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*ENGAGEMENT OF EXTERNAL CONSULTANTS
BY COMMONWEALTH DEPARTMENTS*

*REPORT
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JOINT
COMMITTEE
OF PUBLIC
ACCOUNTS*

*THE PARLIAMENT
OF THE
COMMONWEALTH
OF AUSTRALIA*

NOVEMBER 1989

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA
JOINT COMMITTEE OF PUBLIC ACCOUNTS

REPORT 302

ENGAGEMENT OF EXTERNAL CONSULTANTS
BY COMMONWEALTH DEPARTMENTS



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(to 27 Feb 1989)

The Hon G G D Scholes, MP

Senator J O W Watson

Inquiry Staff: Ms G Gould
Mrs L Brennan

DUTIES OF THE COMMITTEE

Section 8(1) of the Public Accounts Committee Act 1951 reads as follows:

Subject to sub-section (2), the duties of the Committee are:

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth including the financial statements transmitted to the Auditor-General under sub-section (4) of section 50 of the Audit Act 1901;
 - (aa) to examine the financial affairs of authorities of the Commonwealth to which this Act applies and of inter-governmental bodies to which this Act applies;
 - (ab) to examine all reports of the Auditor-General (including reports of the results of efficiency audits) copies of which have been laid before the Houses of the Parliament;
 - (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
 - (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
 - (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,
- and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

PREFACE

This report presents the results of the Committee's Inquiry into the Engagement of External Consultants by Commonwealth Departments. The Inquiry did not set out to review ministerial consultants.

The attention of the Committee was drawn to consultants engaged by Commonwealth departments as a result of adverse comments made by the Auditor-General in relation to several instances of poor management of external consultancies by some departments. The Committee resolved to conduct an inquiry to investigate whether the processes involved in the selection, monitoring and assessment of the cost-effectiveness of consultants were adequate and accountable.

Employee organisations have expressed concern about the use of consultants in areas which would normally have meant upgrading the skills of public servants. This implies that the skills may not exist in the public service unless cognizance is taken of training needs.

Given the vast range of services of private sector consultants which are used by Commonwealth departments, it is not surprising that the evidence provided to the Committee embraces the concerns of a broad spectrum of consultants. This report is therefore necessarily selective of the organisations whose views were represented to the Committee. Most of the views expressed, however, enjoy the support of the majority of submissions in the particular field.

Overall the evidence taken by the Committee has revealed that the situation with respect to consultants is confused and inconsistent across the public sector. One particular concern is that although service-wide guidelines for the engagement of consultants have been available for some time, scant attention has been paid to them.

The Committee does not have an obsession with detailed adherence to a set of guidelines in the form of a manual of procedure. Certain aspects of the guidelines, however, ought to be mandatory in the sense that if they are not followed poor management practices are likely to lead to waste of public moneys and failure to achieve desired results from the use of consultants.

The fact that such an obvious principle as evaluation is not mandatory - as admitted by the Department of Administrative Services, the author of 'The Engagement of Consultants: Guidelines for Commonwealth Officers' - makes an absolute mockery of the Guidelines.

The Committee was surprised that no department had expressed concern about the technical and detailed nature of the Guidelines. Surely a major objective ought to have been monitoring and accountability mechanisms both for departments' own purposes and to assure the public that funds were not being wasted.

Indeed, a major concern to the Committee was that there are no consistent mechanisms in place which ensure accountability for the use of consultants. While on the one hand consultants are regarded as merely another input to a program, on the other, little progress has been made on the development of performance indicators to assess the cost-effectiveness of the inclusion of the services of consultants in government programs.

There are other aspects of the Guidelines that ought also to be complied with as a matter of course including compliance with any legal requirement. The fact that the Department of the Arts, Sport, the Environment, Tourism and Territories admitted that the law had not been complied with in respect of Finance Regulation 52AA(2) was of concern to the Committee. The selection processes should ensure probity and openness in all circumstances.

Moreover, the Committee found that there are no procedures in place to ensure that consultants who perform poorly in one department will not be engaged by another. While the 'informal network' may to some extent serve to minimise the contracting of less worthy consultants, the Committee has been concerned that it may also have resulted in some consultants securing contracts without due regard to the ideal of open competition in Commonwealth purchasing.

Clearly, the nature of consultancies varies considerably from major long-term contracts such as environmental impact studies costing millions of dollars to short-term engagements which address, for example, issues of occupational health or skills enhancement. The Committee recognises that different methods of procurement may be justified. However, notwithstanding the differences of magnitude of engagements nor the variety of procurement procedures, the Committee is concerned to ensure that the use of consultants by Commonwealth departments is at all times accountable.

During the course of this Inquiry the Committee found that the devolution of responsibility to departmental secretaries and thence to program managers has meant that the Commonwealth did not have ready access to its total expenditure on consultants. The co-ordinating role of the Department of Administrative Services with respect to purchasing policy does not extend to maintaining - or advising departments on maintaining - any mechanism for readily assembling total outlays on consultants.

However, in consequence of Report 299 of the Joint Committee of Annual Accounts, 'Compliance with Guidelines for the Preparation of Departmental Annual Reports', it is anticipated that compliance with the Guidelines for annual reports will ensure that such information is available in respect of Commonwealth departments.

There is clearly a nexus between the size of the Public Service and the extent to which consultants are, or will be, used. Without a resource base on the use of consultants, however, realistic assessments cannot be made about the overall cost-effectiveness of using consultants in preference to permanent staff.

Related to this are the situations known as 'the Friday-to-Monday' and the 'revolving door' syndromes. It is clear that public servants are leaving the Service to join or establish consultancies. There is no legislation in place, however, which prevents a public service employee from resigning a position only to return as a consultant to do precisely the same tasks at a significantly higher fee. Moreover, there is no constraint on the nature of employment which public servants are able to take upon resigning from government employment. Nor is there any formal procedure for the public disclosure of such an occurrence.

Since this Inquiry was commenced in April 1988 major changes have been promulgated in the sphere of Commonwealth purchasing procedures and practices which of course have implications for the engagement of consultants. The Committee welcomes the initiatives which led to the reforms, and indeed, will be interested in monitoring the implementation of the new procedures. Nonetheless, the Committee is concerned lest the current emphasis on 'management for results' diminishes accountability.

It should be emphasised that neither the Joint Committee of Public Accounts nor the Auditor-General has ongoing responsibility for monitoring the use of consultants and ensuring accountability and probity. The resources necessary to do this

are clearly not available. It is the responsibility of program managers and the departmental organisation to ensure visibility, probity, accountability and the effective use of consultants.

There is a degree of scepticism in the community about the use of consultants, which was supported by informal reports to the Committee. However, during the course of the Inquiry, the evidence presented to the Committee was not sufficient to confirm or deny the basis of public concern.

The Committee appreciates the interest that this Inquiry has engendered and is conscious of the attention that it has drawn to the need for observance of the Guidelines.

Finally, the Committee thanks the members of the Sectional Committee for the time and effort they have expended on this Inquiry. The Committee also wishes to express its appreciation for the support and assistance provided by Ms Gillian Gould and Mrs Laraine Brennan.

For and on behalf of the Committee.

R E Tickner, MP
Chairman
28 November 1989

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RECOMMENDATIONS

The Committee has made a number of recommendations which are listed below, cross-referenced to their location in the text.

The Committee recommends that:

Selection Procedures

- . Emphasis be given to the need for consistent use of terminology across the Australian Public Service in the revised guidelines on engaging consultants. (paragraph 6.6)

- . Registers of consultants be maintained only as a means of collecting information on suitable consultants for a range of activities which are integral to a department's operations. Registers of consultants should not be maintained, however, if they impede the process of open competition in particular cases. (paragraph 6.33)

- . Departments encourage all eligible firms to be included in the departmental registers of consultants. (paragraph 6.33)

- . Selection of consultants be based on merit and the most appropriate consultant be selected in each case, and that the process of rotation not be permitted. (paragraph 6.33)

- . If awarding consultancy contracts partly as a result of recognition of previous successful work of the consultancy firm, regard be given to changing personnel within the firm which may have led to a loss of expertise. (paragraph 6.33)

Conditions Under Which Consultants are Engaged

- . The current threshold figure of \$2,000 for gazettal of Commonwealth consultancy contracts be maintained. (paragraph 2.31)
- . The database for the Government Tender Service be organised in such a way that allows for public and parliamentary scrutiny of government contracts. (paragraph 2.35)
- . Provision be made in the programming of the Government Tender Service database to enable the Parliament to obtain total figures on contracts awarded to consultants. (paragraph 2.35)
- . The Department of Finance develop a series of guidelines advising on drawing up comparisons between using in-house and external expertise for specific activities executed within government programs. (paragraph 2.48)
- . The Public Service Commission review post-separation employment in the Australian context. (paragraph 2.77)
- . The Public Service Commission ascertain whether trends and developments as have occurred in the United States have occurred in Australia with a view to introducing comparable legislation in Australia should this be warranted. (paragraph 2.77)

Guidelines for the Engagement of Consultants

- . The Purchasing Reform Group proceed with the development of guidelines which focus specifically on the procurement of consultancies. (paragraph 3.37)
- . The guidelines be strongly promoted in both the public and private sectors. (paragraph 3.37)

Public Service Consultancies

- . 'The Development Consultants' be expanded into a management consultancy bureau along the lines of the Canadian model, with appropriate modifications to meet the requirements of the Australian Public Service. (paragraph 4.28)

- . Consultancy units be established to assist in the selection of specialist consultants. (paragraph 4.32)

Monitoring Procedures

- . Post-performance reviews be required for all consultancies that meet the Department of Administrative Services' guidelines for gazettal and a significant number of random reviews be conducted of consultancies which fall outside these guidelines. Each review should address:
 - whether the terms of reference for the consultant have been adequately addressed;
 - whether the project conducted by the consultant could be adequately adopted and implemented by the organisation;
 - the quality of the consultant's performance; and

the completed reviews should be forwarded to consultancy units advising in the use of specialist consultants. (paragraph 7.17)

Adequacy of Contracts

- . The Commonwealth adopt a standard form contract for general use. (paragraph 8.10)

Where special circumstances exist individual agencies deal directly with the Australian Government Solicitor in developing an appropriate contract. (paragraph 8.10)

Procedures for monitoring and publicising changes to standard contract forms be established. (paragraph 8.16)

The Issue of Deskilling

Where consultants are engaged to work in collaboration with public sector employees, due care be taken to ensure that public sector employees are given similar opportunities to enhance their skills as those available to external consultants. (paragraph 9.14)

Commonwealth departments and agencies be individually responsible for the systematic evaluation of the overall impact of the use of consultants on their respective organisations to ensure that no inadvertent loss of skills occurs. (paragraph 9.19)

Career paths based on technical expertise be established within the public sector. (paragraph 9.28)

Chapter 1

INTRODUCTION

Background

1.1 The Committee decided to undertake an inquiry into the engagement of external consultants by Commonwealth departments after observing that several adverse references had been made by the Auditor-General to procedures used by Commonwealth departments in their dealings with external consultants.

1.2 The Auditor-General reported, for example, instances where:

- consultants had been engaged prior to review by the appropriate Consultant Review Committee;¹
- the selection of consultants had not been adequately documented;²
- long delays in completion of work had occurred with consequent increased costs to the Commonwealth;³ and
- no recovery action had been taken against poor performance by consultants.⁴

1.3 The Committee adopted wide terms of reference for the inquiry as follows:

- the adequacy of selection procedures for reviewing the suitability of potential consultants prior to engagement by Commonwealth departments;
- the adequacy of contracts of engagement in protecting Commonwealth departments from additional costs associated with unsatisfactory work by consultants and from excessive increases in projected consultancy fees;

1. The Auditor-General, Report on Audits to 31 December 1987, AGPS, Canberra, March 1988, para 2.3.16.

2. Ibid, para 2.4.9.

3. Ibid, paras 14.1.2, 14.1.29.

4. Ibid, para 2.3.16.

the adequacy of procedures for monitoring consultants' performance and assessing the final value of consultants' work;

the conditions under which Commonwealth departments engage external consultants rather than employing departmental staff or resources from elsewhere in the public sector; and whether, and to what extent, external consultants are engaged to ensure that departmental workloads are met despite limitations on full-time staffing resources; and

whether the increased engagement of external consultants by Commonwealth departments in recent years is associated with a de-skilling of the public sector workforce, or indicates a need to enhance the skills of public sector employees to meet the changing requirements demanded of the public service.

Defining a Consultant

1.4 In the public sector external consultants are usually regarded as specialists engaged to undertake short-term projects which assist the development or refinement of a department's activities. In contrast, external contractors are usually regarded as tradespeople or professionals engaged on a temporary basis to undertake more routine work, or to help the department carry out its already defined activities. The line dividing consultants from contractors may at times be hard to draw, such as in the case of some types of computer and information technology personnel.

1.5 The Committee was advised that the lack of a precise, unambiguous definition of a consultant caused difficulties for departments in compiling lists of consultants for publication in their annual reports and that the Department of the Prime Minister and Cabinet - which is responsible for the Guidelines for the Preparation of Departmental Annual Reports - had received several enquiries on the interpretation to be given to the term 'consultant'.⁵

5. Letter from Secretary, Department of the Prime Minister and Cabinet to Acting Secretary, Joint Committee of Public Accounts, 30 May 1989.

Conduct of the Inquiry

1.6 This Inquiry, which was announced in April 1988, addressed both general issues of principle, such as the accountability of Commonwealth departments to the Parliament in the use of consultants, and detailed issues such as the adequacy of selection, monitoring and evaluation procedures used by Commonwealth departments with respect to consultants.

1.7 Although the Inquiry was not approached on a case study basis, a number of cases were brought to the attention of the Committee to illustrate particular principles or recommended courses of action.

1.8 The Committee sought to achieve a balance of views from both the Australian Public Service and the private sector.

1.9 Over 50 submissions were received from :

- . individuals;
- . professional associations;
- . public sector unions;
- . private firms; and
- . Commonwealth departments and agencies, particularly those with a service-wide role in relation to consultants and departments which are major users of external consultants.

1.10 In addition information was obtained from organisations such as the Parliamentary Library Research Service and the United States Information Service.

1.11 Ten public hearings were conducted in Canberra between July 1988 and November 1989. Appendix 1 lists submissions to the Inquiry. The details of public hearings and witnesses are at Appendix 2.

Failure of Departments/Agencies to Provide Relevant Information

1.12 The Committee has been concerned throughout the Inquiry about the difficulty that it has experienced in eliciting relevant information from some departments. This suggests to the Committee a disdain for, or at least a lack of appreciation of, the process of parliamentary scrutiny and the role of the Committee by the departments/agencies.⁶

1.13 One of the problems faced by the Joint Committee of Public Accounts is ensuring that the work of the Committee does not become an exercise in futility as a result of not being provided with information which is relevant and germane to one of its inquiries.

1.14 The Committee seeks co-operation and goodwill not confrontation but will not hesitate to use its full powers to obtain relevant information from departments or agencies.

1.15 As examples of frustrations encountered by the Committee the following cases deserve mention.

Public Service Commission

1.16 In the early stages of this Inquiry the Public Service Commissioner was asked specifically to comment upon the notion of establishing a central consultancy agency or service within the Public Service.⁷

1.17 The Public Service Commission responded on 7 July 1988:

The creation of a central consultancy agency or service within the Service would not be supported by the Commission. Such an agency would not be able

6. Joint Committee of Public Accounts Report 293 - Activities 1987-1988, AGPS, 1988, p. x.

7. Letter from Secretary, Joint Committee of Public Accounts to Public Service Commissioner, 24 June 1988.

to get staff with the necessary range of experience, expertise and qualifications nor would it be able to service the wide range of projects currently undertaken by consultants.⁸

1.18 The Committee found the Public Service Commission's response to be in conflict with its actions, for on 18 July 1988 the Commission launched its own management consultancy known as 'The Development Consultants' - a project which had been in preparation for several months.

1.19 The Committee discovered that 'The Development Consultants' had in fact been planned for about six months prior to its public launching. This was of significance to the Committee because during this same period the Public Service Commission had prepared its submission to the Inquiry. The Commission, however, had failed to mention 'The Development Consultants' in its submission.

1.20 The Public Service Commissioner argued that the role of 'The Development Consultants' is much narrower than the concept raised by the Committee; that 'The Development Consultants' was intended as a marketing device for part of the activities of the Development and Consultancy Section in order to attract the attention of departments to the contribution the Commission could make on a very special and very confined area, namely, human resource development and staff development in the Australian Public Service.⁹

1.21 The Committee, however, holds the view that in essence 'The Development Consultants' conforms to the concept raised by the Committee and it was incumbent upon the Public Service Commission to inform the Committee of such an initiative. In any event it was clearly an issue relevant to the Committee's Inquiry and ought to have been highlighted by the Public Service Commission.

1.22 The Public Service Commission also failed to advise the Committee of its current practice of providing advice to Commonwealth departments on appropriate consultants. The Committee found this omission particularly surprising given that the Commission had included a section entitled 'The Public Service Commission and Consultants'.¹⁰ The Committee accepts that providing advice on consultants may not be recognised as a formal

8. Letter, from the Public Service Commission to Secretary, Joint Committee of Public Accounts, 7 July 1988.

9. Evidence, p. 1003.

10. Evidence, pp. 1014-1017.

function of 'The Development Consultants'; the Committee, however, considered that the practice was sufficiently extensive to be of interest to its Inquiry.

1.23 In additional information furnished to the Committee on 'The Development Consultants' the Public Service Commission again misled the Committee over the issue of cost recovery for programs. In the supplementary submission to the Committee the Public Service Commission stated:

It is standard practice with the Public Service Commission to charge for staff development activities. This applies not only to the programs of 'The Development Consultants', but also to Executive Development and Senior Executive Development programs.¹¹

1.24 In evidence taken at a public hearing on 13 October 1988, however, the Committee was informed:

... We currently do not charge for our services. We propose charging, and we are negotiating with the Department of Finance about charging arrangements.

Mr RUDDOCK - The submission talked about a user pays basis.

Mr Hardy - Yes. We wish other departments to pay for our services, and we are negotiating with the Department of Finance about how that can be done.

Mr RUDDOCK - You had better clarify exactly what it means in the submission when it says:

The degree of cost recovery varies from program to program, dependent upon individual circumstances and considerations. The Public Service Commission believes its approach to cost recovery is consistent with the user-pays trend being applied generally throughout the Australian Public Service.

11. Evidence, p. 989.

Now what you are telling me is that on a case by case basis you apply no charge.¹²

1.25 The Committee takes very seriously any action, be it unintentional or deliberate, which misleads the Committee through the provision of submissions which are factually incorrect.

CHAIRMAN - ... the Public Accounts Committee cannot and will not tolerate submissions which are misleading and which, if adopted as a general precedent by other authorities, would lead to the work of the Committee grinding to a halt.¹³

Department of Administrative Services

1.26 Another example of the difficulties experienced by the Committee in obtaining information from departments occurred with the Department of Administrative Services.

1.27 The 1981 policy of the Lynch Committee which provided for 50% of the work of Australian Construction Services to be performed by the private sector was abolished by a Cabinet decision on 7 July 1988. This decision was announced in a media release dated 28 July 1988.

1.28 The Committee subsequently discovered from a witness before the Committee that the situation and facts presented in the formal submission by the Department of Administrative Services had changed.

1.29 The Committee strongly holds the view that it is the responsibility of departmental secretaries to advise the Joint Committee of Public Accounts of any developments, changes in policies, activities or proposed changes which may impact upon the subject of an inquiry. During the Inquiry the Chairman stated:

It is impossible to proceed with inquiries unless there is full disclosure of relevant material and unless submissions to the inquiry are accurate and evidence given on oath is accurate, otherwise parliamentary accountability becomes an illusion and a farce.¹⁴

12. Evidence, page 603.

13. Evidence, page 639.

14. Evidence, p. 1008.

1.30 . Notwithstanding the correspondence between the Committee and the Department of Administrative Services on the failure to provide relevant information to the Committee, the Department neglected to advise the Committee of the proposals for reforming Commonwealth purchasing procedures.¹⁵ Clearly, such proposals have strong implications for the procurement of consultancy services.

1.31 The Committee, on the other hand, commends the Purchasing and Sales Group of the Department for keeping the Committee informed of the review and subsequent abandonment of the panel contract PE 13 (Preferred Suppliers for the Provision of On-site Computer Programming and Systems Design Services).

1.32 The Committee strongly believes that it is the obligation of all Commonwealth departments and agencies to keep the Committee fully informed about changes to policies and procedures relevant to the Committee's inquiries.

Witnesses to Inquiries

1.33 The Inquiry has highlighted the importance of senior officers of departments or agencies appearing as witnesses before the Committee. Over the years a practice has developed whereby persons other than departmental secretaries or senior officers have appeared before the Committee. This has meant that officers lower in the hierarchy of a department or an authority have given evidence. In the past this has been with the approval of the Committee. The recent experience of the Committee, however, has led to a view that if parliamentary accountability is to work, then senior officers ought to give evidence on all occasions unless dispensed with by the Committee.

1.34 The Committee noted that in the United Kingdom the Public Accounts Committee always deals with the secretary of a department in the course of an inquiry. This is a significant recognition of the importance of public accountability of government departments and of the public sector.

15. 'Proposals for Reform of Commonwealth Purchasing Arising from Government Review Under the Financial Management Improvement Program', tabled in Parliament on 23 November 1988.

Accountability to Parliament for the Use of Consultants

1.35 During the course of the Inquiry the Committee sought to examine the mechanisms which ensure accountability of expenditure by Commonwealth departments on external consultants.

1.36 Clearly an important component of the accountability process is evaluation. While program budgeting may in theory be the key process by which the increased emphasis on managerial accountability is to be implemented, the Committee has yet to be satisfied that significant progress has been made in the development of reliable performance indicators by which Parliament is able to judge the success of government programs.

1.37 Under the Public Service reforms which focus on outcomes rather than inputs, consultants are regarded as part of the general resource base that is available to departments within their overall running cost budget. According to the Department of Finance:

They are an optional input in a sense that there are various mixtures of inputs which can be obtained for a particular program ... we think that management of a program has every incentive to maximise the benefit from consultants because they have to pay for the consultants from a cash limited running cost figure and they are responsible for program outputs. So, in essence, we are saying that it is really a matter for management to make a decision themselves as to the priorities they place on consultants within a program, as compared with getting resources in some other way. It is in essence their decision and they are accountable for the program outputs and they have to meet the cost.¹⁶

1.38 The Committee holds the view that there is a critical distinction between consultants and many other inputs into programs in that many consultants are contributing to and providing policy advice, which is at the very core of public service activity.

1.39 Moreover, the notion of departmental 'responsibility' is vague. It became evident to the Committee that in some

16. Evidence, p. 182.

instances the term 'responsibility' has been interpreted to mean 'authority' rather than 'accountability'. For example, the explanation was put forward that the responsibility for approving the engagement of consultants which once rested with the Public Service Board now lay with departments:

So just as the Public Service Board was previously responsible for the engagement of consultants, so too now are secretaries of departments ... They are accountable in the same way as they are for the whole range of functions that are carried out by departments. They are accountable through a range of mechanisms including the Auditor-General, the JPCPA, other parliamentary committees, Senate Estimates Committees ...¹⁷

1.40 The Committee was alarmed to find that on the question of accountability there existed among some senior public servants the belief that, ultimately, it was the responsibility of the Auditor-General, the Joint Committee of Public Accounts and other parliamentary committees to monitor expenditure on consultants.

1.41 There is no foundation for this belief. Prior to the Inquiry the Committee had not commented on consultants. Nor had the Auditor-General had more than fleeting dealings with the issue of engaging consultants, maintaining only an extremely limited surveillance of consultants as part of the auditing function.

1.42 The Committee does not accept that it is the role of the Joint Committee of Public Accounts or the Auditor-General to monitor the daily management of consultants.

1.43 The responsibility for monitoring the engagement of external consultants rests with the secretary of the department through effective financial management and internal audit. The audit function of the Auditor-General in no way diminishes the responsibility of departments for their internal management.

1.44 The perception that the responsibility rested with the Auditor-General was also illustrated when the issue of whether departments are adhering to the requirement to publish information on all government contracts with a value greater than \$2,000 in the 'Purchasing and Disposals Gazette' was raised. The Committee sought clarification from witnesses from the Department of Administrative Services and the Department of Finance on which

17. Evidence, pp. 85-86.

agency has responsibility for checking compliance with this requirement, and was informed that the responsibility lay with the Auditor-General.¹⁸

1.45 To this assertion the Australian Audit Office responded that it is responsible for auditing - as distinct from monitoring - departmental systems or procedures and for providing an independent assurance to Parliament on the accuracy of accounts, records and financial reports and on the efficiency and effectiveness of systems implemented by the Executive to meet the purposes established by Parliament. The role of the Australian Audit Office as external auditor is to report to Ministers and Parliament and to assist the Executive by drawing attention to deficiencies in administration and recommending improvements. In carrying out its responsibilities the Australian Audit Office does not routinely and systematically monitor compliance with particular legislative requirements which are specified in the Audit Act 1901 and Finance Regulations and Directions.

1.46 The Australian Audit Office considers that no one agency has the responsibility of monitoring compliance with the obligation to publish information on contracts over \$2,000 but that it is the primary obligation of management to ensure that applicable statutes and regulations are complied with.

1.47 The Australian Audit Office also advised the Committee that one element of any audit examination of consultancy services which may be undertaken by the Australian Audit Office as part of its cyclical coverage is to establish whether or not procedures and controls are adequate to ensure compliance with legal requirements and to establish if these procedures and controls are followed in practice. Instances of non-compliance are brought to the attention of management and included in the report to Parliament on the results of the audit.¹⁹

18. Evidence, pp. 85-86, 206.

19. Letter from First Assistant Auditor-General to Secretary, Joint Committee of Public Accounts, 30 August 1988.

Chapter 2

CONDITIONS UNDER WHICH CONSULTANTS ARE ENGAGED

Nature of Use of Consultants

2.1 Each year the Commonwealth spends millions of dollars on consultants across a wide range of activities - including construction, computing, public relations, market research, management and training courses and policy formulation.

2.2 Consultants have been engaged by Commonwealth departments to fulfil the following general functions:

- . to meet peak workloads within a short time-frame;
- . to supplement scarce skills;
- . to provide skills that are not available in the public sector;
- . to comply with specific government policies; and
- . to meet the demands of situations in which it may not be cost-effective to maintain permanent staff at peak resource levels, for example, to provide particular specialist services for which a need arises infrequently or in irregular patterns.

2.3 During the Inquiry the Department of Defence summed up its reasons for engaging consultants:

Mr Harvey - Some of the basic reasons that we have for going to consultants are, for 90 per cent, possession of special skills not available in Defence. Objectivity, with the prospect of high acceptability, is another reason why we might want to get a consultant. Other reasons are experience of the private sector that might be applicable to

Defence; prompt availability of a range of resources - sometimes we just do not have enough and we may need to have someone quickly to do a job; the acquisition of consultants' skills by departmental officers, transferring skills from consultants to our own people; and sometimes compliance with government or ministerial direction.¹

2.4 The Committee was made aware of a perception that in some cases consultants are used by the public sector for purposes which are not publicly defensible.

2.5 Witnesses alleged that not only are there cases where consultants have been engaged and their services not adequately used but that:

Among the more dubious uses of external consultants is their employment as a device to assist the officials who hire them to promote a 'cause' or policy option, within the bureaucracy, the political process, or the general community. In these cases, the external consultants are engaged to give specious legitimacy as 'independent' advice to 'findings' which are typically heavily influenced by the officials who engaged the consultants. Alternatively, the consultant(s) engaged may have a well-defined predisposition in favour of the course of action preferred by his or her 'sponsors'.²

2.6 Although no convincing evidence was presented to the Committee confirming this perception, the Committee believes that such allegations emphasise the importance of accountability for the use of consultants.

2.7 Clearly a threshold question in decisions relating to consultants is, 'Is a consultant necessary?'

2.8 Before appointing a consultant, agencies should satisfy themselves whether using consultants is the best way to meet the requirements of the tasks to be undertaken.

1. Evidence, p. 347.

2. Submission from Administrative and Clerical Officers' Association, Evidence, p. 531.

2.9 The Committee noted that, in the case of Australian Construction Services, a Consultants Review Committee must assess if a consultancy is necessary or whether the matter should be handled by in-house expertise.

2.10 The Committee further pursued the issue of in-house expertise with the Department of Defence:

Mr FITZGIBBON - You talk about lack of in-house expertise. Will future employment searches or pursuits be directed in a manner which will remove this lack of expertise?...

Mr Harvey - I can give an example where we do not have the skills in an area where, say, Defence could not afford to keep them on a full-time basis yet has to employ specific consultants, very specialist consultants. That is the area of the environment...it would not be worth our while to maintain them full-time even though we know we are going to need them.

Mr Campbell - We go outside the Department deliberately because, firstly, we want objectivity and, secondly, we could not in a practical way maintain the range of skills that are required. So we deliberately go out and make no attempt to provide for conducting these studies within Defence...All we maintain in the Department is the capacity to ensure that the policy issues are in place, the procedures are in place, the assessment is in place and the overall management of the study is in place.³

2.11 The Committee holds the view that all agencies should consider whether they can satisfactorily meet their requirements from internal resources before making a decision to purchase external resources.

Extent of Use of Consultants

2.12 The Committee was surprised to find that it was unable to obtain precise figures on expenditure on consultants by Commonwealth departments. This is particularly surprising, given that Commonwealth departments are required to provide details of their expenditure on consultants in their annual reports.

3. Evidence, p. 348.

Annual Reports

2.13 One source of information to Parliament of the extent and purpose of the engagement of consultants by Commonwealth departments is the departmental annual report.

2.14 Sub-sections 25(6) and 25(7) of the Public Service Act 1922 state:

(6) The Secretary of a Department shall, as soon as practicable after 30 June each year, prepare and furnish to the Minister administering the Department a report on the operation of the Department during the year that ended on 30 June.

(7) A report prepared under sub-section (6) shall be in accordance with guidelines from time to time presented to the Parliament by the Prime Minister after approval by the Joint Committee of Public Accounts.

2.15 In accordance with these Guidelines, all Commonwealth departments are required to provide details of the extent to which consultants are used by the department, including (where practicable) the names of the consultants, the projects involved, the cost to the department and the justification for their use.⁴

2.16 During the course of the Inquiry the Committee therefore examined the 1987-88 annual reports in order to determine total departmental expenditure on consultants.

2.17 The Committee discovered, however, that the majority of departments had failed to observe the Guidelines as they related to the engagement of consultants. The Committee's findings are to be found in its Report 299 'Compliance with Guidelines for the Preparation of Departmental Annual Reports'.

2.18 Details of consultants were requested from negligent departments. The Committee discovered at this stage that departments which were extensive users of consultants experienced difficulty in providing this information.

4. 'Guidelines for the Preparation of Departmental Annual Reports', Parliamentary Debates, 17 November 1987, H. of R. 157, p. 2163.

2.19 The Department of Defence, for instance, advised that the information required by the Committee 'was not available in a consolidated form: to produce it would require the expense of considerable resources and effort'.⁵

2.20 The Department of Defence explained that the total figures for expenditure on consultancies which were included in its 1987-88 Annual Report were gross expenditure details that were extracted from the Department of Finance Ledger System. Provision of the details required by the Committee could not be achieved because the means of consolidation of the necessary data did not exist.

2.21 Notwithstanding this, the Department eventually produced the requested information.

2.22 The Committee was pleased to note, however, that the Department of Defence is planning for the creation of a database containing the required information for the current and subsequent financial years.

2.23 The Department of Administrative Services also experienced difficulties in complying with a request for information relating to consultants it had engaged. The Department responded:

... to satisfy the Committee's request would involve the allocation of considerable resources away from the Department's normal activities, ... You may be aware that on 22 March 1988 Senator Archer asked a question on notice (Question No. 220) in the Senate about what consultants had been engaged by the Department of Administrative Services, and the purpose of, and payment for, the consulting during the calendar year 1987. Despite considerable effort, a response was not available until October 1988, and it did not include 2657 consultancies relating to the construction of works let by Australian Construction Services.⁶

2.24 The Committee appreciates the Department of Administrative Services' view that it would be impractical to publish in the annual report a list of consultants used by, for example, the Construction Group or the Surveying Group, because of the extensive volume of usage of individual firms.

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5. Letter from Inspector-General, Department of Defence to Secretary, Joint Committee of Public Accounts, 17 March 1989.
 6. Letter from Deputy Secretary, Department of Administrative Services to Secretary, Joint Committee of Public Accounts, 17 March 1989.

2.25 The Department's assertion does not provide an acceptable explanation for the inability of the Department to readily provide the information required by the Prime Minister's guidelines for annual reports. The Committee addressed this issue in its Report No. 262, 'Guidelines for Annual Reports of Commonwealth Departments' and reaffirms its recommendation in that report that departments establish mechanisms for maintaining records of consultants used by the department, including the names of the consultants, the projects involved, the cost to the department and the justification for their use, in accordance with the reporting requirements of the guidelines for annual reports.⁷ In the event that publication of the complete list is impracticable for the reasons outlined in the Report, the Committee suggests that the information be published in the annual report in summary form with a complete list being made available contemporaneously in some cost effective manner.

The Purchasing and Sales Gazette

2.26 The Committee agrees with the condition for gazettal as set down by the Department of Administrative Services that Commonwealth departments are required to notify in the Purchasing and Sales Gazette any expenditure over \$2,000 on the acquisition of goods and services and notes that the Purchasing and Sales Gazette therefore provides a potential source of public information on major contracts which have been awarded for the engagement of external consultants by each department.

2.27 The Gazette can provide this function, however, only if all appropriate contracts are gazetted. The Committee was advised that some departments have been tardy in gazetting contracts.⁸

2.28 The Committee therefore reaffirms the recommendation in its Report 301 which requires that departmental annual reports incorporate details on instances where gazettal regulations were not met, the reason for the failures and remedial action proposed or taken.

2.29 Some departments and agencies consider that the threshold figure for gazettal is set too low at \$2,000. Evidently they are concerned about the number of gazettal notices they may

7. Joint Committee of Public Accounts, Guidelines for Annual Reports, Report No. 262, AGPS, Canberra, 1986, p. 12.

8. Evidence, p. 181.

be required to make, even given that the new guidelines for Commonwealth purchasing provide for batching and consolidation of gazettal notifications.⁹

2.30 The Committee believes, however, that any significant raising of the threshold figure would serve to reduce visibility in Commonwealth purchasing and thereby diminish accountability.

2.31 The Committee recommends that:

- . The current threshold figure of \$2,000 for gazettal of Commonwealth consultancy contracts be maintained.

2.32 The Committee notes that the Prime Minister's guidelines for annual reports require public notification of all consultancy contracts of all values.

2.33 Moreover the Committee concluded that the Commonwealth of Australia Gazette should be computerised. The Committee was therefore pleased to discover that the Australian Government Publishing Service has established a Government Tender Service database which includes a complete listing of Commonwealth Government Tenders. This database is to be updated weekly.¹⁰

2.34 While the Committee acknowledges the benefits to the business world of the Government Tender Service, it also recognises the potential of the database to provide an important link in the accountability process.

2.35 In view of the findings of this Inquiry, namely, that although the Department of Administrative Services has a co-ordinating role with respect to policy on engaging consultants, that role does not extend to tabulating total expenditure on consultants from the Gazette,¹¹ the database should provide a mean of remedying these deficiencies.

The Committee recommends that:

- . The database for the Government Tender Service be organised in such a way that allows for public and parliamentary scrutiny of government contracts.

9. Evidence, pp. 1488-9.

10. 'The Commonwealth at your Fingertips', Australian Government Publishing Promotional Literature.

11. Evidence, p. 181.

Provision be made in the programming of the Government Tender Service database to enable the Parliament to obtain total figures on contracts awarded to consultants.

2.36 Notwithstanding occasional press reports of purported total government expenditure on consultants, there has been no mechanism in place which allowed accurate totals to be obtained.

Issue of Comparing Costs of Using In-house or External Expertise

2.37 Knowledge about costs is an essential ingredient in effective decision making. To this end the Department of Finance has published *Guidelines for Costing of Government Activities*. The Department of Finance pointed out to the Committee that these Guidelines:

... are designed to bring about consistency of decisions between departments when they make decisions about choosing staff, for example, as compared with, say consultants. Departments do not directly pay themselves out of their own vote for all costs associated with staffing. They do not, at the present time, pay the superannuation contribution; they do not at the present time pay the accommodation aspects of it. All these need to be taken into account for a total costing of alternatives. Those guidelines provide guidance as to how that should be approached ...

Mr RUDDOCK - Could I look up these tables and find out what it would cost me to put on a permanent officer and compare it with whatever quote I get for a consultant I want?

Mr Barrett - Quite easily.¹²

2.38 Private sector computer consultants, however, provided a submission to the Inquiry in which they outlined an attempt to use the Guidelines to compare in-house costs with costs of

12. Evidence, p. 191.

engaging an external consultant in the computer and information technology area.¹³ After examining the submission the Department of Finance stated that the comparison was invalid on the grounds that the figures contained in their own Guidelines are:

... figures that have been derived from statistics on 'across-the-board' departmental activities. As such, it would not be valid to apply them to a particular activity or salary classification, as they may not be appropriate to the particular case. For instance, the average amount of sick leave taken by CSO3's may be well below 7 days per year, which is the average for the whole public service.¹⁴

2.39 The Department of Finance concluded that:

... we consider that the calculations by (the computer firm) overstate the cost of employing a CSO3 officer and considerably understate the cost of engaging an equivalent consultant. Statistics which would enable a direct comparison to be made are unavailable, and would be extremely difficult to compile for all categories of permanent staff and equivalent consultants.

Since consultants are generally engaged for different tasks than those which are performed by permanent staff, the usefulness of developing cost-comparisons across-the-board is not all that apparent; accordingly, we would be hard pressed to justify employing resources to such an exercise.¹⁵

2.40 The Committee notes the inconsistency between the stated objectives of the Guidelines for Costing of Government and the response by the Department of Finance to the calculations of the computer firm on comparative costs.

2.41 The true costs of in-house professional services are invariably difficult to quantify due to the extent of hidden overheads and inputs; it is unrealistic to draw cost comparisons which do not take account of all such matters.

13. Comprof International, Evidence, pp. 957-963.

14. Letter from First Assistant Secretary, Financial Management and Accounting Policy Division, Department of Finance to Secretary, Joint Committee of Public Accounts, 14 April 1989.

15. Letter from First Assistant Secretary, Financial Management and Accounting policy Division, Department of Finance to Secretary, Joint Committee of Public Accounts, 14 April 1989.

2.42 The Committee was furnished with details of studies which had addressed the relative costs of employing in-house staff and contract personnel.¹⁶

2.43 A study of the relative costs of services provided by in-house drafting staff compared with equivalent services provided under contract was undertaken by the then Department of Housing and Construction.

2.44 The study took into account the Commonwealth's overheads including 'invisibles' for in-house staff such as recreation and long service leave, sick leave, superannuation and payroll taxes foregone. For contract personnel account was taken of hiring costs and possible personal income tax advantages available to the contract employee which could lead to reduced taxation revenue.

2.45 As both in-house staff and contract personnel would share the same accommodation, costs such as rental, power and materials used were left out of both sides of the calculation. Neither did the calculation take into account compensation or insurance costs for in-house staff. The Commonwealth is its own insurer while for consultants the contract specifies that the Commonwealth would be indemnified against any claims arising out of personal injury or death during the term of employment.

2.46 The study concluded that it is not possible to state categorically that either mode of employment costs more than the other for equal output, largely because of the intangible costs involved.

2.47 In April 1987 the Efficiency Scrutiny Review also conducted an extensive review of costs of in-house staff and consultants. The Review Team concluded that any difference in the overall costs of in-house and consultants services is likely to be marginal and that cost comparisons between the two types of resources were difficult to derive and of questionable validity.¹⁷

16. Letter from Deputy Secretary, Department of Administrative Services to Secretary, Joint Committee of Public Accounts, 12 August 1988.

17. Letter, from Deputy Secretary, Department of Administrative Services to Secretary, Joint Committee of Public Accounts, 12 August 1988.

2.48 The Committee acknowledges the difficulty of devising a formula for comparisons. Nevertheless, given that consultants are used widely by the public sector and that managers have been accorded a greater degree of responsibility for the expenditure of public moneys, the Committee believes that there would be value in the Department of Finance developing a series of practical guidelines for comparisons based on particular categories of public sector activities for the assistance of program managers.

The Committee recommends that:

The Department of Finance develop a series of guidelines advising on drawing up comparisons between using in-house and external expertise for specific activities executed within government programs.

Drift from Public to Private Sector

2.49 The Committee views seriously the loss of public sector expertise to the private sector. The ramifications of this have been shown to be particularly pertinent to the operations of the Australian Audit Office.

2.50 The Auditor-General drew the Committee's attention to the problems of the Australian Audit Office staff turnover and the loss of experienced staff to the private sector :

... We have indicated that the loss of staff arises for a number of reasons, not the least of which is the high remuneration that can be obtained in the private sector. . . My concern is that if the outflow of our 'home grown products' is not checked shortly the flow will turn into a 'flood' and will put at risk the viability of the Australian Audit Office. Our staff losses continue and I am starting to lose relatively senior Public Service audit career people whom I cannot just replace off the street. The Australian Audit Office cannot afford to lose these people.¹⁸

2.51 Obviously, the concerns raised by the Auditor-General have wider relevance across the public sector.

18. Evidence, p. 1039.

2.52 The Committee noted the view that the reduction in the Senior Executive Service has resulted in skilled personnel voluntarily leaving the public service to establish consultancies because of reduced opportunities for advancement within the public sector.

2.53 The personal experiences of some witnesses provided the Committee with insights into the reason why public servants are leaving the Service for private enterprise:

Senator BISHOP - Why did you choose to become consultants?

Mr Nicholson - It is really a life-style question. As a consultant when you are on a site you are there because you are needed. It is much more challenging work in many ways. When you are on you are on and you have to perform. I enjoy that as opposed to being in other environments where one might be involved in more administrative type work where some of the immediacy is lost. As a consultant, I find that sort of work much more challenging.¹⁹

2.54 Another witness explained that his decision to leave the public service after 12 years was determined by his observation that jobs which would once have been done by public servants were being increasingly contracted out to consultants :

Public Servants who once would have been handling research, developing policy proposals, testing models, and preparing advice now find themselves acting as administrative assistants for advisory bodies and as contract managers for consultants.²⁰

2.55 Although much evidence is anecdotal the Committee believes that the issues raised are sufficiently serious to be drawn to the attention of Parliament. The Committee also notes that the adoption of the Canadian model²¹ for a public sector management consultancy would provide opportunities for high calibre Public Service expertise to be retained within the public sector and used as a creative management tool.

19. Evidence, p. 970.

20. Evidence, p. 767.

21. See Chapter 4.

2.56 The concerns raised by the Committee are, however, much broader than envisaged by this proposal.

Career Opportunities in the Public Sector

2.57 Clearly there is a need for adequate career opportunities and work interest if the public sector is to retain, motivate and continue to recruit highly talented officers.

2.58 The Committee noted the perception referred to in 'The Professional Engineer' that there is little encouragement for professional engineers to enter or remain in the Australian Public Service. The comparatively low salaries of Public Service professional engineers is deemed to be the reason why there is reluctance amongst young professional engineers to join the Australian Public Service, and a desire amongst many of those already there to get out.²²

Senator WATSON - Given the shortage of filled positions, there must be a tremendous career structure for young bright people who are engineers.

Mr Vines - Well even with that shortage of positions they are not being attracted to Australian Government employment . . . We would say that the engineering employment area in the Australian Public Service is in a parlous state and that is indicated by the Department of Defence having recently to appoint graduate engineers at three increments above the level that they would normally appoint graduate engineers in order to attract them into the Public Service.²³

2.59 The Committee noted the concern within the Public Service that in the automatic data processing (ADP) area also the public sector held less attractive career opportunities than the private sector, with the consequent loss of experience to that sector.

2.60 The Committee was advised for instance that the 20th ADP Directors Conference held on 7 December 1988 had recommended

22. 'The Professional Engineers', Official Journal of the Association of Professional Engineers Australia, Vol. 43, No. 3, April 1989.

23. Evidence, pp. 1227-8.

that the Information Exchange Steering Committee should address the issue of computer systems officer recruitment/retention with particular reference to computer systems officer grades 3 to 5. Subsequently, a working party was formed to review the problem.

2.61 The Information Exchange Steering Committee also considered the work of the Computer Systems Officer Task Force established by the former Public Service Board which had pointed out in 1987 that evidence from post-separation interviews indicated that the major reasons were the related issues of pay and career prospects. Significant causes included the loss of relativity of pay with the private sector in recent years and inadequate pay levels compared to State public sectors.

Retired Public Servants as Consultants to the Public Sector

2.62 The issue of public servants leaving the Service and returning to work for the Commonwealth as consultants shortly afterwards was raised in the course of the Inquiry. This situation is colloquially referred to as 'the Friday - to - Monday' syndrome.

2.63 Indeed the Committee's concern with this issue was vindicated by recent evidence taken by Senate Estimates Committee A. During the course of its investigations that Committee found that a public servant, a computer systems officer, had resigned his position in the Parliamentary Information Systems Office (PISO) on 22 April 1988. On the next working day (26 April 1988), however, the officer had returned to his position in PISO as an external computer consultant to perform precisely the same duties for which he was responsible before resigning.

SENATOR BISHOP - If we look at the facts in this case we find that an employee began the development of a program, left in the middle of it to become a consultant, and turned himself into a proprietary company.²⁴

2.64 Information provided by the Senate Estimates Committee revealed that the officer's previous salary as a permanent public servant was \$46,000 whereas as a consultant his engagement cost the Parliament \$101,270.²⁵

24. Senate Hansard, Estimates Committee A, 26 September 1989, p.A73.
25. Senate Hansard, Estimates Committee A, 26 September 1989, p.A72.

2.65 The Committee has made reference to the record of the Senate Estimates Committee on the basis that it is a publicly available document which has assisted the Committee in its Inquiry.

2.66 The Committee sought advice from the Attorney-General on the legality of this activity. The Attorney-General's Department responded that:

there is nothing in the Public Service Act, or Regulations, or ... other legislation, which prevents public servants from accepting positions as consultants to a Commonwealth Department or authority after they retire or resign from the Public Service. It is conceivable however that some individual public servants may have obligations of a contractual nature that may operate as such a restriction. There are also the provisions of the Crimes Act 1914 limiting disclosure of certain information and secrecy provisions in individual statutes that would need to be observed.

Furthermore, the equitable doctrine of 'breach of confidence', which is an exception to the general rule recognised by common law that a person is not to be restrained from using personal skill, knowledge and experience acquired during his or her employment, may come into play. The doctrine protects information of a confidential nature imparted in circumstances imposing an obligation of confidence. Remedies for breach are either an injunction (restraining the employee from disclosing the information, or an employer from using it) or damages for any loss suffered.

Post-separation employment of public servants is the subject of guidelines entitled 'Acceptance of Business Appointments on Retirement or Resignation' ('the Post-Separation Guidelines') set out in chapter 13 of the 'Guidelines on Official Conduct of Commonwealth Public Servants', AGPS, 1987, and vol. 3 of the Personnel Management Manual. They are expressed to be applicable to public servants and former public servants and they apply in particular to all Secretaries of Departments and officers in the Senior Executive Service and to staff in positions or performing duties classified as 'sensitive' by the relevant Department because the nature of their duties may put those staff in a special relationship with prospective employers.

The effect of the Post-Separation Guidelines is that staff to whom they apply are required to notify the Department or Authority in which they are employed if their proposed employment outside the public sector might give rise to a conflict of interest between their prospective duties in that employment and their duty owed to the Commonwealth. Staff must obtain leave of the relevant Secretary prior to entering employment that may involve such a conflict of interest. The Post-Separation Guidelines suggest that, in some cases, it may be appropriate to impose a condition that a person should not be involved in his or her new employment in dealings with the former Department or the Commonwealth generally, for up to two years and that former staff should seek approval to enter into employment that may involve a conflict of interests if a proposal to enter into that employment arises within two years after resignation or retirement. The application of equivalent procedures was extended to many Commonwealth statutory bodies by direction of the Prime Minister in May 1980.²⁶

2.67 The Attorney-General's Department advised that the Post-Separation Guidelines are administrative only and there are no sanctions available for non-compliance with them. The possibility of disciplinary proceedings would be largely academic in this situation as those proceedings cannot be taken against a former public servant. The Guidelines are not expressed to apply to consultants retained by departments.

2.68 With respect to what action is taken when public servants resign the Committee was informed that:

... In the case of a recent resignation of a department head to take up employment outside, there was discussion between him and (the Public Service Commissioner), and between him and the Secretary of the Prime Minister and Cabinet, about the possibility of a conflict of interest. That was resolved. It was agreed that there was not such a conflict.

Mr RUDDOCK - All of those discussions would have been voluntary?

26. Letter from Secretary, Attorney-General's Department to Secretary Joint Committee of Public Accounts, 26 September 1988.

Mr Enfield - Yes, there is no compulsion. To come back to your point, there is no contract initially.

Mr RUDDOCK - So the attitude to whether officers are required to inform departments of their future employment intentions when they leave is one of 'Well, it would be nice if they would, but if they do not we cannot enforce them'.

Mr Enfield - There is no way a department head can compel a person to say where he is going. The person leaving simply puts in a resignation and says good-bye.²⁷

2.69 Clearly, there is potential for conflict of interest inherent in this situation. The Committee is particularly concerned about this issue in view of the recent 'revolving door' activities uncovered in the United States. At the foundation of these activities was the situation in which defence company executives had occupied senior Pentagon posts for several years, and then returned to industry as highly paid consultants on the same types of arms contracts that they had overseen whilst at the Pentagon.²⁸

2.70 The United States Government has moved to introduce the 'Revolving Door' Amendments to the Integrity in Post-Employment Act of 1988 to prohibit any former Pentagon procurement official, for two years after leaving the Defense Department, from accepting compensation from a firm over whose work the official exercised 'significant' responsibility while at the Pentagon. The measure would cover payment as a consultant as well as employment by the firm.

2.71 In addition the Consultant Registration and Reform Act of 1989 - to improve contracting procedures for procurements of advisory and assistance services by the Federal Government, and for other purposes - was passed by Congress; although it was subsequently vetoed by the President it demonstrates a high level of concern over this issue in the United States.

2.72 Concerns of the Federal Services Subcommittee which led to the drafting of this Bill were as follows:

27. Evidence, p. 1032.

28. 'United States News and World Report', 27 June 1988, p. 9.

Office of Management and Budget testified that it did not know how much money the Government spends on consulting services or what services consultants are providing to the Government;

Defense Contract Audit Agency reported on the use of consultants and found that \$43m out of \$237m consulting costs charged to the Government were questionable; and

consultants work not just directly for agencies but for prime government contractors as well. In addition, they often work for foreign nations and companies. For example, in the course of an investigation into consultants used by the Department of Energy, the Federal Services Subcommittee discovered that a consultant who was helping the Department plan its long-term oil strategy was also performing consultancy work for OPEC.²⁹

The intention of the Bill was to:

- create a monitoring requirement for consulting contracts - the contracting officer would have been required to transmit a written notice of the proposed contract and the justification for that contract to the agency's (department's) inspector general;
- require that each report submitted to an agency (department), and each agency report which was substantially based on a consultant's report, be labelled as a consultant report;
- require the agency to prepare an evaluation of the contractor's performance which would include an assessment of the performance judged against the terms of the contract, a description of any differences between the actual and estimated cost and time for completion of the contract and the purposes for which the consultant was procured;
- require that both agency budget submissions and the President's budget contain itemised statements regarding the amounts that each agency was requesting for consulting services; and

29. Congressional Record - Senate, Vol. 135, No. 6, January 25 1989, p. S517.

create a registration requirement for any consultant doing work for the Government or for a contractor who was working for the Government. This measure was to have allowed the contacting officer to ensure that the consultant did not have a conflict of interest that could be prejudicial to the interests of the United States. Among other details it was proposed that the consultant provide certification that s/he was not in violation of the 'revolving door' statute.³⁰

2.73 The Committee considers the issue of post-separation employment of public servants to be a matter of great public importance and potentially of public concern in Australia unless pre-emptive action is taken now to ensure that the problems encountered in the United States are not inevitably to be repeated in Australia.

2.74 When the Committee's concerns were raised in the course of the hearings, however, the following exchange took place:

CHAIRMAN - ... Are you aware of any attempts in other parts of the world to restrict former public servants from coming back and doing consultancy work within the department that they have just left or a closely associated department?

Mr Enfield - Yes, I think the United States has some legislation. It is the only one of which I am aware. It has a very considerable problem, particularly with the armed services where uniformed people are involved in major projects and then leave to go to work for the contractor. That is something which has been raised here. I am trying to think exactly when. It must be over a year ago... The whole question of whether there could be some legal prohibition on people having left the Service either being re-employed shortly afterwards or coming back as a consultant was canvassed at the portfolio secretaries' meeting.³¹

2.75 The Committee was concerned that no government agency had given any substantive consideration to overseas experience in this area and to the concerns which gave rise to support for the legislative action which was passed by Congress in the United States.

30. Congressional Record - Senate, Vol. 135, No. 6, January 25 1989, pp. S517-519.

31. Evidence, p. 1029.

2.76 The Committee considers that the most appropriate body to conduct policy research in the area to be the Public Service Commission.

2.77 The Committee therefore recommends that:

- . The Public Service Commission review post-separation employment in the Australian context.
- . The Public Service Commission ascertain whether trends and developments as have occurred in the United States have occurred in Australia with a view to introducing comparable legislation in Australia should this be warranted.

Chapter 3

GUIDELINES FOR THE ENGAGEMENT OF CONSULTANTS

3.1 In September 1974 the Prime Minister issued a directive to Ministers requiring all departments and statutory authorities staffed under the Public Service Act to obtain the Public Service Board's approval for the engagement of consultants.

3.2 This directive placed the onus on departments to justify their proposals by demonstrating to the Public Service Board that they had considered such factors as:

- the extent to which the work required to be carried out by consultants reflected that done by departmental staff;
- the end product or result sought from the contract including quality and timing;
- the contribution that the work carried out by the consultant would make to the achievement of government objectives;
- availability of existing resources in the department, the Public Service Board or elsewhere in the Service;
- the method by which the consultant would be selected and the conditions of contract; and
- the availability of finance.

3.3 Since 2 July 1984, departments have not been required to seek Public Service Board approval for decisions to engage consultants. Complete responsibility for all aspects of engaging consultants has been devolved to individual departments.

3.4 The discontinuance of the Board's role with respect to consultants meant that there no longer existed within the Australian Public Service any organisation which could formally provide advice to managers generally across the Public Service.

3.5 For some time it appeared that the Department of Finance would assume the role but as a result of its administration of Commonwealth purchasing the Department of Administrative Services assumed responsibility for setting broad policy guidelines on engaging consultants in September 1985.¹

Development of the Guidelines

3.6 A consolidated set of guidelines had been issued in September 1975 in a memorandum from the Office of the Public Service Board.²

3.7 In May 1978 the Public Service Board expanded the memorandum and issued a publication entitled 'Engagement of Consultants and Contractors for Services - Guidelines for Departments and Authorities'. These Guidelines provided specific advice on consultants to supplement the information contained in the Commonwealth Purchasing Manual, which provided general central guidance on purchasing undertaken by Commonwealth departments.

3.8 As part of its responsibility for setting policy on consultants the Department of Administrative Services undertook a revision of the Guidelines.

3.9 The Committee was advised that several factors caused delays to the publication of the revised Guidelines, including a proposed efficiency scrutiny review, changes to consultancy definitions by the Department of Finance, revision of standard contract forms by the Australian Government Solicitor and, ultimately, the abolition of the Public Service Board. The Public Service Board had been regarded as a source of expertise for comment on the draft Guidelines.³

3.10 The Guidelines were eventually released in May 1988 on the grounds that the most efficient way to proceed was to issue them subject to review in November 1988, rather than continue with what had proved to be lengthy and time consuming inter-departmental consultation.

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1. Letter from Deputy Secretary, Department of Administrative Services to Secretary, Joint Committee of Public Accounts, 12 August 1988.
 2. Public Service Board Memorandum No 1975/5, Control and Use of Consultants and Other Contractors for Services, 15 September 1975.
 3. Letter from Deputy Secretary, Department of Administrative Services to Secretary, Joint Committee of Public Accounts, 12 August 1988.

3.11 The stated objectives of the Department of Administrative Services' Guidelines are to:

- (a) set out generally the principles and procedures to be followed for the engagement of consultants by Commonwealth agencies; and
- (b) outline the use of the standard form of contract authorised by the Attorney-General's Department for obtaining consultancy services.⁴

3.12 The Guidelines were expressed to represent the views of the Department of Administrative Services on the most appropriate selection procedures for reviewing the suitability of potential consultants and on the most suitable form of contract of engagement to protect the Commonwealth.⁵ They were regarded to be a source of advice on equitable, efficient and accountable procedures aimed to assist in obtaining the best value for money in the procurement of consultants.

Publicising the Guidelines

3.13 The Committee holds the view that the Guidelines have not been effectively publicised to relevant officers within the Australian Public Service. The Committee noted that the Department of Administrative Services initially took steps to publicise the Guidelines within the management and corporate services areas of Commonwealth departments. Evidence taken by the Committee, however, suggests that information about the Guidelines failed to reach many officers who are responsible for engaging external consultants.

3.14 For example, the Committee took evidence from representatives of The Association of Professional Engineers, Australia, including a witness who was employed by Australian Construction Services. This witness claimed that, although he was in a position of engaging consultants, he was unaware of the publication 'The Engagement of Consultants: Guidelines for Commonwealth Officers'.⁶

3.15 The Committee also found that in the private sector many organisations which were extensively used by departments were unaware of the existence of the Guidelines. Several

4. 'The Engagement of Consultants: Guidelines for Commonwealth Officers', Commonwealth Purchasing Manual Supplement Number 1, Canberra, 1988, p. 1.

5. Evidence, p. 3.

6. Evidence, pp. 1233-4.

publication The Engagement of Consultants: Guidelines for Commonwealth Officers. The Committee was both surprised and bemused by the responses:

Mr Stebbings (Computer Consultant) - I learned about them at your first hearing at the old Parliament House. I came along out of interest and they were tabled that day by DAS⁷... A number of departments were not aware of the guidelines let alone the interpretation of the guidelines. There were occasions this year on which we gave a copy of that booklet to our clients to explain to them that this is the new procedure.⁸

Air Cdre Gillard (Australian Institute of Management Canberra) - I am aware of it because there was a mention at an earlier hearing... we have not had a copy. I do not know that it is widely available.⁹

Mr Macintosh (Public Relations Consultant)- (Yes) I was sitting behind when you raised that last time.¹⁰

Mr McAuley (Management Consultant and Academic) - It was only because one of my students had a reference to it whilst doing an essay for me. I went out and bought it.¹¹

3.16 Many witnesses representing the private sector commented that they were unaware of procedures used by the public sector. The Committee was made aware of the view of private firms which offer services to the Commonwealth that they could more efficiently develop proposals to meet Commonwealth needs if they were better informed about procedures and processes to be employed by Commonwealth departments when engaging consultants.

3.17 Obviously a real value of the Guidelines is that both public sector managers and private sector consultants have a shared understanding of procedures as a foundation to their transactions and negotiations.

7. Evidence, p. 892.
8. Evidence, p. 889.
9. Evidence, p. 676.
10. Evidence, p. 724.
11. Evidence, p. 789.

3.18 The Committee was advised, however, that the demand for the Guidelines has been beyond that anticipated by the Department and that the Government Printer undertook a third printing in June 1989 to make an additional 1,000 copies available.

Compliance with the Guidelines

3.19 The Guidelines were issued in the form of a supplement to the Commonwealth Purchasing Manual which was designed to provide general central guidance on purchasing undertaken by Commonwealth departments. Accordingly, they applied to 'departments' subject to the Audit Act. Statutory authorities not subject to the Audit Act, however, were encouraged to use the Guidelines.¹²

3.20 Departments have been free to develop their own operational procedures providing that there was no conflict with the principles set down in the Guidelines. The Committee was surprised to find, however, that no mechanism existed in the public sector to ensure that departments' operating procedures reflected the Guidelines or indeed that departments were complying with the Guidelines.

Senator GIETZELT - . . . It seems strange that whilst you may issue guidelines . . . there does not seem to be any area of responsibility to see that department A, B or C necessarily follows those guidelines that you have painstakingly prepared.¹³

3.21 The Committee noted the Australian Audit Office view that the primary responsibility for ensuring that appropriate instructions and procedures covering the engagement of consultants are issued and adhered to rests with individual departmental secretaries.

3.22 The Committee asked the Department of Administrative Services when - as a major user of consultants - an internal audit had last been conducted to review compliance with the Guidelines.

12. 'The Engagement of Consultants: Guidelines for Commonwealth Officers', Commonwealth Purchasing Manual Supplement No 1, Canberra 1988, p. 1.

13. Evidence, p. 79.

3.23 In response the Department stated that although Internal Audit in the former Department of Housing and Construction had commenced an audit into the use of consultants in April 1987, the review had been abandoned in September following the Administrative Arrangements Order.

3.24 No further specific internal audit has been commenced on this subject since that time. However, with respect to Australian Construction Services, a program of reviews of consultants engaged in New South Wales, Western Australian and Victorian regions is included in the Department's Tactical Audit Plan for 1988-89.¹⁴

Status of the Guidelines

3.25 The Guidelines are of an administrative nature and are not legally binding per se. They are not expressed to create legal obligations and they have no specific legislative backing. The Guidelines set out principles and procedures designed to improve and standardise decision-making in relation to the engagement of consultants.

3.26 It follows that there are no direct legal sanctions available solely because an officer failed to comply with the consultancy Guidelines. The position may be different where an officer failed to comply with a lawful departmental instruction to comply with the Guidelines - in such a case the usual public service disciplinary proceedings would be relevant.

Review of the Guidelines

3.27 In accordance with the intention to review the Guidelines at the end of 1988 the Department of Administrative Services sought comments from all departments on the appropriateness and usefulness of the Guidelines.

3.28 The Committee was concerned to find that departments were significantly tardy in responding to the request of the Department of Administrative Services. Departments were first asked in June 1988 - and reminded in October 1988 - for comments

14. Letter from Deputy Secretary, Department of Administrative Services to Secretary, Joint Committee of Public Accounts, 12 August 1988.

to be forwarded progressively to the Purchasing and Sales Group. By 30 January 1989, however, very few responses had been received. Although this situation had been largely rectified by April 1989, responses from some six departments were still outstanding.

3.29 The Department of Administrative Services reported that the responses - which were made available to the Committee - had been generally supportive although several constructive suggestions for improving the Guidelines had been made.¹⁵

3.30 The Committee was unimpressed by the exercise in departmental consultation in firstly, developing appropriate guidelines for engaging consultants and secondly, in revising the Guidelines.

3.31 The initial delay in the publication of the Guidelines illustrates the difficulty of establishing operational procedures in a rapidly changing environment. Delaying finalisation of the Guidelines pending decisions on relevant aspects of engaging consultants meant that managers were required to function without a readily available up-to-date source of advice. This has clearly impacted on the private sector in negotiations with Commonwealth departments. Consultants claimed in evidence to this Inquiry that they have experienced considerable difficulties as a result of the plethora of selection procedures which they have found to operate across the public sector.¹⁶

3.32 Secondly, the Committee believes the tardiness of some departments in responding to the requests of the Department of Administrative Services for comment on the Guidelines to be unacceptable, causing inefficiencies in the use of time and resources of the public sector.

Impact of Commonwealth Purchasing Reforms on the Guidelines

3.33 At the time of the final public hearing for this inquiry in November 1989 the Purchasing Reform Group of the Department of Administrative Services had begun to develop an outline structure for revising the Guidelines on the engagement of consultants.

15. Evidence, p. 1240.

16. Evidence, p. 413.

3.34 Representatives from the Department stated that they expected that the revised Guidelines would be issued as a Commonwealth Procurement Guideline in a similar format to the series of guidelines published in line with the introduction of the new purchasing procedures.

3.35 In developing the Guidelines relating to consultants, consideration will be given to the comments which were provided by the departments which were referred to above. The Purchasing Reform Group plans to consult further with Commonwealth departments and with the consulting industry during the revision process.¹⁷

3.36 The Committee's attention was drawn to the fact that the Guidelines which have already been issued by authority of the Minister for Administrative Services under Finance Regulation 42 apply not only to Commonwealth purchasing in general but also to the purchase of consultancies.¹⁸ However, the Committee believes that there is a need for a set of guidelines which specifically address the issue of procurement of consultants.

3.37 The Committee recommends that:

- . The Purchasing Reform Group proceed with the development of guidelines which focus specifically on the procurement of consultancies.
- . The guidelines be strongly promoted in both the public and private sectors.

3.38 The emphasis on competitiveness, openness and value for money which is promoted in the new purchasing procedures should be clearly reflected in the revised Guidelines for procuring consultants. Indeed, some aspects of engaging consultants should assume a greater importance in the revised Guidelines.

3.39 Greater emphasis should be given, for example, to the procedures for monitoring the performance of consultants and evaluating the outcome of consultancies. In the changing managerial environment of the Australian Public Service, evaluation is fundamental to the process of ensuring accountability.

17. Evidence, p. 1451.

18. Evidence, p. 1455.

3.40 Finance Regulation 42 provides that persons performing duties in relation to the procurement of supplies must have regard to the Guidelines. The Explanatory Statement which accompanied the Statutory Rules 1989 No 221 amending the Finance Regulations states, however, that persons will have to 'take the guidelines into consideration but, having done that, they may...depart from the procedures set out in the guidelines'.¹⁹

3.41 Although procurement personnel can be called on to account for any decision to depart from the Guidelines, the Committee is concerned that the mechanisms which would allow for this are inadequate.

3.42 While the objectives of the reformed purchasing procedures are commendable, the Committee is not satisfied that sufficient consideration has been given to ensuring that those objectives are being achieved. Clearly the new management philosophy requires a new approach to accountability.

19. Evidence, p. 1452.

Chapter 4

PUBLIC SERVICE CONSULTANCIES

4.1 The Committee became aware during the Inquiry that the Public Service Commission is regarded as a source of information on management consultants. This stems partly from the Commission itself being an extensive user of consultants and partly from the incidence of consultants approaching the Commission with details of services that they can make available to the public sector. Evidence provided to the Committee suggests that the Commission is frequently contacted - at least once or twice a week - by departments and agencies seeking such information.

4.2 The Committee sought to determine whether the Public Service Commission has a role or function in advising on the availability of consultants. According to the Public Service Commissioner:

... that is not a role or function of the Commission. It is part of an information network that springs up through Canberra, where people know who is in the business ...

CHAIRMAN - Where did the 'information networks' ... appear in the Department of Administrative Services guidelines for officers on the engagement of consultants?

Mr Enfield - I doubt very much that they do, because we are talking about informal contacts between people who know each other.¹

4.3 Such informal networks do not reflect the principles of purchasing advocated by the Department of Administrative Services which is responsible for developing Governmental purchasing policy. Procurement of consultants in this way contravenes the concept of open competition, and moreover, is not publicly defensible and accountable to the Parliament.

1. Evidence, p. 1016.

The Development Consultants

4.4 At the first public hearing of the Inquiry the Committee put forward the idea of a public sector 'management consultancy' within the Public Service. It was envisioned that a pool of people with appropriate expertise would operate in a comparable way to private sector enterprises.

4.5 The Committee learned that staff development activities had previously been conducted by the Public Service Board. With the demise of the Board, however, the staff development unit had disbanded, leaving Commonwealth departments without this source of support to run their own courses.

4.6 Following the establishment of the Public Service Commission the decision was taken to review the central agency role in non-Senior Executive Service staff development.

4.7 A management consultant was therefore engaged early in 1988 to investigate the overall status of staff development in the Australian Public Service. After consideration by the Management Advisory Board of the consultant's report and a Public Service Commission paper entitled 'Improving the Quality of Human Resource Development and Management in the Australian Public Service: A Role for the Public Service Commission and Departmental Secretaries', 'The Development Consultants' was established.²

4.8 Notwithstanding the Public Service Commissioner's argument (referred to in Chapter 1) that 'The Development Consultants' represents a much narrower concept of a management consultancy bureau than that raised by the Committee, 'The Development Consultants' has been promoted as a 'private sector style management consultancy offering advice and assistance to Government agencies as clients' which will 'compete with private enterprise consultants for Government business'.³

4.9 'The Development Consultants' was launched with due ceremony in July 1988. Promotional literature to publicise its activities advertises that in addition to consultancy services 'The Development Consultants' can provide:

2. Evidence, p. 988.

3. Public Service Commission, 'The Development Consultants', Promotional Literature, 18 July 1988.

- assistance in implementing new office structures for job redesign, participative work practices and multiskilling;
- a Corporate and Staff Development Skills Enhancement Program;
- work experience programs; and
- a program of workshops and seminars.

4.10 The Committee commends the initiative which sought to capitalise on skills within the public sector and led to the creation of 'The Development Consultants'. The Committee also commends the organisers for their efforts in publicising the services offered by 'The Development Consultants'.

4.11 The Committee was interested to learn that steps were being taken to establish 'The Development Consultants' on a cost recovery basis.

4.12 At the time of the Inquiry discussion between the Public Service Commission and the Department of Finance was under way on mechanisms which would allow 'The Development Consultants' to charge departments on a full cost recovery basis for consultancy services. The discussion also addressed the issues of income retention, financial accounting responsibilities and procedures, recovery procedures and performance indicators.⁴

4.13 The Committee believes that serious consideration should be given to the idea of expanding the concept of 'The Development Consultants' as a service to all Commonwealth departments.

The Canadian Model

4.14 During the course of the Inquiry the Committee's attention was drawn to the Bureau of Management Consultancy, which is operating in Canada.⁵

4. Evidence p. 995D.

5. D A Shand, paper entitled 'Meeting with the Bureau of Management Consultancy, Ottawa, 20 June 1988', July 1988.

4.15 The Bureau of Management Consultancy was established in 1946. Services were provided free until 1971 after which a cost recovery policy of 75% of direct costs was instituted. In 1986 the Bureau moved to full cost recovery.

4.16 The Bureau has approximately 125-130 professional staff providing a service to departments, crown corporations and provincial governments.

4.17 The Bureau operates according to a broad definition of management consultancy in the following areas (product lines):

- . program operations;
- . organisation of human resources;
- . financial and management accounting;
- . management science and economics (including operations research, cost-benefit studies and socio-economic analysis);
- . management information systems;
- . information technology;
- . project management;
- . internal development activity; and
- . current developments such as, for example, privatisation.

4.18 The Bureau estimates that its market share of total Government consulting work is between 10 and 20 per cent. This generates revenue in the order of \$27m per annum of which some \$1.7m was paid into consolidated revenue in 1987.

4.19 The Bureau operates under a net appropriation arrangement although it would prefer to move to a revolving fund to give it flexibility in carrying forward balances. Surplus funds are paid directly into the consolidated revenue fund.

4.20 Consultancy is identified as a separate item within the appropriation bills. There are no special controls over departmental expenditure on management consultancy so departments are free to trade this sort of expenditure off against other running costs.

4.21 Approximately half of the work of the Bureau of Management Consultancy is sub-contracted out to private sector consultants. Most of the sub-contracting work goes to smaller consultants rather than to the larger firms in accordance with Government policy of providing opportunities for smaller organisations.

4.22 In acquiring private sector consultants the Bureau is required to observe Commonwealth requirements that there are three bids for all contracts over \$25,000.

4.23 Engagement of private sector consultants enables the Bureau to obtain private sector expertise and to spread out peaks and troughs in their workload.

4.24 The Bureau does not compete for private sector contracts.

4.25 The Bureau of Management Consultancy is a member of the Canadian Association of Management Consultants which it believes testifies to its professionalism and independence.

4.26 The Bureau maintains an extensive register of available private sector consultants covering over 1 000 firms and about 19,000 individuals. It invites potential consultants to apply to be included in the register. Consultants are interviewed and if found suitable are placed on the register. The Bureau maintains the register for its own use but does not maintain any formal information on the past performance of consultants.

4.27 David Shand, in his paper, outlined the advantages of the Canadian model as follows:

- . Bureau staff are closely associated with the public sector and consequently know its culture and people;
- . Bureau staff appear to be able to move more quickly than private sector competitors to respond to needs and move staff into particular projects;
- . Bureau rates are about 15 per cent lower - which reflects lower costs and lower salaries of public sector staff;

- . . Bureau staff build up considerable goodwill in government departments; and
- . the Bureau is independent of central agencies which have a control role.

4.28 Clearly the Canadian model has been tailored to meet local conditions.

The Committee recommends that:

- . 'The Development Consultants' be expanded into a management consultancy bureau along the lines of the Canadian model, with appropriate modifications to meet the requirements of the Australian Public Service.

Office of Government Information and Advertising

4.29 The Information Co-ordination Branch which was established in the Department of Administrative Services in 1982 was in February 1989 transferred to the Department of the Arts, Sport, the Environment, Tourism and Territories as the Office of Government Information and Advertising.

4.30 The service-wide role of the Office of Government Information and Advertising relates to situations in which departments engage public relations consultants, market research agencies, advertising agencies and other specialist consultants in the production and dissemination of material to the public about government programs, policies and matters which affect their benefits, rights and obligations.

4.31 An officer of the Office of Government Information and Advertising is available to advise and assist departments in planning, implementing, monitoring and evaluating research projects leading to an information campaign.

4.32 One of the major reasons for engaging consultants is to utilise skills which are not available within a particular department or agency. It follows that advice may be required in the selection of appropriate consultants. Notwithstanding the failure of the Office of Government Information and Advertising

to observe the terms of the Finance Regulations which was discovered by the Committee,⁶ the Committee considers that the idea of specialist advisory bodies like the Office of Government Information and Advertising has merit. Indeed, this is reflected in the expressions of concern by several consultants that there are often deficiencies in briefings prepared by public servants for prospective consultants. The consultancy role of such agencies could therefore be significant in contributing to a more effective use of consultants in the public sector.

The Committee recommends that:

Consultancy units be established to assist in the selection of specialist consultants.

6. See Chapter 5.

Chapter 5

POLICY CHANGES IMPINGING UPON INQUIRY

5.1 The Inquiry into the engagement of External Consultants by Commonwealth Departments has been in progress since April 1988. Since that time several policy changes have impacted upon the course of the Inquiry.

Reform of Commonwealth Purchasing Procedures

5.2 On 23 November 1988 the Minister for Administrative Services announced the Government's intention to make significant changes to the Commonwealth purchasing system. This stemmed from a service-wide review conducted under the auspices of the Financial Management Improvement Program.¹ The review found that purchasing had been treated as a routine activity carried out by lower classified staff whose training was, in some cases at least, rudimentary. The purchasing system was considered to be process bound and the regulatory environment gave little scope for flexibility and innovation. These difficulties had contributed to the complexity of the system and to its being slow, costly and inefficient.

5.3 The Committee noted the main elements of the reforms which encompass:

- . a recognition of value for money as a prime purchasing objective;
- . the principle of open and effective competition in government purchasing;
- . a shift of focus from procedure to achievement and results;
- . upgrading skills and training to provide capacity for more professional purchasing;
- . a reduction in the central regulation of purchasing processes, leaving departments, under the direction of their Ministers, to settle their

1. 'Proposals for Reform of Commonwealth Government Purchasing Arising from Government Review Under the Financial Management Improvement Program', November 1988.

own detailed arrangements within a framework of policies and guidance issued by the Minister for Administrative Services;

- a move away from the rigidly applied system of public tendering;
- a greater management flexibility, initiative and judgement and greater professionalism and enhancement of visibility and accountability;
- amendment/repeal of Finance Regulations to remove the prescribed use of quotations and public tendering according to monetary thresholds;
- repeal of Financial Regulation 52AA(2) which requires the authorisation of Certificates of Exemption; and
- to facilitate the implementation of the purchasing reforms the Department of Administrative Services has established the Purchasing Reform Group.

5.4 The Committee makes the following comments on the purchasing reforms in light of evidence taken during the Inquiry.

Principle of Open Competition

5.5 The Committee was advised that under the new purchasing regime the central operating principle entails a commitment to openness in the purchasing process and a commitment to buy through competitive processes.

5.6 This commitment to openness implies a need for government purchasing to be visible to the public, the Parliament and potential suppliers, facilitating accountability for decisions.

5.7 The Committee raised the question of how these principles differ from those already in existence in the Guidelines for the engagement of consultants.

Mr RUDDOCK - I must say as one who occasionally gets complaints from people who have been involved in the tendering process, particularly when they think they have put in the lowest tender and have not been successful, that it has always struck me

that it is very difficult to get a matter reviewed where the tendering process is involved. How much easier is it going to be when there is less regulation, less form and much more discretion in the hands of the officers...How am I, as a Member of Parliament, going to ensure that the system is more open and effective and that it assists somebody who wants to have those matters looked at again?²

5.8 In response to the question of post reform changes, representatives from the Department of Administrative Services emphasised the objectives of value for money and a competitive approach to purchasing.³

5.9 The concept of openness, however, raises important questions about the sanctity of 'commercial-in-confidence' information.

5.10 'Commercial-in-confidence' issues range across both the private and public sectors. In the private sector, however, firms are not accorded access to competitors' documents.

5.11 The concept of openness also raises questions about the ownership of intellectual property.

5.12 The Committee is, however, strongly committed to the view that government business be conducted in an open and competitive way in which accountability of government spending and procurement practices are above reproach.

Tendering

5.13 The new Commonwealth purchasing system proposes to abandon the rigid tendering system of the old regime on the grounds that there are many circumstances in which the tender process does not necessarily yield the best possible result, either in terms of price or value for money.

5.14 For example, as the Manager of the Purchasing Reform Group (Department of Administrative Services) explained to the Committee:

2. Evidence, p. 1264.
3. Evidence, pp. 1453-4.

... a myth has grown up that simply because of going to tender one can get competitive offers from suppliers; that is not necessarily the case. Quite often there may be a lack of interest in the market, observing the formalities and the rules will not secure the sort of result for which one is looking or for which one should be looking.⁴

5.15 During the course of the Inquiry the Committee noted the anomalies in the tendering requirements.

CHAIRMAN - One of the difficulties is that you have this crazy situation with respect to the Finance Regulations where you could spend a billion dollars - I stress, a billion dollars on management consultants, as I think is one of the ones on the list, and not have to go to tender. There would be not a problem. But you want to spend \$20,001 (on other consultants or commodities)...you have to go to tenders. It is crazy, crazy. There is a real problem there which we are going to have to redress in the course of our inquiry.⁵

5.16 The Committee found, however, that most consultancies are procured without the need to go to tender.

Repeal of Finance Regulation 52AA(2)

5.17 Finance Regulation 52AA(2) empowered the Secretary of the Department of Finance to certify that, for certain kinds of supplies, it was impracticable or inexpedient to use the tender or quotation procedures. A list of categories exempted from the requirement to go tender had been developed incrementally as applications for exemption of various services had been approved. Appendix 4 lists the kinds of supplies which were exempt from the requirement to obtain quotations or publicly invite tenders.

5.18 The Committee particularly commends the repeal of Finance Regulation 52AA(2), to take effect from 1 November 1989, in line with the purchasing reforms. There is little justification for the rationale which allows for the exemption of some categories such as management consultants from the requirement to go to tender but not of categories such as market research firms.

4. Evidence, p. 1253.

5. Evidence, p. 1171.

5.19 The Committee was extremely concerned that for several years incorrect advice regarding Finance Regulation 52AA(2) has been given and followed in respect of engaging market research consultants.

5.20 The following example was drawn to the attention of the Committee by Mr Gary Morgan of the Roy Morgan Research Centre Pty Ltd.

5.21 In seeking to reduce the amount of time in which it is involved in cases of litigation, the Australian Taxation Office believed that it needed to canvass the opinions of taxpayers who objected against tax assessments. As the Taxation Office does not retain expertise in market research, it proposed to engage a market research consultant to conduct a survey to obtain the required information. In this situation the Australian Taxation Office sought advice from the Office of Government Information and Advertising on procuring a suitable market research firm.

5.22 The Office of Government Information and Advertising, however, proffered incorrect advice: that market research firms were exempt from the requirement to go to tender.

Mr Smail - For advertising and public relations they are both specifically covered by Finance Regulation 52AA which makes them exempt from public tendering... market research is not specifically covered by 52AA, but the practice has been that it has been treated in the same way.

Mr Blunn ... Certainly, it had been a long-standing practice to apply (the Certificate of Exemption) to all three.

CHAIRMAN - How long-standing a practice was it?

Mr Smail - Ten or fifteen years ... at least.

CHAIRMAN - ... in the course of our inquiries, we keep finding these examples where departments are apparently acting outside the law.⁶

5.23 The Committee does not accept that this could have been carried on for so long without being discovered and corrected. It is the responsibility of each department to ensure that the processes they are following are the correct processes.

6. Evidence, pp. 1400-1401.

5.24 Although the Committee welcomes the repeal of Finance Regulation 52AA(2) it is nevertheless critical of departments which, by according market research firms the status of an exempt category, had failed to uphold the law.

5.25 The Committee was concerned to find that in such instances a rather cavalier attitude towards compliance with legal requirements has been adopted with respect to the engagement of consultants.

5.26 The Committee stresses the responsibility of departments to initiate changes to legislation where the legislation no longer serves to promote the Commonwealth's interests.

Australian Construction Services (50/50 Policy)

5.27 The 50/50 policy stemmed from the Review of Commonwealth Functions tabled in Parliament in April 1981. The decision was taken that for the design of major new works of the then Department of Housing and Construction in-house design activities be reduced from 60 per cent to a maximum of 50 per cent of total Commonwealth need.

5.28 This policy was repealed in mid-1988 because of the intention to place greater responsibility directly on departments and authorities for managing government programs and to remove constraints on the implementation of a more commercial approach to the provision of services by Australian Construction Services.

5.29 Since repeal, consultant usage has generally decreased. However, there has been a reduction in project workload Australia-wide and some decline in consultant commissioning could be expected as a result.

5.30 Both private and public sector witnesses to the Inquiry were critical of the way in which the 50/50 policy was implemented.

5.31 The Royal Australian Institute of Architects believed that conflict was caused with external consultants as a result of the division of responsibility for various sections of the

consultants' work. It was put to the Committee that the assigning of partial services is invariably less efficient and less economic than commissioning full services, either by external consultants or in-house.⁷

5.32 The Committee endorses the repeal of the 50% policy as clearly it serves no positive purpose at the present time. The policy has been criticised by both the public and the private sector largely on account of the way in which the policy was administered. For example, public sector engineers were critical of the practice of determining the 50/50 split by dividing projects between the public and private sector. Representatives of the private sector claimed that Commonwealth building work was not being equitably distributed by States, as in Western Australia only 10% of the work was awarded to the private sector while some 70% was given to the private sector in New South Wales.

5.33 The Committee also recognises that continuance of such a policy is clearly inconsistent with the entrepreneurial approach of the new managerialism adopted by Commonwealth departments.

PE 13

5.34 The PE 13 list which contained a list of preferred suppliers for the provision of on-site computer programming and systems design services was commenced in January 1987 on a two year trial. In May 1988 the Department of Administrative Services commenced a review of this arrangement. After consultation with the Australian Government Solicitor and other departments, the decision was taken to abandon PE 13.

5.35 The Committee was advised that significant factors in this decision were that a substantial number of departments had developed their own exclusive list of companies in the field and the emergence of the guidelines for the engagement of consultants which included terms and conditions appropriate to this kind of consultancy.

7. Evidence, p. 399.

Chapter 6

SELECTION PROCEDURES

6.1 A recurring theme of the Inquiry was the lack of uniformity in the approaches by Commonwealth departments to the engagement of consultants.

6.2 Consultants who provide services to more than one department claim that they have to develop different approaches in their dealings with different departments even though they are providing the same service. This results in some inefficiencies, particularly in situations where they find themselves not privy to information on how the selection process operates.¹

Consistent Use of Terminology

6.3 The Committee appreciates the view that there should be a consistent use of terminology when consultants' services are being sought.

6.4 The Committee observed that the terms 'tender' and 'proposal' were often used interchangeably in evidence presented to the Inquiry. The misunderstandings caused by this in the forum of the public hearing signified to the Committee the difficulties experienced by consultants in their dealings with Commonwealth departments.

6.5 One of the main concerns expressed by consultants is that departments do not always make clear from the outset precisely what form of response is required from prospective consultants. It was pointed out to the Committee that there is a clear distinction between an 'Expression of Interest' and 'A Request for Tender'.

6.6 An 'Expression of Interest' is deemed to address the consultants' suitability or qualifications to undertake the project whereas 'A Request for Tender' implies that a fully costed proposal is required.

1. Evidence, p. 413.

The Committee recommends that:

Emphasis be given to the need for consistent use of terminology across the Australian Public Service in the revised guidelines on engaging consultants.

Two-Stage Tendering Process

6.7 Formulating a fully costed proposal for a major project constitutes an expensive and time-consuming exercise for consultants. It was therefore suggested to the Committee that initial responses by consultants to public advertisements or invitations to tender should be limited to 'Expressions of Interest'. Subsequently, only short-listed consultants should be asked to submit full proposals. The requirement for all applicants to supply full proposals at the initial stage should not be encouraged as it is costly and wasteful.

6.8 This suggestion of instituting a two-stage process for selecting consultants was not unanimously supported by all witnesses to the Inquiry. The Committee was told that while the idea has merit when consultants are to be engaged for major undertakings, where consultants are engaged for short periods as they are, for example, by the Public Service Commission, a two stage selection procedure would result in inefficiencies. It would increase the time involved in selecting and engaging consultants without yielding any tangible benefits.

6.9 A variation of the two-stage tendering process was put to the Committee with respect to the market research industry. One witness strongly supported the view that if, after proposals have been called, new elements are introduced, then the specifications should be redrawn and all firms invited to tender again on the more rigid specifications.²

6.10 While it is recognised that in some situations this suggestion may have its merits, the Committee considers that it denies creativity of approach to problem-solving. In addition it may contravene the ethics of 'commercial-in-confidence' or ownership of intellectual property arrangements.

2. Mr Gary Morgan, Evidence, p. 1062.

6.11 A concrete example of a multi-stage tendering system was provided to the Committee by the Royal Australian Institute of Architects. This system - commonly referred to as the 'Brooks Bill' - operates in the United States for the procurement of architects and engineers. The Institute of Architects expressed strong support for this procedure.

6.12 Under the 'Brooks Bill' system, agencies are required to observe the following procedures:

1. public announcement of proposed project(s);
2. review of qualifications and performance data of firms expressing interest, followed by discussions with those short-listed on anticipated concepts and the alternative methods of approach;
3. ranking of no less than three firms determined to be the most highly qualified to provide the services required, based on published criteria; and then
4. negotiation on scope of design services, followed by negotiation on professional fees, with the highest ranked firm.

6.13 The Committee noted that it was during the negotiation phase between the client and the highest ranked professional chosen for negotiation that the actual scope of services needed for the project are jointly determined by the client and the consultant. If agreement on the scope of design services and professional fee cannot be reached with the first firm, the negotiations are terminated. At that time, negotiations can be initiated with the second-ranked firm. This process continues until a firm is retained for the proposed project.³

Adequacy of Briefs

6.14 One of the major complaints made to the Committee by private sector consultants related to the quality of the briefs which they were receiving from Public Service officers.

6.15 Several witnesses expressed the view that Commonwealth departments prepare inadequate or incomplete briefs, and that much time is expended by the consultants in reworking briefs, thus causing delays, at cost to both projects and consultants.

3. Evidence, p. 405.

6.16 In particular the brief in which the consultant is engaged to provide partial services, particularly a case where the department had done some in-house work, has proved the most problematical. That the consultant who is engaged for partial services is, in effect, starting afresh is a frequent complaint.

6.17 What constitutes an adequate brief clearly will vary depending upon the nature of the service to be provided and the reason for which the consultant is to be engaged.

6.18 The Committee was advised that market research, for example, ranges in character:

... from highly structured jobs where clients know exactly what questions they want to ask, how many people they want to ask them of, and what sort of tables they want out of it. They are able to specify those sorts of tasks very precisely, put them out to two or three companies, ask them for a price and virtually make a comparison on what they are asking. At the other end of the spectrum there are jobs where all the client knows is an objective, that it is requiring information to assist decision making.⁴

6.19 It is this latter end of the spectrum which causes frustration for the consultants. Many claimed that the public servants with whom they were dealing were unable to delineate the problem for which they were seeking a solution.

6.20 The Committee considers that to seek the services of a consultant when the nature of the service required has not been determined invites misunderstandings, inefficiencies to both consultant and client and increased costs to the Commonwealth.

6.21 Discussion on adequacy of briefs raises the related question of what expertise should be maintained in-house for the purpose of briefing and monitoring the work of consultants. Again, the answer will be largely determined by the nature of the service that is required. There is a case for arguing that departments need to maintain a reservoir of skills, if only to engage consultants.

6.22 Another aspect of briefing consultants concerns the benefits to be gained from involving them in designing creative solutions to problems.

4. Evidence, p. 1404.

Registers of Consultants

6.23 Evidence provided to the Committee revealed that registers of consultants are maintained within some Commonwealth departments.

6.24 The Department of Administrative Services Australian Construction Group, for example, maintains Consultants Registers of Availability and Engagement in Central and Regional Offices.

6.25 Its Operational Procedure (OP 900) sets out the rationale for keeping the registers as follows:

14. The purpose of maintaining Consultants Registers covering engagements and availability is to retain a ready access to information on the performance of consultants and also to ensure that individual firms do not receive a disproportionate share of the work.⁵

6.26 The Committee also noted that the Department of Transport and Communications periodically advertised for firms to be included in the Department's Register of Consultants for classes of work which occur frequently in the Department's program areas.

6.27 The allegation that in some cases a short list of three or four consulting firms seemed to be preferred was made by several witnesses.

6.28 Private sector representatives of the computer industry also claimed that work had been rotated among several of the organisations on the PE 13 list prior to its demise. Mr Peter Stebbings, Computer Sciences of Australia, stated that he had been informed that they wanted to spread the workload amongst the various service providers.⁶

5. Department of Administrative Services, Submission to the Joint Committee of Public Accounts, 25 May 1988.
6. Mr Peter Stebbings, Computer Sciences of Australia, Evidence, p. 879.

6.29 The Committee does not support the practice of rotating contracts through registers on a presumption of equity. Adoption of such a practice may deny the Commonwealth more cost-effective methods of procuring consultants.

6.30 The Committee accepts that registers may provide a useful information service. For instance, the Register of Availability provides details of all consultants who have registered their interest in providing services to Australian Construction Services. The Register of Engagements provides details of those consultants who have already undertaken work for Australian Construction Services.

6.31 However, registers may present problems of keeping the register current, of ascertaining eligibility for placement on the list by discouraging officers from looking further afield for appropriate consultants.

6.32 The Committee has also been concerned that the practice of precluding open competition with respect to particular contracts through the maintenance of registers of consultants may exclude new consultants who may be able to provide the best value for money to Commonwealth departments.

6.33 The attention of the Committee was drawn to the practice of the Australian Institute of Management of recommending individuals rather than firms for contracts with Commonwealth departments. This suggests that it may be wrong to assume that a firm that has perhaps been on a register for some time within a government department as having an expertise in a particular area continues to have that expertise. Changes of staff within a given firm could result in loss of particular expertise from that firm.

The Committee recommends that:

- . Registers of consultants be maintained only as a means of collecting information on suitable consultants for a range of activities which are integral to a department's operations. Registers of consultants should not be maintained, however, if they impede the process of open competition in particular cases.
- . Departments encourage all eligible firms to be included in the departmental registers of consultants.

- . Selection of consultants be based on merit and the most appropriate consultant be selected in each case, and that the process of rotation not be permitted.
- . If awarding consultancy contracts partly as a result of recognition of previous successful work of the consultancy firm, regard be given to changing personnel within the firm which may have led to a loss of expertise.

Consultants Engaged to Engage Consultants

6.34 Witnesses alleged to the Committee that some Commonwealth departments engaged consultants for the purpose of selecting other consultancies on behalf of that department.

6.35 Responses from departmental secretaries to this allegation revealed that the practice had occurred in only a limited and qualified way. There have been occasions where consultants have assisted in the selection of consultants. For example, the Office of Multicultural Affairs engaged consultants to design a survey of attitudes, perceptions and experiences of multiculturalism and to advise on the implementation of the survey. In addition to this, the consultants were required to advise on the selection of the successful tenderer for the conduct of the survey. The Department of the Prime Minister and Cabinet commented that the Office of Multicultural Affairs did not rely exclusively on the advice of the consultants in selecting the successful tenderers.⁷

6.36 Consultants have also been engaged to participate on tender evaluation panels where expertise within the department has been limited.

6.37 The Committee concluded that the engagement of consultants specifically to select other consultants is infrequent.

6.38 Although the following situation does not conform to the above description of a consultant being engaged to assist in selecting consultants, it is worth noting.

7. Letter from Secretary, Department of the Prime Minister and Cabinet to Secretary, Joint Committee of Public Accounts, 4 April 1989.

6.39 The Australian Institute of Management (AIM) is Australia's largest professional management body, of which AIM Canberra is an independent division servicing the ACT region. It is a non-profit organisation whose objective is to foster and enhance standards of management.

6.40 Although it does not specifically perform either of the roles described above, the Australian Institute of Management acts as a 'broker' in providing appropriate consultants to meet identified needs.

6.41 AIM Canberra tenders for in-house work to Commonwealth departments. It employs training experts from the ACT and interstate to conduct in-house training. These people are selected on the basis of review of their hands-on experience in the area in which they conduct training, as well as on their expertise as trainers in communicating effectively with workshop participants. Selection of trainers follows a lengthy personal interview and the calling of reports from referees, both as to the trainers' professional and business experience as well as to their training expertise.⁸

Impact of Purchasing Reforms on Selection Procedures

6.42 The Committee notes that the new purchasing procedures accord Public Service managers with greater flexibility in the choice of procurement method.

6.43 While the Committee recognises the opportunities this affords for achieving value for money, it nevertheless believes that it also imposes a greater requirement for documenting and accounting for purchasing decisions.

6.44 The Commonwealth Gazette is a primary means for making visible all publicly available invitations to bid for contracts. Situations may arise, however, in which decisions not to advertise publicly are justified in the interests of achieving value for money. The Committee believes that in such circumstances the needs of accountability can best be served by indicating in the annual report the contracts which had not been publicly advertised.

8. Evidence, p. 644.

6.45 The Committee therefore reaffirms its recommendation in its Report 301 that in addition to the currently required information on external consultants to be included in annual reports, departments indicate which consultancies had not been publicly advertised.

6.46 Given the flexibility in choosing a method of procurement of consultants, the Committee believes that clearer guidance should be provided on such issues as the circumstances in which a more informal selection process should be adopted.

6.47 The guidelines should also address such issues as the 'Friday-to-Monday' syndrome which was raised in Chapter 2. Obviously, guidelines and regulations should not be so rigid that they inhibit the Commonwealth from obtaining the best value for money.

6.48 Nevertheless the guidelines should seek to provide advice which would reduce the incidence of the 'Friday-to-Monday' situation.⁹

6.49 As far as market knowledge and professional skills are concerned, the Committee agrees it is central to the purchasing reforms that all officers involved in purchasing should have access to the training and development opportunities necessary to enable them to carry out their responsibilities in a fully professional manner. To this end the Purchasing Reform Group will be developing training strategies for officers involved in purchasing.¹⁰

9. Evidence, pp. 1460-1461.

10. Letter from Secretary, Department of Administrative Services to Secretary Joint Parliamentary Committee of Public Accounts, 2 June 1989.

Chapter 7

MONITORING PROCEDURES

7.1 Evidence taken from witnesses representing a range of activities and responsibilities indicated that there are widely varying practices within existing monitoring procedures.

7.2 The Committee discovered that within the Australian Public Service there is a perception that there is no clear requirement for managers to monitor the performance of consultants:

Senator GILES - Is evaluation mandatory? Will there be a document at the end of each consultancy which tells us what the quality of that consultancy has been?

Mr McAlister - No, it is not mandatory, it is a suggestion that is useful. It depends very much on how competent people are with using consultants. If they have had a long experience of dealing with consultants - they specify their requirements in detail - then those requirements for evaluation may not be as strong as they are in other areas where people are dabbling their toes in the water a first time. But there is no mandatory requirement.¹

7.3 Nonetheless, 'The Engagement of Consultants: Guidelines for Commonwealth Officers' state that an evaluation of the services provided by the consultant is an integral part of the process of managing the contract and that evaluations should be made at a number of different levels throughout the course of the project.

7.4 The Committee discovered that the evaluation frameworks employed within programs, however, are considered to be the prerogative of each individual manager.

7.5 Within the Department of Administrative Services, for example, eleven groups adopted the procedures promulgated in the Guidelines. The other six established their own procedures to meet the operational requirements of the group.²

1. Evidence, p. 153-4.

2. Letter from Deputy Secretary, Department of Administrative Services to Secretary, Joint Committee of Public Accounts, 12 August 1988.

7.6 The Committee's concern with this flexibility lies not in the multiplicity of approaches initiated by different managers to meet the needs of the various situations, but with the effectiveness of the monitoring procedures.

7.7 The Committee examined several of these monitoring procedures.

7.8 Australian Construction Services' approach is representative of the monitoring procedures used by a number of groups. Operational Procedures (OP 900.15) have required that the following details about the consultant be entered into the Consultants Engagements Register :

- the name(s) of project(s) handled for the Department;
- the type of service covered in the commission;
- the name of the firm's principal officer concerned with the commission;
- the cost of engagement;
- date of commission; and
- performance (time, quality of design/documents, cost control applied, and other specific comments where appropriate).

7.9 On completion of each commission a confidential report is filed and indexed in the Register on the performance of the consultant.

7.10 In contrast to this the Department's Corporate Services Group - ADP Bureau monitors the ongoing performance of consultancies by means of steering committees. In addition, at the conclusion of the consultancy an interview with the consultant, and possible other representatives of the consultant's firm, would include an assessment of the consultant's overall performance.

7.11 The Committee was advised that one group - the Parliamentary Services and Information Group - does not have a formal post-consultancy evaluation process. The Group's procedure for engaging consultants includes defining exactly what

is required of the consultant in terms of budget, timing and product. Group officers work closely with the consultant, monitoring progress and adherence to the terms of agreement.

7.12 The Parliamentary Services and Information Group claimed that:

In this way, the final product is what was required. There has not been an occasion when this arrangement has not worked.³

7.13 The Committee recognises that different situations will require different procedures for monitoring the performance of consultants.

7.14 It struck the Committee as remarkable, however, that there existed no mandatory requirement that an evaluation report on the performance of consultants should be completed, particularly as the Department of Administrative Services had put forward a sound rationale for evaluation in its own publication, 'The Engagement of Consultants: Guidelines for Commonwealth Officers'.⁴

7.15 Indeed, given that the Guidelines represent what the Department of Administrative Services considers to be the most appropriate procedures with respect to the engagement of consultants,⁵ the Committee is surprised that it is not incumbent upon all of the Department's Groups to abide by the Guidelines.

7.16 One of the major concerns that the Committee has with the Guidelines is their non-mandatory status with respect to monitoring the performance of consultants and evaluating the outcome of consultancies. In the current climate of devolved responsibility, assessment of the value of engaging particular consultants is fundamental to accountability.

7.17 A report on the performance of consultants serves several useful purposes such as:

a useful reference for consultants in tendering for contracts in other departments and agencies;

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3. Letter from Department of Administrative Services to Secretary, Joint Committee of Public Accounts, 12 August 1988.
 4. 'The Engagement of Consultants: Guidelines for Commonwealth Officers', Commonwealth Purchasing Manual Supplement Number 1, Canberra, 1988, p. 22.
 5. Evidence, p. 3.

an indicator to prospective departments in the selection process; and

a record of the consultant's performance retained by the employing department, which would contribute towards maintaining continuity within the department regardless of staff turnovers.

The Committee recommends that:

Post-performance reviews be required for all consultancies that meet the Department of Administrative Services' guidelines for gazettal and a significant number of random reviews be conducted of consultancies which fall outside these guidelines. Each review should address:

- whether the terms of reference for the consultant have been adequately addressed;
- whether the project conducted by the consultant could be adequately adopted and implemented by the organisation;
- the quality of the consultant's performance; and

the completed reviews should be forwarded to consultancy units advising in the use of specialist consultants.

Feedback to Consultants

7.18 Evidence taken by the Committee from consultants strongly suggests that consultants receive little feedback from departments on their performance. There is a perception amongst professional associations and private firms that inadequate attention has been given to post-performance reviews. During the course of public hearings, for example, several witnesses, including representatives from the Royal Australian Institute of Architects and private firms in the areas of marketing and management commented that they were not aware of detailed procedures in place for monitoring the performance of consultants. Indeed, no formal monitoring procedures had been apparent throughout the period of consultancy contracts.

7.19 Post-performance reviews benefit both consultants and departments by providing constructive feedback to consultants on the needs of the public sector and by giving public servants the opportunity to analyse consultancies to determine the factors which make for the most effective use of consultants.

Self-Regulation by Consultants

7.20 The Committee learned that many industries strive to be self-regulatory. Accordingly, many consultancy bodies take responsibility for monitoring the performance of their members.

7.21 The Committee was, for example, provided with details of how the Australian Institute of Management Canberra conducts its own monitoring procedures of consultants. They include oversight of the development and design of training courses for in-house clients by each trainer, personal attendance at in-house workshops by senior staff to monitor trainer performance, and the requirement that each participant in in-house programs complete an evaluation form that asks them to examine the performance of the trainer as well as the content of the program, its relevance to their work, and its standard relative to other training attended.

7.22 A summary of these evaluations then forms the basis of a report to the client organisation, which the Australian Institute of Management presents usually in the context of a discussion with staff training and development personnel, and where possible the trainer involved in presenting the course. This discussion, aimed at assisting clients to evaluate the course in the context of their on-going training needs, is a new initiative that AIM Canberra has introduced in 1988.

7.23 As far as the Australian Institute of Management is concerned, clients have a double-phased monitoring process - their own and the AIM monitoring process.⁶

7.24 Within the computer industry also there is evidence of self-monitoring procedures. Computer Sciences of Australia explained to the Committee that they ensure that for all major assignments quality assurance reviews are undertaken by senior consultants who are not directly involved with the project.⁷

6. Evidence, pp. 644-5.

7. Evidence, p. 866.

Professional Associations

7.25 In addition many professional associations encourage a standard of excellence within their industry through their codes of ethics. While the Committee commends the initiatives of the professional associations, it recognises that professional associations have little recourse to measures which protect the client from dubious trade practices, other than expulsion from the association.

Accessibility of Reports on the Performance of Consultants

7.26 Monitoring the work of consultants raises the issue of to what purpose the reports may be put, and to the accessibility of these documents.

7.27 The Committee therefore sought advice from the Attorney-General's Department relating to reports prepared by Commonwealth departmental officers evaluating the performance of external consultants. The Committee specifically enquired whether these reports are accessible to consultants and other members of the public under the Freedom of Information Act (FOI) 1982.

7.28 The Attorney-General's Department responded that the reports would be 'documents of an agency' for the purposes of the FOI Act and access would be available unless any of the exemptions in the FOI Act applied. Reports of this kind are not automatically made exempt by any specific exemption or as a class but would depend on the facts of each case. Exemption provisions are likely to be relevant in cases where disclosure of information to business competitors might unreasonably affect a person in respect of his business affairs.⁸

7.29 The Committee was also interested to find out whether the authors of evaluation reports might be subject to defamation or any other legal action by consultancy firms which were dissatisfied with the report.

7.30 The Attorney-General's Department advised that the law of defamation in Australia varies between the various States and Territories and it is not possible in short form to deal with all situations which might arise:

8. Letter from Secretary, Attorney-General's Department to Secretary, Joint Committee of Public Accounts, 26 September 1988.

It can be said, however, that a Departmental officer who prepares a report evaluating the performance of an external consultant will not incur liability in defamation provided that the report is made in good faith for Departmental purposes and the report is only disclosed or circulated to officers or Ministers (and possibly other persons) who have a need to know the contents of the report. Subject to these provisos, the law of defamation does not restrict a Departmental officer's ability to make an objective assessment of a consultant's work.

If, due to a failure to exercise reasonable care, a report was inaccurate or misleading it is possible that the author might be liable under the general law of negligence for any reasonably foreseeable damage which resulted from the report.

If access is given under the Freedom of Information Act to a report the Commonwealth (or an agency) is protected against action from defamation arising from the giving of access. An author of a report is also protected against action for defamation in respect of the publication involved in or resulting from the giving of access by reason of the author's having supplied the report to an agency (s.91 of the Freedom of Information Act) but not in relation to the publication involved in the original supplying of the report.⁹

9. Letter from Secretary, Attorney-General's Department to Secretary, Joint Committee of Public Accounts, 26 September, 1988.

Chapter 8

ADEQUACY OF CONTRACTS

8.1 The issue of the adequacy of contracts to protect Commonwealth departments from additional costs associated with unsatisfactory work by consultants and from excessive increases in projected consultancy fees did not appear to be a matter for concern in evidence provided by either the private or the public sectors.

8.2 The Committee received no evidence to suggest that the Commonwealth was not protected by the nature of contracts drawn up with consultants.

8.3 The Committee learned from one witness who had had a wide experience of negotiating with Commonwealth departments in the computing and information technology area that different contracts are used by different departments. This, however, has not posed difficulties for him as a consultant.¹

8.4 One organisation expressed the view that consultants accepting and proceeding on inadequate briefs should not be held responsible for increases in project costs. Clearly contracts should not be finalised between Commonwealth departments and external consultants until both parties are satisfied that a complete understanding of the nature of the task and of the services to be rendered has been achieved.

Attorney-General's Department

8.5 All legal agreements entered into by departments must be prepared by or be in accordance with arrangements agreed to by the Attorney-General's Department.²

8.6 A 'standard' contract for the engagement of consultants has been drawn up by the the Attorney-General's Department and incorporated into the Guidelines on engagement of external consultants published by the Department of Administrative Services.

1. Evidence, p. 889.

2. Letter from Secretary, Department of Administrative Services to Public Accounts Committee, 2 June 1989.

8.7 The Australian Government Solicitor (AGS) is responsible for certification of all legal costs incurred by the Commonwealth. It has therefore been necessary for departments to consult with the Attorney-General's Department when proposing to engage private legal advisers.

Implications of the Purchasing Reforms on Contracts

8.8 The Committee was advised that standard form contracts included with the Guidelines will be reviewed but that the purchasing reforms will not impact directly on them.

8.9 Nonetheless the Department of Administrative Services and the Australian Government Solicitor should ensure throughout the reform process that standardised form contracts are in place for general Commonwealth requirements.

8.10 General consultancy contracts should be maintained and developed or revised where necessary. Where new or special provisions are required for special circumstances or services individual agencies should be encouraged to deal directly with the Australian Government Solicitor.

The Committee recommends that:

- The Commonwealth adopt a standard form Contract for general use.
- Where special circumstances exist individual agencies deal directly with the Australian Government Solicitor in developing an appropriate contract.

8.11 The Committee noted that the Attorney-General's Department has, together with the Department of Administrative Services, given a considerable amount of attention to the standardisation of contracts and agreements. From October 1987 to March 1989 a joint task force worked on standardisation of common agreements.

8.12 Standard forms were prepared for, among other things, consultancy contracts.

8.13 Standard documents are intended to implement the terms which will usually be sought by client departments. There will clearly be occasions when amendments will be necessary, but changes should be considered carefully lest some unseen nuance be lost.

8.14 Neither the Australian Government Solicitor nor other departments have the resources to draw up from scratch each agreement which must be entered into by the Commonwealth. But standardisation of agreements does offer a partial solution to resource problems. This can work in two ways:

- . full standardisation - so that in most cases with the aid of guidelines departments can use a document without reference to the AGS, or
- . partial standardisation - under which the AGS still prepares the agreement but nevertheless this simplifies negotiations.

8.15 If maximum benefit is to be gained from standard documents, it is necessary to maintain uniformity between jurisdictions, subject to appropriate adaptation for local requirements.

8.16 The Committee noted the view of the Attorney-General's Department that there needs to be a means of monitoring changes to the standard forms so that departments and contractors to the Commonwealth know when there have been changes to a standard document.³

The Committee recommends that

- . Procedures for monitoring and publicising changes to standard contract forms be established.

8.17 It is the view of the Committee that the adoption of a standard form contract would allow for the development of expertise in the use of that contract. Interpretations for those using it would be easier because there would be a history of interpretations of the document and possibly acquisition of legal opinions pertaining to that document.

3. Dale Boucher, Attorney-General's Department, Address to the Royal Australian Institute of Public Administration Conference on Commonwealth Purchasing: The New Regime, July, 1989.

Chapter 9

THE ISSUE OF DESKILLING

9.1 The Committee was concerned to discover whether increased engagement of external consultants by Commonwealth departments is likely to result in a deskilling of the public sector workforce.

9.2 The Committee was, understandably, presented with some conflicting perceptions on this issue.

9.3 The Committee found that some skills have been lost to the public sector as a result of government decisions. For example, the Department of Administrative Services acknowledged that in some very specialised areas within the architecture and engineering disciplines cost-effective considerations have reduced the range of skills maintained in-house. In addition some very specialised computer information and technology skills have not been developed in-house.

9.4 Whether skills and expertise are maintained within the public sector or obtained externally obviously depends upon the role that the Government wants the Public Service to perform.

9.5 Nevertheless the Committee is concerned that a loss of skills from the public sector will reduce the ability of public servants to assess the work being undertaken by consultants in some areas of activity. The Committee discovered that the numbers of engineers recruited by the Public Service, for example, have diminished over the years. The consequence of this will be a greatly reduced number of people within the Service who will have 'hands-on' experience to brief consultants adequately.

9.6 The Committee was more concerned to find that some deskilling may be inadvertently occurring because of the way in which consultancies are managed. Organisational and management decisions were, in some instances, denying public servants the opportunity to obtain a broad experience in their field. In this sense some deskilling is occurring.

9.7 With respect to the former 50% policy which applied to Australian Construction Services, for example, witnesses representing public service employees of Australian Construction Services (DAS) NSW Region informed the Committee :

... We are not concerned that 50 per cent of work is done by consultants. I think we would be quite happy to say that 50 per cent of the work is done in-house and 50 per cent of work is done by consultants, provided it is the complete work that is done in-house or the complete work that is done by consultants. When that is not the case, you are not getting enough experience in one element of the work, and you become deskilled, especially in that area.¹

9.8 The Committee was thus informed that it was not the rule per se that affected in-house engineers but the way in which it was applied. Clearly, by splitting the responsibilities in this way public sector personnel are denied experience which consultants are able to obtain elsewhere.

9.9 The Committee observes that the repeal of the 50% ruling may not necessarily have removed this problem.

9.10 Engineers employed by Australian Construction Services further argued that the most interesting and challenging aspects of projects are contracted out to consultants which ultimately results in a loss of skills from the public sector.

9.11 Evidence provided by unions, staff associations and individual employees also suggested that some deskilling of the public sector workforce is occurring as a result of public sector management practices.

9.12 For example, the then Administrative and Clerical Officers' Association claimed that where Departments make a regular practice of 'contracting out' research and similar tasks to such an extent that it leaves only the routine, less challenging and less interesting tasks to public servants, it leads to an atrophying process of 'de-skilling' of the Public Service.²

9.13 This in turn increases the demand for consultants by the public sector, perhaps creating a situation which is structurally conducive to the ongoing engagement of consultants.

1. Evidence, p. 513.
2. Evidence, p. 533.

9.14 The Committee recommends that:

Where consultants are engaged to work in collaboration with public sector employees, due care be taken to ensure that public sector employees are given similar opportunities to enhance their skills as those available to external consultants.

Impact of the New Managerialism

9.15 The Committee's attention was drawn to the nexus between a department's increased flexibility in its management decisions under the Public Service reforms and its skills profile.³ It is held that any change in the skills profile of the Public Service will reflect the cumulative effect of management choices relating to resource requirements, particularly with respect to the choice between in-house staff and consultants. Accordingly, loss of skills from the Public Service would be justified on a cost-effective basis and attributable to the engagement of consultants.

9.16 Clearly, an inadvertent loss of skills from the public sector would reduce the flexibility of managers to choose between alternative resources - which is considered to be at the core of effective managerialism. The Government stands to gain in a climate of vigorous competition between the private and public sectors. Loss of public sector expertise could therefore have long-term commercial consequences for the Government.

9.17 Notwithstanding the determination of the ratio of in-house to consultant expertise on cost-effectiveness grounds, the Committee is concerned lest the proponents of the view that the public sector should adopt private sector practices overlook the need to maintain certain specialist skills within the public sector. As one witness pointed out to the Committee, specialist advice on bomb-proof structures may not be maintained anywhere else in Australia.⁴

9.18 In other words, there are some functions which are, and will remain, the preserve of government. Departments should ensure that they retain the capacity to carry out - both now and in the future - those particular functions.

3. Evidence, p. 172.

4. Evidence, p. 499.

9.19 The Committee recommends that:

Commonwealth departments and agencies be individually responsible for the systematic evaluation of the overall impact of the use of consultants on their respective organisations to ensure that no inadvertent loss of skills occurs.

9.20 The Committee learned that this issue had been considered by the Efficiency Scrutiny Unit in 1987 with respect to Australian Construction Services. The review team had concluded that the Government's objectives would best be served by maintaining a capacity to undertake design in-house - supplemented by the use of consultant and contract resources - because among other things it would allow the Government to retain the ability to plan, co-ordinate and control the Commonwealth Works Program.⁵

Transfer of Skills to the Public Sector

9.21 Submissions from Commonwealth departments and many private consultancy firms claimed that skills enhancement results from public servants working alongside consultants. Far from deskilling the public sector workforce, it was argued that the engagement of consultants has facilitated cross-fertilisation of skills and ideas and developed new capacities in staff who may otherwise have little or no opportunity to work with experts in the disciplines involved.

9.22 While this may be true in principle, in practice it is often the case that only the liaison officer has the opportunity to see what consultants are doing and keep up with current trends.

9.23 The claim that public servants stand to enhance their skills through interaction with consultants raises the question of how consultants maintain and upgrade their skills.

9.24 Representatives from small computer firms informed the Committee that they pursue an intensive professional reading schedule, organise in-house training or seminar weekends and arrange for people who have specialist expertise to share their

5. Letter from the Secretary Department of Administrative Services to Secretary Joint Committee of Public Accounts, 12 August, 1988.

knowledge with the rest of the group in training courses. In addition, consultants are able to work in a variety of environments which allows them to evaluate new products.⁶

9.25 Since public servants have access to a wide range of training schemes and opportunities to obtain experience in other parts of the Public Service and in the private sector, the Committee pursued further the issue of the public sector becoming deskilled and in consequence reliant upon the private sector.

9.26 With respect to computer expertise there was considerable support among witnesses for the view put to the Committee that skills were lost from the public sector because of the way in which people were promoted.

9.27 The present computer systems officer (CSO) structure in the Public Service, it was argued, is totally inadequate to cope with the complexity of modern computer systems, largely because there is no room for the purely technical position at senior levels.

As a CS03, the present structure requires a degree of supervisory work - there is no room for the purely technical position. Promotion by movement to other departments to take up CS04 and CS05 positions results in increasing the managerial component, with no scope for developing specialist skills in any area.⁷

9.28 The Committee recommends that:

career paths based on technical expertise be established within the public sector.

Loss of Public Service Confidence

9.29 One view put to the Committee was that the transfer of work from the public to the private sector and the consequent deskilling is a manifestation of several broad problems :

It is as though the public service, not just in Australia, but throughout the world, has suffered a crisis of confidence. To an extent this is an inevitable reaction to the excessive faith

6. Evidence, p. 969.

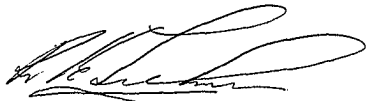
7. Dr Lawrence, Vonaldy Pty Ltd, Minutes of Evidence, p. 930.

communities put in their governments in the post-war years. To a generation brought up on Keynesian economics, low taxes, high growth, low unemployment . . . our present ills call for a scapegoat, and public servants seem to provide an ideal opportunity. . .

. . . it is part of the culture that middle-level public servants are simply not used to selling their own skills, are simply not used to getting up and asserting themselves. Experienced consultants do that every day.⁸

A similar observation was made by a private sector firm in its submission to the Committee :

There is obviously a lack of expertise in some of the more modern business disciplines in the public sector workforce . . . the Public Service does not appear to understand nor have a commitment to improving this situation . . . administrative efficiency will probably demand the continued use of external consultants until the Commonwealth understands its premier position, develops a new and vigorous (public service) culture and the respect of those working within it, and promotes itself accordingly.⁹



R E Tickner, MP
Chairman
28 November 1989

8. Evidence, p. 786.
9. Evidence, p. 804.

APPENDICES

APPENDIX 1

LIST OF SUBMISSIONS TO THE INQUIRY

ACT Administration, (Department of the Arts, Sport, the Environment, Tourism, and Territories
Administrative and Clerical Officers' Association (ACOA)
Arthur Young Pty Ltd
Aspect Computing Pty Ltd
Association of Consulting Architects, Australia
The Association of Consulting Engineers Australia
Association of Consulting Surveyors Australia
Association of Draughting, Supervisory & Technical Employees (NSW Branch)
The Association of Professional Engineers, Australia
Attorney-General's Department
Australian Association of Agricultural Consultants
Australian Bureau of Statistics
Australian Institute of Management Canberra
The Australian Institute of Quantity Surveyors
Australian International Development Assistance Bureau
Australian Taxation Office
Building Management Authority of Western Australia
Dr E R Cawthorn
Consult Australia: The Australian Professional Consultants Council
Computer Sciences of Australia Pty Ltd
Comprof International Ltd.
Department of Administrative Services
Department of the Arts, Sport, the Environment, Tourism and Territories
Department of Defence
Department of Finance
Department of Transport and Communications
Mr Anthony English
Electrical and Personnel Advisory Services Pty Ltd
Ernst & Whinney Services Pty Ltd
Colonel C P Goodwin (RL) jssc psc BA(Hons) MAPs
Ian McAuley
Idaps People
The Institute of Chartered Accountants Australia
The Institute of Management Consultants in Australia Incorporated
The Institution of Engineers, Australia
John Rector & Associates
Mr A J Moran
McKinsey & Company
Metaplan
Mitchell McCotter & Associates Pty Ltd
MVP Management Consultants Pty Ltd
Neilson McCarthy
Ortwin J Jansen
Oxis Pty Ltd
Pasco, Hall & Associates

Phil Hanford
Plant Audit (Australia)
Public Service Commission
Quantum
The Royal Institute of Architects
The Roy Morgan Research Centre Pty Ltd
Messrs A G Stuart, S Akbulut, A Ng, D Lucas, C Trevers, L Palmer,
H Cheuk, T Huynh, P Birch, and G Sinclair of Australian
Construction Services (DAS) NSW Region
Thompson, Glendenning & Paul Pty Ltd
Turner Consulting Services
Vonaldy Pty Ltd
Messrs A White, P Monaghan, G Lee-Joe, K Quinlan and I Barma of
Australia Construction Services (DAS) NSW Region

Some of the above departments, organisations and individuals have forwarded more than one submission to the Committee during the Inquiry.

In addition, confidential submissions have been considered by the Committee.

APPENDIX 2

PUBLIC HEARINGS AND WITNESSES TO THE INQUIRY

Date of Hearing	Witnesses
18 July 1988, Canberra	Department of Administrative Services
	Mr A P Butler, General Manager Purchasing and Sales Group
	Mr G W Martin, Director of Engineering Australian Construction Services
	Mr C A McAlister Deputy Secretary
	Mr R G Pitt, Acting General Manager Corporate Services Group
	Mr J M Smith, Assistant General Manager ADP Bureau
	Department of Finance
	Mr P J Barrett Deputy Secretary
	Mr A MacLean, Assistant Secretary Automatic Data Processing Branch
	Mr D A Shand, First Assistant Secretary Financial Management and Accounting Policy Division
	Mr B L Thornton, Assistant Secretary Budget Resources Branch
19 July 1988, Canberra	Department of Administrative Services
	Mr G W Martin, Director of Engineering Australian Construction Services
	Department of Defence
	Mr C D Campbell, Assistant Secretary Property Operations and Special Project Branch
	Commodore P G V Dechaineaux, AM Director-General, Naval Production

Mr M Goldrick
First Assistant Secretary
Information Systems Policy Division

Mr F R Harvey
Inspector-General

Mr P R Liddicoat, Assistant Secretary
Materiel Policy

Mr P J Lush, Assistant Secretary
Productivity Improvement Branch

Mr G R Marshall
First Assistant Secretary
Management Improvement and Manpower
Policy Division

Mr J E McMahon, Assistant Secretary
Accounting and Budgets
Office of Defence Production

Mr D A Whitty
Senior Assistant Secretary
Defence Contracting Organisation

Civil Aviation Authority

Mr M J Mayoh
Assistant General Manager, Finance

Mr W M Olsen
Acting Assistant Manager
Supply and Accounts

Mr R Tuckwell
Management Accountant

Department of Transport and
Communications

Mr J P Hilvert
Assistant Secretary, Services

Ms D C Mildern
First Assistant Secretary
Corporate Management Division

Mr J Stone, Acting Director
Supply and Accounts

Mr N R Telfer, Director
Information Systems Section

26 September 1988,
Canberra

The Royal Institute of Architects

Mr D Wilde
National President

Mr I Thompson
National Councillor (ACT)

The Association of Draughting,
Supervisory and Technical Employees

Mr H Meyer
Industrial Officer (NSW Branch)

Mr P Milford, Member of Management
(Branch Council)

Representatives of Engineers Employed by
Australian Construction Services (DAS),
NSW Region

Mr P Monaghan, Principal Structural
Engineer

Mr P Birch
Class 1 Civic/Structural Engineer

Administrative and Clerical Officers'
Association

Ms P Ranald
National Industrial Officer

Mr D Bunn
Assistant National Secretary

13 October 1988,
Canberra

Public Service Commission

Mr P Jones, Assistant Commissioner
Staff Development

Ms R Lynch, Assistant Commissioner
Selection and Placement

Mr K Hardy, Director
Development and Consultancy

16 November 1988,
Canberra

Australian Institute of Management
Canberra

Mr R Gillard
Executive Director

Rowland Nielson McCarthy Pty Ltd

Mr I Macintosh
Chairman

Plant Audit (Australia)

Mr J Devries
Director

Ms M Waddington
Research Officer

Ian McAuley

Mr McAuley
Consultant

Qantum

Mr R Richards
Marketing Consultant

Arthur Young Pty Ltd

Mr J Nixon
Director Management Consulting

22 March 1989, Canberra Computer Sciences of Australia

Mr P Stebbings
Canberra Branch Manager

Paxus People formerly known as Idaps
People

Mr L Lau, Regional Manager
Australian Capital Territory - New South
Wales - Queensland

Ms G M McHugh
Consultant

Vonaldy Pty Ltd

Dr L G Lawrence
Principal Consultant

COMPROF International

Mr A Nicholson
Consultant

Mr R O'Connell
Consultant
O'Connell, Olds, Smith-Roberts & Wilson

Public Service Commission

Mr J Enfield
Commissioner

Mr K Hardy, Director
Development and Consultancy Unit

18 April 1989, Canberra **The Roy Morgan Research Centre Pty Ltd**

Mr G Morgan
Managing Director

Ms M Levine, Manager
Consumer and Social Research

Australian Taxation Office

Ms L Buchtman
Acting Director

Ms J Parker
Senior Advising Officer

Mr B Tomkins
First Assistant Commissioner

**Association of Professional Engineers
Australia**

Mr M Ebdon, Convenor
APS Task Force

Mr J Vines
Executive Director

1 May 1989, Canberra **Department of Administrative Services**

Mr T Butler, General Manager
Purchasing Reform Group

Mr H Jacka, General Manager
Australian Construction Services

Mr C McAlister
Deputy Secretary

Mr N Tanzer
Secretary

Mr M Wood, Acting General Manager
Corporate Services Group

25 May 1989, Canberra

Department of the Arts, Sport, the
Environment, Tourism and Territories

Mr A S Blunn
Secretary

Mr G R Dempster
First Assistant Secretary
Corporate Management Information and
Territories Division

Mr A V Fethers, Research Manager
Office of Government Information and
Advertising

Mr N J Small, Assistant Secretary
Office of Government Information and
Advertising

Association of Market Research
Organisations

Mr K Dimarzio
Secretary

Mr M Yann
Acting Chairman

Market Research Society of Australia

Mr G W Kelly
National Chairman

13 November 1989,
Canberra

Department of Administrative Services

Mr T Butler
General Manager, Purchasing Reform
Group

Mr T Hillier
Deputy Secretary

Observers

Australian Audit Office
Mr R Coleman

Department of Finance
Mr D Knapp
Ms S Baker
Mr G Miller

APPENDIX 3

INQUIRY INTO ENGAGEMENT OF EXTERNAL CONSULTANTS BY COMMONWEALTH DEPARTMENTS

TERMS OF REFERENCE

The Joint Parliamentary Committee of Public Accounts recognises that both the Government and Opposition parties are committed to the continuing engagement of private consultants within the public sector. However, the Committee is concerned to ensure that the most efficient use is made of consultants' services and that Commonwealth departments' procedures for engaging, monitoring and assessing the performance of private consultants are adequate. The Committee intends to investigate:

- the adequacy of selection procedures for reviewing the suitability of potential consultants prior to engagement by Commonwealth departments;
- the adequacy of contracts of engagement in protecting Commonwealth departments from additional costs associated with unsatisfactory work by consultants and from excessive increases in projected consultancy fees;
- the adequacy of procedures for monitoring consultants' performance and assessing the final value of consultants' work;
- the conditions under which Commonwealth departments engage external consultants rather than employing departmental staff or resources from elsewhere in the public sector; and whether, and to what extent, external consultants are engaged to ensure that Departmental workloads are met despite limitations on full-time staffing resources; and
- whether the increased engagement of external consultants by Commonwealth departments in recent years is associated with a de-skilling of the public sector workforce, or indicates a need to enhance the skills of public sector employees to meet the changing requirements demanded of the public service.

APPENDIX 4

FINANCE REGULATION 52AA(2)

The following kinds of supplies were exempt from the requirement to obtain quotations or publicly invite tenders:

The services of:

Accountants
Acoustical and Environment Consultants
Advertising Agents and Media
Aerial and Hydrographic Surveyors
Agricultural Scientists
Architects
Auctioneers
Contract Programmers
Construction Consultants
Clinical Psychologists
Dental Practitioners
Engineers
Graphic Designers
Industrial Designers
Insurance Consultants
Investment Consultants
Journalists and Specialist Writers
Landscape Architects
Language Tutors
Medical Practitioners
Occupational Therapists
Optometrists
Pharmacists
Physiotherapists
Podiatrists
Professional Land Valuers
Public Relations Agents
Quantity Surveyors
Stockbrokers
Surveyors
Town Planners
Veterinary Surgeons
Social Workers
Speech Pathologists
Management Consultancy Services
Transport of Assisted Migrants in pursuance of an Intergovernmental Agreement
Travel and Freight on Scheduled Services
Welfare Reports for the Family Law Court
Works of Art