



Managing Consultants and Contractors

Tabled 12 June 2014

Background

- Advisory engagements are relatively small but important.
- ‘Consultancies’ not clearly defined up to June 2013.
- Covered by mandatory whole-of-government rules set by the Victorian Government Purchasing Board (VGPB).
- Intended outcome:
 - *‘Government and public officials must be able to demonstrate high levels of **integrity** and **value-for-money** outcomes.’*
- Policies—better disclosure and reduced—\$185 million.
- Procurement reform gives departments more responsibility.

Increased government policy focus on these types of engagement.

The audit

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- How well are the departments of Treasury and Finance (DTF), Education and Early Childhood Development (DEECD), Justice (DOJ) and Environment and Primary Industries (DEPI):
 - planning, procuring and managing engagements
 - demonstrating value for money and process integrity?
- How well are DTF and VGPB overseeing departments?
- Is DTF effectively monitoring consultancy savings?

Examined departmental practices and oversight and central guidance and oversight.

The departments and engagements included:

Department	Classification			Range of contract values (\$)		Date for applying reform
	Consultants	Contractors	Total	Lower	Upper	
DEECD	4	12	16	61 000	613 000	July 2014
DEPI	6	12	18	49 000	355 000	July 2014
DOJ	5	9	14	85 000	1 610 000	August 2014
DTF	5	10	15	12 000	650 000	June 2013
Total	20	43	63			

Departments' performance

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- Mostly followed minimum rules but these are not enough.
- Rather we found 'maladministration'—absence of structured, documented and transparent approach to:
 - **Planning**—internal resources and risks
 - **Procuring**—tracking trends and issues
 - **Managing**—monitoring progress, managing risks
 - **Evaluating**—failure to assess outcomes.
- Lack of effective oversight of these engagements.
- **Recommend** revamping processes improving oversight.

Unable to demonstrate integrity/value for money.

Central oversight and guidance

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- DTF has not verified departments':
 - classification and disclosure of consultancies
 - savings claims against the government's targets.
- DTF did not review basis for savings targets.
- VGPB's records management guidance is unclear.
- **Recommend** that DTF address these issues and that VGPB updates its guidance.

DTF needs a more structured and evidence-based approach to oversight.



Government's savings targets

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- \$185 million target set and confirmed with no DTF review:
 - set pre 2010 election and no evidence of review
 - no baseline in relation to reported spend.
- Savings achievements not adequately verified
 - based on departmental assertions and interviews.
- **Recommend** that DTF better verifies:
 - the basis for government's financial commitments
 - evidential basis for departments' savings claims.

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Need for more rigour savings targets.



Impact of procurement reform

- This is an opportunity for transformation.
- The early signs are promising:
 - DTF has transitioned—in June 2013—and improved its approach
 - other departments are revamping their approaches.
- VGPB needs to better define how it will monitor.
- We need to come back to see if potential is realised.
- **Recommend** departments address the weaknesses identified and VGPB monitors the impacts.

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Procurement reform has the potential to improve performance in managing advisory engagements.

Recommendations

		Accept
That departments:		
1.	review and improve their policies and practices to adequately demonstrate the integrity of and value for money achieved	✓
6.	collect and analyse the information needed to confirm that business units are complying with mandated policies and practices, and manage the risks to achieving value for money and maintaining process integrity.	✓
That the Victorian Government Purchasing Board:		
2.	updates its guidance to more clearly explain departments' records management obligations and how these should be incorporated in contracts	✓
8.	defines how it will monitor, evaluate and report on the impacts of procurement reform and the actions needed to address emerging issues and reinforce beneficial outcomes.	✓



Recommendations – *continued*

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		Accept
That the Department of Treasury and Finance:		
3.	describes in its response to this recommendation the steps it will take to verify the accuracy of departments' classification and reporting of consultancy expenditure	X
4.	as a matter of standard practice, verifies the basis of government's financial commitments, where these have not been informed by prior Department of Treasury and Finance input, and advises the government of the implications	✓
5.	better understands and verifies the evidential basis for departments' assertions about the Better Financial Management policy savings achieved	X
7.	reviews users' satisfaction with the performance of the Contract Publishing System website and upgrades the website to provide more effective and user friendly access to the contract information it contains.	✓

Relevant reports

- *Contracting and Tendering Practices in Selected Agencies, June 2007*
- *Tendering and Contracting in Local Government, February 2010*
- *Personal Expense Reimbursement, Travel Expenses and Corporate Credit Cards, May 2012*
- *Managing Telecommunications Usage and Expenditure, September 2013*
- *Value for Money and Effectiveness of ICT contractors and consultants, 2014–15.*



Contact details

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