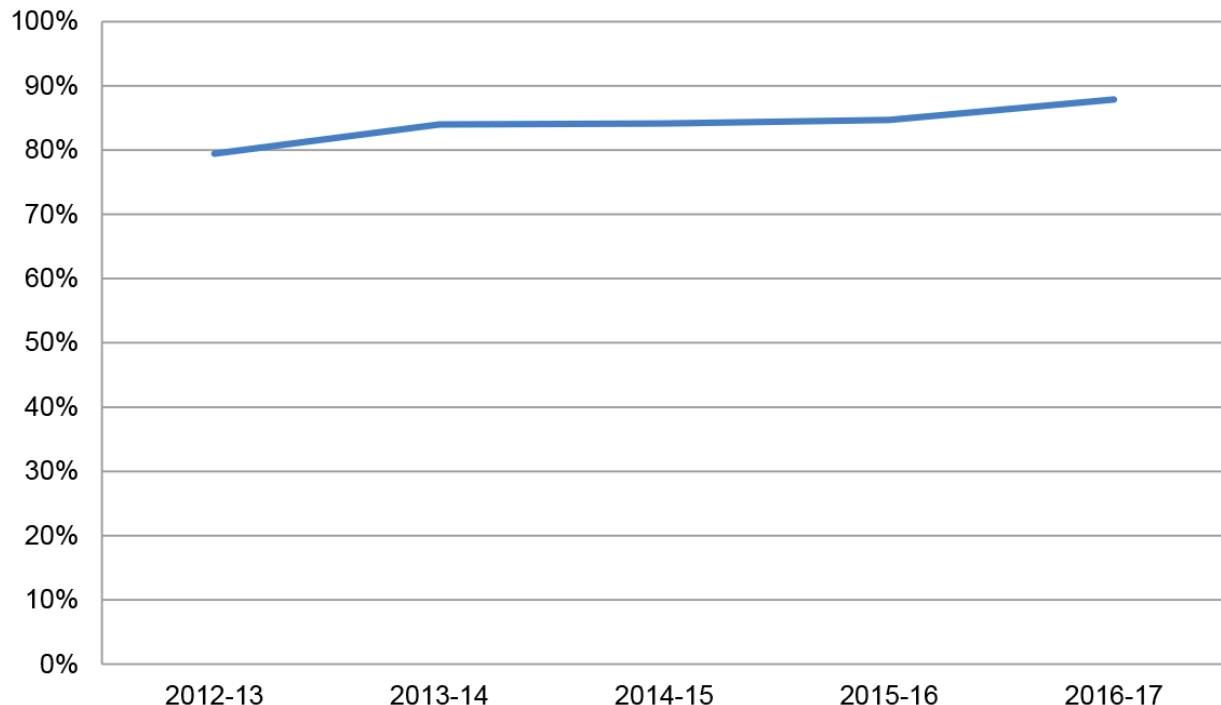
8.10 Figures 8.2 and 8.3 show compliance with the 42 day publishing rule. AusTender does not capture the date on which contracts are entered into. It is possible for entities to notify a contract start date that is later than the date on which the contract is entered into (6.5 per cent of contracts list a start date after the publish date). Consequently, where:

- a. the contract was not published on AusTender within the 42 days of the contract having been entered into; but
- b. the publication nonetheless occurred within 42 days after the contract start date;

this analysis will treat the contract notice as having met the 42 day publishing rule.

8.11 The following analysis includes only transactions where the publish date is on or after the start date.

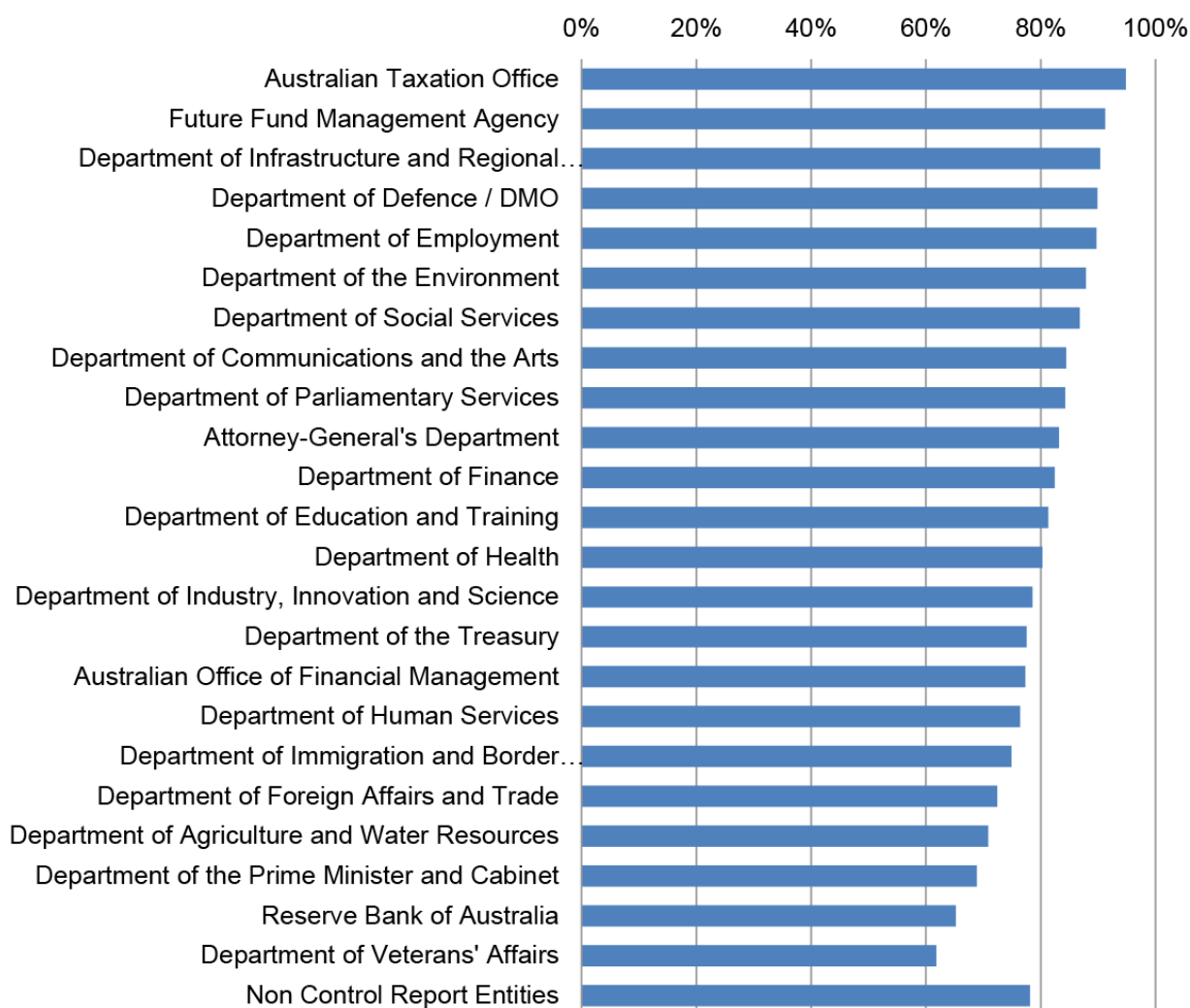
Figure 8.2: Percentage of contracts published within 42 days of the contract start date by financial year (2012–13 to 2016–17)



Source: ANAO analysis of AusTender data.

Submission Part (b)

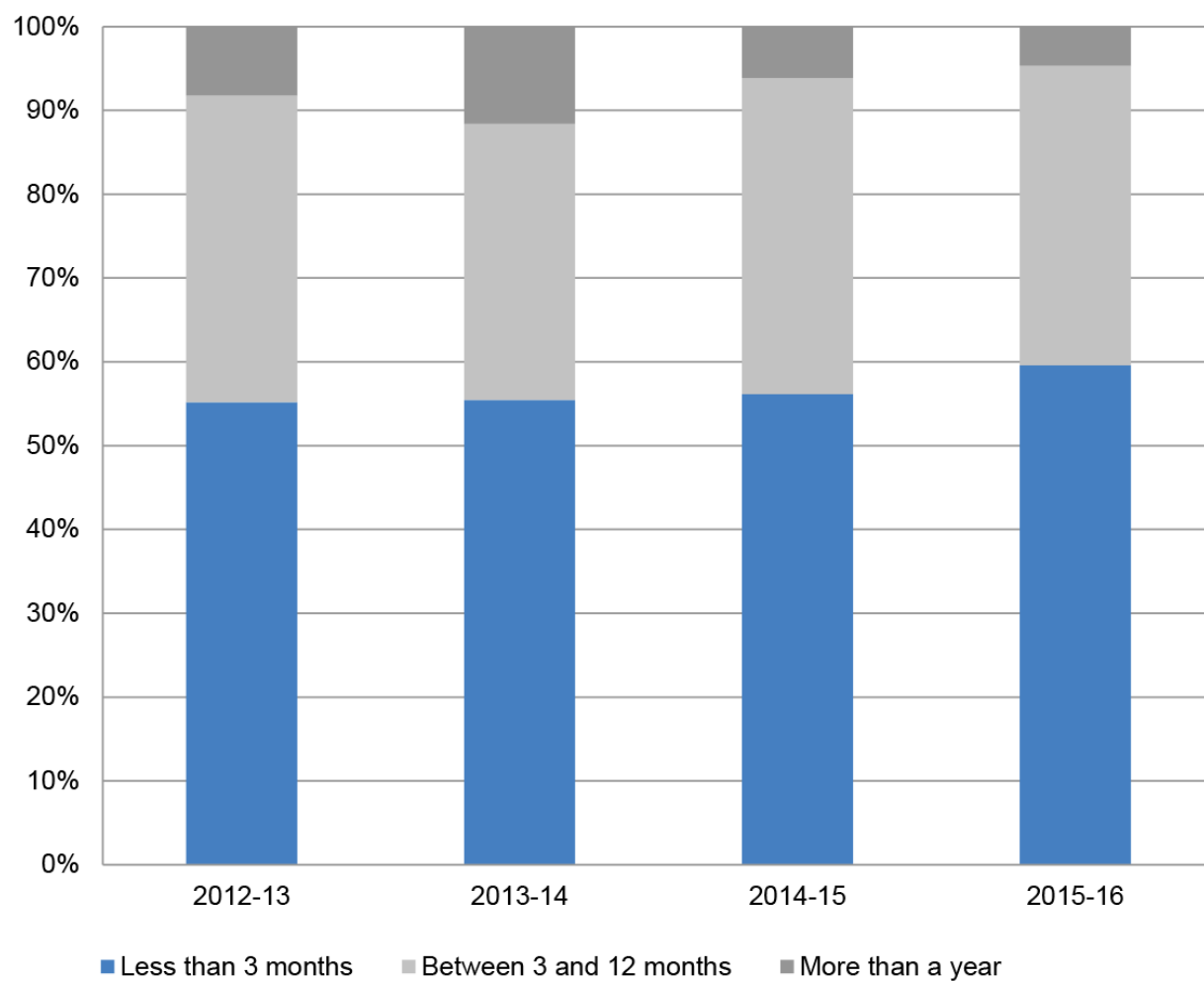
Figure 8.3: Percentage of contracts published to AusTender within 42 days of the contract start date by entity (2012–13 to 2016–17).



Source: ANAO analysis of AusTender data.

8.12 Figure 8.4 shows a stratification of the time taken to publish to AusTender, only those contracts that were not compliant with the 42 day publishing requirement (i.e. those where the publish date was more than 42 days after the contract start date).

Figure 8.4: Stratification of contracts published more than 42 days after start date by financial year (2012–13 to 2015–16)



Source: ANAO analysis of AusTender data.

Submission Part (b)

Response to Potential duplicate contract entries on AusTender

The National Archives of Australia has reported 2 duplicate contracts (out of 859) with a total value of \$37,766 over the past five years.

The Archives batch uploads contracts onto AusTender through its financial management system which minimises the potential for duplicate reporting.

The Archives has reported contracts on AusTender for labour hire that appear to be duplicates, however, as noted by the ANAO in their report, these are for temporary personnel services and are separate contracts for the engagement different contractors.

Response to the Timeliness of AusTender publication

The National Archives of Australia endeavours to publish all contracts on AusTender within 42 days of entering into a contract in accordance with the Commonwealth Procurement Rules. The Archives has improved its compliance with this rule since 2012 and is currently reporting 85.5% of its contacts within 42 days.

Whilst, the Archives reporting is on par with a large number of Agencies in the control group, we have recognised that there is a need for improvement and have commenced a project to ensure our contracts are reported within 42 days.

The Archives statistics on the timeliness of our reporting is detailed in the chart and graph below:

Within 42 days	2012-13	2013-14	2014-15	2015-16	2016-17
Yes	114	133	138	144	171
No	61	21	24	26	29
Total	175	154	162	170	200
Percentage	65.1%	86.4%	85.2%	84.7%	85.5%

