

Joint Committee of Public Accounts and Audit

Answers to Questions on Notice

Department/Agency: Australian National Audit Office

Inquiry: Governance in the stewardship of public resources: Inquiry into Auditor-General's Reports 11, 31, 39 (2019-20) and 2 and 9 (2020-21)

Committee Member: Mr Julian Hill MP

Type of question: Hansard, 14 April 2021

Date set by the committee for the return of answer: 28 April 2021

Question 1

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Mr Hill: Can you take on notice and provide us with a list—you'll need to look back into your working documents—of all of the various valuations, with their dates, that your work relied on?

Mr White: In this procurement?

Mr Hill: Yes, in relation to the Condamine-Balonne purchases specifically, because I think there were two Colliers valuations, a 2016 and a 2017.

Mr White: There were.

Mr Hill: Could you please be clear, for each of the questions I've asked—so for the 'Benchmark (maximum considered)' column and the 'Valuation amount (market price)' column—which valuations were used to influence each of those findings and then also provide a full list of all of the valuations which you had access to as part of your audit work?

Mr White: Yes. There was also a CBRE valuation from 2015 that was part of the process of our assessment.

Mr Hill: So that's two specific questions: which valuations informed which column, and, next question, a full list of all of the valuations. The third question is: subject to whatever restrictions you have, could you table a copy of the valuations, which you hold?

Mr Hehir: It might be better and easier for you to ask for the valuations from the department, who hold the documents.

Mr Hill: That's fine. I get it, yes. We don't usually ask you for the copies of working documents, but we can ask you for a list of the ones you relied on.

Response

As outlined in paragraphs 2.36 to 2.38 of Auditor-General Report No.2 2020-21 *Procurement of Strategic Water Entitlements* the department established guidelines and supporting documentation for limited tender procurements of strategic water entitlements.

2.36 The Guidelines for Limited Tenders (the Guidelines) were approved on 23 June 2016 and updated on 12 December 2016. This was the primary guidance document for assessing limited tenders...

2.37 The Guidelines provide a set of general principles, which includes links to the CPRs and the draft framework [Draft Framework for Strategic Surface Water Purchasing] as well as a step by step guide from receipt of an offer through to completion of a purchase where the offer is accepted.

2.38 The Tender Administration File is the key supplementary document to the Guidelines. This form is intended to capture the key information and decisions relevant to the assessment...

Chapter four of the report focusses on the third criteria of the audit in relation to whether the department achieved value for money. A summary of the analysis undertaken by the ANAO is set out in Table 4.1, which presents information identified by the department in its documentation on each purchase.

The valuation amount (market price) column represents the maximum amount the department considered to be provided by the Colliers International 2017 report. The benchmark (maximum considered) column refers to the departmental determination of price according to the tender documentation, which included amongst other things the Colliers International 2017 report.

For the Condamine Balonne purchase the ANAO had access to the valuations obtained by the department from:

- CBRE Valuations Pty Limited (CBRE) in December 2015;
- Colliers International in February 2016; and
- Colliers International in March 2017.

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Question 2

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Mr Hill: ...The ANAO states that upward adjustments to water purchases are allowed in some circumstances, as we've touched on. In this regard, the report states:

The methodology allows for the department to make additional upward adjustments if it considers it suitable and defensible.

The relevant line area will then make recommendations to the Valuations Committee or Water Project Board. The department did not develop Terms of Reference for the Valuations Committee or record meeting minutes.

Does the ANAO believe that the department did in fact go to the Valuations Committee or the Water Project Board in relation to the Kia-Ora and Clyde purchases?

Mr White: I'd have to take that exact point on notice. There was some evidence of going to the board. I'm not sure exactly which cases they were.

Response

As noted in paragraph 2.42 and 2.43 of Auditor-General Report No.2 2020-21 *Procurement of Strategic Water Entitlements*:

2.42 The department's draft Framework for Strategic Surface Water Purchasing and resulting purchases were overseen by senior officers within the Water Division and the Water Project Board.

2.43 For the strategic water purchases considered in this audit, the Board received updates or provided endorsement for some purchases. This did not occur consistently for all purchases. The Board received regular Water Project Status Reports for the Restoring the Balance in the Murray-Darling project and reviewed two limited tender procurements.

The footnote to paragraph 2.43 states:

The New South Wales – Lower Darling and the Queensland – Condamine Balonne procurements were reviewed by the Board in May 2017.

For the Condamine-Balonne (Clyde and Kia-Ora) procurement, the Water Project Board also endorsed the department's proposed water purchase in the Condamine-Balonne region.

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Question 3

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Mr Hill: Okay, if you could take that on notice. Is there any record at all of any meetings of the Valuations Committee or the Water Project Board?

Mr White: We do have documents from them and resulting minutes from the board, including very early on from the set-up of the program and the approaches to be adopted throughout the move from open tenders to the limited tender approach that we looked at.

Mr Hill: So you've got records of some meetings of the Valuations Committee. I'm just trying to reconcile. You just said you had evidence of the fact that they actually existed and met and some minutes, yet the audit report says that the department didn't develop terms of reference or record meeting minutes. Was it a bit random?

Mr White: The terms of reference might not have been developed, but the committee did meet. They did look at some particular things. We know that there are some records of materials going to the committee, if that makes sense.

Mr Hill: It doesn't really, because your report clearly says:

The department did not develop Terms of Reference for the Valuations Committee or record meeting minutes.

Mr White: We have some material that goes to, as I said, options for the change from the open tender process to the limited tender process that we audited, but I don't think we have formal minutes for those things.

Mr Hill: Perhaps you could take on notice to provide us with a further description, understanding that the normal protocol is that we don't get you to provide actual documents. Could you provide a further description of the kinds of records you had so that we can understand that sentence?

Response

Correction – reference to the valuations committee receiving materials on options for the change from the open tender process to the limited tender process should have been to the Water Project Board as per paragraph 2.9. The ANAO was advised during the audit that the valuations committee was informal.

As outlined in paragraph 4.28 of Auditor-General report No.2 2020-21 *Procurement of Strategic Water Entitlements* 'The department did not develop Terms of Reference for the Valuations Committee or record meeting minutes.'

In relation to the Water Project Board, as part of the audit the ANAO examined:

- the Terms of Reference and papers presented to the Water Project Board including framework level documents and minutes provided in relation to their approval;
- a range of minutes provided as evidence of consideration of specific purchases;
- regular status reporting for the Restoring the Balance in the Murray-Darling project (refer to paragraph 2.43 above).

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Committee Member: Ms Alicia Payne MP

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Question 4

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Ms Payne: Did the ANAO come across briefings to the minister or other related documentation used to justify the Kia-Ora and Clyde purchases and that referred to the purchase as being 'exceptionally advantageous'?

Mr White: Possibly. I would have to take that on notice and check. Our point about 'exceptionally advantageous' was that it was a requirement within Commonwealth Procurement Guidelines and that it wasn't defined by either the Department of Finance or the department itself in its procurement framework.

Response

Table 3.1 of the report outlines the department's application of elements of the Limited Tender Guidelines to strategic water procurements conducted in 2016 and 2017. This includes the Kia-Ora and Clyde purchases (No.8 – Condamine Balonne) where a statement that the purchase was exceptionally advantageous was included in the Ministerial briefing. The ANAO's assessment of the documentation as presented in Table 3.1 considered whether a justification or information to support the statement (where it was made) could be found.