

**Response to questions from the Public Accounts Committee
regarding report no 220: Managing IT Services Contracts**

Report No 220: Managing IT Services Contracts

Question 1 Business needs analysis and value for money assessment

Q1a: Could you clarify for the Committee what processes have been put in place and what criteria must be met before these are triggered?

NSWPF Answer:

All IT Services contracts are the subject of a business needs analysis and value for money assessment. New Contracts are typically the result of a tendering or quotation process. The business needs analysis (which requires formal approval from key delegated managers) is done prior to any market testing.

The market testing is done through a competitive tendering/quotation process based on the Policies and Procedures defined by the Strategic Procurement & Fleet Services Command, which is aligned to standard government procurement guidelines. It is noted that the NSWPF has completed the NSW Procurement Accreditation review. The review consisted of comprehensive analysis of policies and procedures related to the defining to business requirements and then the market engagement process.

Question 1b: You have also indicated that this process is not intended to apply to contract extensions. Could you elaborate on why this is so?

NSWPF Answer:

NSWPF has never indicated that this process would not apply to contract extensions. The changes NSWPF has made to the approval processes for a contract extension requires this analysis to be conducted.

Question 2: Risk based contract management plan

Q 2a: Could you advise how you arrived at the 1 year or \$250K threshold.

NSWPF Answer:

Previous Procurement Guidelines and Whole of Government procurement policies required a tender for contracts not available via a Whole of Government arrangement and over \$250K regardless of the contract duration. Also, the financial constraints of agency budgets means any contract exceeding one year must have funding available before it can be approved

It is noted that many of the IT service contracts deal with the engagement of specialist organisations with employees that have unique skill sets for short specific tasks, in the main paid for by annual capital funding. These activities are managed by projects using the Prince 2 methodology and with project boards. These project structures are as recommended by the Government and provide superior issue and risk management of the deliverables of these contracts than a contract management plan alone would provide.

**Response to questions from the Public Accounts Committee
regarding report no 220: Managing IT Services Contracts**

Question 2b: Are you confident that there are no high-risk contracts shorter than one year or below this threshold value.

NSWPF Answer:

It is noted that there are no high risk contracts that are shorter than a year or below the threshold value.

Question 3. Management structures for IT services contracts

Q3a: Could you advise how you arrived at the one year or \$250K threshold?

NSWPF Answer:

As discussed above there are fiscal reasons for this breakdown. Previous Procurement Guidelines and Whole of Government procurement policies required a tender for contracts not available via a Whole of Government arrangement and over \$250K regardless of the contract duration. Also, the financial constraints of agency budgets means any contract exceeding one year must have funding available before it can be approved

Q3b: How many and what is the value of your services contracts that are not effectively managed because they fall below these thresholds

NSWPF Answer:

NSWPF disagrees with the suggestion that there are any of its IT service contracts, which are not being effectively managed. In addition to the use of project management processes, there is the normal procurement requirements for approval and fiscal management of such agreements. These processes are backed by the Treasurer's directions and are the backbone of the control of these agreements and this extends to all agencies.

The NSWPF has invested in its contract management capability through the engagement of two new resources solely responsible for the management of ICT contracts. There are multiple layers of oversight and management based on the requirement of contracts.