



26 March 2004

Mr Alistair Sands  
Secretary  
Senate Finance and Public Administration  
Legislation Committee  
Parliament House  
CANBERRA ACT 2600

Dear Mr Sands

**Question On Notice – PM 53 Senator Faulkner 16 February 2004**

I refer to the Additional Estimates Hearings 2003-2004 dated 16 February 2004 in relation to the Prime Minister and Cabinet Portfolio.

The Australian National Audit Office (ANAO) has been requested by the Department of Prime Minister and Cabinet to respond to question number PM 53 from Senator Faulkner in relation to an article in the Financial Review dated 15 January 2004.

The ANAO response is attached. Should you wish to discuss any aspect of this response, please contact Jeff Storer on 02 6203 7420.

Yours sincerely

Oliver Winder  
Acting Auditor-General

**Senate Finance and Public Administration Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Prime Minister and Cabinet Portfolio**

**Department of the Prime Minister and Cabinet**

Additional Estimates Hearings 2003-2004, 16 February 2004

**Question: PM 53**

**ANAO Outcome 1, Output Group**

**Topic: Article in *Australian Financial Review***

**Direct on Notice: Senator Faulkner**

**Question 1.** Is the Auditor-General aware of the article in the *Australian Financial Review* on Jan 15 2004, which claimed that in at least five IT outsourcing contracts the Federal Government had overspent by \$750 million? The article refers to the ANAO.

**Answer:** The Auditor-General is aware of the article.

**Question 2.** Do the figures mentioned in this article roughly equate to figures the ANAO has found in its audits of Government IT contracts so far?

**Answer:** We are unable to comment on any figures after the time of our Audit Reports No.9 2000-2001 "Implementation of Whole-of-Government Information Technology Infrastructure Consolidation and Outsourcing Initiative" and Report No. 46 of 2001-2002, "Management of an IT Outsourcing Contract. Department of Veterans' Affairs". Ongoing detailed information on costs incurred under these contracts has not been a subject of ongoing audit activity.

**Question 3.** Can ANAO provide the Committee with a chart showing the details of all the major IT outsourcing contracts – including the five from the Howard Government Outsourcing initiative and other big contracts such as with DVA, Finance and Customs, and any contract renewals – and their actual costs so far in relation to the announced costs and savings of the contract?

**Answer:** No, the collection of this information on contracts has not been a subject of ongoing audit activity.

**Question 4.** Will the AFR article of January 15 2004, alleging huge overspends of taxpayers' money, prompt the ANAO into auditing the various IT outsourcing contracts to learn why these overspends are occurring and just how much is being overspent?

**Answer:** The IT Outsourcing Initiative was based upon a framework of a centralised contracting environment in which the IT infrastructure and telecommunications requirements of agencies were offered to the market. Given the substantial revision of the implementation strategy for the Government's policy in regard to IT outsourcing, with responsibility for implementing the Initiative delegated to agency Chief Executives or boards, and that the five contracts signed under the IT Outsourcing Initiative (the article refers to outsourcing arrangements by Customs and DVA - these

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pre-dated the IT Outsourcing Initiative) were signed some considerable time ago, a further audit of the IT Outsourcing Initiative is not proposed. The forward Audit program for 2004-2005 is currently under development in consultation with both the agencies and the Joint Committee Public Accounts and Audit