

The Auditor-General
Audit Report No.27 2005-06
Performance Audit

Reporting of Expenditure on Consultants

Australian National Audit Office

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Canberra ACT
30 January 2006

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit across agencies in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit and the accompanying brochure. The report is titled *Reporting of Expenditure on Consultants*.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the printed name.

Ian McPhee
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Abbreviations

AAT	Administrative Appeals Tribunal
ABS	Australian Bureau of Statistics
ACC	Australian Crime Commission
ACCC	Australian Competition and Consumer Commission
ACIAR	Australian Centre for International Agricultural Research
ACS	Australian Customs Service
AEC	Australian Electoral Commission
AFP	Australian Federal Police
AGIMO	Australian Government Information Management Office
AGO	Australian Greenhouse Office
AGs	Attorney-General's Department
AIR	Australian Industrial Registry
AJF	Australia-Japan Foundation
AOFM	Australian Office of Financial Management
APSC	Australian Public Service Commission
ARC	Australian Research Council
ARPANSA	Australian Radiation Protection and Nuclear Safety Agency
ASIC	Australian Securities and Investments Commission
ASIO	Australian Security Intelligence Organisation
ASIS	Australian Secret Intelligence Service
ATO	Australian Taxation Office
ATSIC	Aboriginal and Torres Strait Islander Commission
ATSIS	Aboriginal and Torres Strait Islander Services
AUSTRAC	Australian Transaction Reports and Analysis Centre
BOM	Bureau of Meteorology
CGC	Commonwealth Grants Commission
CPGs	Commonwealth Procurement Guidelines
DAA	Dairy Adjustment Authority

DAFF	Department of Agriculture, Fisheries and Forestry
DCITA	Department of Communications, Information Technology and the Arts
Defence	Department of Defence
DEH	Department of Environment and Heritage
DEST	Department of Education, Science and Training
DEWR	Department of Employment and Workplace Relations
DFAT	Department of Foreign Affairs and Trade
DHA	Department of Health and Ageing
DHofR	Department of the House of Representatives
DIMIA	Department of Immigration and Multicultural and Indigenous Affairs
DITR	Department of Industry, Tourism and Resources
DofPS	Department of Parliamentary Services
DofS	Department of the Senate
DOTARS	Department of Transport and Regional Services
DPP	Director of Public Prosecutions
DVA	Department of Veterans' Affairs
EOWA	Equal Opportunity for Women in the Workplace Agency
FaCS	Department of Family and Community Services
Fed. Crt	Federal Court
Fed. Mag. Crt	Federal Magistrates Court
Fam. Crt	Family Court
Finance	Department of Finance and Administration
FMA Act	<i>Financial Management and Accountability Act 1997</i>
FMIS	Financial Management Information System
GA	Geoscience Australia
GaPS	Gazette Publishing System
HREOC	Human Rights and Equal Opportunity Commission
IGT	Inspector-General of Taxation

ITSA	Insolvency and Trustee Service Australia
JCPAA	Joint Committee of Public Accounts and Administration
MRT	Migration Review Tribunal
NAA	National Archives of Australia
NBA	National Blood Authority
NCA	National Capital Authority
NCC	National Competition Council
NNTT	National Native Title Tribunal
NOO	National Oceans Office
OFLC	Office of Film and Literature Classification
OIGIS	Office of the Inspector-General of Intelligence and Security
Ombudsman	Commonwealth Ombudsman's Office
ONA	Office of National Assessments
OOSGG	Office of the Official Secretary to the Governor-General
OPC	Office of Parliamentary Counsel
ORER	Office of the Renewable Energy Regulator
PC	Productivity Commission
PM&C	Department of the Prime Minister and Cabinet
Priv. Comm.	Office of the Privacy Commissioner
PSRS	Professional Services Review Scheme
RRT	Refugee Review Tribunal
Seacare	Seafarers Safety, Rehabilitation and Compensation Authority
Treasury	Department of the Treasury

Glossary

Department	Department of State as created by the Governor-General by virtue of the Constitution
Agency	An Agency subject to the <i>Financial Management and Accountability Act 1997</i> (includes Departments of State)
Portfolio	A Department of State plus the other FMA Act agencies in the same portfolio (see Appendix 2)

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Summary and Recommendations

Summary

Background

1. The *Public Service Act 1999* (the Public Service Act) devolved to the heads of Australian Government agencies¹ the power to engage, terminate and determine the employment terms and conditions of their employees. Agencies may also enter into arrangements with service providers who may be either contractors or consultants². This allows agencies considerable flexibility to determine the best way to use their resources to deliver government programs in a manner that is consistent with legislation and government policy.

2. Typical uses of consultants are to:

- investigate or diagnose a defined issue or problem;
- carry out defined research, reviews or evaluations;
- provide independent advice, information or creative solutions to problems; and
- provide specialised skills, knowledge or services which the agency may not possess.

3. While the cost for a consultant on a per diem basis may be higher than that of an employee, an advantage of consultants is that they can be engaged for a specific task for a specific period of time, thus providing greater resourcing flexibility for non-ongoing tasks.

4. The definition of a consultant as opposed to a contractor had been problematic for agencies for some years. To address this, in July 2004, the Department of Finance and Administration (Finance) issued guidance for FMA Act agencies³. As a result of this clearer definition, effective from the 2003–04 reporting year, many agencies found that arrangements which they had previously regarded as consultancies were more accurately defined as contractors, resulting in a drop in the reported number and value of

¹ Most Commonwealth Government agencies are defined by the legislation that governs them. As at July 2005, there are 86 agencies governed by the *Financial Management and Accountability Act 1997* (including Departments of State) and 104 bodies governed by the *Commonwealth Authorities and Companies Act 1997*. This report relates to FMA Act agencies. For more detail, see paragraph 1.1.

² In broad terms, a consultant provides an intellectual output that assists with agency decision-making, with the output reflecting the independent views of the service provider. By comparison, a contractor provides day-to-day services and is usually under the direct supervision of the agency.

³ *Guidance on Identifying Consultancies For Annual Reporting Purposes*, Financial Management Guidance No.12, Department of Finance and Administration, July 2004 <http://www.finance.gov.au/ctc/identifying_consultancies_for_.html>. An extract from this document is reproduced at Appendix 3.

consultancies from 2002–03 to 2003–04. This has made year-on-year comparisons difficult. Consequently, this report covers only the 2003–04 reporting year.

Audit scope

5. In 2003–04, 73 agencies were covered by the *Financial Management and Accountability Act 1997* (the FMA Act). The *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies* (the annual report requirements⁴), published by the Department of Prime Minister and Cabinet (PM&C⁵) require agencies to publish details of all consultancies valued at over \$10 000 that were let in the financial year. In total, the 73 agencies reported consultancy expenditure of \$361 million in 2003–04.

6. In addition to the requirement to report on consultancies in annual reports, there are two other public reporting regimes with which FMA Act agencies are required to comply:

- The Commonwealth Procurement Guidelines (CPGs) require agencies to report all contracts (including consultancy contracts) greater than \$2 000⁶ in the Gazette Publishing System (GaPS); and
- the Senate Order for Departmental and Agency Contracts (known as the Senate Order or the Murray Motion) requires FMA Act agencies to report on their website all contracts (including consultancy contracts) greater than \$100 000 including identification of those which contain confidentiality provisions.

7. There are areas of overlap between the three regimes. For example, a consultancy contract with a value of more than \$100 000 should be reported in all three. The ANAO cross-checked between the three regimes to assess the consistency, accuracy and completeness of reporting in them.

⁴ The annual report requirements are approved by the Joint Committee of Public Accounts and Audit (JCPAA) under s63(2) and s70(2) of the *Public Service Act 1999*. The effect of this is to make them legally binding on Departments of State and Executive Agencies. As a matter of Government policy, they also apply to FMA Act agencies. A copy of the latest revision (June 2005) can be found at <http://www.pmc.gov.au/guidelines/docs/annual_report_requirements.pdf>. The previous version (June 2004), which applied for the period covered by this report, is no longer available electronically.

⁵ Given the large number of agencies covered by this audit, abbreviations or acronyms are used. A full list of these is provided on page 7 and in Appendix 2.

⁶ The threshold was increased to \$10 000 with effect from 1 January 2005.

Audit objective

8. Parliamentary Committees, particularly Senate Estimates Committees, have for many years taken an interest in the use of consultants by Australian government agencies. In this context, and having regard to the extent of expenditure by FMA Act agencies on consultants, the objective of this audit was to assess the accuracy and completeness of Australian government agencies' reporting of expenditure on consultants.

Audit conclusions

9. The reporting of expenditure on consultants is one of agencies' many accountability obligations. The focus of this audit was reporting of consultants expenditure in accordance with the annual report requirements. Close analysis of this reporting as well as reporting in GaPS and Senate Order listings, revealed that greater care should be taken by agencies in reporting expenditure on consultants. Specifically:

- in response to the audit findings, most of the 73 agencies covered by this audit acknowledged inadequacies in their reporting of expenditure of consultancies. In total, 85 per cent advised the ANAO that they would take some form of corrective action. This ranged from advising the ANAO of changes to processes for preparing their 2004–05 annual reports to the issuing of a corrigendum to their 2003–04 annual reports; and
- in terms of the accuracy and completeness of reporting across the three reporting regimes, the ANAO found that none of the 73 FMA Act agencies had correctly reported in all three regimes.

10. In this context, the audit identified overlaps across each of the three reporting regimes in that the same consultancy contract is often required to be reported in all three regimes. In addition, different data is required in each of the regimes for the same contract. This has contributed to the difficulties agencies have experienced in reporting accurate and complete data on their use of consultants.

11. Accordingly, the ANAO has recommended that the relevant central agencies, in consultation with key Parliamentary Committees, affected agencies and other stakeholders, examine options for improving the accuracy of reporting of Government procurement. This includes examining the merits of rationalising the number of reporting regimes while still meeting stakeholders' requirements. Efficiencies can be expected to result from this with consequential cost savings.

Recommendations

12. The ANAO has made three recommendations. Most importantly, Recommendation No.2 is aimed at addressing the overlaps and inefficiencies evident in the current approach of having three discrete reporting regimes for Government procurement, including the reporting of expenditure on consultants. If well implemented, the ANAO believes that this recommendation has potential to deliver cost savings to agencies while improving the quality of data reported.

13. The ANAO has also recommended that the Department of Defence set, and report against, the expected time by which on-going contracts will be reported in its Senate Order listings (Recommendation No.1). The final recommendation relates to correcting omissions or incorrect inclusions of expenditure on consultants in agencies' annual reports.

14. Recommendations were not made in relation to agency controls and procedures because the majority of agencies acknowledged deficiencies in their reporting and indicated that action would be taken to address these. In this context, apart from agencies reviewing the integrity of their systems of data capture, there would be benefit in agencies reviewing their quality assurance arrangements over information reported on consultants.

Entity responses

15. The majority of responding agencies agreed with all recommendations. The exceptions were:

- the Department of Defence which disagreed with Recommendation 1 (see paragraph 4.21);
- the Department of Foreign Affairs and Trade, which disagreed with Recommendation 3 (see paragraph 5.30); and
- the Bureau of Meteorology which agreed with qualification with Recommendation 2. The Bureau commented that the level of non-compliance across the agencies, and the need for efficiency in reporting suggests that an assessment of the scope and purpose of the requirements of the reporting framework should be undertaken. It further commented that it is likely that better ways of making information on consultancies available to Parliament and the general public, can be found (see paragraph 5.20).

16. There was widespread support, including from the Departments of Prime Minister and Cabinet, and Finance and Administration, for the key recommendation (No.2, aimed at addressing the overlaps and inefficiencies evident in the current approach of having three discrete reporting regimes for Government procurement, including the reporting of expenditure on consultants). Detailed responses to the recommendations are at Appendix 6.

Key Findings

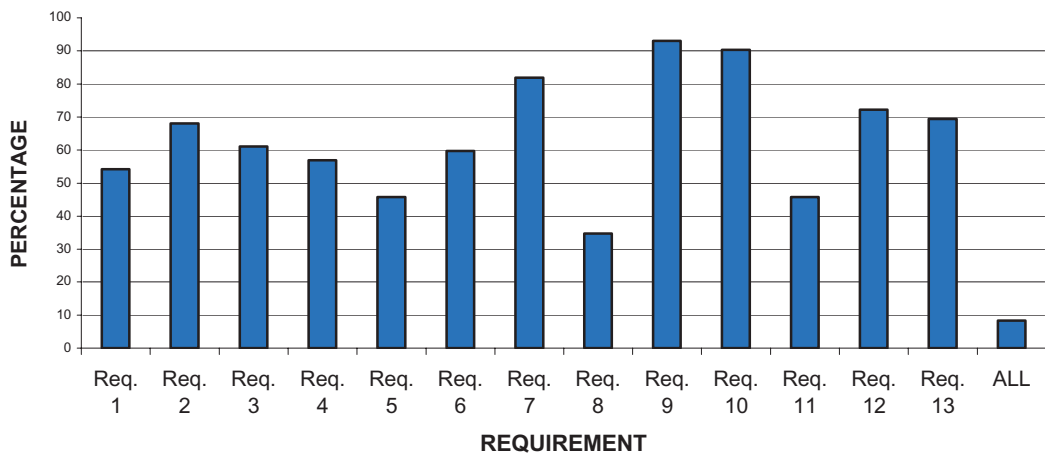
Reporting of consultancies in annual reports (Chapter 2)

17. All 73 agencies covered by this audit compiled a list of consultancies. Sixty agencies provided the lists within their 2003–04 annual reports. A further five had the lists available on request and, after being requested, provided them to the ANAO. The remaining eight agencies reported that their lists were on their website⁷. With effect from the 2004–05 reporting year, the ‘available on request’ option has been removed.

18. However, the ANAO found that only seven of 73 agencies reported information against all 13 of the requirements relating to consultancies. Figure 1 shows the percentage of audited agencies that met each of the annual report requirements.

Figure 1

Proportion of FMA Act agencies reporting against annual report requirements



Source: ANAO analysis of FMA Act agencies' 2003–04 annual reports

19. Of the 13 annual report requirements, five are particularly important. The five relate to the reporting of details of consultancies let, contract prices and actual expenditure, as follows:

⁷ In seven of these eight cases, the lists were not on the website when the audit commenced, but were placed on the website during the course of the audit.

- summary statement detailing the number of contracts let during 2003–04 (Requirement 1);
- summary statement detailing the total actual expenditure during 2003–04, regardless of when the contract was let (Requirement 2); and
- list of all consultancy contracts let in 2003–04 with a contract price of \$10 000 or more (annual report requirements 6, 7 and 11⁸).

20. Compliance with the key requirements was better than overall compliance. Specifically, 15 agencies (21 per cent) reported information against all five of the key annual report requirements. However, many agencies did not report data against one or more. Figure 2 shows how many agencies reported information against each of the five key annual report requirements.

Figure 2

Number and proportion of agencies meeting key annual report requirements

Requirement	No. of agencies	Per cent
1	38	53
2	49	68
6	43	60
7	58	81
11	33	46

Source: ANAO analysis of FMA Act agencies' 2003–04 annual reports

21. The ANAO undertook more detailed analysis of the content of 31 of the 73 agencies' annual reports (including all 17 Departments of State and the six agencies which reported information against all of the annual report requirements). This analysis identified that 30 of the 31 agencies had either :

- omitted consultancies from their annual reports;
- reported incorrect amounts as the contract price; or
- included consultancies which were not let in 2003–04 and should therefore not have been reported.

⁸ Requirement 6 is for a list of all consultancies let in the year. Requirement 7 specifies that only consultancies with a value of \$10 000 or more should be included and Requirement 11 states that the amount to be reported should be the contract price, not payments actually made.

Reporting of procurement in the Gazette Publishing System (GaPS) (Chapter 3)

22. In 2003–04, FMA Act agencies were required to report all procurement activity valued at more than \$2 000 in GaPS. Where the procurement is the subject of a contract, agencies are required to show the total contract price.

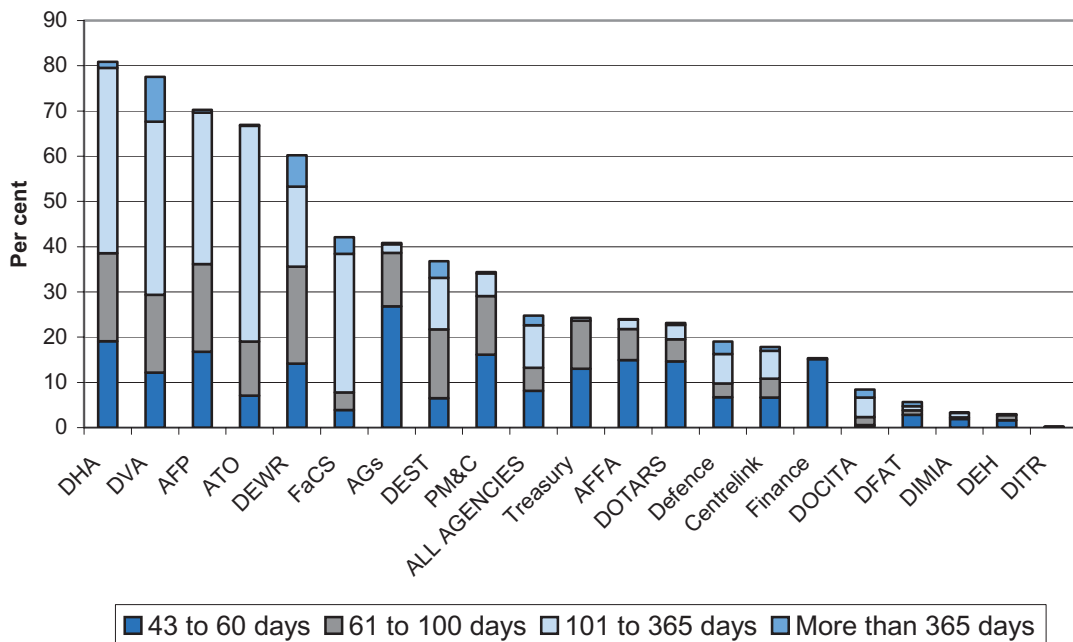
23. The ANAO found deficiencies in GaPS data. In relation to the reporting of consultancies in GaPS, this included:

- 72 per cent of the 31 selected agencies confirmed that they had described expenditure in GaPS as being for consultancies when they were, in fact, non-consultancy contracts;
- 79 per cent of the 31 selected agencies confirmed that they had omitted consultancies from GaPS; and
- 96 per cent of the 31 selected agencies confirmed that some or all GaPS figures relating to consultancies were payment amounts, rather than contract values as required.

24. In 2003–04, FMA Act agencies recorded more than 186 000 entries in GaPS relating to procurement generally (that is, not just in relation to consultants). The ANAO identified the number of entries that met the requirement to report expenditure in GaPS within six weeks of the start date of the contract. The results are reflected in Figure 3, which shows that GaPS entries are often made after the due date.

Figure 3

Proportion of GaPS entries exceeding 42 day reporting requirement period, selected FMA Act agencies



Note: In this figure, the selected agencies are all Departments of State and the three largest non-Departmental FMA Act agencies.

Source: ANAO analysis of data download from Department of Finance and Administration, August 2005

25. The value of GaPS entries reported outside the required time limit was \$7.7 billion. Further, 3 656 entries with a total value of \$916 million were not reported in GaPS until more than one year after the reported contract start date. Some contracts were not reported for several years.

Reporting of consultancies in Senate Order (Chapter 4)

26. In accordance with an order of the Senate, all FMA Act agencies are required to report contracts that they enter into with a value of \$100 000 or more, together with information on any confidentiality provisions which may be contained in each contract. This means that any consultancy reported in an agency’s annual report worth more than \$100 000 should also be reported in the agency’s Senate Order listing.

27. The ANAO's Senate Order audits have focussed on the processes used to compile agencies' internet listings and the use of confidentiality provisions in contracts. In comparison, this performance audit, which has a broader scope, involved a substantive examination of the accuracy and completeness of reports, relying on data reported across the three reporting regimes.

28. In this context, the ANAO cross-checked agencies' 2003–04 annual reports with their Senate Orders for the same period. The result of this work was that:

- 55 per cent of the 31 selected agencies confirmed that they had omitted consultancies from their Senate Orders.
- 39 per cent of consultancies reported in all 73 FMA Act agencies' annual reports worth more than \$100 000 were not accurately reported in Senate Orders; and
- 24 per cent of consultancies reported in all 73 FMA Act agencies' annual reports worth more than \$100 000 were not reported at all in Senate Orders.

29. These results lend further weight to one of the recommendations of the ANAO's most recent Senate Order audit⁹ which recommended that agencies reconcile their Senate Order listings with GaPS and their internal accounting systems.

⁹ Audit Report No.11, 2005-06, p. 28.

Recommendations

Recommendation No.1
Para 4.20

The ANAO recommends, having regard to the significant number and value of on-going contracts that it has omitted from its Senate Order listings, that the Department of Defence set, and report against in future Senate Order listings, the expected time by which full compliance will be achieved.

Disagreed: Department of Defence.

Recommendation No.2
Para 5.18

The ANAO *recommends* that the Department of Finance and Administration and the Department of the Prime Minister and Cabinet, in consultation with key Parliamentary Committees, affected agencies and other relevant stakeholders, examine options for improving the accuracy and completeness of reporting of Government procurement, including the merits of rationalising the number of reporting regimes.

Agreed: All but one of the responding agencies.

Agreed with qualification: Bureau of Meteorology.

Recommendation No.3
Para 5.28

The ANAO *recommends* that FMA Act agencies appropriately correct omissions or incorrect inclusions of information which relate directly to their reported expenditure on consultants in their next annual report.

Agreed: All responding agencies.

Audit Findings and Conclusions

1. Introduction

1.1 In general, there are two types of Australian Government agencies: those governed by the *Financial Management and Accountability Act 1997* (FMA Act) and those governed by the *Commonwealth Authorities and Companies Act 1997* (CAC Act). The difference between the two has been described as follows:

The FMA Act sets out the requirements for agencies which collectively comprise the legal entity, 'the Commonwealth'. Such agencies function as financial and custodial agents for the Commonwealth without acquiring separate legal ownership of the money and assets they deal with on behalf of the Commonwealth. The CAC Act, on the other hand, covers public sector bodies which have their own separate legal identity by virtue of their incorporating legislation. This allows them to acquire ownership of money and other assets coming into their possession.¹⁰

1.2 As at 1 July 2005, there were 86 FMA Act agencies (which includes 18 Departments of State) and 104 CAC Act bodies.¹¹ FMA Act agencies are required by the *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*, published by the Department of Prime Minister and Cabinet (PM&C) (the annual report requirements) to publish details of consultancies valued at over \$10 000 that they let in the financial year. The annual report requirements apply to most FMA Act agencies¹², but do not apply to CAC Act bodies (although some CAC Act bodies have voluntarily adopted them).

1.3 For 2003–04, there were 73 FMA Act agencies which were included in this audit. Between them, these 73 agencies reported that they spent \$361 million on consultants¹³.

1.4 Figure 1.1 shows, for each portfolio, the number of consultancies let, the reported actual expenditure and the reported value of contracts let in 2003–04.

¹⁰ The Hon John Fahey, Minister for Finance, FMA Bill Second Reading Speech, House of Representatives Hansard, 12 December 1996, p. 8344.

¹¹ <http://www.finance.gov.au/finframework/docs/050701-FMA__CAC_Map.pdf>.

¹² A small number of agencies (such as intelligence agencies) are not bound by the annual report requirements. Some other agencies were excluded for various reasons. For full details, see Appendix 2.

¹³ For a definition of what constitutes a consultant, as opposed to other contracted services, see Appendix 1.

Figure 1.1

FMA Act agencies: number of consultancies let, reported value of contracts let and reported actual expenditure ¹⁴

PORTFOLIO (Number of agencies in portfolio)	NUMBER OF CONSULTANCIES REPORTED IN 2003–04 ANNUAL REPORTS	REPORTED VALUE OF CONTRACTS LET IN 2003–04 (\$ Million)	REPORTED ACTUAL EXPENDITURE IN 2003–04 (\$ Million)
Agriculture, Fisheries and Forestry (2)	160	11.0	16.2
Attorney-General (14)	172	15.6	18.3
Communications, Information Technology and the Arts (2)	103	7.1	7.8
Defence (1)	446	22.1	22.1
Education, Science and Training (2)	134	14.9	17.6
Employment and Workplace Relations (3)	87	5.0	5.7
Environment and Heritage (5)	659	57.5	37.8
Family and Community Services (2)	209	18.8	28.3
Finance and Administrative Services (5)	208	22.9	23.1
Foreign Affairs and Trade (4)	187	6.3	8.0
Health and Ageing (4)	346	27.5	39.9
Immigration, Multicultural and Indigenous Affairs (3)	107	6.8	48.3
Industry, Tourism and Resources (3)	172	13.6	13.9
Prime Minister and Cabinet (5)	102	21.4	14.8
Transport and Regional Services (2)	92	5.7	6.2
Treasury (8)	351	55.2	41.6
Veterans' Affairs (1)	38	2.0	6.9
Parliamentary Departments (3)	53	1.5	1.7
Courts (4)	16	1.6	2.4
TOTAL (73)	3 642	316.5	360.6

Source: 2003–04 annual reports of FMA Act agencies.

¹⁴ The analysis in this report was based on the 2003–04 financial year. Unless specified otherwise, all figures relate to that period.

1.5 In addition to the requirement to report on consultancies in annual reports, there are two other public reporting regimes with which FMA Act agencies are required to comply:

- the Gazette Publishing System (GaPS) which, with respect to 2003–04, required agencies to report all contracts (including consultancy contracts) greater than \$2 000¹⁵; and
- the Senate Order for Departmental and Agency Contracts (known as the Senate Order or the Murray Motion). This requires FMA Act agencies to report all contracts (including consultancy contracts) greater than \$100 000 for the purpose of reporting any contracts which contain confidentiality provisions.

1.6 The origins of each of these three regimes are outlined in Chapters 2, 3 and 4 respectively. While the Senate Order and Annual Reports had their genesis in increased accountability to the Parliament, part of the purpose of GaPS was and is to provide information to industry about amounts and patterns of procurement.

Audit approach

1.7 In view of the extent of expenditure by FMA Act agencies on consultants, the objective of the audit was to assess the accuracy and completeness of reporting of expenditure on consultants.

1.8 As noted above, annual reports are the primary source of information about consultancies let by FMA Act agencies and the audit took annual report reporting as the starting point for the audit. The annual report requirements contain 13 specific requirements that FMA Act agencies must meet with respect to consultants¹⁶. Five of the 13 annual report requirements are particularly important because they relate to specific details of consultancies let, contract prices and actual expenditure. An extract from the June 2004 annual report requirements (which applied to FMA Act agencies' 2003–04 annual reports), is at Appendix 3.

1.9 The ANAO compared each FMA Act agency's annual report with the annual report requirements. It provided each agency with the results of this analysis and sought the agency's comments on whether it agreed or disagreed with the assessment and observations. The outcomes of this analysis are outlined elsewhere in this report.

¹⁵ The threshold was increased to \$10 000 with effect from 1 January 2005.

¹⁶ The requirements relating to consultants are part of the management and accountability section of the annual report requirements and are therefore not subject to the ANAO's financial statement audit.

1.10 Notwithstanding the different thresholds applying to each reporting regime, there is overlap between the three. Figure 1.2 summarises the various reporting requirements for consultancies by value criteria.

Figure 1.2

Reporting of consultancies: relationship between annual report, GaPS and Senate Order

	REPORTING REGIME		
	ANNUAL REPORT	GaPS	SENATE ORDER
CONSULTANCIES LESS THAN \$2 000			
CONSULTANCIES BETWEEN \$2 000 AND \$10 000			
CONSULTANCIES BETWEEN \$10 000 AND \$100 000			
CONSULTANCIES GREATER THAN \$100 000			

Source: ANAO analysis

1.11 For every consultancy reported in FMA Act agencies’ annual reports, the ANAO attempted to identify a corresponding entry in GaPS and the Senate Order and cross-checked between them.

Auditing standards

1.12 The audit was conducted under Section 18 of the *Auditor-General Act 1997*. The cost of the audit to the ANAO was \$440 000.

2. Reporting of Consultancies in Annual Reports

Origin of annual report requirements

2.1 Public Service-wide annual report requirements were first published by PM&C in March 1994¹⁷. They were revised in February 1996, March 1997, April 1998, May 1999 and May 2000. Since 2001, revisions have been issued in June each year.

2.2 The annual report requirements have expanded considerably over 11 years, but the requirements in relation to consultants have remained largely unchanged. The most significant change in relation to consultants was that until 1999, one requirement was for agencies to report the 'agreed cost' of each consultancy listed in the annual report. In 2001, the requirement was changed to the 'contract price' of each consultancy. The significance of this is dealt with at paragraph 5.7

2.3 The annual report requirements are submitted by the Prime Minister to the Joint Committee of Public Accounts and Audit (JCPAA) for endorsement. Once endorsed, the annual report requirements become legally binding on Departments of State and Executive Agencies by virtue of s63(2) and s70(2) of the Public Service Act. As a matter of government policy, they also apply to agencies prescribed under s5 of the FMA Act. Consequently, there is no discretion for FMA Act agencies to depart from the annual report requirements.

2.4 An extract from the *Requirements* for the 2003–04 reporting year is at Appendix 3.

Did agencies report all required information?

2.5 There are 13 Requirements relating to the reporting of consultants and consultancies. These are shown in Figure 2.1.

¹⁷ *Requirements for Departmental Annual Reports*, Department of the Prime Minister and Cabinet, March 1994.

Figure 2.1

Annual report requirements relating to reporting of consultants

NO.	REQUIREMENT
1	Summary statement detailing the number of contracts let during 2003–04.
2	Summary statement detailing the total actual expenditure during 2003–04, regardless of when the contract was let.
3	Summary of the Agency's policy on the selection and engagement of consultants.
4	Summary of the Agency's selection procedures.
5	Summary of the main categories of purposes for which consultants were engaged.
6	List of all consultancy contracts let in 2003–04.
7	List of all consultancy contracts let in 2003–04: to the value of \$10 000 or more.
8	List of all consultancy contracts let in 2003–04: inclusive of GST.
9	List of all consultancy contracts let in 2003–04: name of the consultant.
10	List of all consultancy contracts let in 2003–04: summary description of the nature and purpose of the consultancy.
11	List of all consultancy contracts let in 2003–04: the contract price for the consultancy.
12	List of all consultancy contracts let in 2003–04: the selection process used, including whether the consultancy was publicly advertised.
13	List of all consultancy contracts let in 2003–04: the justification for the decision to employ consultancy services.

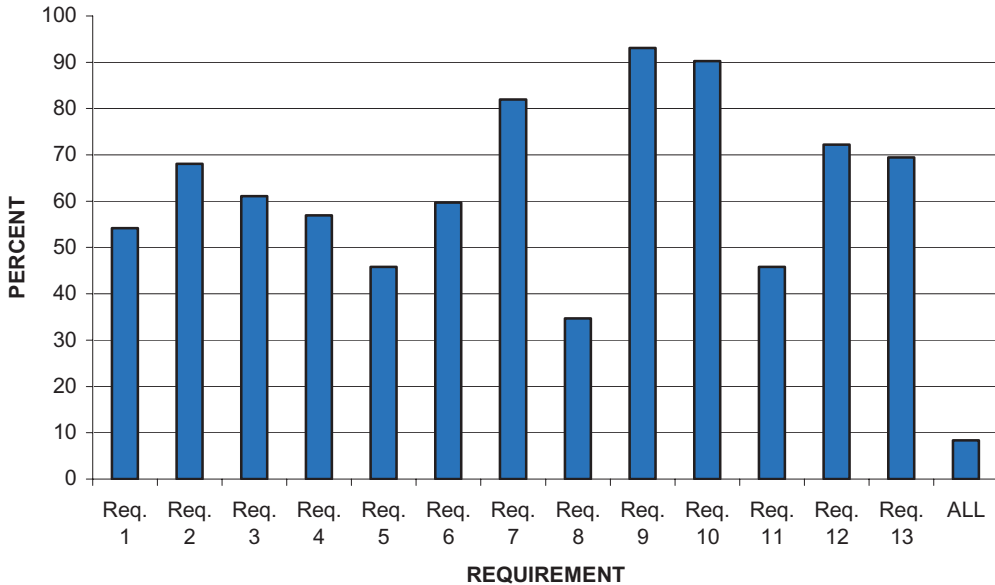
Source: ANAO summary of *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*.

NOTE: For a more detailed explanation of the annual report requirements, see Appendix 3.

2.6 The ANAO analysed the annual reports of the 73 FMA Act agencies that submitted annual reports in 2003–04 in two stages. First, it examined whether agencies had reported information against each requirement. Second, for a selected number of agencies (representing some 90 per cent of the total value of all FMA Act agencies' consultancies), it assessed whether the content of the information reported in annual reports was accurate and complete by cross-checking annual report reporting against reporting in GaPS and the Senate Order. In both stages of the analysis, the ANAO sought agencies' comments on its analysis. Figure 2.2 below summarises the result of the analysis of the first comparison and takes into account each agency's comments on the ANAO's observations.

Figure 2.2

Proportion of FMA Act agencies reporting against annual report requirements



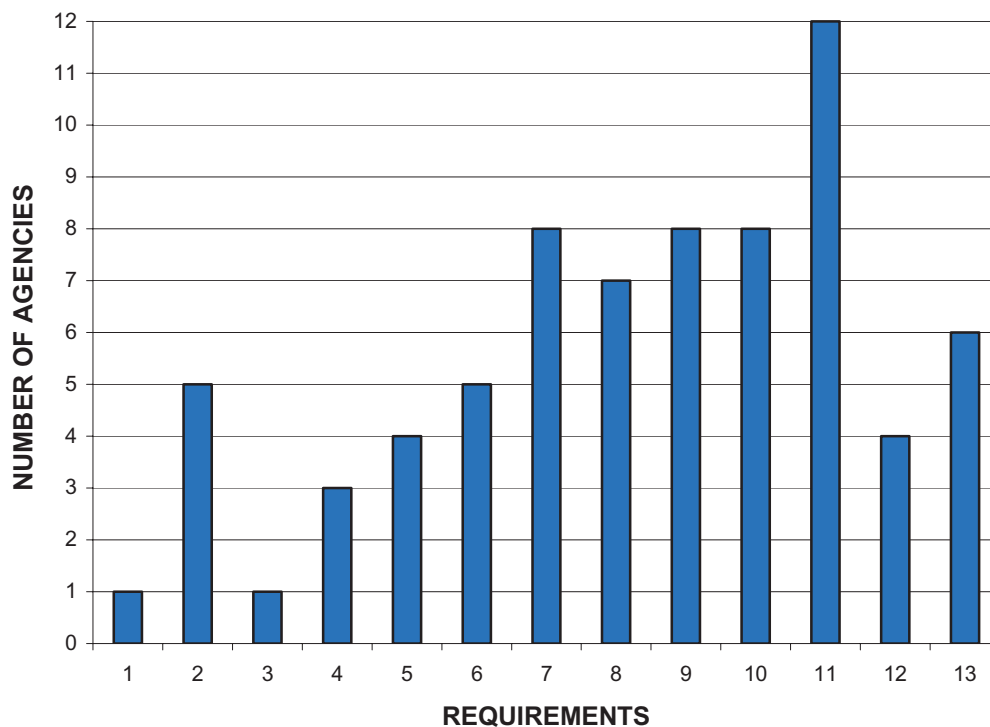
Source: ANAO analysis of FMA Act agencies' 2003–04 annual reports

Note: The Office of Parliamentary Counsel did not let any consultancies in 2003–04 and is therefore excluded from this chart.

2.7 The ANAO also examined the total number of requirements met by each agency. Figure 2.3 shows this analysis. It illustrates that almost half of all agencies met the form of eight or fewer of the 13 annual report requirements. Only seven agencies, or 9.6 per cent, (DAA, DEST, DFAT, DITR, DCITA, Finance and PM&C) ostensibly met all 13 annual report requirements in that they reported information against each requirement. However, as demonstrated below, subsequent analysis showed that in terms of accuracy and completeness, none of the agencies achieved full compliance.

Figure 2.3

Number of annual report requirements met by agencies



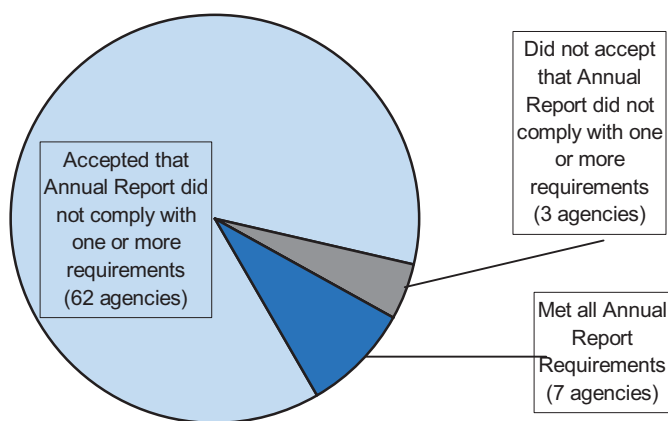
Source: ANAO analysis of FMA Act agencies' annual reports

Note: The Office of Parliamentary Counsel did not let any consultants in 2003–04 and is therefore excluded from this chart.

2.8 As demonstrated in Figure 2.4, more than 80 per cent of agencies advised the ANAO that they accepted that their 2003–04 annual report did not comply with one or more annual report requirements.

Figure 2.4

Summary of compliance with annual report requirements, all FMA Act agencies, 2003–04



Source: ANAO analysis of FMA Act agencies' annual reports and agencies' responses to ANAO correspondence

Note: The Office of Parliamentary Counsel did not let any consultancies in 2003–04 and is therefore excluded from this chart.

2.9 Of the 13 annual report requirements, five are particularly important. The five deal with the reporting of details of consultancies let, contract prices and actual expenditure, as follows:

- summary statement detailing the number of contracts let during 2003–04 (Requirement 1);
- summary statement detailing the total actual expenditure during 2003–04, regardless of when the contract was let (Requirement 2);
- list of all consultancy contracts let in 2003–04 with a contract price of \$10 000 or more (annual report requirements 6, 7 and 11¹⁸).

2.10 Fifteen agencies (20.8 per cent) reported information against all five of the key requirements. However, many did not report data against one or more. Figure 2.5 shows how many agencies reported information against each of the key annual report requirements.

¹⁸ Requirement 6 is for a list of all consultancies let in the year. Requirement 7 specifies that only consultancies with a value of \$10 000 or more to be reported and Requirement 11 states that the amount to be reported should be the contract price, not payments actually made.

Figure 2.5

Number and proportion of agencies meeting key annual report requirements

Requirement	No. of agencies meeting requirement	Per cent
1	38	53
2	49	68
6	43	60
7	58	81
11	33	46

Source: ANAO analysis of FMA Act agencies' 2003–04 annual reports

2.11 Most of the deficiencies in reporting were simply information being omitted through agencies' failure to follow the requirements. However, some errors were indicative of misinterpretation of the requirements. A number of examples are listed below.

Requirement 3 – summary of the agency's policy on the selection and engagement of consultants

2.12 Thirty-nine per cent of agencies¹⁹ did not meet Requirement 3.

2.13 The annual report requirements include Requirements 3, 4 and 5 in one paragraph as follows:

- a summary of the department's policy on the selection and engagement of consultants, its selection procedures, and the main categories of purposes for which consultants were engaged;

2.14 Although the part of the Requirement relating to agency policy on selection and engagement requires an explicit statement relating to consultants, a number of agencies advised the ANAO that they believed that their general statements in relation to procurement²⁰ adequately met this requirement. However, the ANAO notes that, aside from the quite explicit nature of the requirement itself, there may well be aspects of selection policy which relate specifically to consultants but not to procurement generally.

¹⁹ AAT, ACCC, ACIAR, AGIMO, AGO, AJF, APSC, ATO, AUSTRAC, BOM, COMSUPER, DEH, DHA, DIMIA, DPP, Fam. Ct, Fed. Ct, Fed. Mag. Ct, GA, IP Australia, NCC, NNTT, OIGIS, Ombudsman, ORER, PC, PSRS, Seacare.

²⁰ Such a statement is a separate requirement elsewhere in the annual report requirements.

Requirement 5 – summary of the main categories of purposes for which consultants were engaged

2.15 Fifty-four per cent of agencies²¹ did not meet Requirement 5.

2.16 Of the 33 agencies that met this requirement, there were a range of different interpretations of what it required. This meant that there was no basis for comparison of ‘purposes’ across agencies. An example of this was the Attorney-General’s Department, which advised the ANAO:

In respect of your view that the Department has not provided a summary of the main categories of purposes for which consultants were engaged, we interpret that particular requirement to relate the word ‘summary’ to the first aspect (policy on selection and engagement) rather than the other aspects (selection procedures or categories of purposes for engagement).

2.17 Requirement 5 has been included in the annual report requirements since their introduction. However, PM&C was not able to provide ANAO with any further explanation of the requirement. There would seem to be merit in PM&C either clarifying Requirement 5 so that it is interpreted consistently across agencies or simply deleting it.

Requirement 6 – list of all consultancy contracts let in 2003–04

2.18 Forty per cent of agencies did not meet Requirement 6²².

2.19 The most common error in relation to this requirement was agencies reporting all consultants under engagement during the year, not just those actually let during the year. In a number of cases, agencies exceeded their accountability requirements by not distinguishing ‘continuing’ consultancies from ‘newly let’ consultancies. However, this is both misleading and further hampers cross-agency comparisons.

Requirement 7 – list of all consultancy contracts let in 2003–04 to the value of \$10 000 or more

2.20 Thirteen agencies²³ did not meet Requirement 7 because they included consultancies of less than \$10 000 in their lists. Again, this makes cross-agency comparisons difficult.

²¹ AGs, AAT, ACC, ACIAR, AEC, AGIMO, AGO, AIR, AJF, APSC, ARC, ATO, AUSTRAC, BOM, CGC, COMSUPER, DofS, DofPS, DPP, DVA, EOWA, Fam. Cr. Fed. Cr. Fed. Mag. Cr. GA, IP Australia, ITSA, MRT, NAA, NBA, NCA, NOO, OFLC, Ombudsman, ORER, Privacy Commission, PSRS, RRT, Seacare.

²² AAT, ACC, ACS, ARC, ARPANSA, ATO, AUSTRAC, BOM, COMSUPER, CRIMTRAC, DAFF, DEFENCE, DEWR, DofPS, DPP, Fam. Cr. Fed. Mag. Cr. GA, HROEC, IP Australia, ITSA, NCA, NCC, NNTT, NOO, OFLC, ORER, PSRS.

²³ AUSTRAC, DEFENCE, DIMIA, EOWA, Fam. Cr. Fed. Mag. Cr. MRT, NCA, NCC, ORER, PC, PSRS, RRT.

Requirement 11 – list of all consultancy contracts let in 2003–04: contract price

2.21 The annual report requirements state:

This...information requires departments to list each consultancy contract let to the value of \$10 000 or more and the total *value* of each of those contracts over the life of each contract. In other words, this additional information is not concerned with expenditure in the reporting year, but estimated expenditure over the life of each contract that is reported.

Where no total fixed price exists for a consultancy agreement, or where actual expenditure exceeds the originally agreed contract price, the value of the consultancy contract should be taken as the actual expenditure. In each case, the reason for the absence of, or going over, a fixed price should be noted.

2.22 Notwithstanding the clarity of Requirement 11, 19 agencies²⁴ explicitly stated in their listing of consultants that the figures reported were actual expenditure. The most significant of these was the Department of Defence.

2.23 An indication of the widespread reporting of expenditure rather than contract price may be gained from the number of quite specific amounts reported by agencies (eg \$25 672.25 or \$25 672). Fifty-seven agencies' lists of consultants included very precise amounts. As noted at paragraph 2.21, this may be appropriate in the circumstance where there was no fixed-price contract or where actual expenditure exceeded the contract price, but the annual report requirements state that such cases 'should be noted'. Only six agencies' lists of consultants included such notes.

Alternative ways to report details of consultancies

2.24 The annual report requirements provide that FMA Act agencies should report their consultancies:

'...either as an appendix to the report, or on request or through the Internet...'

2.25 In this context, 82 per cent of FMA Act agencies chose to include consultancies in their annual report. A further 11 per cent used the agency's website whilst seven per cent stated that they were 'available on request'. The ANAO found that the performance of the agencies which chose a method of disclosure other than the annual report was poor. Of the eight 'website' agencies, the ANAO was only able to locate the list on one agency's site (ORER). In relation to six²⁵ of the remaining seven, the information was incorporated into the website following ANAO inquiry. In relation to the other one, the list was not on the website as stated in the annual report, but was included in the annual report.

²⁴ ACC, AFP, HREOC, Priv. Comm., Defence, AJF, ARPANSA, PSRS, GA, DVA, BOM, APSC, Ombudsman, OOSGG, ABS, AOFM, ATO, IGT, Fed. Cr.

²⁵ NCA, DAA, HREOC, PSRS, DITR, ACCC.

2.26 Following discussions with PM&C, the ANAO notes that the 2005 annual report requirements omit the 'available on request' option.

Accuracy and completeness of reporting

2.27 As noted at paragraphs 1.10 and 2.6, notwithstanding the differing origins and financial thresholds of the three reporting regimes (annual report, GaPS and Senate Order), there are common elements. For example, a consultancy with a contract value of more than \$100 000 should be reported in all three regimes. The ANAO undertook a detailed analysis of the three reporting regimes for 31 of the 73 FMA Act agencies covered by the audit. The 31 agencies included all 17 of the Departments of State and 14 other selected agencies. Figure 2.6 shows the number and reported value of consultancies reported by these agencies as a proportion of all FMA Act agencies.

Figure 2.6

Number and value of consultancies reported by selected agencies as proportion of all FMA Act agencies, 2003–04

	Number	Per cent	Value (\$m)	Per cent
Selected Agencies	2475	68.0	274.672	86.7
Other FMA Act agencies	1167	32.0	41.975	13.3
TOTAL	3642	100.0	316.647	100.0

Source: ANAO analysis of FMA Act agencies' annual reports.

2.28 For each selected agency, the ANAO reviewed its annual report list of consultancies. It then examined GaPS and the Senate Order (where applicable) and looked for either a direct match (that is, an exact match for both consultant name and dollar amount), a partial match (a match for consultant name only) or no match (no match for either consultant name or dollar amount). This allowed the ANAO to identify entries in each regime which, prima facie, should have been reported in one or more of the other two regimes.

2.29 Figure 2.7 shows the outcome of this analysis in relation to annual reports.

Figure 2.7

Summary of deficiencies in accuracy and completeness of reporting of consultancies in annual reports, selected agencies

	Under-reporting: consultancies omitted from annual report	Over-reporting: consultancies let in previous years reported	Errors		
			Some or all annual report entries were actual payments	Some or all annual report entries were GST exclusive	Arithmetic errors in reporting
AAT			X		
ACS	X				
AFFA	X		X	X	
AFP			X	X	
AGs	X		X		
AOFM			X		
APSC			X		
ARC	Although ARC reported 9 consultancies in its 2003–04 annual report, none were actually let in 2003–04.				
AUSTRAC		X			X
Crimtrac	Although Crimtrac reported 5 consultancies in its 2003–04 annual report, only one was actually let in 2003–04.				
Defence	X	X	X	X	X
DEST	X		X		
DEWR	X				
DFAT	X	X			
DHA	X		X		
DIMIA			X	X	
DITR	X		X		
DCITA	X		X		
DOTARS					X
DPP			X		
DVA	X		X		
DEH	X		X		X
FaCS					X
Finance			X		
HREOC	X		X	X	X
NCA		X	X		
OFLC					
ORER		X			
PM&C			X		
Priv. Comm.			X	X	
Treasury	X		X		X

Source: Selected agencies' annual reports; responses to ANAO correspondence; ANAO analysis.

2.30 In summary:

- 48 per cent of selected agencies confirmed that they had omitted consultancies from their annual reports; and
- 72 per cent of selected agencies confirmed that some or all amounts in their annual reports were payment amounts, rather than contract values as required.

3. Reporting of Consultancies and other Procurement in GaPS

Origin of GaPS

3.1 The origin of the Gazette Publishing System (GaPS) goes back to Federation with the first Commonwealth Gazette published on 1 January 1901:

The Gazette is the main publication through which the executive arm of government announces its decisions and actions of interest to the public²⁶.

3.2 Over time, a number of Gazettes were introduced for specific purposes, including the *Purchasing and Disposals Gazette* in which Commonwealth agencies were required to report, among other things all purchases. In 1999, the *Purchasing and Disposals Gazette* became available online as GaPS. Every FMA Act agency is able to access GaPS online and update its own records²⁷.

3.3 The requirement for FMA Act agencies to report purchases in GaPS flows from the *Commonwealth Procurement Guidelines* (CPGs) which are issued by the Finance Minister under regulation 7(1) of the *Financial Management and Accountability Regulations*. As a result, the requirement to publish details of Commonwealth contracts or agency agreements²⁸ is legally binding on all FMA Act agencies. With respect to the financial year 2003–04, the reporting threshold for GaPS was \$2 000.²⁹

Analysis of GaPS entries

3.4 The Department of Finance and Administration provided the ANAO with a copy of the GaPS database for 2003–04 to enable data analysis.

3.5 The ANAO's examination demonstrated the descriptions accompanying entries in GaPS were often very poor. For example, although agencies reported a total of 3 642 consultancies, ANAO found some hundreds of entries for consultancies in GaPS which were subsequently identified by agencies as having been incorrectly described. Given this unreliability, the

²⁶ National Archives of Australia *Fact Sheet 22 – Commonwealth of Australia Gazettes*.

²⁷ In the case of a number of small agencies, data input is made on their behalf by their 'parent' Department of State.

²⁸ FMA Regulation 3 defines a Commonwealth contract as 'an agreement for the procurement of goods and services under which the Commonwealth is obliged, or may become obliged, to make a payment of public money' and an agency agreement as 'an agreement for the procurement of goods and services under which an Agency is obliged, or may become obliged, to make a payment of public money to another Agency.'

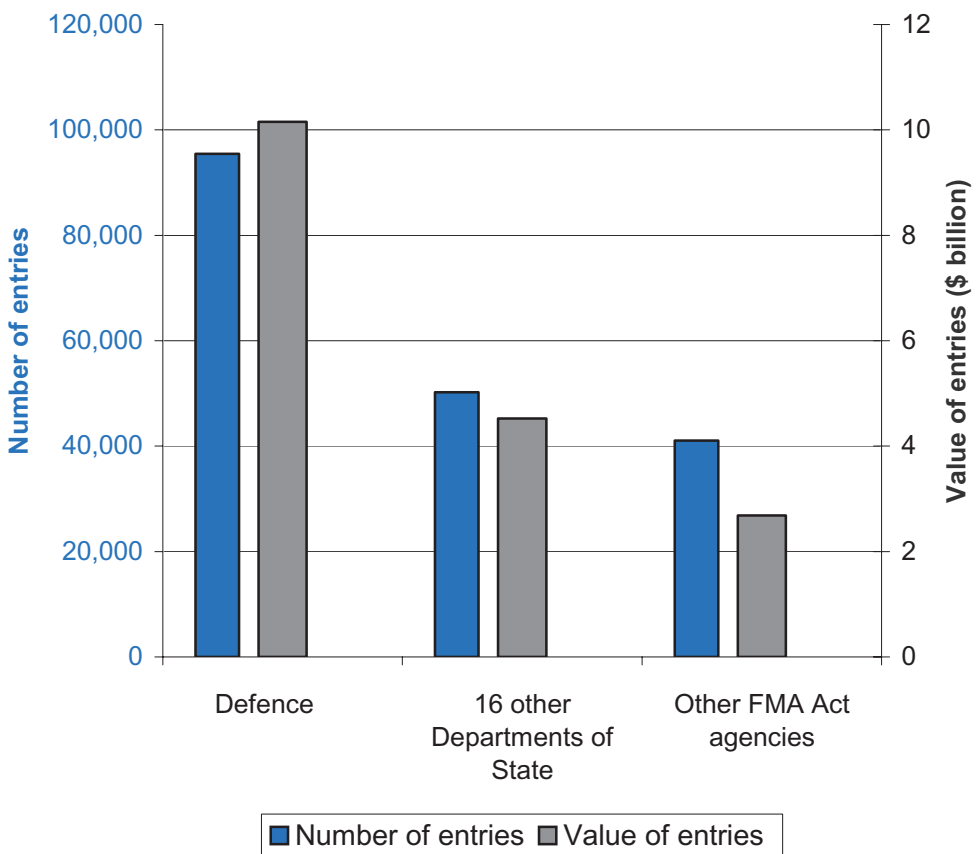
²⁹ It is now \$10 000.

analysis of the GaPS database is based upon the full population of entries regardless of the entry description. The ANAO considers this to be a reasonable approach on the basis that overall reporting of any other type of procurement is likely to reflect the situation in respect of consultancy contracts.

3.6 The database contained 186 705 entries with a total value of some \$17.4 billion. Over 50 per cent of GaPS entries, both in terms of the number of purchases and the amount they represent, are attributable to the Department of Defence. Figure 3.1 represents this diagrammatically.

Figure 3.1

GaPS 2003–04: number and value of entries (all FMA Act agencies)



Source: ANAO analysis of data download from Department of Finance and Administration, August 2005.

Timeliness of reporting

3.7 The CPGs contain the following requirement (emphasis added):

Agencies are required to report agency agreements and Commonwealth contracts (which, as defined in the FMA Regulations, also encompass standing offers) with an estimated liability of \$2 000 or more in the Gazette, in accordance with the requirements set out in the *Guidance on Reporting Procurement in the Gazette Publishing System*, within six weeks of entering into the agreement. Should an agency become aware of a failure to report within the prescribed six weeks, it should remedy that failure immediately by reporting the arrangement in the Gazette³⁰.

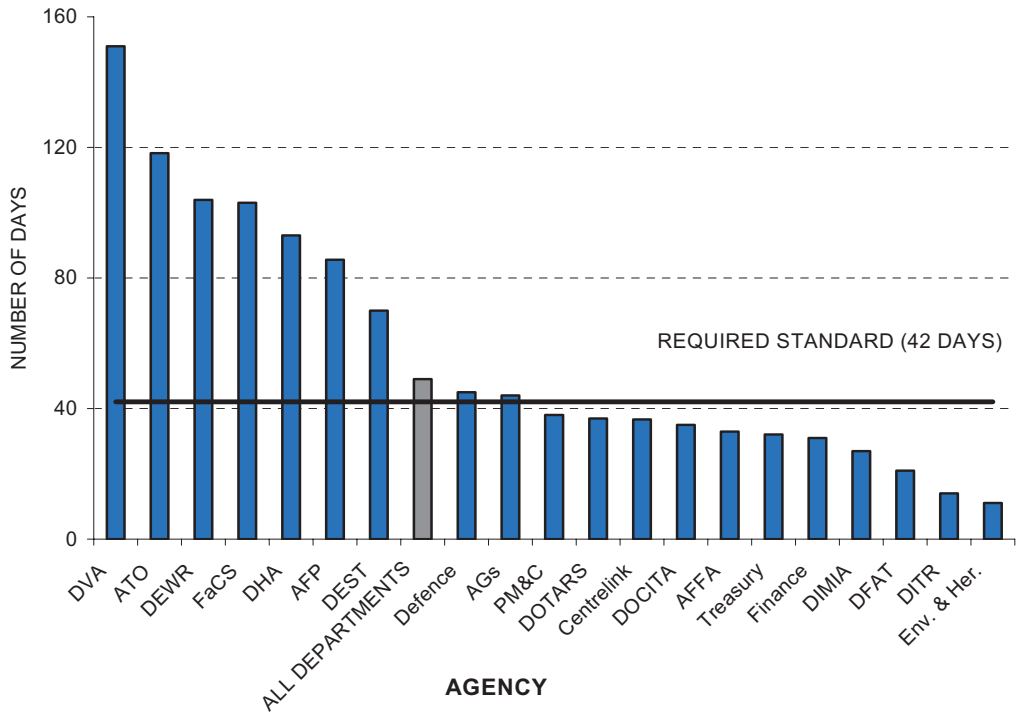
3.8 Using the GaPS data made available by the Department of Finance, the ANAO analysed the period of time between the reported date of the contract³¹ (or the date on which it was entered into) and the date on which it was actually entered electronically into GaPS by the 17 Departments of State. This analysis revealed that although 78 per cent of entries into GaPS are made within the required time, only 10 of the 17 Departments of State had an average time within the reporting requirement. This is demonstrated in Figure 3.2 below.

³⁰ *Commonwealth Procurement Guidelines*, Department of Finance and Administration, July 2004, para. 6.19.

³¹ Not all GaPS entries are contract-based: some are simply purchases of goods or services with no formal written contract being entered into. However, for ease of reference, they are referred to as contracts in this Report.

Figure 3.2

Average number of days between contract date and gazettal, selected FMA Act agencies.



NOTE: Selected agencies in this instance are the 17 Departments of State and the three largest non-Departmental FMA Act agencies (represents 86.5 per cent of all GaPS entries).

Source: ANAO analysis of data download from Department of Finance and Administration, August 2005.

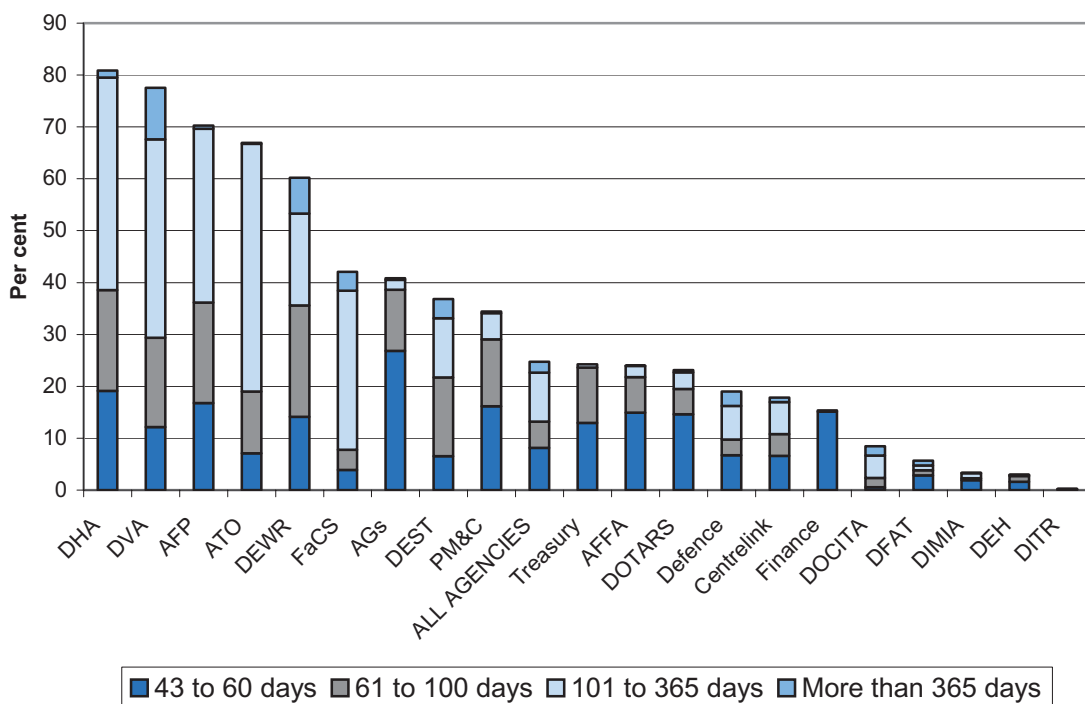
3.9 Figure 3.2 shows that the average time to report procurement in GaPS across all Departments of State is 46 days, compared with the requirement of 42 days. It also demonstrates that on average, five Departments (which between them accounted for almost 14 000 entries) exceeded the required reporting time by a large margin: in the case of DVA, its average time was 151 days, or almost four times the requirement.

3.10 The ANAO undertook some further analysis of entries where the period between the reported contract date and the date of gazettal exceed the requirement. Figure 3.3 shows, for the Departments of State and three largest

non-Departmental FMA Act agencies, the proportion of each agency's GaPS entries which exceeded the six-week requirement. For example, in the case of DVA, almost 80 per cent of its GaPS entries were 'out of time', and almost 10 per cent were not gazetted until more than one year after the contract start date. In addition, Appendix 4 shows, for each agency covered by this Audit, the proportion of the agency's GaPS entries which exceeded the required reporting time and the value of 'out of time' entries (which totalled \$7.7 billion).

Figure 3.3

Proportion of GaPS entries exceeding reporting requirement period, selected FMA Act agencies



NOTE: Selected agencies in this instance are the 17 Departments of State and the three largest non-Departmental FMA Act agencies (represents 86.5 per cent of all GaPS entries).

Source: ANAO analysis of data download from Department of Finance and Administration, August 2005.

3.11 Figure 3.4 shows the number and value of 'out of time' entries and demonstrates that a substantial number of entries were not made until some years after the reported contract start date.

Figure 3.4

Number and value of GaPS entries reported outside required time limit

PERIOD BETWEEN REPORTED START DATE AND DATE OF GaPS ENTRY	NUMBER OF ENTRIES	VALUE (\$)
43 days to 1 year	44 940	6 823 486 835
1 year to 2 years	2 802	532 695 543
2 years to 3 years	627	139 607 810
3 years to 4 years	134	80 116 477
4 years to 5 years	47	115 493 281
5 years to 6 years	27	17 233 719
6 years to 7 years	4	561 919
7 years to 8 years	4	2 842 122
8 years to 9 years	2	138 547
9 years to 10 years	0	0
10 years to 11 years	8	24 102 561
11 years to 12 years	1	3 297 543
TOTAL	48 596	7 739 576 357

NOTE: Selected agencies in this instance are the 17 Departments of State and the three largest non-Departmental FMA Act agencies (represents 86.5 per cent of all GaPS entries).

Source: ANAO analysis of data download from Department of Finance and Administration, August 2005.

Compliance with Australia-United States Free Trade Agreement

3.12 Australia has signed a number of international agreements which include coverage of government procurement, and failure to comply with the reporting requirements in the CPGs may mean that agencies are not meeting these international agreements. For example, the Australia-United States Free Trade Agreement (the Agreement) came into effect on 1 January 2005. Article 15.9.9 of the Agreement states:

Not later than 60 days after the award of a contract for a covered procurement³², a procuring entity shall publish a notice in an officially designated publication, which may be in an electronic or paper medium. The notice shall include at least the following information about the contract:

- (a) the name and address of the procuring entity;
- (b) a description of the goods or services procured;

³² A 'covered procurement' is defined as a procurement by an FMA Act agency with a value exceeding \$A81 800 for goods and services or \$A9 396 000 for construction services.

- (c) the date of award or the contract date;
- (d) the contract value;
- (e) the name and address of the successful supplier; and
- (f) the procurement method used.

3.13 Article 15.9.9 is given effect for FMA Act agencies by the CPGs which also list some types of procurement which are exempt from this mandatory reporting requirement.

3.14 The ANAO examined all GaPS entries for the period 1 January 2005 to 30 June 2005 and identified all those which appeared to fall within the scope of Article 15.9.9 and the CPGs. (In other words, those which exceeded the threshold and which did not appear to be exempt from mandatory reporting). Of these entries, 308 were reported in GaPS 61 days or more after the reported contract start date and are therefore, prima facie, in breach of the Agreement³³. The value of these 308 entries is \$341.3 million.

Accuracy and completeness of reporting

3.15 Figure 3.5 shows key results of the analysis of GaPS.

³³ They are also, of course, in breach of the GaPS requirement of reporting within 6 weeks of the contract start date.

Figure 3.5

Summary of deficiencies in accuracy and completeness of reporting of consultancies in GaPS, selected agencies

	Under-reporting	Over-reporting		Errors	
	Consultancies omitted from GaPS	Duplicate entries reported in GaPS	Entries misdescribed as consultancies (number indicated if known)	Some or all GaPS entries were actual payments	Some or all GaPS entries were GST exclusive
AAT	X	X		X	
ACS		X	X (60)	X	
AFFA	X	X	X (100)	X	
AFP		X		X	X
AGs	X		X	X	
AOFM			X	X	
APSC	X		X	X	
ARC	Although ARC reported 9 consultancies in its 2003–04 annual report, none were actually let in 2003–04.				
AUSTRAC	X		X	X	
Crimtrac	Although Crimtrac reported 5 consultancies in its 2003–04 annual report, only one was actually let in 2003–04.				
Defence	X	X	X	X	
DEST	X			X	
DEWR	X	X	X (17)	X	
DFAT	X	X	X (9)	X	
DHA	X	X	X (11)	X	
DIMIA	X	X	X (45)	X	
DITR	X		X	X	
DCITA	X	X	X (17)	X	X
DOTARS	X	X		X	
DPP	X		X	X	
DVA	X		X	X	
DEH	X	X	X	X	
FaCS	X			X	X
Finance			X	X	
HREOC			X	X	
NCA	X			X	X
OFLC	X			X	
ORER	X		X	X	
PM&C	X		X	X	
Privacy		X		X	
Treasury	X		X (60)	X	

Source: Selected agencies' annual reports; responses to ANAO correspondence; ANAO analysis.

3.16 All selected agencies were provided with the results of the ANAO's analysis, together with the opportunity to discuss the findings with the ANAO and/or advise of any errors in the ANAO's analysis. Most agencies took the opportunity to respond to the findings, with the following significant outcomes:

- 72 per cent of selected agencies confirmed that they had incorrectly described some proportion of GaPS entries as consultancies;
- 79 per cent of selected agencies confirmed that they had omitted consultancy details from GaPS;
- 96 per cent of selected agencies confirmed that some or all GaPS figures relating to consultancies were payment amounts, rather than contract values as required.

Use of GaPS

3.17 In its current form, GaPS already contains specific 'stand-alone' functionality which allows agencies to use it to prepare their annual report listings of consultants and their Senate Order listings, although as at time of writing, only eight agencies have chosen to use these options. Another potential strength of GaPS is that all FMA Act agencies have online access to it. It is a publicly available database and can easily be interrogated by users, including the general public.

3.18 The ANAO is aware that Finance is presently engaged in a data quality improvement project for GaPS. Finance advised the ANAO in December 2005 that:

...it intends to undertake a project aimed at assisting agencies to improve the quality and timeliness of the data that they upload into AusTender – Contracts Reported [GaPS]. The project will seek to inform agencies about their responsibilities for reporting of contracts awarded pursuant to the Australian Government's procurement policy framework. As part of this project, Finance will help to share better practice in agency contract reporting business processes amongst agencies.

3.19 In addition, Finance advised the ANAO in December 2005 that:

The revised procurement framework introduced in the *Commonwealth Procurement Guidelines* in January 2005 provides more structure for agencies' procurement activity. The proposed enhancements to the AusTender reporting system will incorporate more business rules that will minimise the opportunity for errors. Finance is also developing strategies to assist agencies to understand their reporting obligations, and to improve the quality of their AusTender data. In addition, Finance is currently developing the procurement policy framework to provide for the development of systems to ensure appropriate treatment of contract material to ensure that material is only classified as confidential where there is a sound justification.

4. Reporting of Consultancies in Senate Order for Departmental and Agency Contracts

Background

4.1 The origin of the Senate Order for Departmental and Agency Contracts (the Senate Order) was a growing perception that with increased outsourcing and contracting out to the private sector of work that had previously been undertaken by Commonwealth agencies, there was an increasing risk that rights of access to information relating to government services could be diminished.³⁴ In its Report 379³⁵, the Joint Committee of Public Accounts and Audit considered that:

...accountability and parliamentary scrutiny are being eroded through the application of commercial-in-confidence to all or parts of government contracts.

4.2 The first Senate Order was tabled on 20 June 2001 and has been amended four times since then. The present Senate Order, and the one which related to the 2003–04 reporting year covered by this audit, is shown at Appendix 5.

4.3 One component of the Senate Order is a request for the Auditor-General to examine a selection of contracts and report to the Senate whether there had been '*...any inappropriate use of such [confidentiality] provisions.*' To date, the Auditor-General has reported on this examination seven times.³⁶

4.4 Although the focus of the Senate Order (and the Auditor-General's examinations) has been on the use of confidentiality provisions in contracts entered into by FMA Act agencies, it is also another regime where agencies are required to report consultancies which exceed the threshold (which is presently \$100 000).

³⁴ A more detailed discussion of the events leading up to the Senate Order can be found in ANAO Audit Report No.38, 2000–2001, *The Use of Confidentiality Provisions in Commonwealth Contracts*, tabled on 24 May 2001.

³⁵ Joint Committee of Public Accounts and Audit Report 379, *Contract Management in the Australian Public Service*, October 2000

³⁶ Audit Report No.33, 2001–2002; Audit Report No.8, 2002–2003; Audit Report No.32, 2002–2003; Audit Report No.5, 2003–2004; Audit Report No.31, 2003–2004; Audit Report No.10, 2004–2005; Audit Report No.11, 2005–2006.

Time Series Data

4.5 There was limited scope for the ANAO to assess agencies' compliance with the Senate Order requirements in isolation from the other reporting regimes. This was principally because of the lack of time series data. Under the terms of the Senate Order, Ministers are required to table a 'letter of advice' when agencies' lists of contracts have been placed on their website: the lists themselves are not tabled in the Senate. The practice of most agencies has been to replace each Senate Order on its site with its successor. While the agencies may have retained records of earlier versions, their removal from the website makes access more difficult.

Department of Education, Science and Training

4.6 DEST was one of the very few Departments of State that provided the full series of Senate Orders on its website.

4.7 Agencies are required to report, in their Senate Order listing for each reporting period, both contracts which were newly let in the period and those which were let prior to the reporting period but which continued during the reporting period. In order to test the accuracy of DEST's reporting over the series of orders, the ANAO selected all those contracts listed in DEST's calendar year 2004 listing which met the following two criteria:

- were identified as consultancies; and
- had a contract start date in 2000, 2001, 2002 or 2003.

4.8 There were 43 contracts which met these criteria. Since the contracts were reported in the calendar year 2004 listing, they should have been reported in each successive listing since the original contract start date. The ANAO also examined reported changes to each contract over time. The analysis showed the following:

- 24 contracts appeared to have errors in reporting:
 - 18 were not included in one or more listings between the first time that they were reported and the 2004 calendar year listing;
 - Three were reported with different start dates in different listings;
 - One appeared to have been reported twice;
 - One had a reported end date of 30 February 2004;
 - One appeared to have been varied downwards.

4.9 Of the remaining 19 contracts, five appeared to have been correctly and consistently reported over successive listings and 14 appeared to have been varied over their life and were reported in such a manner as to appear consistent with such variations.

4.10 The ANAO sought DEST's comments on its analysis. In relation to the 24 entries the ANAO identified as appearing to have reporting errors, DEST responded as follows:

- 14 contracts had been omitted from one or more listings due to 'human error';
- Three contracts had been reported with incorrect start dates;
- Three had other errors as identified by ANAO;
- One was not addressed by DEST.

4.11 DEST was able to supply satisfactory explanations for the remaining three contracts. This meant that the error rate in the selected sample was 49 per cent.

Department of Defence

4.12 As shown at Appendix 5 in this report, part of the Senate Order requires:

(5) In respect of contracts identified as containing provisions of the kind referred to in paragraph (2) (c), the Auditor-General be requested to provide to the Senate, by not later than 30 September of each year mentioned in paragraph (1), a report indicating that the Auditor-General has examined a number of such contracts selected by the Auditor-General, and indicating whether any inappropriate use of such provisions was detected in that examination.

4.13 Defence has consistently indicated during the Senate Order audits that it would have difficulty complying with the Senate Order, due principally to the sheer volume of its contracts. This has been reflected in the following excerpts from successive ANAO Senate Order audit reports.

Figure 4.1

Excerpts from ANAO reports on compliance with the Senate Order for Department and Agency Contracts

ANAO REPORT NUMBER (TABLING DATE)	DEFENCE/ANAO COMMENT
33 of 2001–2002 (25 February 2002)	[Defence]... is currently putting a significant amount of effort into scoping an upgrade of its information technology systems to assist in capturing the information required for the order.
8 of 2002–2003 (18 September 2002)	Defence is in the process of establishing a Contracts Registered database to capture more accurate and comprehensive contract information.
32 of 2002–2003 (5 March 2003)	[Defence] has progressed work on establishing a contracts register database to capture more accurate and comprehensive information.
5 of 2003–2004 (11 September 2003)	On 6 March 2003, the Minister for Defence tabled a letter in the Senate advising that a list of contracts had been placed on the Internet, and that: ‘... Defence is developing a comprehensive new system. The first iteration of the new system, the Interim Defence Contracts Register, has been completed and will commence operation in March 2003. Compliance with the Senate order using the contracts register approach will be prospective, rather than retrospective. Subject to resource constraints, the functionality of the Interim Contract Register will be expanded such that it is able to deal with all aspects of the Senate order requirements.’
31 of 2003–2004 (26 February 2004)	On 13 August 2003, the Minister for Defence tabled a letter in the Senate advising that a list of contracts had been placed on the Internet, and that: ‘...The Department is in the process of considering the development of an enhanced system with the primary objective of enabling Defence to more efficiently comply with the Senate Order requirements, particularly as they relate to confidentiality provisions.’
10 of 2004–2005 (17 September 2004)	On 18 February 2004, the Minister for Defence tabled a letter in the Senate advising that a list of contracts had been placed on the Internet, and that: ‘Defence has placed significant resources and effort into progressive compliance with the Order, including release of an Interim Defence Contract Register (IDCR) in March 2003 and the scoping of a permanent contracts register solution.... Defence is in the process of considering options that will enable the Department to more efficiently comply with the Senate Order requirements...’

Source: Various ANAO Reports as indicated.

4.14 Under the terms of the Senate Order, agencies are required to report:

(a) each contract entered into by the agency which has not been fully performed or which has been entered into during the previous 12 months, and which provides for a consideration to the value of \$100 000 or more;

4.15 In other words, for each period, agencies are required to report both consultancies which were newly let in the reporting period and consultancies let in earlier periods which are still on-going.

4.16 From the time of the introduction of the Senate Order until the establishment of the Interim Defence Contracts Register ((IDCR), referred to in Figure 4.1 above), 'Defence addressed the Senate Order requirements by publishing lists of contracts gazetted by the Department valued at or over \$100 000 during the reporting period.'³⁷ The lists published during this period included both newly let and on-going contracts, as shown in Figure 4.2.

Figure 4.2

Department of Defence: numbers of entries included in the Senate Order listings prior to introduction of the Interim Defence Contracts Register

FINANCIAL YEAR	NO. OF ENTRIES	NO. OF ENTRIES ON-GOING FROM EARLIER PERIODS	PER CENT
1996–1997	2 252	342	15.2
1997–1998	2 034	104	5.1
1998–1999	3 280	253	7.7
1999–2000	2 669	357	13.3
2000–2001	3 414	564	16.5
2001–2002	3 333	675	20.3
2002–2003	7 231	1 117	15.4
TOTAL	24 213	3 412	14.1

Source: ANAO analysis of Department of Defence website *Reporting Defence Contracts* (see footnote below).

4.17 In a letter tabled in the Senate on 18 February 2004 (also referred to in Figure 4.1 above), the Minister for Defence stated that 'Compliance using the IDCR approach will be prospective, rather than retrospective...'. ANAO analysis of successive IDCR reports has shown that in each case, Defence only reports contracts which were newly let in the period: none of the reports contains any contracts which were let earlier but which were still on-going. This means that rather than every contract exceeding \$100 000 being reported

³⁷ *Reporting Defence Contracts*, Department of Defence website, <http://www.defence.gov.au/dmo/id/cic_contracts/cic_contracts.cfm>.

in each successive IDCR list until such time as the contract is completed, every Defence contract exceeding \$100 000 is only reported once.

4.18 In August 2005, Defence advised the ANAO:

Reporting Defence ongoing contracts in addition to new contracts in each 6 monthly reporting period is not feasible for Defence. This is due to:

- the high volume of contracts entered into by the Department of Defence generally;
- the high volume of contracts with very long terms (eg: 10 year, 20 year, 30 year contracts).

4.19 The ANAO sought to estimate the approximate value of on-going contracts omitted by Defence from its Senate Orders. Agencies are required to estimate the duration of each contract reported. Using Defence’s financial year 2003–04 Senate Orders, the ANAO selected those contracts where the duration was such that the contract would have been active for the entire duration of the following 12 month period. Figure 4.3 shows that there is a significant number and value of on-going contracts that have been omitted from Defence’s Senate Order listings.

Figure 4.3

Estimated value of ‘on-going’ contracts omitted from Senate Orders, Department of Defence

		FY 2003–04
NUMBER OF CONTRACTS	Total for period	4 895
	‘On-going’	254
	Per cent of total	5.2
VALUE OF CONTRACTS	Total for period	\$16.204 billion
	‘On-going’	\$3.529 billion
	Per cent of total	21.8

Source: *Reporting Defence Contracts*, Department of Defence website, <http://www.defence.gov.au/dmo/id/cic_contracts/cic_contracts.cfm>.

Recommendation No.1

4.20 The ANAO *recommends*, having regard to the significant number and value of on-going contracts that it has omitted from its Senate Order listings, that the Department of Defence set, and report against in future Senate Order listings, the expected time by which full compliance will be achieved.

Agency response

4.21 The Department of Defence disagreed with the recommendation. It stated:

Defence maintains that it is compliant by listing those contracts entered into in the 12 months prior to the end of each reporting period and not reporting on going contracts in each reporting period. Continuous reporting of on going contracts is achieved by considering the following in combination:

- the definition of reporting periods being end calendar year and end financial year means the reports (and therefore some of the information) overlap by 6 months;
- Defence maintains on its website will Interim Defence Contract Register (IDCR) reports since 2002, and contracts from 1 July 1996–30 June 2003 before the IDCR; and
- the reports detail the duration of each contract reported.

It is currently not feasible for Defence to list all on going contracts in the Senate Order listings in accordance with the ANAO recommendation due to the high volume of contracts entered into by Defence generally and the high volume of contracts with very long terms including 10–30 years. Best endeavours are being made by the Department to continue to improve his compliance and methodology of collecting Senate Order data. A feasibility study into a new contracts register which interfaces with all Defence systems is currently being undertaken.

Accuracy and completeness of reporting

4.22 The ANAO's Senate Order audits have focussed on the processes used to compile agencies' internet listings and the use of confidentiality provisions in contracts. In comparison, this performance audit, which has a broader scope, involved a substantive examination of the accuracy and completeness of reports, relying on data reported across the three reporting regimes.

4.23 Figure 4.4 shows the results of the ANAO's substantive analysis as it relates to the Senate Order.

Figure 4.4

Summary of deficiencies in accuracy and completeness of reporting of consultancies in Senate Order, selected agencies

	Under-reporting: entries omitted from Senate Order	Some or all Senate Order entries were payment amounts
AAT		
ACS	X	
AFFA	X	X
AFP	X	
AGs	X	
AOFM		
APSC		X
ARC	Although ARC reported 9 consultancies in its 2003–04 annual report, none were actually let in 2003–04.	
AUSTRAC		
Crimtrac	Although Crimtrac reported 5 consultancies in its 2003–04 annual report, only one was actually let in 2003–04.	
Defence	X	X
DEST	X	X
DEWR	X	
DFAT	X	
DHA	X	X
DIMIA	X	X
DITR		
DCITA	X	X
DOTARS	X	
DPP		
DVA		
DEH	X	X
FaCS	X	
Finance		
HREOC		
NCA		
OFLC		
ORER		
PM&C	X	
Privacy Comm.		
Treasury	X	

Source: Selected agencies' annual reports; responses to ANAO correspondence; ANAO analysis.

4.24 In summary, the performance audit found that:

- 55 per cent of selected agencies confirmed that they had omitted consultancies from their Senate Orders;
- 28 per cent of selected agencies confirmed that some or all of Senate Order values relating to consultancies were payment amounts.

4.25 In terms of the completeness of reporting, these findings differ from those of the Senate Order audits. For example, the most recent Senate Order audit found that each of the seven agencies³⁸ subject to audit had controls in place designed to ensure the completeness and accuracy of their respective Internet listings.

4.26 This audit found that six of these seven agencies (ACS, FaCS, DIMIA, PM&C, DOTARS and DVA) had omitted consultancies from their 2003–04 Senate Orders. Each of the agencies wrote to the ANAO confirming that their Senate Orders were incomplete. This lends further weight to first recommendation of the Senate Order audit, which reads:

The ANAO recommends that agencies, that have not already done so, implement additional controls designed to ensure the completeness and accuracy of their Internet listings. These controls could include reconciling the Senate Order listing to AusTender information and/or contract details included in their FMIS.

³⁸ ACS, AEC, FaCS, DIMIA, PM&C, DOTARS and DVA.

5. Inefficiencies Across Reporting Regimes

Chapters 2, 3 and 4 have discussed problems with each individual reporting regime. This chapter analyses reporting across the three regimes.

Overview

5.1 In view of the significant number of selected agencies which confirmed omissions from, and errors in, all three reporting regimes, the ANAO extended its analysis to cover the completeness and accuracy of reporting of consultancies across the reporting regimes.

5.2 As with the earlier analysis of selected agencies, the ANAO looked for direct matches and no matches. In relation to partial matches (match for name of consultant only), experience has shown that a proportion of these would, in fact be no matches³⁹. The results of this examination are shown at Figure 5.3.

Factors militating against correct reporting

Multiple regimes and multiple data sources

5.3 The existence of three different reporting regimes is itself a factor militating against accuracy and completeness. ANAO discussion with a number of FMA Act agencies revealed a common theme: very often, different areas of agencies had responsibility for each of the three reporting regimes and few agencies attempted to cross-check or reconcile the information reported in them.

5.4 Further, agencies often used different internal systems to capture required data: some agencies had both an FMIS and a contracts database which may not be linked. The existence of more than one source of data for three different reporting regimes would appear to be a recipe for incomplete and inaccurate reporting.

Understanding of requirements

5.5 Much of the analysis in this report, together with correspondence received by the ANAO from FMA Act agencies, clearly demonstrates that many officials have an inadequate understanding of the three reporting

³⁹ This is because a match for the name of the consultant in both the annual report and GaPS does not necessarily mean that the GaPS entry reflects the consultancy shown in the annual report because companies may undertake both consultancy and non-consultancy work for an agency.

regimes. This is despite efforts by Finance and PM&C to provide agencies with guidance documentation.

5.6 This misunderstanding is nowhere more evident than in GaPS. Although the requirement for reporting contract price in GaPS (rather than actual expenditure) is clear, 96 per cent of agencies surveyed by the ANAO acknowledged that payment information was routinely being entered into GaPS. For example, DIMIA advised the ANAO that its FMIS automatically sent an entry to GaPS for every purchase order raised exceeding \$2 000, despite the fact that the majority of these would not represent contract amounts. In an effort to remedy this, officials had manually entered contract values into GaPS with the result of double-counting.

Difficulties in establishing ‘contract price’

5.7 As noted at paragraph 2.2, until 2000, the annual report requirements stated that agencies should report the ‘agreed cost’ of the consultancy in their detailed lists of consultants. In 2001, this was changed to ‘contract price’. The relevant part of the annual report requirements reads:

This additional information requires departments to list each consultancy contract let to the value of each of those contracts over the life of each contract. In other words, this additional information is not concerned with expenditure in the reporting year, but estimated expenditure over the life of each contract that is reported⁴⁰.

5.8 The only requirement for reporting expenditure in any particular year is to report:

...the total actual expenditure on consultancy services during the year, regardless of when the contract was let.⁴⁰

5.9 GaPS and Senate Orders also require the reporting of contract price.

5.10 The reporting of contract value, rather than actual expenditure, has advantages. It also has some disadvantages, as follows:

- Although ‘contract price’ may appear to be straightforward, the reality is that 96 per cent of the 31 selected agencies confirmed that they had reported expenditure rather than contract price. Reasons for this include:
 - where a consultancy is fully performed in a given financial year, the actual expenditure may be the same as the contract price. However, this is not necessarily the case.

⁴⁰ Annual report requirements, paragraph 12(6).

- in relation to GaPS, the area of the agency responsible for data input (usually a central or divisional financial area) may not possess information about the contract value. In discussions with the ANAO, many agencies advised that the trigger for a GaPS entry is the arrival in the finance area of the first invoice under the consultancy and, in the absence of other information, the officer making the input uses the amount of the invoice as the contract price and the date the invoice is processed as the contract start date⁴¹.
- Contracts entered into by FMA Act agencies may be of widely differing duration. As noted by Defence in correspondence with the ANAO, some of its contracts may be for periods of up to 30 years. Conversely, some short-term consultancy contracts may be for as little as a month, or even less. This makes forming assessments about agencies' commitments difficult.
- Contract price may bear no resemblance to the amount actually paid:
 - Some contracts may never be performed, or may be only part-performed (for example, where a contract is terminated for poor performance). Consequently, while there may at one point have been a formal commitment for a particular value, the actual expenditure may have been nil or only a fraction of the commitment.
 - Conversely, actual expenditure against a contract may legitimately exceed the original contract price by a substantial amount.

Estimating the cost of reporting

5.11 One of the requirements of the Senate Order is that for each period, agencies must make an estimate of the cost of complying with the Order. Figure 5.1 shows the reported costs of reporting by Departments of State. Similar data is not required to be prepared in relation to annual reports or GaPS.

⁴¹ Consistent with this, the 2003–04 GaPS data shows that 12 836 entries were purportedly input into GaPS on either the same day or the day following the reported contract start date.

Figure 5.1**Reported cost of complying with Senate Orders, Departments of State**

DEPARTMENT	NUMBER OF ENTRIES	REPORTED COST (\$)	COST PER ENTRY (\$)
Treasury	17	4 000	235.29
Defence	12 800	1 976 000	154.38
PM&C	19	2 444	128.63
FaCS	98	12 419	126.72
AGs	125	12 380	99.04
DEWR	498	25 094	50.39
DITR	197	9 750	49.49
Finance	171	6 942	40.60
DIMIA	752	22 977	30.55
DCITA	475	13 969	29.41
DEST	1 025	29 250	28.54
DFAT	232	6 000	25.86
DEH	332	8 581	25.85
DHA	4 700	78 000	16.60
DOTARS	291	3 571	12.27
DVA	1 066	5 230	4.91
AFFA	332	800	2.41
TOTAL	23 130	2 217 407	95.87

Source: Senate Order listings of Departments of State. Data relates to the calendar year 2004, except for Defence, where the reported cost represents all entries contained in the IDCR.

5.12 The ANAO sought to estimate the cost to FMA Act agencies of reporting expenditure in the three regimes. The ANAO used the figure of \$95.87, the average across all Departments for the Senate Order, as a base to extrapolate the indicative estimated cost of reporting in the other two regimes. However, account needs to be taken of the different content of each regime. Specifically, while the Senate Order contains 8 reporting fields, the annual report has 5, while GaPS has 22. Figure 5.2 shows the results of this extrapolation.

Figure 5.2

Estimated approximate cost of reporting in Senate Order, annual reports and GaPS, FMA Act agencies

REGIME	NO. OF ENTRIES	NO. OF REPORTING FIELDS	FACTOR	REPORTING COST PER ENTRY (\$95.87 x FACTOR)	TOTAL ESTIMATED COST (\$)
Senate Order	25 000	8	1.000	95.87	2 396 750
Annual report	3 642	5	0.625	59.92	218 224
GaPS	186 705	22	2.750	263.64	49 223 373
TOTAL					51 838 347

NOTE: Number of entries for Senate Order is estimated based on the ANAO's analysis of calendar year 2003 listings which found that in relation to FMA Act agencies, there were 25 868 contracts reported for that year.

Annual report and GaPS entries figures are actual figures for 2003–04.

Source: ANAO analysis of Senate Order, annual report and GaPS data

5.13 Sufficient data exists from agencies to calculate a reliable estimate that the cost of complying with the Senate Order was \$2.4 million for 2003–04. It should be emphasised that there is no official estimate of the actual cost of reporting procurement in Annual Reports or GaPS. ANAO has estimated the cost of reporting in Annual Reports to be some \$218 000.

5.14 There is very little data currently available for calculating the cost of reporting in GaPS. ANAO applied a simple extrapolation method to estimate the cost of GaPS reporting. This approach suggested that the cost of GaPS reporting could be as high as \$49.2 million. In turn, this would mean that the reporting cost across all three regimes could be as high as \$52 million.

5.15 In December 2005, Finance advised ANAO that it considered the cost of agencies' reporting in GaPS may be as low as \$4.2 million.⁴² Finance adopted ANAO's extrapolation approach but made adjustments to reflect its estimate of the efficiencies likely to be obtained by agencies making batch entries into GaPS from their financial management information systems, as well as an allowance for agencies correcting errors in their initial entries. Adopting Finance's GaPS estimate would put the total cost of reporting across all three regimes at some \$7 million.

⁴² There is no cost charged by Finance to agencies to use GaPS.

5.16 The actual cost is likely to lie somewhere between \$7 million and \$52 million. Irrespective of the actual cost, it is clear that rationalising the number of reporting regimes while still meeting stakeholders' requirements would lead to efficiencies. In turn, these efficiencies can be expected to result in cost savings in the millions of dollars.

Analysis of reporting

5.17 ANAO analysis across the three reporting regimes revealed that data is both incomplete and inaccurate. Specifically, of 3 642 consultancies reported by FMA Act agencies in their annual reports:

- 21 per cent were not reported in GaPS at all, with a further 21 per cent inaccurately reported in GaPS; and
- 24 per cent of consultancies worth more than \$100 000 were not reported in Senate Orders at all, with a further 39 per cent reported inaccurately.

Figure 5.3

Consultants reported in 2003–04 annual reports: proportions with corresponding entries in GaPS and Senate Order

PORTFOLIO (Number of agencies in portfolio)	NUMBER OF CONSULTANCIES REPORTED IN 2003–04 ANNUAL REPORT	GAZETTE PUBLISHING SYSTEM			NUMBER OF CONSULTANCIES REPORTED IN 2003–04 ANNUAL REPORT WITH VALUE > \$100 000	SENATE ORDER		
		% WITH EXACT MATCH	% WITH PARTIAL MATCH	% WITH NO MATCH		% WITH EXACT MATCH	% WITH PARTIAL MATCH	% WITH NO MATCH
Agriculture, Fisheries and Forestry (2)	160	25.6	68.1	6.3	23	47.8	30.4	21.7
Attorney-General (14)	172	18.0	61.6	20.3	29	31.0	41.4	27.6
Defence (1)	446	0.0	93.7	6.3	46	2.2	65.2	32.6
Education, Science and Training (2)	134	26.9	36.6	36.6	37	94.6	0.0	5.4
Employment and Workplace Relations (3)	87	17.2	54.0	28.7	13	61.5	15.4	23.1
Foreign Affairs and Trade (4)	187	10.7	41.2	48.1	12	33.3	41.7	25.0
Health and Ageing (4)	346	31.5	47.1	21.4	75	46.1	44.7	9.2
Immigration, Multicultural and Indigenous Affairs (3)	107	15.0	59.8	25.2	21	38.1	52.4	9.5
Industry, Tourism and Resources (3)	172	32.6	57.0	10.5	28	53.6	35.7	10.7
Communications, Information Technology and the Arts (2)	103	17.5	77.7	4.9	18	5.6	27.8	66.7
Transport and Regional Services (2)	92	9.8	48.9	41.3	15	26.7	33.3	40.0
Veterans' Affairs (1)	38	23.7	28.9	47.4	4	0.0	25.0	75.0

PORTFOLIO (Number of agencies in portfolio)	NUMBER OF CONSULTANCIES REPORTED IN 2003-04 ANNUAL REPORT	GAZETTE PUBLISHING SYSTEM			NUMBER OF CONSULTANCIES REPORTED IN 2003-04 ANNUAL REPORT WITH VALUE > \$100 000	SENATE ORDER		
		% WITH EXACT MATCH	% WITH PARTIAL MATCH	% WITH NO MATCH		% WITH EXACT MATCH	% WITH PARTIAL MATCH	% WITH NO MATCH
Environment and Heritage (5)*	659	33.5	51.3	15.2	106	19.8	34.0	46.2
Family and Community Services (2)	209	33.5	47.8	18.7	41	78.0	9.8	12.2
Finance and Administrative Services (5)	208	31.7	47.6	20.7	50	48.0	50.0	2.0
Prime Minister and Cabinet (5)	102	26.5	52.0	21.6	28	39.3	17.9	42.9
Treasury (8)	351	19.1	53.8	27.1	78	28.2	55.1	16.7
Parliamentary Departments (3)	53	17.0	71.7	11.3	1	100.0	0.0	0.0
Courts (4)	16	0.0	43.8	56.3	2	50.0	50.0	0.0
TOTAL (73)	3642	21.5	58.0	20.5	627	38.7	37.6	23.7

Source: FMA Act agencies' annual reports; GaPS data download from Department of Finance and Administration, August 2005; FMA Act agencies' Senate Orders; ANAO analysis.

NOTES

'Exact match' means a match for both the name of the consultant and the amount as reported in the annual report.

'Partial match' means a match for the name of the consultant, but no match for the dollar amount as reported in the annual report.

'No match' means that the name of the consultant was not found.

* Number of consultants includes 316 reported by the Australian Greenhouse Office (AGO). The AGO was established in 1998 and became an Executive Agency within the Environment and Heritage portfolio in 2000. However, it does not appear to have reported any of its procurement activity in GaPS since its inception and the GaPS figures therefore do not include it.

Recommendation No.2

5.18 The ANAO *recommends* that the Department of Finance and Administration and the Department of the Prime Minister and Cabinet, in consultation with key Parliamentary Committees, affected agencies and other relevant stakeholders, examine options for improving the accuracy and completeness of reporting of Government procurement, including the merits of rationalising the number of reporting regimes.

Agency responses

5.19 All but one responding agency agreed. Detailed responses are at Appendix 6.

5.20 The Bureau of Meteorology agreed with qualification. The Bureau commented that the level of non-compliance across the agencies, and the need for efficiency in reporting suggests that an assessment of the scope and purpose of the requirements of the reporting framework should be undertaken. It further commented that it is likely that better ways of making information on consultancies available to Parliament and the general public, can be found.

Agency responses to ANAO analysis

5.21 As noted at paragraph 2.6, the ANAO also sought selected agencies' comments in relation to its analysis. Figure 5.4 shows the nature of corrective action that agencies undertook to make.

Figure 5.4

Corrective action reported by FMA Act agencies in response to audit

CORRECTIVE ACTION INDICATED	AGENCIES
Assured ANAO that 2004–05 annual report would fully comply with annual report requirements.	DAA, ACC, ACS, AFP, AUSTRAC, CrimTrac, DPP, DOTARS, ITSA, OFLC, Priv. Comm., Defence, ARC, DEWR, EOWA, Seacare, ACIAR, ARPANSA, NBA, MRT, RRT, DITR, IP Australia, NAA, NCA, IGT, AGIMO, NOO, BOM, ORER, Centrelink, AEC, CGC, ComSuper, APSC, OIGIS, Ombudsman, OOSGG, Treasury, ABS, AOFM, ATO, NCC, PC, DofPS, DHofR, AIRC, Fed. Cr. Fam. Cr. Fed. Mag. Cr.
Working group established to determine solutions.	AFFA.
System improvements/ changes to be made to FMIS.	AFFA, DIMIA, DCITA, DOTARS, DEH, FaCS.
Procedures/processes to be reviewed.	AGs, DEST, DHA, DOTARS.
Training programs to be developed for relevant staff.	DEH, DOTARS, DVA.
Revised/updated instructions/guidelines to be issued.	DFAT, DCITA, DOTARS, DVA, Fed. Cr. Fam. Cr.
Central contract register to be established/dedicated Procurement Unit established (or being considered).	AGs, DEST, DCITA, DOTARS.
Quality assurances processes to be introduced/upgraded.	DEST, DEH, DOTARS, DVA.
Formal corrigendum to annual report issued.	AFFA, ACS, CrimTrac, HREOC, PSRS, ACCC, Treasury.
Internal audit conducted	DEWR

Source: Correspondence received by ANAO.

NOTE: A number of agencies indicated more than one corrective action. Each action indicated is included in the table.

5.22 The following agencies did not indicate corrective action:

- AAT, AusAID, Finance, PM&C and DofS, which acknowledged errors, but did not indicate any corrective action.
- OPC, which did not let any consultancies in 2003–04. Corrective action was therefore not required.
- AGO, which is now part of DEH.

Issuing of corrigenda

5.23 The annual report requirements state that:

If the previous annual report of a department contains any significant statement on a matter of fact, which has proved to be wrong in a material respect, the annual report must include information to correct the record.

5.24 Accordingly, it is a matter of judgement for each agency as to whether errors in the reporting of consultants in their 2003–04 annual report needed to be corrected in their 2004–05 annual report. As demonstrated by the following case study, ANAO sees merit in agencies correcting, at the earliest opportunity, errors in reporting of consultants.

Case study: Treasury

In its 2003–04 annual report, Treasury grouped its consultants into six output categories. In its initial assessment, the ANAO observed that for four of the six outputs, the figures shown did not add to the subtotals at the bottom (and the grand total also consequently did not add correctly).

The online version of Treasury’s annual report contained an additional six consultancies which, as a result of a technical production error, had been omitted from the printed annual report tabled in Parliament. In correspondence with the ANAO, Treasury advised that five of the figures originally reported were incorrect. It advised the ANAO that it would correct these errors by a corrigendum in its 2004–05 annual report.

Treasury’s 2004–05 annual report was tabled on 25 October 2005. In addition to the five corrections it had previously advised to the ANAO, there were a further six changes to previously reported figures. Of the six consultancies which were omitted from the tabled annual report and which were inserted in the online version, three were deleted from the corrigendum. Of the five changes advised to ANAO, three were deleted in the corrigendum. A further 36 previously reported consultancies were deleted in the corrigendum.

The cumulative effect of these amendments, deletions and insertions are as follows:

	NUMBER	VALUE
As originally reported in 2003–04 annual report	67	18 517 407
PLUS: Omitted in error	6	267 658
LESS: non-consultancies included in error	42	16 543 050
PLUS: corrections to amounts – understatements	9	537 672
LESS: corrections to amounts – overstatements	4	41 174
As reported in 2003–04 corrigendum in 2004–05 annual report	31	2 738 513

5.25 In total, 19 agencies had either omitted consultancies from their annual report or had incorrectly included consultancies let in previous years⁴³. Of these, ACS, AFFA, CrimTrac and HREOC issued corrigenda as a note to the online versions of their annual reports. Of the remainder:

⁴³ See Figure 2.7.

- DHA issued a corrigendum in its 2004–05 annual report but did not correct the errors in relation to consultants;
- DCITA, DEST, DITR and Treasury issued corrigenda relating to consultants in their 2004–05 annual reports. Treasury’s corrigendum is discussed in the Case Study above. The corrigenda issued by DCITA, DEST and DITR dealt with various errors in their 2003–04 reporting of consultants, but did not correct the errors they had advised to the ANAO;
- AGs, ARC, CrimTrac, DEH, DEWR, DFAT and DVA included an explicit statement in their 2004–05 annual reports to the effect that they had no errors to correct in their 2003–04 annual reports;
- AFFA neither issued a corrigendum nor addressed the issue of whether it had any errors to correct; and
- ACS, AUSTRAC, Defence, HREOC, NCA and ORER had not tabled their annual reports as at 3 November 2005.

5.26 In some cases, the proportion of consultancies omitted or incorrectly included represented a significant proportion of what was reported. For example:

- DEWR originally reported that it had let 45 consultancies but later advised the ANAO that it had omitted a further 21;
- CrimTrac originally reported five consultancies with a value of \$3.5 million but later advised the ANAO that four of these should not have been reported since they were let in previous years. The single consultancy that CrimTrac should have reported had a value of \$48 000; and
- the NCA originally reported 38 consultancies with a value of \$2.0 million but later advised the ANAO that it should have in fact reported 16 with a value of \$575 458.

5.27 The annual report requirements refer to ‘material’ errors (see paragraph 5.23). Noting the level of Parliamentary and public interest in reported expenditure on consultants, correcting the omission or incorrect inclusion of such information is required.

Recommendation No.3

5.28 The ANAO *recommends* that FMA Act agencies appropriately correct omissions or incorrect inclusions of information which relate directly to their reported expenditure on consultants in their next annual report.

Agency responses

5.29 All responding agencies except one agreed with the recommendation. Detailed responses from agencies are at Appendix 6.

5.30 DFAT disagreed and commented as follows:

The 2003–04 omissions were published in the public domain through the AusTender [GaPS] website so the Department of Foreign Affairs and Trade does not believe it is necessary for it to also publish corrections in the 2005-06 Annual Report.

5.31 The ANAO notes that GaPS is a separate reporting regime from the Annual Report. Seeking to correct Annual Report errors in GaPS is not, therefore, adequate. In July 2005, DFAT advised the ANAO that there had been errors in its 2003–04 Annual Report. It further advised that certain consultancies omitted from the 2003–04 Annual Report would be published in its 2004–05 Annual Report. ANAO notes that DFAT’s 2004–05 Annual Report stated that there were no material errors in the 2003–04 Annual Report to be corrected.



Ian McPhee
Auditor-General

Canberra ACT
30 January 2006

Appendices

Appendix 1: What is a consultant?

Auditor-General report No.54, 2000-01, *Engagement of Consultants*, stated:

2.36 The audit identified a need for a clearer definition and a set of guidelines to better enable agencies to ascertain whether a task requires a contract for services (consultancy) or a contract of service (contractor).

and recommended:

Recommendation No.6

2.39 The ANAO recommends that a clearer definition of contracts for services (consultancies) and contracts of service (contractors) be developed.

The Department of Prime Minister and Cabinet accepted this recommendation and agreed to address the issue in the next review of the annual report requirements (June 2002). The relevant section of the annual report requirements read:

Consultancy services: 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.

In July 2004, the Department of Finance and Administration released Financial Management Guidance No.12, entitled *Guidance on Identifying Consultancies for Annual Reporting Purposes*⁴⁴ in which it stated:

⁴⁴ <<http://www.finance.gov.au/ctc/identifying%5Fconsultancies%5Ffor%5F.html>>.

It has become apparent that, in some cases, agencies are applying different approaches to determine whether their arrangements for the provision of services involve consultancies or none consultancy contract, with the result that there has been some inconsistency in reporting across agencies. Not only does this have the effect of reducing the comparability of data across agencies, it may present a distorted picture of the level of consultancy activity being undertaken by individual agencies.

The Guidance Note then goes on to provide reasonably extensive information on what constitutes a consultancy, including the use of specific examples. It also contains the following succinct 'test':

In deciding whether a particular contractor should be categorised as a consultant for annual reporting purposes, the two key questions to ask are:

- Do the services involve the development of an intellectual output that assists with agency decision-making?
- Will the output reflect the independent views of the service provider?

If the answer to both questions is 'yes', the arrangement should be categorised as a consultancy for annual report purposes.

Appendix 2: Agencies covered by audit

AGENCIES WHICH WERE SUBJECT TO THE FINANCIAL MANAGEMENT AND ACCOUNTABILITY ACT 1997 WITH RESPECT TO THE 2003–04 ANNUAL REPORTING YEAR

PORTFOLIO/DEPARTMENT OF STATE	OTHER FMA ACT AGENCIES WITHIN PORTFOLIO	ACRONYM OR ABBREVIATION USED IN THIS REPORT
Department of Agriculture, Fisheries and Forestry		DAFF
	Dairy Adjustment Authority	DAA
Attorney-General's Department		AGs
	Administrative Appeals Tribunal	AAT
	Australian Crime Commission	ACC
	Australian Customs Service	ACS
	Australian Federal Police	AFP
	Australian Security Intelligence Organisation ⁴⁵	ASIO
	Australian Transaction Reports and Analysis Centre	AUSTRAC
	Classification Board ⁴⁶	
	Classification Review Board ⁴⁶	
	CrimTrac Agency	CrimTrac
	Director of Public Prosecutions	DPP
	Human Rights and Equal Opportunity Commission	HREOC
	Insolvency and Trustee Service Australia	ITSA
	National Native Title Tribunal	NNTT
	Office of Film and Literature Classification	OFLC
	Office of Parliamentary Counsel	OPC

⁴⁵ Although it is an FMA Act agency, ASIO submits its annual report in accordance with s94 of the *Australian Security Intelligence Act 1979* rather than ss63 or 70 of the *Public Service Act 1999* and is not bound by the *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*.

⁴⁶ The Office of Film and Literature Classification (OFLC) provides administrative support to the Classification Board and the Classification Review Board. The Boards' annual reports are included as part of the annual report of the OFLC.

PORTFOLIO/DEPARTMENT OF STATE	OTHER FMA ACT AGENCIES WITHIN PORTFOLIO	ACRONYM OR ABBREVIATION USED IN THIS REPORT
	Privacy Commission	Priv. Comm.
Department of Defence		Defence
Department of Education, Science and Training		DEST
	Australian Research Council	ARC
Department of Employment and Workplace Relations		DEWR
	Equal Opportunity for Women in the Workplace Agency	EOWA
	Seafarers Safety, Rehabilitation and Compensation Authority	Seacare
Department of Foreign Affairs and Trade		DFAT
	Australian Centre for International Agricultural Research	ACIAR
	Australian Secret Intelligence Service ⁴⁷	ASIS
	AusAID	AusAID
	Australia-Japan Foundation	AJF
Department of Health and Ageing		DHA
	Australian Radiation Protection and Nuclear Safety Agency	ARPANSA
	National Blood Authority	NBA
	Professional Services Review Scheme	PSRS
Department of Immigration and Multicultural and Indigenous Affairs		DIMIA
	Aboriginal and Torres Strait Islander Services ⁴⁸	ATSIS
	Aboriginal and Torres Strait Islander Commission ⁴⁸	ATSIC
	Migration Review Tribunal	MRT

⁴⁷ Although it is an FMA Act agency, ASIS submits its annual report in accordance with s42 of the *Intelligence Services Act 2001* rather than ss63 or 70 of the *Public Service Act 1999* and is not bound by the Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies. It has been excluded from the audit.

⁴⁸ ATSIS and ATSIC were abolished in March 2005 and were consequently excluded from the audit.

PORTFOLIO/DEPARTMENT OF STATE	OTHER FMA ACT AGENCIES WITHIN PORTFOLIO	ACRONYM OR ABBREVIATION USED IN THIS REPORT
	Refugee Review Tribunal	RRT
Department of Industry, Tourism and Resources		DITR
	Geoscience Australia	GA
	IP Australia	IP Australia
Department of Communications, Information Technology and the Arts		DCITA
	Australian Government Information Management Office ⁴⁹	AGIMO
	National Archives of Australia	NAA
Department of Transport and Regional Services		DOTARS
	National Capital Authority	NCA
Department of Veterans' Affairs		DVA
Department of Environment and Heritage		DEH
	Australian Greenhouse Office ⁵⁰	AGO
	National Oceans Office ⁵⁰	NOO
	Bureau of Meteorology	BOM
	Office of the Renewable Energy Regulator	ORER
Department of Family and Community Services		FaCS
	Centrelink ⁵¹	Centrelink
Department of Finance and Administration		Finance
	Australian Electoral Commission	AEC

⁴⁹ AGIMO was a prescribed agency under the FMA Act until 22 October 2004 when it was incorporated as a division into the Department of Finance and Administration (Finance). It reported in its own right for 2003–04, but for the administrative purposes of this audit, it is included in Finance.

⁵⁰ The AGO and NOO were prescribed agencies under the FMA Act until 4 November 2004 when they were incorporated into the Department of Environment and Heritage (DEH). They reported in their own right for 2003–04, but for the administrative purposes of this audit, they are included in DEH.

⁵¹ In October 2004, Centrelink moved from Family and Community Services to Human Services.

PORTFOLIO/DEPARTMENT OF STATE	OTHER FMA ACT AGENCIES WITHIN PORTFOLIO	ACRONYM OR ABBREVIATION USED IN THIS REPORT
	Commonwealth Grants Commission	CGC
	ComSuper	ComSuper
	CSS Board ⁵²	
	PSS Board ⁵²	
Department of the Prime Minister and Cabinet		PM&C
	Australian National Audit Office	ANAO
	Australian Public Service Commission	APSC
	Office of the Inspector-General of Intelligence and Security	OIGIS
	Commonwealth Ombudsman's Office	Ombudsman
	Office of National Assessments ⁵³	ONA
	Office of the Official Secretary to the Governor-General	OOSGG
Department of the Treasury		Treasury
	Australian Bureau of Statistics	ABS
	Australian Competition and Consumer Commission	ACCC
	Australian Office of Financial Management	AOFM
	Australian Securities and Investments Commission ⁵⁴	ASIC
	Australian Taxation Office	ATO
	Inspector-General of Taxation	IGT
	National Competition Council	NCC

⁵² ComSuper provides administrative support to the CSS and PSS Boards. The Boards' annual reports are included as part of ComSuper's annual report.

⁵³ Although it is an FMA Act agency, ONA submits its annual report in accordance with s19 of the *Office of National Assessments Act 1977* rather than ss63 or 70 of the *Public Service Act 1999* and is not bound by the Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies. It has been excluded from the audit.

⁵⁴ ASIC is both an FMA and CAC Act agency. It advised ANAO that its consultants were not funded from public monies. It is therefore not required to report them and has been excluded from the audit.

PORTFOLIO/DEPARTMENT OF STATE	OTHER FMA ACT AGENCIES WITHIN PORTFOLIO	ACRONYM OR ABBREVIATION USED IN THIS REPORT
	Productivity Commission	PC
Department of the Senate		DofS
Department of the House of Representatives		DHR
Department of Parliamentary Services		DPS
Australian Industrial Registry		AIRC
Federal Court of Australia		Fed. Crt
Family Court of Australia		Fam. Crt
Federal Magistrates Court		Fed. Mag. Crt

Appendix 3: Annual report requirements applying to consultants.

Extract from *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies (June 2004)*.

PAGE 11, PARA 12 (MANAGEMENT AND ACCOUNTABILITY)

12(6) *Consultants*

Many individuals, partnerships and corporations provide services to agencies under contracts for services. However, not all such contractors should be categorised as consultants for the purposes of annual reporting. Consultants are distinguished from other contractors by the nature of the work they perform.

For annual reporting purposes, officials need to be able to distinguish consultancy from “non-consultancy” contracts and employment contracts. Briefly, however, a consultant is an individual, a partnership or a corporation engaged to provide professional, independent and expert advice or services.

In deciding whether a particular contractor should be categorised as a consultant for annual reporting purposes, the two key questions to ask are:

- Do the services involve the development of an intellectual output that assists with agency decision-making?
- Will the output reflect the independent views of the service provider?

If the answer to both questions is ‘yes’, the arrangement should be categorised as a consultancy for annual report purposes.

The annual report must include a summary statement detailing the number of consultancy services contracts let during the year¹, and the total actual expenditure on consultancy services during the year, regardless of when the contract was let. By way of example, if a consultancy contract is let in May 2004, and the contract expires in September 2004 and expenditure under the contract is \$10 000 per month, the annual report for the 2003–04 financial year should record one consultancy contract and \$20 000 expenditure in relation to that contract. The annual report for the 2004–05 financial year should record only \$30 000 expenditure—the letting of the consultancy contract should not be included again in the number of consultancy contracts let during the 2004–05 financial year.

Further, more detailed, information on consultancy services is also required, either as an appendix to the report, or on request or through the Internet, as set out in Attachment C to these Requirements. This additional information requires departments to list each consultancy contract let to the value of \$10 000 or more and the total value of each of those contracts over the life of each contract. In other words, this additional information is not concerned with expenditure in the reporting year, but estimated expenditure over the life of each contract that is reported.

PAGE 24, ATTACHMENT C (OTHER SPECIFIC REQUIREMENTS)

2. Consultancy Services

In addition to the summary information in the body of the report (section 12(6) of the Requirements refers) on the number of consultancy services contracts let during the year and the total expenditure on consultancy services, departments are required to provide, for example, in an appendix to the report or on request or through the Internet, the following information on consultancy services for the year:

- a summary of the department's policy on the selection and engagement of consultants, its selection procedures, and the main categories of purposes for which consultants were engaged;
- a list of all consultancy contracts let to the value of \$10 000 or more (inclusive of GST), with details as follows for each individual consultancy, except where the large number of consultancies renders this impractical:
 - (a) the name of the consultant;
 - (b) a summary description of the nature and purpose of the consultancy;
 - (c) the contract price for the consultancy;
 - (d) the selection process used, including whether the consultancy was publicly advertised; and
 - (e) the justification for the decision to employ consultancy services.

Where no total fixed price exists for a consultancy agreement, or where actual expenditure exceeds the originally agreed contract price, the value of the consultancy contract should be taken as the actual expenditure. In each case the reason for the absence of, or going over, a fixed price should be noted.

Typical reasons for engaging consultancy services include a requirement for specialist expertise not available within the department or where an independent assessment is considered desirable. The selection process may involve, for example, public tender, selective tender, or direct engagement of: a recognised and pre-eminent expert, a consultant who had previously undertaken closely related work for the department, or a consultant known to have the requisite skills where the value of the project did not justify the expense or delay associated with seeking tenders.

If a consultancy is let for advertising and market research, that consultancy should be reported in both the 'consultancy' and 'advertising and market research' categories but flagged as such.

Appendix 4: Detailed analysis of GaPS data

Proportion of GaPS entries not meeting six-week reporting deadline, all FMA Act agencies

AGENCY	Total number of GaPS entries	Total not meeting time requirement	Per cent	Value of entries not meeting time requirement (\$)
Federal Magistrates Service	30	30	100.0	142 591
National Competition Council	1	1	100.0	115 584
National Capital Authority	67	65	97.0	46 730 116
Australian Transaction Reports and Analysis Centre	405	382	94.3	7 252 827
National Native Title Tribunal	41	36	87.8	728 823
Department of Health and Ageing	4 502	3 640	80.9	276 291 954
Department of Veterans' Affairs	930	721	77.5	632 395 394
Australian Research Council	81	59	72.8	4 301 396
CrimTrac	7	5	71.4	1 964 478
Australian Federal Police	3 845	2 701	70.2	90 090 217
Australian Taxation Office	5 599	3 747	66.9	520 319 869
Australian Industrial Registry	654	431	65.9	13 852 763
Ombudsman	95	62	65.3	1 719 889
Australian Customs Service	1 642	1 060	64.6	95 162 153
National Oceans Office	128	79	61.7	2 782 922
Australian Public Service Commission	1 089	668	61.3	7 949 800
Department of Employment and Workplace Relations	3 664	2 205	60.2	143 553 645
Australian Electoral Commission	227	134	59.0	5 183 620
ComSuper	749	449	57.6	8 306 957
Human Rights and Equal Opportunity Commission	255	144	56.5	1 751 849
Geoscience Australia	1 462	808	55.3	23 598 524
Australian Crime Commission	322	171	53.1	1 962 870
Office of the Federal Privacy Commissioner	40	21	52.5	487 694
Federal Court of Australia	155	77	49.7	1 256 214

AGENCY	Total number of GaPS entries	Total not meeting time requirement	Per cent	Value of entries not meeting time requirement (\$)
Australian Centre for International Agricultural Research	208	101	48.6	781 337
National Archives of Australia	1 089	508	46.6	10 055 605
Department of Family and Community Services	3 607	1 518	42.1	163 909 284
Attorney-General's Department	4 288	1 750	40.8	135 505 547
IP Australia	497	194	39.0	9 278 416
Department of Education, Science and Training	1 087	400	36.8	557 148 509
Department of the Prime Minister and Cabinet	1 029	354	34.4	15 349 831
Aboriginal and Torres Strait Islander Commission	1 112	380	34.2	6 586 415
AusAID	1 118	380	34.0	66 278 255
Department of the Senate	321	173	33.2	6 150 889
National Library of Australia	622	205	33.0	4 101 716
Commonwealth Grants Commission	97	29	29.9	355 861
Aboriginal and Torres Strait Islander Services	1 812	542	29.9	28 651 492
Commonwealth Director of Public Prosecutions	633	180	28.4	29 301 243
Office of Film and Literature Classification	46	13	28.3	162 233
Australian Competition and Consumer Commission	1 455	398	27.4	7 476 255
Department of the Treasury	1 163	282	24.2	4 981 973
Department of Agriculture, Fisheries and Forestry	6 594	1 581	24.0	32 214 330
Department of Transport and Regional Services	2 452	567	23.1	47 500 457
Office of the Official Secretary of the Governor-General	383	88	23.0	410 209
Australian Office of Financial Management	81	18	22.2	162 990
Australian Radiation Protection and Nuclear Safety Agency	314	65	20.7	1 272 401

AGENCY	Total number of GaPS entries	Total not meeting time requirement	Per cent	Value of entries not meeting time requirement (\$)
Department of Defence	95 442	18 160	19.0	4 168 365 005
Centrelink	6 445	1 149	17.8	250 614 276
Department of Finance and Administration	3 064	471	15.4	56 755 428
Australia Japan Foundation	21	3	14.3	149 556
Family Court of Australia	353	40	11.3	3 227 842
Department of Communications, Information Technology and the Arts	2 413	204	8.5	38 132 625
Insolvency and Trustee Service Australia	704	57	8.1	1 034 760
Department of Foreign Affairs and Trade	3 575	202	5.7	43 852 064
Office of Parliamentary Counsel	73	4	5.5	116 977
Administrative Appeals Tribunal	541	25	4.6	283 812
Department of Parliamentary Services	637	22	3.5	1 080 071
Department of Immigration and Multicultural and Indigenous Affairs	4 583	153	3.3	127 202 099
Department of the Environment and Heritage	5 596	167	3.0	8 088 427
Department of Industry, Tourism and Resources	1 659	4	0.2	277 698
Dairy Adjustment Authority	1	0	0.0	0
Department of the House of Representatives	476	0	0.0	0
TOTAL				7 714 718 037

Source: ANAO analysis of data download from Department of Finance and Administration, August 2005.

NOTE: This table includes all FMA Act agencies entries contained in the GaPS 2003–04 database, including those which were excluded from the audit itself.

Appendix 5: Senate Order (December 2003)

(1) There be laid on the table, by each minister in the Senate, in respect of each agency administered by that minister, or by a minister in the House of Representatives represented by that minister, by not later than 2 calendar months after the last day of the financial and calendar year, a letter of advice that a list of contracts in accordance with paragraph (2) has been placed on the Internet, with access to the list through the department's or agency's home page.

(2) The list of contracts referred to in paragraph (1) indicate:

(a) each contract entered into by the agency which has not been fully performed or which has been entered into during the previous 12 months, and which provides for a consideration to the value of \$100 000 or more;

(b) the contractor, the amount of the consideration and the subject matter of each such contract, the commencement date of the contract, the duration of the contract, the relevant reporting period and the twelve-month period relating to the contract listings;

(c) whether each such contract contains provisions requiring the parties to maintain confidentiality of any of its provisions, or whether there are any other requirements of confidentiality, and a statement of the reasons for the confidentiality; and

(d) an estimate of the cost of complying with this order and a statement of the method used to make the estimate.

(3) If a list under paragraph (1) does not fully comply with the requirements of paragraph (2), the letter under paragraph (1) indicate the extent of, and reasons for, non-compliance, and when full compliance is expected to be achieved. Examples of non-compliance may include:

(a) the list is not up to date;

(b) not all relevant agencies are included; and

(c) contracts all of which are confidential are not included.

(4) Where no contracts have been entered into by a department or agency, the letter under paragraph (1) is to advise accordingly.

(5) In respect of contracts identified as containing provisions of the kind referred to in paragraph (2)(c), the Auditor-General be requested to provide to the Senate, by not later than 30 September each year mentioned in paragraph (1), a report indicating that the Auditor-General has examined a number of such contracts selected by the Auditor-General, and indicating whether any inappropriate use of such provisions was detected in that examination.

(6) In respect of letters including matter under paragraph (2a), the Auditor-General be requested to indicate in a report under paragraph (3) that the Auditor-General has examined a number of contracts, selected by the Auditor-General, which have not been included in a list, and to indicate whether the contracts should be listed.

(7) The Finance and Public Administration References Committee consider and report on the first and second years of operation of this order.

(8) This order has effect on and after 1 July 2001.

(9) In this order:

“agency” means an agency within the meaning of the Financial Management and Accountability Act 1997; and

“previous 12 months” means the period of 12 months ending on either 31 December or 30 June in any year, as the case may be

(20 June 2001 J.4358, amended 27 September 2001 J.4994, 18 June 2003 J.1881, 26 June 2003 J.2011, 4 December 2003 J.2851)

Appendix 6: Agency responses to the proposed report

Summary Comments	Response to Recommendation 1	Response to Recommendation 2	Response to Recommendation 3
<p><u>Department of Agriculture, Fisheries and Forestry</u></p>	<p>Not applicable.</p>	<p>The Department has commenced corrective action by establishing a working group to determine solutions and to introduce improvements and changes to the Financial Management Information System, and the Contracts Register. The Department supports the recommendation that the accuracy and timeliness of reporting would be improved through changes to systems and procedures and rationalising the number of reporting regimes.</p>	<p>Standing Order: The Department reviewed the listings for 2003 and 2004 and has subsequently issued corrected lists to update the Standing Order. These can be found on the Department's website at: dafp.gov.au</p> <p>Annual Report: The Department is obliged to report on 13 Annual Reporting requirements specified in the Department of the Prime Minister and Cabinet's Annual Reporting Guidelines. A corrigendum to the Department's 2003–04 Annual Report will ensure that all requirements will be met.</p> <p><u>Advertising in GaPS:</u> The Department has commenced changes to systems and procedures that will ensure that the information that is loaded into GaPS in the future is within the required timeframe and is accurate.</p>
<p><u>Dairy Adjustment Authority</u> As the DAA was one of the six agencies that ostensibly met all the annual report requirements it has no issues to raise regarding the proposed report.</p>	<p>No response.</p>	<p>No response.</p>	<p>No response.</p>

Summary Comments	Response to Recommendation 1	Response to Recommendation 2	Response to Recommendation 3
<p><u>Attorney-General's Department</u></p> <p>The conclusions and recommendations of the Report are useful for the Attorney-General's Department; not only to highlight the major issues which impact on the accuracy and completeness of reporting expenditure on consultancies, but also to identify possible solutions. Action is already underway in the Department to modify processes and develop appropriate systems eg the annual report production process now includes a stage where the consultants information will be cross-checked with data on GaPS and in the Murray Motion returns; and a central contract register is being considered as part of SAP, the Department's financial management system.</p> <p>The Department generally agrees with the recommendations in the ANAO Report. The Report highlights areas of difficulty, ambiguity and confusion when it comes to reporting expenditure on consultants. An examination of options and rationalising reporting regimes that improve the accuracy and completeness of such reporting is welcomed. The suggestion that omissions or incorrect inclusions of information on consultant expenditure be corrected in a subsequent annual report is consistent with existing requirements and practices. The Department's standard practice, when a material error or omission in a previous annual report is identified, is to include a statement in the next annual report correcting the error/omission.</p>	<p>No comment.</p>	<p>Agree. This report highlights areas of difficulty, ambiguity and confusion in reporting expenditure on consultants. An examination of options and rationalising reporting regimes that improve the accuracy and completeness of such reporting is welcomed.</p>	<p>Agree. Specifying the requirement to correct omissions or incorrect inclusions in an annual report is consistent with existing requirements and practices. The Department's standard practice when a material error or omission in a previous annual report is identified is to include a statement in the next annual report correcting the error/omission.</p>
<p><u>Administrative Appeals Tribunal</u></p> <p>The AAT was awaiting the outcome of the audit, and in doing so inadvertently overlooked the need to correct the previous Annual Report for any reporting errors.</p>	<p>No response.</p>	<p>No response.</p>	<p>No response.</p>

Summary Comments	Response to Recommendation 1	Response to Recommendation 2	Response to Recommendation 3
<p><u>Australian Customs Service</u></p>	<p>No comment. This recommendation does not relate to Customs.</p>	<p>Agree</p>	<p>Agree</p>
<p><u>Australian Federal Police</u></p> <p>The AFP supports the general thrust of the report and conclusions and agrees with the recommendations made. In particular, the AFP believes that the various reporting requirements for Senate Order, annual reporting of consultancies, gazettals, etc., with the associated varying thresholds cause an added complexity and confusion for staff, recognising that the AFP, like a number of other agencies, operates in a devolved environment where contracts are entered into and managed by individual business units.</p> <p>The AFP has spent considerable effort to ensure that its 2004-2005 annual report fully complies with annual report requirements. Furthermore, the AFP continues to review and enhance and arrangements on an ongoing basis to meet the requirements set out in the <i>Guidance on reporting Procurement in the Gazette Publishing System</i>.</p>	<p>Agree.</p>	<p>Agree.</p>	<p>Agree.</p>
<p><u>Australian Transaction Reports and Analysis Centre</u></p> <p>AUSTRAC acknowledges the shortcomings in its reporting of consultancies at the time the performance audit was conducted. The Agency has since upgraded its reporting on consultancies to an acceptable standard for the 2004-05 reporting year forward. The quality and accuracy of detail entered in AUSTRAC's contract register, as well as the data extracted from the register used for reporting purposes, will continue to be</p>	<p>No response.</p>	<p>Agree.</p>	<p>Agree.</p>

Summary Comments	Response to Recommendation 1	Response to Recommendation 2	Response to Recommendation 3
<p>enhanced to more effectively meet the Agency's reporting requirements on an ongoing basis. Also, as previously advised, AUSTRAC has already enhanced its processes to improve the quality and timeliness of contract reporting on AusTender. The Agency will look to implement further improvements to continue to fully comply with all of its procurement reporting obligations.</p>	<p>No comment.</p>	<p>Agree.</p>	
<p><u>CrimTrac</u> The report provides a useful analysis of compliance with reporting obligations and it will assist this agency in meeting its obligations into the future. Steps will be taken to improve our controls and to gain a better understanding of the various reporting guidelines. CrimTrac supports recommendations numbered 2 and 3. Action that will address the overlaps and inefficiencies evident in the current approach of having three discrete reporting regimes is welcomed and we will correct reported expenditure on consultants in the 2005-06 Annual Report. Recommendation No. 1 relates exclusively to the Department of Defence as thus CrimTrac has no comment to make in relation to that recommendation.</p>	<p>No comment.</p>	<p>Agree.</p>	<p>Agree.</p>
<p><u>Human Rights and Equal Opportunity Commission</u></p>	<p>No response.</p>	<p>No response.</p>	<p>HREOC agrees with recommendation 3 of the proposed report and will provide details of the corrections to the 2003-04 reported consultancies in the Commission's next annual report.</p>

Summary Comments	Response to Recommendation 1	Response to Recommendation 2	Response to Recommendation 3
<p><u>Office of the Privacy Commissioner</u> The OPC agrees with recommendation 3 of the proposed report and will provide full details of the correction to the 2003–04 reported consultancy expenditure in its next annual report.</p>	<p>No response.</p>	<p>No response.</p>	<p>Agree.</p>
<p><u>Department of Defence</u> Defence recognises the importance of accurate reporting of consultancies in accordance with the Department of Prime Minister and Cabinet guidelines and acknowledges that it did not comply with these guidelines prior to 2004–05. Defence did however, comply with these guidelines for the 2004–05 annual report and is committed to correcting omissions or errors relating to reporting on consultants in future annual reports. Defence is also committed to improving the accuracy and completeness of the reporting of Government procurement and in the rationalisation of the number of reporting regimes. Defence looks forward to working actively with the Department of Finance and Administration and the Department of Prime Minister and Cabinet in this regard.</p>	<p>Defence disagrees. See Para 4.21 for full text of this response to this recommendation.</p>	<p>Defence agrees. Defence is committed to improving the accuracy and completeness of the reporting of Government procurement and the rationalisation of the number of reporting regimes.</p>	<p>Defence agrees. Defence had discussions with the ANAO earlier this year in relation to its reporting of consultancies. Defence acknowledged to the ANAO that its reporting on consultancies did not meet the <i>Requirements for Departmental Annual Reports</i> in that its reporting of consultancy contracts was based on actual expenditure rather than contract value. Defence committed to implement the PM&C guidelines in its 2004–05 annual report, which it believes it has done. Defence is not prepared to divert financial personnel away from tasks supporting Defence's financial management (including remediation work) to undertake the very time consuming task of retrospectively correcting its reporting of consultancies prior to 2004–05.</p>

Summary Comments	Response to Recommendation 1	Response to Recommendation 2	Response to Recommendation 3
			Defence does, however, commit to correcting omissions or errors related to reporting expenditure on consultants in future annual reports. Defence has corrected errors in its reporting of actual expenditure in 2003–04 in its 2004–05 annual report.
<p><u>Department of Education, Science and Training</u></p> <p>On 1 March 2004 DEST implemented a new online procurement management system (<i>BUYIT</i>) to enhance the accuracy, timeliness and efficiency of its procurement management and reporting obligations. In addition to the introduction of <i>BUYIT</i>, the Department has implemented a number of additional internal quality assurance measures for its reporting.</p>	No comment.	DEST supports the recommendation and would welcome the opportunity for input through the proposed review process.	DEST supports the recommendation.
<u>Australian Research Council</u>	Noted.	Agree.	Agree.
<u>Department of Employment and Workplace Relations</u>	Not applicable to DEWR.	<p>DEWR agrees with this recommendation. DEWR is in the process of reviewing its own procurement reporting processes with the aim of improving the accuracy and completeness of its reporting. DEWR would be interested in taking part in a wider examination conducted by the Department of Finance and Administration and the Prime Minister and Cabinet.</p>	<p>DEWR agrees with this recommendation. DEWR is undertaking an audit of its compliance with annual reporting requirements for its 2004–05 Annual Report. The Department will correct all identified omissions or incorrect inclusions of information which relate directly to its reported expenditure on consultants in the 2005-06 Annual Report.</p>

Summary Comments	Response to Recommendation 1	Response to Recommendation 2	Response to Recommendation 3
<p><u>Australian Centre for International Agricultural Research</u></p>	<p>Agree.</p>	<p>Agree. ACIAR recognises the changes in GaPS reporting and would advocate increased alignment in reporting between that required under the Senate Motion (for contracts of more than \$100,000), tenders advertised on AusTender (valued at \$80,000 or more) and those of consultants listed (\$10,000 or more) in agency and departmental Annual Reports. Guidelines that streamline and link these reporting options would be valuable to small agencies.</p>	<p>Agree. ACIAR addressed both its policy on selection and engagements of consultancies and categories for those consultants engaged in its 2004–05 Annual Report.</p>
<p><u>Department of Health and Ageing</u> The Department is supportive of the ANAO report.</p>	<p>No comment.</p>	<p>Agree.</p>	<p>The Department is seeking formal advice from the Department of Prime Minister and Cabinet on the whether it is appropriate to issue a corrigenda for 2003–04 in the 2005–06 Annual Report.</p>
<p><u>National Blood Authority</u> The NBA welcomes any assistance the ANAO can provide on the reporting of consultancies and our compliance with these. The NBA has reviewed [the Annual Report Requirements] and endeavoured to comply with those in the 2004–05 Annual Report. We have reviewed all the requirements under the Senate Order (December 2003) and for GaPS reporting in AusTender, and updated our procedures for</p>	<p>Noted.</p>	<p>Noted.</p>	<p>Noted.</p>

Summary Comments	Response to Recommendation 1	Response to Recommendation 2	Response to Recommendation 3
<p>consultancies and contracts in accordance with the CPGs and policies. We have also noted the recommendations in the report and are in the process of updating our procedures to include these recommendations.</p>			
<p><u>Department of Immigration and Multicultural and Indigenous Affairs</u> DIMIA accepts each of your recommendations without qualification. DIMIA acknowledges the findings in the report and will be implementing changes to the way it compiles and records data on the expenditure on consultants. The current numerous contract and expenditure reporting requirements imposed on agencies are onerous and costly. Any rationalisation of the reporting regimes that will ease this burden while still ensuring accurate and meaningful information will be available to those who seek it would be welcomed by DIMIA. DIMIA would be interested to be included in the proposed inter-agency reference group to review such arrangements should this be established.</p>	<p>No comment.</p>	<p>Agree.</p>	<p>Agree.</p>
<p><u>Migration Review Tribunal and Refugee Review Tribunal</u></p>	<p>Not applicable.</p>	<p>Agree.</p>	<p>Agree.</p>
<p><u>Department of Industry, Tourism and Resources</u> DITR agrees with the audit findings.</p>	<p>Not applicable.</p>	<p>Agree. DITR would welcome the opportunity to discuss with the Department of Finance and Administration and other interested parties, options for the enhancement and merits of rationalising for reporting of Government procurement.</p>	<p>Agree. DITR acknowledges the ANAO recommendation and will ensure the appropriate staff are aware of this requirement. Every endeavour is made to submit accurate and complete reporting for expenditure on consultants.</p>

Summary Comments	Response to Recommendation 1	Response to Recommendation 2	Response to Recommendation 3
<p><u>IP Australia</u> Since this audit was undertaken IP Australia has established a centralised contract management unit, resulting in improved internal processes with more timely registration of contracts. Contracts with a value of \$10,000 or more, are now gazetted monthly therefore satisfying the requirement to publish the required contract details within six weeks of entering into the agreement.</p>	<p>Not applicable.</p>	<p>Agree. IP Australia agrees to participate in any requested consultations.</p>	<p>Agree. IP Australia agrees to correct any material omissions or inaccuracies found in future Annual Reports in the next year's annual report.</p>
<p><u>Department of Communications, Information Technology and the Arts</u></p>	<p>No comment.</p>	<p>DCITA supports Recommendation No. 2 in the report. Many of the discrepancies noted in the report in relation to DCITA are due to differing criteria for reporting particulars of contracts in AusTender, the Annual Report and the Senate Order. For example:</p> <ul style="list-style-type: none"> ▪ AusTender requires that MOUs and standing offers be reported, but the Senate Order does not; and ▪ the Senate Order requires particulars of contracts current in the period to be recorded, but at the relevant time the Annual Report required only particulars of contracts let during the year. 	<p>DCITA agrees with Recommendation No. 3 in the report. The Department will work to correct omissions or incorrect inclusions of information which relate directly to our reported expenditure on consultants in our next annual report.</p>

Summary Comments	Response to Recommendation 1	Response to Recommendation 2	Response to Recommendation 3
<p><u>National Archives of Australia</u></p>	<p>No comment.</p>	<p>While Recommendation 2 is directed toward the Department of Finance and Administration and the Department of the Prime Minister and Cabinet, Archives would be highly supportive of a review of the reporting regimes relating to expenditure on consultants.</p>	<p>The Archives agrees with the recommendation. The Archives undertakes to correct in our next available annual report any errors that are identified in our reporting on consultancies.</p>
<p><u>Department of Transport and Regional Services</u> DOTARS agrees with the report's recommendations and strongly supports the development of options for improving the accuracy and completeness of reporting of Government procurement, including the merits of rationalising the number of reporting regimes.</p>	<p>Agree.</p>	<p>Agree.</p>	<p>Agree.</p>
<p><u>National Capital Authority</u> The issues raised during the audit have assisted the NCA in introducing improved consultancy reporting procedures. These new procedures were applied to the 2004–05 annual reporting.</p>	<p>No comment.</p>	<p>Agree. Separate reporting regimes for consultancies, each with different data requirements, are inefficient and could lead to reporting inaccuracies. Reporting on consultancies under the Senate Order listings could be combined with similar reporting requirements, for example, in agency annual reporting.</p>	<p>Agree. Provided the annual report guidelines, prepared by the Department of the Prime Minister and Cabinet, include a consistent format and process for agencies to follow to correct any material errors in consultancy information in annual reporting.</p>
<p><u>Department of Veterans' Affairs</u> DVA agrees with the recommendations and notes the findings of the ANAO report.</p>	<p>Agree.</p>	<p>Agree.</p>	<p>Agree.</p>

Summary Comments	Response to Recommendation 1	Response to Recommendation 2	Response to Recommendation 3
<p>DVA has taken positive steps in developing new processes and procedures to ensure that it better meets its mandatory reporting requirements, including with respect to consultants. These include:</p> <ul style="list-style-type: none"> ▪ training presented in National and State offices during September/October; ▪ revised manual for the Department's contract recording tool; ▪ cross-checking the data recorded on this tool with the Senate Order list, with a view to cross-check the three main reporting regimes in future; and ▪ proposal to present further training and guidance on mandatory reporting requirements, including the need for consistency. <p>Sections 2.21 to 2.23 refer to reporting contract price versus expenditure. ANAO assumes that reporting of specific values (eg \$23,456) means that the expenditure, rather than the contracted value, is being reported. While DVA has reported payments against a contract in the past, it is not believed to have done so in recent years. DVA does report total contract expenditure where it is known at the time of reporting. In the case of demand-driven arrangements (eg provision of health services), the amount reported is an estimate based on previous expenditure.</p>	<p>No comment.</p>		
<p>Department of the Environment and Heritage DEH appreciates the opportunity to comment in the proposed report and the consultation and guidance provided by the ANAO in relation to this matter. DEH is</p>		<p>DEH agrees with this recommendation. Guidance from the lead agencies on how to achieve a more consistent</p>	<p>DEH agrees with this recommendation. As a result of the ANAO audit of the 2003–04 annual report (and subsequent</p>

Summary Comments	Response to Recommendation 1	Response to Recommendation 2	Response to Recommendation 3
<p>committed to addressing the issues relating to our reporting of expenditure on consultants.</p> <p>The action being taken is set out in table 5.4 of the proposed report, and includes system improvements, training and improved quality assurance processes to ensure our compliance with the various reporting requirements.</p> <p>The processes involved in complying with the various reporting requirements are complex, particularly in a devolved purchasing environment. Implementation of the measures to rationalise the reporting regimes will further assist Departments achieve efficiencies in meeting these requirements.</p> <p><u>Bureau of Meteorology</u></p>	<p>No comment.</p>	<p>approach to reporting will assist address the current inadequacies in accuracy and completeness. DEH notes that the estimated approximate cost of reporting in Senate Order, the Annual Report and GaPS and fully supports rationalising the number of reporting requirements to reduce these costs.</p>	<p>crosschecking with the Senate Order and GaPS reports) DEH implemented a more robust approach to the 2004–05 Annual Report consultancy listing and corresponding text, to ensure compliance with the requirements. Should any anomalies come to light these will be reported in the next annual report.</p>
<p><u>Office of the Renewable Energy Regulator</u></p>	<p>No comment.</p>	<p>Agree with qualification. Noting the level of non-compliance across the agencies, and the need for efficiency in reporting, we would suggest that an assessment of the scope and purpose of the requirements of the reporting framework should be undertaken. It is likely that better ways of making information on consultancies available to Parliament and the general public, can be found.</p> <p>The ORER agrees with this recommendation and the need to examine rationalisation of the number of reporting</p>	<p>Agree. This is consistent with current PM&C guidelines on Annual Reports.</p> <p>The ORER notes that it is already a requirement for an agency to correct any fact in its previous annual report that has</p>

Summary Comments	Response to Recommendation 1	Response to Recommendation 2	Response to Recommendation 3
		<p>regimes. The ORER believes that the requirements of each regime must be clarified and the requirements more completely reflect the real diversity of contracts (ie fixed, variable and total pricing, phases or stages of the contract and options to proceed or not to the next stage, etc) that may be entered into by an agency, particularly when engaging the services of consultants.</p>	<p>subsequently been found to be wrong in a material respect. As the ANAO observes in its report, it is a matter of judgement for each agency as to whether errors should be corrected. Recommendation 3 provides no further guidance to agencies in this regard unless the ANAO is now recommending that all errors be corrected irrespective of their significance.</p>
<u>Department of Family and Community Services</u>	No response.	No response.	FaCS agrees with this recommendation.
<u>Centrelink</u>	No comment.	Agree. Centrelink would be pleased to participate in such a review.	Agree, consistent with the existing requirement that only material errors be covered in subsequent Annual Reports.
<u>Department of Finance and Administration</u> Finance agrees with the Report's recommendations, in particular Recommendation 2 that proposes Finance should work with the Department of the Prime Minister and Cabinet (PM&C) to examine options for improving and potentially rationalising procurement reporting. To this end, Finance will work with PM&C on an approach to rationalising the measures for reporting on contracts for consultation with the Joint Committee of Public Accounts and Audit and with the Senate Finance and Public Administration References Committee. Finance	Agree.	Agree.	Agree.

Summary Comments	Response to Recommendation 1	Response to Recommendation 2	Response to Recommendation 3
<p>considers that the AusTender system (the replacement for the GaPS system discussed in the Report) enhancements provide an opportunity to improve transparency in an efficient and effective manner. Finance has been progressing enhancements to the AusTender reporting system and has also been assisting agencies to improve data quality. However, a rationalisation of the requirements for reporting contracts, which maintains appropriate transparency, will enhance the ability of agencies to implement systems which better comply with reporting requirements.</p>	<p>Not applicable.</p>	<p>Agree.</p>	
<p><u>Australian Electoral Commission</u> <u>ComSuper</u></p>	<p>Not applicable.</p>	<p>Agree.</p> <p>ComSuper would welcome any move to review the reporting obligations of Commonwealth agencies to rationalise and further clarify those obligations. ComSuper believes that the current regimes are unnecessarily overlapping and that a single consolidated reporting regime could deliver the desired outcomes of accountability and transparency in government spending.</p>	<p>Agree.</p> <p>Noted. ComSuper has already taken steps to improve the quality of reporting as evidenced in the 2004/05 Annual Report, and is also reviewing and analysing its data capture for future reporting. On completion of these activities, ComSuper will assess if action is required regarding corrections or omissions.</p>
<p><u>Department of Foreign Affairs and Trade</u></p>	<p>Not applicable.</p>	<p>Agree. The Department welcomes any improvement and/or rationalisation to current</p>	<p>Disagree. The 2003-04 omissions were published in the public domain through AusTender (GAPS) website, so DFAT does</p>

Summary Comments	Response to Recommendation 1	Response to Recommendation 2	Response to Recommendation 3
		reporting regime.	not believe it is necessary for it to also publish corrections in the 2005–06 Annual Report.
<u>Department of the Prime Minister and Cabinet</u>	No comment.	Agree. The Department, in conjunction with the Department of Finance and Administration, will review the existing reporting requirements and consult the Joint Committee of Public Accounts and Audit and the Senate Finance and Public Administration Committee on ways to rationalise existing requirements.	Agree.
<u>Australian Public Service Commission</u>	No comment.	The Commission agrees with Recommendation No.2	The Commission agrees with Recommendation No.3
<u>Commonwealth Ombudsman</u> Agree with the conclusions and recommendations of the report. However, for a small agency the three reporting regimes for consultants can be onerous. I would therefore support examining options aimed at improving accuracy, addressing overlaps and inefficiencies of Government procurement reporting, in consultation with key stakeholders. A rationalisation of the three reporting regimes would reduce administrative burden, particularly on small agencies. Appendix 4 of the audit report has also been drawn to the attention of relevant staff. Note however that many other smaller agencies in Appendix 4 are experiencing similar delays in reporting GPS entries.	Agree.	Agree.	Agree.

Summary Comments	Response to Recommendation 1	Response to Recommendation 2	Response to Recommendation 3
<u>Office of the Official Secretary to the Governor-General</u>	No comment.	The Office of the Official Secretary to the Governor-General agrees to Recommendation 2 for the review and rationalisation of reporting of Government procurement and especially that associated with expenditure on consultants.	No comment.
<u>Department of the Treasury</u>	Agree.	Agree. Treasury supports the rationalisation of reporting regimes and the provision of improved guidance on compliance with these regimes. This guidance might include checklists of the requirements for each report and explanations or examples on how agencies should set out this information.	Agree. Treasury has now put in place more stringent quality assurance procedures to minimise the need for corrections to future reports.
<u>Australian Bureau of Statistics</u> The Australian Bureau of Statistics agrees with, and fully supports, the report and its recommendations.	Agree.	Agree.	Agree.
<u>Australian Competition and Consumer Commission</u> The ACCC agrees with the recommendations of the proposed report.	Agree.	Agree.	Agree.
<u>Australian Office of Financial Management</u> The Australian Office of Financial Management is in agreement with the recommendations.	Agree.	Agree.	Agree.

Summary Comments	Response to Recommendation 1	Response to Recommendation 2	Response to Recommendation 3
<u>Australian Taxation Office</u>	No response.	The ATO agrees with the recommendation to examine options for improving the accuracy and completeness of reporting on Government procurement, including the merits of rationalising the number of reporting regimes.	The ATO also agrees with the recommendation that FMA agencies correct omissions or incorrect inclusions of information which relate directly to their reported expenditure on consultants in their next annual report.
<u>Inspector-General of Taxation</u> The shortcomings in the Inspector-General's 2004 Annual Report have been noted and future Annual Reports will take into account the guidelines approved by the JCPAA as published by PM&C. There were no consultancies in 2004/05 so, to that extent at least, the annual report merely notes that fact.	No response.	No response.	No response.
<u>National Competition Council</u>	No comment.	The NCC supports recommendation 2. In particular, the NCC considers it would be valuable to rationalise the number of reporting regimes. The NCC would favour a single reporting mechanism that efficiently addresses the Parliament's objectives.	The NCC agrees with the recommendation.
<u>Productivity Commission</u> <u>Department of the Senate</u>	No comment. Agree.	Agree. Agree. The recommendation for consultation with key parliamentary committees is appropriate.	Agree. Agree.

Summary Comments	Response to Recommendation 1	Response to Recommendation 2	Response to Recommendation 3
<p><u>Federal Court of Australia</u></p>	<p>Agree.</p>	<p>Agree.</p>	<p>The Federal Court agrees with the recommendation and has provided information that is fully compliant with annual reporting requirements in its 2004–05 annual report, in respect of expenditure on consultants.</p>
<p><u>Family Court of Australia</u> The Family Court considers that the findings and recommendations of the report, as they relate to the Court, are fair and reasonable. The Court continually revises processes relating to its reporting obligations and will ensure that the issues identified are addressed to enable the Court to meet its 2005-2006 reporting obligations.</p>	<p>Unable to comment.</p>	<p>Agree. The Court welcomes the opportunity to participate in the achievement of the recommendation.</p>	<p>Agree. The Court provided 2003-2004 information in accordance with the ANAO requirements and will ensure that identified deficiencies are rectified in future reporting periods, as they relate to that period.</p>

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