

Senate Finance and Public Administration Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Prime Minister and Cabinet Portfolio

Department of the Prime Minister and Cabinet

Budget Estimates Supplementary Hearings 2003-2004, 3-4 November 2003

Question: PM 51

Outcome 1, Output 4.3

Topic: Cost of consultancies

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Senator Faulkner asked: [what is the] standard definition, as we speak, of a contract and standard definition of a consultancy that agencies and departments can use and apply?

Answer: There is no definition, in the Requirements for Departmental Annual Reports approved by the Joint Committee of Public Accounts and Audit, of the word 'contract'.

The Requirements define 'consultancy' to mean:

'Consultancy services are one particular type of service delivered under a contract for services. They are distinguished from other contracts by the nature of the work performed. A consultant is an entity, whether an individual, a partnership or a corporation, engaged to provide professional independent and expert advice or services. Typically, the term consultancy services is used to describe the application of expert professional skills to: investigate or diagnose a defined issue or problem, carry out defined research, reviews or evaluations; or provide independent advice, information or creative solutions to assist the agency in management decision making.

'A consultancy contract (which may be referred to as a contract **for** services) will typically define the nature, purpose and duration of the task to be performed but not (in any detail) the manner in which the task is to be performed. The consultant is usually paid on completion of milestones or in a lump sum. Consultants are not employees of the department and are not paid wages or other employee entitlements. A consultancy services contract is based on a principal/consultant relationship. By contrast, other, non-consultancy, contracts (referred to as contracts of service) will typically impose an element of control over how the work is to be performed. Under a contract of service a quasi employer/employee relationship is created.'

The definition of 'consultancy' will be reviewed to remove as far as possible confusion that apparently exists about the types of services to be reported under this heading. The revised definition will be submitted for approval by the Joint Committee of Public Accounts and Audit for inclusion in the Annual Report Requirements in time for 2003-04 annual reports.