

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

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Question No: SBT 4

Topic: Procurement practices

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Senator XENOPHON: Could you provide details—I do not mind if it is on notice—as to what the criteria are, what the protocols are, for deciding whether something goes to direct source or through the panel, given that one of the main reasons the supplier panel was created was to support the Cooper review in superannuation. There must be criteria, are there not, as to where you go down the path of direct sourcing?

Mr Butler: Direct sourcing is a Commonwealth procurement guideline. It is not our guideline, it is the Commonwealth's guideline, which is a public document. We set up the panel for a whole range of work, including the Cooper review of superannuation but not just the Cooper review.

Answer:

In July 2011 an ATO Information Technology (IT) Application Services Panel was established. There are five service providers on the panel: Accenture, Capgemini, CSC Australia, IBM and HP Enterprise Services Australia Pty Ltd. The role of the panel is to supplement the ATO's IT systems development capability.

The five application service providers are engaged under a Deed of Standing Offer with the ATO, which sets out the terms and conditions that apply when the services are purchased by the ATO.

The type of work under the panel that members may undertake is highly complex and the efficient and effective delivery of outcomes may require extensive experience with, and/or knowledge of, ATO systems and environments. The sourcing of particular work to be undertaken by panel members is decided on a project by project basis.

As part of the administrative processes supporting the Applications Services Panel, the ATO requires business case endorsement by the Chief Information Officer (CIO) and/or Second Commissioner for any request for direct engagement of a service provider. This step has been included as an additional assurance mechanism for reasons of transparency and probity to aid in the equity of the panel arrangements.

The following is an extract from Schedule 2 - Statement of Work clause 4 of the ATO's Applications Services Panel contract which sets out the criteria for engaging an application service provider (Apps Service Provider):

4 Engagement Process

4.1.1 Without limiting **clause 5** of the **Deed**¹, the mechanisms by which the ATO will source the ICT Solution(s) from the Apps Service Provider are as set out below:

- (a) *Competitive Quote - The ATO may approach a minimum of three Apps Service Providers seeking Requests for Quotation (RFQ) against a 'Statement of Requirements'/'Statement of Work'. An evaluation would then be undertaken on the responses received to determine which proposal best meets the ATO's business needs on a value for money basis.*
- (b) *Direct Engagement - The ATO may directly engage an Apps Service Provider to provide the ICT Solution(s) where the ATO has satisfied one or more of the following criteria in the business case on a value for money basis:*
 - (i) *the business need will not be met or would be at risk if immediate start is not made or commencement is unable to await the timeframe required to obtain competitive quotes in response to a RFQ*
 - (ii) *the proposed Apps Service Provider has demonstrated unique knowledge, skills and/or experience, that is not available from other Apps Service Providers*
 - (iii) *the proposed Apps Service Provider was recently selected for similar ICT Solution(s) following evaluation of quotes, (subject to satisfactory performance in undertaking the work)*
 - (iv) *the proposed Apps Service Provider has proven relevant performance in the delivery of similar/same ICT Solution(s) in recent times, or*
 - (v) *the ICT Solution(s) is a repeat ICT Solution(s) or recurring work and the performance of the Apps Service Provider is satisfactory.*

In September 2011, the ATO decided to directly engage Accenture for Stage 1 (Design phase) and Stage 2 (Build, Test and Implement phase), of the Individual Portal Release (Major Release 2); and for Stage 1 (design phase) of the Superannuation Guarantee and Unclaimed Superannuation Monies Release (Major Release 3).

The decision to directly engage Accenture was based on risk management, the time criticality of the projects and Accenture's unique experience. This decision was made in accordance with the Deed, Schedule 2 - Statement of Work, clause 4.1.1(b).

¹ Clause 5 sets out additional obligations to provide ICT solutions to the ATO an example includes: the ATO is not obliged to give the Apps Service Provider any Official Order under this Deed