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**SENATE STANDING COMMITTEE ON
FINANCE AND PUBLIC ADMINISTRATION**

Wednesday, 11 October 2006

Members: Senator Mason (*Chair*), Senator Forshaw (*Deputy Chair*), Senators Carol Brown, Fierravanti-Wells, Fifield, Moore, Murray and Watson

Participating members: Senators Barnett, Bartlett, Bernardi, Boswell, Brandis, Bob Brown, Carr, Chapman, Conroy, Crossin, Eggleston, Chris Evans, Faulkner, Ferguson, Ferris, Fielding, Heffernan, Hogg, Joyce, Ludwig, Lundy, Ian Macdonald, Marshall, McGauran, McLucas, Milne, Nettle, O'Brien, Parry, Payne, Robert Ray, Ronaldson, Sherry, Siewert, Stephens, Trood and Webber

Senators in attendance: Senators Carol Brown, Fierravanti-Wells, Forshaw, Mason, Murray and Watson

Terms of reference for the inquiry:

To inquire into and report on:

The operation of the Senate order for the production of lists of departmental and agency contracts.

WITNESSES

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Committee met at 4.33 pm

CHAIR (Senator Mason)—I declare open this meeting of the Senate Standing Committee on Finance and Public Administration. For the record, I note that today marks the inaugural hearing of the new standing committee which superseded the former references and legislation committees on 10 August this year. I warmly acknowledge and welcome my colleagues here today.

This hearing is part of the committee's ongoing monitoring of the operation of the Senate order on departmental and agency contracts. Today the committee will be examining, among other things, a discussion paper prepared by the Department of Finance and Administration on the rationalisation of procurement reporting regimes.

The committee's proceedings today will begin with officers from the Department of Finance and Administration, followed by officers of the Australian National Audit Office and then the Clerk of the Senate, Mr Harry Evans. These are public proceedings, although the committee may agree to a request to have evidence heard in camera or may determine that certain evidence should be heard in camera.

I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee.

If a witness objects to answering a question, the witness should state the ground upon which the objection is taken and the committee will determine whether it will insist on an answer, having regard to the ground which is claimed. If the committee determines to insist on an answer, a witness may request that the answer be given in camera. Such a request may, of course, also be made at any other time. Any claim that it would be contrary to the public interest to answer a question must be made by a minister and should be accompanied by a statement setting out the basis for the claim.

The Senate has resolved that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

[4.36 pm]

GRANT, Mr John, Division Manager, Procurement Division, Department of Finance and Administration

McINTYRE, Mr Duncan, Branch Manager, Procurement Reporting and Systems Branch, Department of Finance and Administration

O'LOUGHLIN, Mr Steve, Branch Manager, Procurement Policy Branch, Department of Finance and Administration

CHAIR—The committee welcomes Mr Grant and officers from the Department of Finance and Administration. Mr Grant, I understand that the department intends to start with a presentation on the proposed new reporting system outlined in the discussion paper. Before making the presentation, do you wish to make an opening statement?

Mr Grant—Yes, I do. Thank you, Chair, for the opportunity to appear before the Senate committee today. Our purposes for being here are to answer, as far as possible, any questions you might have about our paper and to provide a presentation on the reporting functionality of the enhanced AusTender system, in terms of both improving the quality of information input and its enhanced reporting capabilities.

We have received questions from Senator Ludwig, to which we have responded. Senator Murray also has written to Senator Colbeck, the Parliamentary Secretary to the Minister for Finance and Administration. I am hoping that today's discussion will deal with the matters raised by Senator Murray in his letter.

Our focus is on procurement reporting. That is the focus of the discussion paper we provided. Our recommendations relate to procurement reporting; they do not relate to other contract activities, such as grants or revenue contracts. Our thinking and our proposals for change reflect the findings of the Australian National Audit Office, particularly in the report on expenditure on consultants that concluded that the complexity of the current reporting requirements has contributed to agency reporting difficulties.

That report recommends, amongst other things, that Finance, with the Department of the Prime Minister and Cabinet, in consultation with key parliamentary committees, agencies and other relevant stakeholders, examine the options for improving the accuracy and completeness of reporting of government procurement, including the merits of rationalising the number of reporting regimes. Each requirement is not in its own right the cause of confusion and complexity. However, the existence of more than one requirement has contributed to the issues raised by the ANAO.

In this context we have examined reporting requirements, consulted with a wide range of agencies, met with the Joint Committee of Public Accounts and Audit on two occasions and given a great deal of thought to the mechanisms to reduce the existing complexity of procurement reporting without adversely affecting transparency. We expect that this will increase

transparency through better access to up-to-date information for everyone and improved audit trails which will indicate an active decision by an official about the information provided.

Perhaps I can summarise Finance's sustained commitment to achieving a high level of transparency in procurement. Over the last three years Finance has been very active in its efforts to improve transparency in procurement through proper treatment of confidential information and improved reporting.

The current version of the Commonwealth procurement guidelines, or CPGs, clearly establishes the importance of accountability and transparency within the procurement framework. The CPGs are supported by additional guidance material on confidentiality, the Senate order and procurement reporting in financial management guidance. There are five of those guidances—relating to confidentiality of contractors, commercial information, the listing of contract details on the intranet, identifying consultancies for annual reporting purposes, mandatory procurement procedures, which includes reporting requirements, and guidance on procurement publishing obligations.

There is a significantly different environment now to that which existed during the early development of the Senate order when the CPGs of the time lacked a clear statement on accountability and little guidance, if any, was provided to agencies. However, as the discussion paper indicates, we acknowledge there is room for improvement. The approach Finance has been taking to improve transparency and procurement has three elements. The first is to improve the clarity of procurement reporting requirements. The second is to improve the capacity and capability of reporting systems. The third is improving agency data.

Successive ANAO audits of compliance with the Senate order reflect that it has been instrumental in changing the behaviour of agencies in relation to the treatment and reporting of confidentiality. This is reflected in the continuing reduction in the number of contracts that include specific confidentiality provisions. Consistent with improving procurement reporting more generally, we consider that a comprehensive approach will deliver the best solution for the appropriate treatment of confidential information. In relation to confidentiality of contract information, Finance is reviewing the guidance to clarify agency obligations and reinforce their obligations to appropriately manage confidentiality throughout the procurement process, not merely at the end. Future AusTender reporting of the use of confidentiality will facilitate better analysis of that data. Finance is working with agencies to assist training and education.

Our discussion paper makes three recommendations. The first is that AusTender be the single reporting mechanism for procurement. Mr McIntyre's presentation on the enhanced AusTender system will inform you of its capabilities and the measures being implemented to improve the accuracy of reporting, and access to information about procurement needs and decisions. The second recommendation is to revoke the Senate order in relation to procurement because the information will be readily available on AusTender. It will be available consistent with the Senate order, which can be up to six months out of date, and be available in real time—that is, 42 days after the award of the contract. Additionally, the information will be available not only for contracts of \$100,000 or more, but for contracts of \$10,000 or more. The third recommendation is that the annual reporting requirements for reporting consultancies also be removed. This information will be readily available on AusTender—again in real time rather than up to 18 months after the contract is reported on AusTender.

In relation to the suggestion to remove the CTC, or competitive tendering contracting reporting requirement, as explained in our discussion paper, its relevance has diminished significantly over time. Competitive tendering contracting is now a standard option to address business needs. Finance recognises that AusTender alone will not be the answer to delivering a complete and accurate procurement reporting mechanism. However, the range of Finance's activities spanning systems changes, improved clarity of policy through updated guidance and a single, well-defined reporting requirement will go a long way towards addressing the complexity and failures in the existing reporting regimes. Our expectation is that our initiatives will enhance transparency and reduce unnecessary red tape.

Chair, with your agreement perhaps I can ask Mr McIntyre, the Assistant Secretary of the Procurement Reporting and Systems Branch, to provide an overview of the AusTender system.

Mr McIntyre—I will take you through some pictures that give you a sense of what the system will do. The plan is that this functionality will become available and that agencies will begin to enter their procurement reporting information into AusTender from 1 July 2007.

A PowerPoint presentation was then given—

Mr McIntyre—John has talked a little about the reasons why we are here. Some of these are also reasons why we have been working to redevelop AusTender: the reports of the ANAO and in particular the ANAO's recommendation that we work with PM&C to look at how we can find opportunities to improve reporting, including seeking to rationalise the number of different reporting regimes. The proposal that we have put together streamlines the current reporting requirements, which increases their relevance, accessibility and quality. Agencies will report many of the things that they currently report through the Senate order, and the annual reporting requirements will now be available, through AusTender. Finance is already working and will continue to work with agencies to enhance the quality of the data that they provide and publish on AusTender.

What is AusTender? I think you may have some familiarity with AusTender, but it is the system that Australian government agencies use to advertise their tenders, distribute tender documents, lodge tenders electronically and publish the outcomes of those procurements on the internet. Altogether there are more than 50,000 suppliers that are registered on AusTender and receive information about tenders or look up details of procurement outcomes. The system provides a framework such that agencies can comply with their obligations to the parliament under law and do so in a way which is efficient and which protects them against the possibility of failing to meet their obligations. The system helps them to comply with their obligations effectively. It also manages the interaction between agencies and suppliers and provides a strong audit trail to agencies, so that they can ensure that their actions in the way they run their tender processes can be defended, and also allows auditors to understand the way in which tenders were conducted, to ensure that they were done in accordance with the law.

We are currently working to enhance AusTender, in particular to deal with the procurement reporting issues that we are here to discuss today. The redeveloped system will provide a range of new fields that will supply procurement information that is currently in the Senate order and in annual reports. I will show you that information presently. The system will improve the support that agencies get to upload data into AusTender, and this is very important in helping

them provide high-quality information about their procurements. I will show you some of that as well. It also expands the reporting and searching tools that are available to assist agencies and the public to use AusTender information. This means that there will be a variety of more comprehensive views of procurement information available that will make it much easier for senators, for the public and for suppliers to understand the way government is letting its contracts and that will help them to make best use of that.

The new information that we are planning to require agencies to put into AusTender relates to all contracts over \$10,000. Agencies will be required to supply, for all their consultancies, a justification for why the contract is a consultancy, and this is the major field that is currently in the annual report listing for contracts. Agencies will also have to flag any confidentiality clauses in contracts and the reasons for those clauses. Additionally, they will have to provide the reasons for any confidentiality in materials obtained or generated in carrying out the contract. These are the central elements—but not the only elements—of the Senate order.

The new system will also improve the codes that are used to classify goods and services. The current code that is used is one developed by the Australian Bureau of Statistics during the nineties. The Bureau of Statistics is no longer supporting this code, so we are moving to a code set which has been developed through the United Nations. It is currently used by many of the countries we trade with, it is used by many state governments, and indeed it is used by the rest of AusTender, so it is a widely used code. Through this code system, it will be much easier for people to determine what sorts of goods and services were being bought.

It will also provide mechanisms for agencies to link the contracts that they sign to the original approach to market or tender opportunity that was published on AusTender, so that it will be easier for suppliers to understand the whole life of a particular opportunity, and it will be easier for them to link these things to standing offers and panel arrangements, which are increasingly being used by agencies.

Here are some pictures showing how the system will present information. This picture shows a part of the system that is away from the public eye, but it is perhaps one of the most important parts of it in terms of providing high-quality information. This is where agencies put information into AusTender. In the current system it will simply publish whatever the agency provides. In the new system it will run a bunch of checks to ensure that the information provided is in line with policy and, if it is not, it will provide warnings to agencies and suggestions as to how it might be appropriate for them to amend the information.

For example, this is an error report which shows that a confidentiality indicator was not provided, so the system does not know whether there are confidentiality clauses in this contract. The agency has the choice to either enter that information at the time they are putting the information in or take it back into their agency and correct it. But if they choose, they can also ignore this and publish the information without the indicator. If they do that, though, it will be clear that the agency made an active choice to do something that they were warned was not in line with the policy, and that will make it much easier for us from an audit perspective to be clear about whether agencies are seeking to comply with their obligations.

There are a bunch of other ways in which it checks data. For example, this is a place where it looks for duplicate records which may appear in the system and gives agencies an opportunity to

delete things that might be duplicates. There is a range of other things like this that we are expecting will help to improve the quality of data that is currently available on AusTender.

Perhaps from this committee's perspective the most important part of the redevelopment is the part that relates to the Senate order. This is a picture of the department of finance's current Senate order as published on our website. As you can see, it supplies a range of information—most pertinently, information about confidentiality in the contracts. A similar report will be available on AusTender which supplies the same sort of information. You can see it has the same fields but it will have the added advantage that the person who makes the request will be able to change some of the variables in the report if they would like different information. For example, they can change the organisation. Rather than just getting one report or needing to go to a different website for each agency's report, they can pull down a group of reports that they might be interested in examining from different agencies. People looking for the information can change the date range. Rather than looking at six months, which could be as much as six months out of date, they can pull down the last six months from today, or 12 months or previous years. There is much more flexibility about choosing the time period provided. This also applies to the sum. It is currently \$100,000 and greater. You might only be interested in contracts over a million dollars. Alternatively, you can go down to \$10,000.

It will provide some summary information. This information is currently very hard for us to get from the system. There is not a way in which this information can be easily summarised. It will provide a percentage of the total contracts of that agency that have confidentiality clauses. That will allow, for example, comparisons between agencies in their use of confidentiality clauses.

If you are interested in a particular contract, there is a link to the contract ID which will provide a more detailed view of that contract. That will look something like what is shown here. There is information provided further down which has gone off the screen, but you can see here the most important information, and I have an expanded view of this which shows you the new fields. These fields that I have coloured green here are fields that are not currently supplied through AusTender but they will be supplied through the enhanced system. You can see that there will be an indicator of whether there is confidentiality required in the contract and, if so, the reasons; and the same for the outputs of the contract and, if so, the reasons. If it is a consultancy, there will be a reason why there is a consultancy.

We have provided further information because we have a broader objective of encouraging transparency. While these are not things which are currently required in the annual report or the Senate order, we are requiring this information to be entered on AusTender. If agencies make amendments to the contract, the current value of the contract will be displayed, as well as the original value. That will allow you to easily see how contracts have changed over time. If there have been amendments, those amendments will be listed. By clicking on the date of those amendments you will see further information about why the department amended the contract.

Furthermore, down here, agencies will have the opportunity to enter the approach to market identifiers, or ATM IDs. This is a number which describes the original approach to market or tender notice that was published so that suppliers can go back and see what the business opportunity looked like at the time it was put forward. Agencies can also link it to standing offers. Many agencies are beginning to use standing offers and panels as a way of improving the

efficiency of their procurement activity. This will allow these contracts to be linked to the standing offer if they belong to a standing offer.

This is a view of the department of finance's current annual report listing of consultancies. The most important information that is not in the other reports is this field at the end, which is the justification for the consultancy. AusTender will provide a report which supplies the same information except once again you can choose the period and the departments that you are interested in, and you can get all the information from one site.

Senator FORSHAW—Where is that previous slide published?

Mr McIntyre—This is published in the department's annual report as an appendix.

Senator FORSHAW—Thank you.

Mr McIntyre—In the same way as the Senate order report, all the information on this contract can be tailored to the particular needs of the person requesting the report. Once again, you can click on particular contracts to find out more information about them. There is a range of other reports available through the system. For example, this report lists all variations that have been published on AusTender in the period of the report. Variations can be of particular interest and this report will allow you to see the difference between the cost of the original contract and the cost as varied. That will aid public transparency of government procurement.

If none of those reports supplies the information of interest, there is an advanced search function which allows all of the fields to be searched and detailed information to be returned about contracts. For example, if you are interested in finding out about all contracts let to a particular supplier across all government agencies, it would be a simple matter to get that information and that could be very useful in understanding the patterns of expenditure across departments.

AusTender has been designed in a way to help agencies to enter information into it that is accurate and timely. For example, when agencies are seeking to enter classification codes, the staff given the task of entering this information often struggle to know how to classify a particular contract. In the new system, all they will have to do is type in some of the letters of the word that they think are related to a description of the goods and services purchased under the contract. As they type more words, a list will appear which contains likely completions of the word. That list will be refined as they type further, until eventually they will find a choice which matches their need and they will click on that to select the field. This will make it much easier for agencies to select appropriate ways to classify their procurements. By classifying procurements correctly, it will be much easier to get aggregate information about particular classes of services that government may be purchasing, such as accountancy services. If invalid entries are provided, they will be clearly marked as invalid and the person will have an opportunity to correct the entry until they can find a valid entry.

This is not going to be straightforward for agencies to do. They will need to make changes to the information technology systems they have which deliver contract information to AusTender, either through the financial management systems or contract registration systems that departments maintain. They are also going to need to change the business processes they use to

extract this information. That work needs to be done precisely to improve the quality of reporting. However, agencies are accepting of the need to do this. They see that by doing this through a single clear mechanism they will be able to provide better information in a more timely fashion.

There has been broad support across agencies for the changes that we are proposing. We are providing support to agencies to help them make these changes. We are providing a range of guidance material to help them understand their reporting obligations. For example, we are preparing guidance on identifying and reporting confidentiality and consultancies, and we are talking to agencies about how they can best propagate this guidance through their agency to the people who are actually responsible for the contracts.

We are providing a package of support to agencies. All together we have 137 agencies to support, and that package includes information, such as I have described, but also training for agencies. Those people then go through their agency and help train people within the agency. We provide a help desk. We work with them to understand the workflow of their reporting process and help them to find ways to improve that. As a result, we are expecting significant improvements in the quality of information that is provided through AusTender.

CHAIR—Thank you, Mr McIntyre. Before I invite my colleagues to ask questions, I note that it is five o'clock. I think we have permission from the Senate to sit until six o'clock. I can see Mr Evans at the back and Mr Coleman and officers from the Audit Office, so we will have to see how we go, but I have this awful feeling that we may have to have a hearing later. We will see how we go.

Senator MURRAY—Mr McIntyre, from a procedure point of view, that was very useful. Are you able to provide a hard copy of that presentation for the committee?

Mr McIntyre—Certainly, Senator.

Senator MURRAY—What you have showed us, gentlemen, has many attractive features and is of great interest as a mechanism for improving the quality of information available both from a practical point of view, for users, and from an accountability point of view for those who want to be sure—including yourselves—that agencies are doing the right thing in terms of public sector standards of contracts. But right at the heart of the question about this proposal versus the Senate order is the question of whether they can run in tandem rather than one needing to be substituted for the other. As yet, I can see no reason why they should not run in tandem. In fact it may pay, whilst your new system is being implemented. I would like that question answered first, as to how you feel about it running in tandem.

The second part, which is tied to that question, is that the Senate order has some effects which are not covered in there. One of the most notable is that it does request the Audit Office to provide an annual report. It is not up to the finance department to do that, but the Audit Office has accepted that as an obligation to the parliament. That therefore gives a tightness, if you like, to the evaluation of the Senate order.

The third issue is unresolved by either, and that is the issue of enforcement. We have discussed this before. You do not have a direct means of enforcing these things and penalties that apply,

and neither do we. So that is a weakness for both, I think. Perhaps you would respond to that brief outline.

Mr Grant—In relation to your first question about whether the Senate order and AusTender can run in tandem—absolutely. In fact what I would hope is that, for procurement contracts, agencies would click on one of the screens that Mr McIntyre showed you, which is the Senate order screen, and simply download the information, because that is the intent of the system. The reason we made a recommendation that the Senate ought to move away from procurement is simply that it is double handling and duplication. But there is no doubt that they can run in tandem; it is the same information. I hope that on AusTender it is more timely information.

Senator MURRAY—In your presentation you have predicated this on a transitional period. I think your specific words were that there is ‘broad support from agencies’, but you have a time period within which IT systems will have to be changed and introduced and people will have to be trained and so on. In my mind I see that as being years for big agencies and maybe months for small agencies.

Mr Grant—Senator Murray, you are right that there is a transition time. We have been talking to agencies about this for probably three or four months. In the last month we have given to agencies the technical requirements for their systems to upload that electronic procurement information. The agencies have been very supportive of it. I was at a meeting about two weeks ago and I was quite surprised by the overwhelming support for the improved system functionality. This does not mean, though, that it will all happen overnight. Our objective is to have all of the functionality available on 1 July. We would expect that most departments and agencies would be able to conform by then. Some of the bigger ones will have a longer period in which to have what I would call their ‘efficient systems’ in place.

Senator MURRAY—You can see the hint of a smile around my eyes. I cannot imagine that Defence would, but we will leave that. Please continue.

Mr Grant—Those agencies are discussing with us what processes they can put in place to at least have an interim measure to ensure they meet the new reporting functionality. You are right: the likes of Defence, Centrelink and some of the other bigger departments have more systems to deal with. But we are working with them to do that. In the end, as Mr McIntyre has shown, the fact that this system will automatically inform an agency if there is data missing will give them the opportunity to put in place the mechanisms to ensure that the data is put in place. If they choose not to, it would be a very clear decision by an official not to adhere to our mandatory procurement requirements.

Senator MURRAY—The second part of my three-legged question is the issue of the ANAO, on whom we rely very heavily for an accurate and intelligent evaluation of how things are progressing. As you know, on one measure they are progressing well, which is the reduction in the number of unwarranted confidentiality claims. But on another measure, which is the confidentiality claims themselves being valid, the improvements have been very modest.

Mr Grant—Firstly, I cannot speak on behalf of the ANAO. But I think the ANAO has some good news on that matter insofar as the Auditor-General has agreed that, at least for

implementation, they would review the implementation. Perhaps I could leave that question for the ANAO to answer.

Senator MURRAY—But the question to you is: do you accept that that is an essential annual leg? As you know, the Senate order does not require a holistic appraisal; it is a sample appraisal. But I think that is an essential mechanism that needs to continue. Do you accept that point?

Mr Grant—It certainly focuses agencies. I would suggest to you, though, with the systems in place and the reliance not only on business processes but on technology we would expect the rate of the quality of information to improve and the rate of compliance to improve, because it will be easier and quite clearly more up-front for those putting in the information to get the information right. Certainly there should be auditing of the implementation, and I suspect there should be auditing every now and then of the compliance. I am not sure, and I would have to leave it up to the ANAO to advise, whether you need annual reporting. But certainly auditing of the implementation is critical.

Senator MURRAY—Let us deal then with the third and most intractable area of all, and that is enforcement. As you know, the system at present does not allow for enforcement. Even the ANAO process does not because, whilst they may identify that inaccurate statements have been made in any year, it is only with respect to those agencies they audit. There is a whole range of other agencies which may be putting nonsense on their system and you do not have a mechanism for evaluating that because, as far as I am aware, you do not have an internal audit system which does a sample check across contracts and across agencies to ensure they are abiding by the Finance directions. As you know, those Finance directions are specific. How do you respond to that problem?

Mr Grant—We do not act as a policeman or a monitor of agency compliance because the FMA Act requires the chief executive to do that. What I would suggest to you is that there are probably three aspects to this. The first is that there is a large amount of goodwill amongst agencies to comply with the spirit of the order. I think we have seen that with the continuing improvement. The second element of this in terms of compliance is that it becomes a much different matter when you have built into a process an auditable decision not to comply. The new AusTender system, where we will identify missing data, will not allow agencies to have a default of 'yes' or 'no' in terms of asking: is this a contract? Is this a consultancy? Are there confidentiality provisions? So they will have to insert that each time. In essence, we are lifting the bar. Officers will learn to comply very quickly, otherwise they will be breaching the Commonwealth procurement guidelines which are supported by the Finance regulations and the FMA Act.

Senator MURRAY—Just dealing with the internal audit aspect which I raised as a subset of that question: as you know, a number of the large agencies do have a properly staffed and operating internal audit function but many smaller agencies do not. Is it the intention of Finance to seek some mechanism whereby all internal audit departments as structured—I doubt you can introduce them everywhere, frankly; with a small agency it is not cost effective, but where they do exist—will be tasked to internally audit these systems?

Mr Grant—We do not have the power to do that.

Senator MURRAY—Through your minister you could request a mechanism which the cabinet could lay down.

Mr Grant—That is a policy matter. I really cannot comment on that. What I can say is that, again, in talking to the agencies—and these are the people who are responsible for both overlooking these processes and doing it—there is a real commitment to try to get this right because they recognise that they are exposed at present and they recognise that the way the system will work has the potential to make it very clear that there is an active decision not to adhere to regulation and law.

Senator MURRAY—Let me close this round of questioning—thank you for allowing me the time, Chair—with a request to you on notice. Can you go back and see whether the department is able to provide the committee with a view as to whether you are examining ways in which internal audit can pick up this issue of ensuring internal compliance? I appreciate the policy matters attached to that, but if the minister is happy to answer that question it will help us a great deal.

Mr Grant—I will take that on notice.

Senator FORSHAW—Senator Murray covered a couple of the questions that I wanted to ask but, looking at your presentation and reading your submission, I am wondering whether or not the problem might be that the AusTender system will be so voluminous—there will be so much information there—that you will not be able to see the wood for the trees in terms of what we seek to get out of the operation of the Senate order, together with the opportunity for the Audit Office to do their spot audit and indeed for this committee to have hearings like this. Could you respond to that? I think there can be an argument put that there is an advantage in each department having—as they do at the moment—to have their own information on their own website rather than all in some all-encompassing thing under Finance and Administration.

Mr Grant—The capacity of the system to hold the information and to make that information available is there and will be there. Obviously, as data increases, you need more capacity, but we have provided for that in the operation of AusTender.

Senator FORSHAW—Sorry, I am asking the question in the context of us looking at the information.

Mr Grant—That is what I was coming to next. In terms of looking for information, as with all data retrieval, the wider the parameters you set for receiving information, the longer it will take. I have not personally tested the Senate order yet—I am not sure if I even can yet—but, if I want the Senate order for a department or an agency, I should be able to click on ‘We want a report on the Senate order’, and I expect it should really take a few seconds, perhaps a minute. If I want, though, to get the Senate order for every department and agency, I suspect that could end up taking a little bit longer. But I will hand over to Mr McIntyre, because he knows about this.

Mr McIntyre—Senator, I guess another way to look at your question is: would you have so much information that you could not aggregate it in a way which would allow you to make sense of it? To answer that: in the current system there are a limited range of reports available that can aggregate information. Under the new system, there will be a range of reports that package

information in an easily consumable way for people who are interested in looking at it. I showed you a view of some of those, and most particularly the Senate order report, which is in a very similar format to the current order that is available on agencies' websites. So the information is being aggregated but it also includes summary information that can help you to get a broader view of the patterns of spending that are going on across government.

Mr Grant—I think what we are trying to say is that, unless you want a gigantic amount of information, the ease of access and the response should in fact be quite good.

Senator FORSHAW—It is difficult to know, because what the order requires is for departments and agencies to provide the information on contracts that they have, and it is from there that we then have a base to work from in terms of estimates hearings or however people want to pursue seeking further information about these contracts. I am concerned that, whatever its faults are, it is a simple system in that sense and, having this broad all-encompassing AusTender system will involve problems a little bit like the problems that senators argue about with the portfolio budget statements and the move to outcomes and outputs and all of that—that you get overwhelmed with information that is scattered all over the place so you spend more of your time trying to find information you could have had in an easier format in the first place.

Mr Grant—I think this is a little bit different. There are a couple of things. First, the existing AusTender system already captures the vast amount of data that is required under annual reporting and the Senate order and that people may wish to access. There are two differences between the new AusTender and the old AusTender. One is that a series of reports will be easily accessible because they will be there and set up. People can accept the default parameters or they can put in their own parameters. The second is that with the new system you can set up your own search. Again, it will make it easy as long as you know what you are looking for. If you are looking for information on a company or an agency, or for sectoral information, it will allow you to do that relatively easily. In essence, the information is exactly what you see with the agency because they are already putting that information to AusTender, bar those new elements in green, which Mr McIntyre put up. What we are trying to do is to help agencies so that they do not have to run multiple systems. For contract value and the other things that go with that, they can do it simply and easily through a single system. But it is already on their system because most of it is uploaded electronically.

Senator FORSHAW—I cannot speak for everyone, but I think we all applaud the principle of trying to find a way to make it easier so that you do not have to do things in triplicate, if that is what ends up happening with the different regimes that agencies and departments have to comply with. The devil's advocate in me would ask the question: why should we not necessarily conclude that that proposal would not lead to more opportunity to avoid scrutiny, which is why it was set up in the first place? Senator Murray knows far more about it than I do.

Mr Grant—That is certainly not our intent. In fact, we hope that we are expanding transparency.

Senator FORSHAW—I knew you were going to say that. Convince me!

Mr Grant—Perhaps Mr O'Loughlin can give you an example so that you have an idea of how better information will come out of the process.

CHAIR—Mr Grant, you say that the disadvantage in having the two systems running in tandem—that is, the new AusTender system and the Senate order—is one of administrative inconvenience. You are not suggesting, are you, that it makes the process less transparent?

Mr Grant—No.

CHAIR—So it is just a matter of administrative convenience.

Mr Grant—It is duplication, in my view.

CHAIR—That is fine. I just wanted to make that clear.

Mr O’Loughlin—In respect of Senator Forshaw’s question, I had occasion this morning to look at a Senate order report for an agency. It was over 190 pages long. I think there were eight or more contracts listed on each page. There was no way to filter that information or to group it into contracts that had confidentiality information or the like. That was from the department of finance. In the new system, the single site, you would be able to choose Finance or whatever department you like and then filter information. For example, if we had 50 contracts that had confidentiality information, we could just bring them up rather than all the contracts and then having to search through the pages on different internet sites, as you do at the moment. If you wanted to filter by type of contract, say, for accountancy services or the like, you could do that within a matter of minutes of getting onto the system.

We believe that would very much improve the transparency. In respect of the preceding discussion about clouding transparency, one of the main things we have done in re-establishing the policy on this concerns what the government required with procurement reporting within the Senate order and within the annual report. They were all along the same lines but all slightly different—different enough to confuse people. So we have sought to represent that information in AusTender but to have it all drawn from a single point reporting the same thing.

I have here a sheet of examples. I think it is most convenient if we table it before the committee, and you can look at it. It adds to clarity. We have some examples here of a single contract—I will read out one example, but we have three. I would like to table this because I think it is useful.

CHAIR—The obverse of that is that having two systems can detract from clarity.

Mr Grant—I don’t think so. The problem we have at present is that for the same contract we are reporting different outcomes. They are not actually different outcomes; it is a matter of timing and definition.

CHAIR—As to clarity, the logical outcome of that would be to say that if you had two systems, that would detract from clarity, wouldn’t it?

Senator CAROL BROWN—But it is not two systems.

CHAIR—Well, three systems.

Senator CAROL BROWN—If they were run in tandem, it is just two different reporting—

Mr Grant—Just picking up on your point, I think that is what the ANAO report effectively has found—that the multiple reporting regimes are detracting from clarity.

CHAIR—That is why I asked the question.

Senator MURRAY—So just to clarify, by ‘multiple’ you mean the AusTender system, the Senate order system and the annual reporting system.

Mr Grant—That is right—because they seek information about the same contract at different time periods and there is one other element—

Mr O’Loughlin—The annual reporting requirements require the reporting of expenditures in certain circumstances rather than contract value, which all the other reporting does.

Senator FORSHAW—That is now clear.

Senator MURRAY—The AusTender system leaves out one set of contracts, doesn’t it? It picks up third party contracts, it picks up normal contracts. What are described as non-procurement related contracts it does not pick up.

Mr Grant—It does not do grants contracts and it does not do what we call revenue contracts.

Senator MURRAY—Which the Senate order does.

Mr Grant—That is right, and that is why at the start I said that we are focusing on procurement reporting; we are not suggesting you change the Senate order in relation to those others. This is about procurement reporting.

Mr O’Loughlin—As an example of something that often leads to confusion, if we have an agency that signed a consultancy contract in August for \$120,000 and it had an option of additional work valued at \$60,000 and the option was utilised in May, and \$10,000 was spent before the end of the financial year, you would have different amounts reported. You would have it reported in AusTender as \$180,000; you would have it reported in the calendar year Senate order listing as \$120,000, and you would have it reported in the financial year Senate order listing as \$180,000. In the annual report it would be reported as \$130,000. You would have three different values reported and, as I said, we are happy to table those because I think they are quite illustrative.

Senator FORSHAW—I am not going to argue with that. But I would put it to you that that, of itself, does not lead, or should not lead, to the conclusion that somehow this is all confusing and lacking in transparency or clarity—the fact that different amounts are put in because there are different time periods. That happens with so much information that comes before the Senate in so many different areas. We regularly run into this issue when we have Senate estimates, where there are amounts in portfolio budget statements that are carry-overs from previous years, and all that. The Senate order is about telling us, ‘This contract has been entered into for this purpose, for this total amount.’ That was the purpose. Am I right, Senator Murray? It was to have

that information publicly available so that if somebody then wants to pursue that further, they have the lead to do it.

Mr Grant—We are not arguing about transparency at all. It is very transparent, and we are aiming, as I said, to continue that.

Senator FORSHAW—You are aiming to regularise the requirements of the different regimes that you get, yes.

Mr Grant—That is right. I would suggest to you, though, that demonstrably it does create confusion and complexity for agencies and those reading it, because, as Mr O’Loughlin pointed out, each of these reporting requirements lists a different amount for the same contract.

Senator FORSHAW—I understand that point.

Senator MURRAY—But you always have that conflict between a calendar year and a financial year, because of when contracts might be let or options might be exercised. You are not going to get rid of that problem. The other point I might make in passing is that this system will fulfil anyway the requirements of the Senate order in many respects.

Mr Grant—That is right.

Senator MURRAY—It is not as if there are two separate systems running. The tandem system is more to do with the reporting to the Senate with respect to the Audit Office and the list of contracts, not the mechanical system, if I can call it that.

Mr Grant—We understand that.

Senator FORSHAW—I have a couple of specific questions on behalf of Senator Ludwig which I think go to some answers to questions on notice, particularly about the relationship between AusTender and the central budget management system, but I would rather come back to those, because they are taking off at a bit of a different tangent.

Senator WATSON—The removal of the inconsistencies through the replacement of the triple reporting system with a single uniform approach with appropriate definition really has to be a good thing, but when we look at the audit reports there was general compliance. To me, the only problems—and I take a very simple view of this—revolved around the word ‘confidentiality’. How does this new system with all its bells and whistles solve the issue of a more transparent approach and overcome this problem of confidentiality? To me, that was the real issue. Also, with this new whizzbang approach—which I applaud, and I think a lot of good work has gone into that—do you think the Senate order needs to be changed in any way in order to make sure that clarity is not lost as a result of the inclusion, for example, of subparagraphs?

Mr Grant—Let me deal first with the confidentiality issues.

CHAIR—We will just adjourn for a few minutes and return after the division in the chamber. Please excuse us.

Proceedings suspended from 5.33 pm to 5.46 pm

CHAIR—I call the committee to order. Before the break, Senator Watson was asking questions.

Senator WATSON—Just to recap: the streamlining approach and the consolidation has to be a good thing. But looking through the audit reports, the main concern appears to be the question of confidentiality. How does this new system overcome the continual audit concerns about lack of proper disclosure on things that are likely to be confidential?

Mr Grant—There are two elements here: the first is business process and the second is the system. In terms of business process, as I outlined at the start of the hearing, we are doing a lot of work with agencies to provide information, guidance and training, and I think that is significant. The second part is the system, because what the AusTender system does is, firstly, make an active decision about whether there are or there are not confidentiality requirements in a contract and, secondly, if there are, what is the reason for those confidentiality requirements. By having a very clear and auditable trail for that active decision—

Senator WATSON—You have a steps and stairs approach, have you?

Mr Grant—That is it exactly, yes. That really does lift the bar to ensure that officials are giving due consideration and a much higher level of the correct outcome when they are reporting.

Senator WATSON—But that is only possible as long as you have adequate descriptions for moving from one level to another.

Mr Grant—That is right.

Senator WATSON—Does the new standardisation system have that?

Mr Grant—Yes. That comes back to the improved guidance, training and awareness.

Senator WATSON—But my question is: are those definitions about moving from one step to another built in to the new, streamlined approach?

Mr Grant—I will hand over to Mr McIntyre to answer that question.

Mr McIntyre—I am sorry, Senator Watson, I am not completely sure of what you want to know.

Senator WATSON—You can have all the education in the world but if, in moving from one step to another in terms of the degree of confidentiality and what constitutes confidentiality, you have no definitions about going from A to B, you will still run into audit problems.

Mr McIntyre—One of the important parts of building the new system has been to talk to agencies about those parts of the current framework that they find confusing. They have raised the issue of definitions with us, including definitions of confidentiality. So as part of this process

we have sought to clarify those definitions; the definitions you heard me talk briefly about for confidentiality provisions in the contract being one form of confidentiality and the other being confidentiality in the outputs of the contract, in the things that are produced as a consequence of the contract. Those are new clarified definitions of confidentiality that agencies have found much easier to understand and go to the issues that the Senate order has sought to reveal in its reporting requirements for confidentiality.

Senator WATSON—At this stage, could we have the Audit Office give us an opinion on this because we are running short of time.

CHAIR—We are; we only have 10 minutes to go. I suspect Mr Coleman and his officers may be called back in the future, if that is all right. I apologise on behalf of the committee.

Senator WATSON—But this is the core problem.

CHAIR—Indeed it is. I think, Senator Watson, just to keep the flow going, you should continue with your questioning and I will give you the call when we resume with the Audit Office.

Senator WATSON—I am quite happy. It appears to be all right, but we would need to see it in more detail.

Mr Grant—We would be happy to do that. We are still in the process of finalising that new guidance. We do consult quite regularly with the ANAO, as we do with other agencies, but we are very happy to show you.

Senator WATSON—If you could give the committee a document flow approach, that would help.

Mr Grant—The other question you asked was about the Senate order and changes to it. I am really not in a position to give you advice about changes to the Senate order except to say that what we are proposing is that the Senate order would exclude contracts that are procurement related and reported on AusTender, because that information will be reported through AusTender anyway. I would have to give that a lot more thought.

Senator WATSON—So it does not pick up that procurement problem?

Mr Grant—It does not pick up non-procurement.

Senator WATSON—What is your answer to that?

Mr Grant—I think that is really up to the Senate. If the Senate wishes to continue to receive information about non-procurement contracts then that is the Senate's decision.

Senator WATSON—So we have to adopt a different process; is that what you are suggesting?

Mr Grant—Rather than adopt a different process I suppose what we are suggesting is that you truncate part of the existing process which is procurement and let procurement reporting be

done through the AusTender system, because it will allow anyone to get that relevant information.

Senator WATSON—We might have to pursue that.

Senator FORSHAW—So your proposal could well be refined to, say, remove that part of the Senate order that relates to all contracts other than non-procurement contracts or something like that?

Mr Grant—Yes, I think that is an interesting point.

Senator FORSHAW—Or all contracts that are not picked up by AusTender?

Mr Grant—Exactly.

Senator FIERRAVANTI-WELLS—I am new to this inquiry so I wonder if you could, by way of assistance, tell me what the basic differences are between the Senate order and what you are proposing. I wonder whether you could prepare a very basic document—a table dissecting what a Senate order is and put next to it where your system picks up what is in the Senate order and where it does not pick that up. For me that really would be helpful as a simple document. The other thing is, in terms of annual reporting, if you do go down an AusTender process will that then substitute what you put in the annual report or will you still have the same format? Do I understand correctly that you are also proposing the same format that you have for AusTender be reproduced in the annual report for a degree of consistency?

Mr Grant—No. In fact, our proposal is that, in relation to procurement, the annual reporting requirement in relation to consultancies and the Senate order relating to the reporting requirement for contracts be centralised in AusTender, so that it does not need to be done. You were not here when I suggested that it would be a duplication. My expectation would be that for both reports agencies would go to AusTender, click on a report and it would simply be exactly what you would get.

Senator FIERRAVANTI-WELLS—So, in other words, annual reports would now no longer have that component. There would simply be a reference and it would just say, ‘For these sorts of things, just go to the AusTender website. That is where the information is.’

Mr Grant—And that same information would be readily available on AusTender with a simple click.

Senator FIERRAVANTI-WELLS—So a chunk of the annual report would disappear?

Mr Grant—That is right.

Senator FIERRAVANTI-WELLS—And, for the purposes of financial management, again, whatever comes under your form of AusTender would then, according to you, satisfy those financial management requirements?

Mr Grant—That is what we suggest. In fact, we have suggested that, because AusTender is not limited to the \$100,000 limit of the Senate order, and because it already picks up \$10,000-and-above contracts, whether they go to open tender or whether they are simply let through other mechanisms, AusTender will provide all that information and it will do it in a more timely fashion.

Senator FIERRAVANTI-WELLS—Real time?

Mr Grant—Exactly.

Senator FORSHAW—We have only a couple of minutes to go, and I think I will give these questions to you in writing so that you can take them away on notice, but you may be able to answer at least some of them at this point anyway. I am asking these on behalf of Senator Ludwig, who put some questions to you to which you responded. Essentially he wanted to know about the interaction between the AusTender system and the central budget management system, and I think you may have covered some of this in your answers.

CHAIR—Would it be all right if we put these on notice?

Senator FORSHAW—I do want to ask one question.

CHAIR—Please do.

Senator FORSHAW—Currently the contracts that will be reported under the AusTender system only reveal the agency level rather than the outcome, output or program that the contract was related to. Is that right?

Mr Grant—That is right.

Senator FORSHAW—Is any consideration being given to including that information in the system?

Mr Grant—At this stage, no. The reason for that is that AusTender is a procurement reporting system, so it reports procurements. We have no intent at this stage to do that.

Senator FORSHAW—Could it be done?

Mr Grant—Yes.

Senator FORSHAW—Would it be difficult?

Mr Grant—I would have to get some technical advice about the difficulty and the cost. The thing is that AusTender reports contract values. The budget systems—and particularly the expenditure against budget systems—report expenditure. And it is the expenditure that is reported against program structures, not the value.

Senator FORSHAW—I suppose what I am driving at here—and Senator Ludwig can decide whether he needs to put some further questions on notice; he apologises that he cannot be here

this afternoon—is that we have been talking about integration, if you like, or trying to streamline the current requirements under the order, the annual report and now AusTender. Couldn't we argue that that should also be done in respect of AusTender and the CBMS, so that you integrate those systems too? It is, at the end of the day, much the same information, just expanded to relate to programs and outcomes and so on.

Mr O'Loughlin—In our dealings with agencies to find out what they are able to do to best provide more accurate information, and under the way AusTender operates currently, one of the biggest difficulties for agencies is trying to draw information from systems to report contract values and marry them up with systems that report expenditure. And, particularly in regard to the Senate order and the annual reporting, they have to have manual systems to do that, and that is where nearly all the error comes into it.

Senator FORSHAW—I can see that the AusTender system should be a valuable tool for senators, particularly through budget estimates hearings and so on, and in that context, being able to cross-reference it to specific programs would be invaluable, because we spend a lot of time in those hearings trawling through to try to match things up.

Mr Grant—The problem for us is the complexity, because agencies run a series of different systems. The expenditure systems are not centralised. The procurement value system is centralised. Again, we do not know the cost and the technical complexity.

CHAIR—Thank you. There may be questions on notice—I make you aware of that. Thank you, Mr Grant and officers of the department, for your assistance. On behalf of the committee I apologise to Mr Coleman and Mr Evans. No doubt the committee will examine you shortly.

Committee adjourned at 6.01 pm