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Committee Secretary
Joint Committee of Public Accounts and Audit
PO Box 6021
Parliament House
Canberra ACT 2600

Friday 16 February 2018

Australian Government Contract Reporting - Inquiry based on Auditor-General's report No. 19 (2017-18)

Dear Committee Secretary,

Thank you for the opportunity to provide input into the Committee's inquiry on Australian Government Contract Reporting.

The Auditor-General's report No. 19 (the Report) highlights the challenges in ensuring adequate transparency of procurement activities by departments and agencies. Importantly, it also demonstrates how detailed reporting is only one part of an effective accountability framework that can sometimes raise more questions than it answers. For example:

- Chapter 5 highlights the significant increase in expenditure on consultancies (more than 40% over the 5-year sample period) and potential inaccuracies in the reporting of relevant those contracts. This means that while the reported data shows an increased "need for specialised or professional skills" it is impossible to determine what might be driving this (e.g. headcount reduction targets; significant shifts in government policy; or reporting inaccuracies).
- Chapter 6 shows a disproportionate commencement of short-term contracts in the last month of the financial year. This raises potential questions about value-for-money that cannot be assessed using existing data but could also just reflect procurement cycles and practices within agencies.
- Chapter 7 identifies a disproportionate number of contracts valued just below \$80,000 and the significant occurrence of multiple such contracts with a single entity. This raises concerns about possible deliberate attempts to avoid the additional rules imposed on procurements above that threshold, but it could also be that during the fulfilment of some contracts additional requirements were identified that are outside the scope of the initial contract.
- Chapter 8 points to varied compliance across agencies regarding the timeliness and accuracy of reporting of contracts. What can't be readily determined from the analysis, and most likely the data itself, is to what extent these are an outcome of poor systems and management or the complexity of the reporting requirements themselves.

On the one hand, it's possible some of these questions could be answered by increasing the reporting requirements on government entities in support enabling more detailed analysis. However, it's



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important to recognise that any missteps in this direction could simply serve to add to the administrative burden on agencies and lead to further deterioration in the accuracy and timeliness of reporting or delays in procurement activities themselves with the potential for adverse impacts upon the delivery of government programs and services.

Recommendation 1: That the Committee explore options to improve transparency regarding the 'context' of procurement activities and make recommendations on the specific information that agencies should provide.

That is why in the first instance, we believe the Committee should focus on improving the information available about each agency's procurement strategy that can help to provide the necessary context for interpreting the reported contract data. For example, at the start of each financial year agencies could be required to publish the areas of skill and expertise they expect to procure from consultants as part of a broader capability plan that outlines the skill development plans for their staff. This could then be used in conjunction with the reported data to either increase confidence in the use of consultants or help to identify gaps in public service capability that should be addressed.

Two existing documents that agencies are already required to produce that could be improved upon to meet this need are Corporate Plans, typically published on individual agency websites, and Procurement Plans, published on the AusTender website.

Recommendation 2: The Committee should seek input on how to improve the quality, timeliness and usefulness of reported data by leveraging new IT platforms and services.

In the 'big data' era, there should be opportunities to significantly improve the visibility of government contracts while reducing the administrative burden rather than adding to it. This requires the increased extraction of data direct from transactional systems and minimising the level of manual reporting. Of course, the cost of changes to IT systems or integrations across different systems can be significant which makes it sensible to consult with a wider set of stakeholders on how best to proceed down this path. Furthermore, there may be an opportunity to collaborate with other levels of government and even private sector boards that have a similar interest in improving the transparency of procurement within entities for which they have responsibility.

I hope this perspective is of use to the Committee in its Inquiry.

Yours sincerely,

James Pawluk
Executive Director