

NSW GOVERNMENT'S USE AND MANAGEMENT OF CONSULTING SERVICES INQUIRY

PUBLIC ACCOUNTABILITY AND WORKS COMMITTEE

SIRA - WEDNESDAY 16 AUGUST 2023

Questions taken on notice.

Q. No	Question on notice	Response
1	<p>The CHAIR: Can I ask you to come back to us on notice for details on exactly how much that contract was originally?</p> <p>ADAM DENT: Again, being a standing offer, it wouldn't necessarily have had a particular amount. But, absolutely, we'll come back with more details on the genesis of the contract for you.</p> <p>The CHAIR: We'd like to tick off that it's not something that was deliberately done to obscure the contract.</p>	<p>SIRA undertook a public tender process to establish a Master Services Contract which operates as a Standing Offer Agreement. No financial commitment exists until SIRA issues an order against the Agreement, and there is no obligation to purchase until that time. At the time of the Request for Tender, the estimated value was approximately \$12 million, and SIRA advised DCS to update the value of the standing offer on the eTender system to reflect anticipated expenditure. SIRA can confirm the contract value was not deliberately understated.</p>
2	<p>The Hon. MARK BUTTIGIEG: Could I just ask a quick follow-up on that, Chair? When you get a variation like that, is there no sort of automatic trip mechanism that sets an alarm bell with someone to say, "We'd better look at this"? What I'm hearing now is that it looks like it's just a typo or a mis-entry, initially. There is no way it could've</p>	<p>SIRA confirms that the amount disclosed of \$132,298.20 was due to human error.</p>

	<p>been that low. But shouldn't there have been a trigger mechanism to say, well, how can we have a 9,000 per cent variation? We'd better look into this"? I'm a bit bemused there has been no investigation to date on this.</p> <p>AMANDA YOUNG: The trigger would've been that there was a contract on there that was below the threshold for us to say, "Actually, what's happening? Why is this contract even on there?" Therefore, we would've looked to find whether it was human error. We need to come back to you just to confirm that is the case, but our understanding, at this point, is that it's human error. Through all the process that we did through that procurement, through all the briefing notes that were done and through all of the procurement process itself, that was never the number. It was always the number that it was amended to from the variation.</p>	
3	<p>The CHAIR: If it was always supposed to be over that \$150,000, wouldn't it have been disclosed as a matter of course on eTender? Or are you saying it was?</p> <p>ADAM DENT: It was, yes. Absolutely.</p> <p>The CHAIR: It was at that lower number?</p> <p>ADAM DENT: The RFT was originally published on eTender. It was an open-</p>	Refer to the response to Question 1.

	<p>market tender and then the contract award notice was published on eTender.</p> <p>The CHAIR: Could you come back with details of that old original amount, because it's obviously no longer on the eTender system? It would be useful to see—again, so that we can track that.</p> <p>ADAM DENT: Absolutely.</p>	
4	<p>The CHAIR: When we look at the old accounts, around 75 per cent of actuarial spend is going to EY and around 25 per cent to Taylor Fry, if I recall. In the 2023 accounts, when they come out, would that look more like 100 per cent? What would that look like for EY?</p> <p>ADAM DENT: Not 100 per cent because we still require the use of peer review actuaries, and there are certain tasks that we would still engage other actuaries for. From time to time we have used two other firms. Taylor Fry has done further work for us, as has Deloitte—particularly with the CTP work, which requires us to use a peer review actuary. On each of those occasions we would go to market or procure, if it's under \$250,000, directly from the standard government panel.</p> <p>The CHAIR: What will that breakdown</p>	<p>The FY2022-23 financial statements have not as yet been published and are subject to external audit by the Audit Office.</p>

<p>look like in 2023?</p> <p>ADAM DENT: That is an excellent question. I don't have the full number on me yet; the numbers are still being audited. Our overall spend remains around similar, I think, at about \$6.4 million for the year on actuaries. It is predominantly EY, with over \$6 million, and then smaller amounts to Taylor Fry and Deloitte.</p> <p>The CHAIR: That's a significant increase from last year, where they were getting 79.5 per cent of the total spend. That sounds much more like 90-something per cent.</p>	
<p>5</p> <p>The CHAIR: So we have an EY contract that goes for five years.</p> <p>ADAM DENT: It is three years with a two-year extension opportunity.</p> <p>The CHAIR: So is that \$12 million for five years or \$12 million for three years?</p> <p>ADAM DENT: So \$12 million is the current commitment. As I said, it's a standing offer arrangement that is around a rate card rather than a specific amount of work. Part of the process is that in our contract we have developed a catalogue of work that we would do under that contract. There are, I think, about 12 particular actuarial tasks that we have narrowed down that come</p>	<p>It is confirmed that the Standing Offer Agreement is for three years, with two one-year options, and does not preclude SIRA engaging other actuaries.</p>

	<p>under that contract. As those tasks are required, we would engage the scheme actuary on the agreed rates as part of that contract.</p> <p>The CHAIR: Does that contract restrict what you can do in terms of bringing on other actuaries now?</p> <p>ADAM DENT: No. I would want to check that and come back to you, but my understanding is that because it is a standing offer, it doesn't guarantee work in particular or at any particular level. So it hasn't prevented us from engaging other actuaries as peer review actuaries, for example. What it does do is lock in the current incumbent at a set of rates that were negotiated that deliver better value for money than if we were just using the standard panel or, indeed, our previous contract.</p>	
6	<p>The CHAIR: Does the Auditor-General outsource any of that work—because it's highly complex stuff that SIRA's doing. Does the Auditor-General—I think it was 25 per cent or more of their work is outsourced to external consultants. Do you know if that's the case when it comes to SIRA's accounts?</p> <p>ADAM DENT: I couldn't answer that with certainty, other than to say our interactions with the Audit Office for me indicate the audit team we work</p>	<p>SIRA understands the Audit Office of NSW has outsourced work relating to their review of the TEPL arrangement to Cumpston Sarjeant. This has been incorporated as part of their annual audit process of SIRA. This is not an engagement undertaken by SIRA.</p>

	<p>with are Audit Office employees. There is one element in relation to TEPL that I understand, given it was around our actuarial assessments for TEPL, the Audit Office weren't able to manage themselves. I believe they outsourced that to another actuarial firm.</p> <p>The CHAIR: Do you know which one?</p> <p>ADAM DENT: I think it was Cumpston Sarjeant, but I can confirm. I believe it was Cumpston Sarjeant.</p>	
7	<p>The CHAIR: It's contacting every individual once, or at least once, in their claims journey.</p> <p>ADAM DENT: At least twice. Once at a key point, at 13 weeks within their claim, then again as they exit the scheme.</p> <p>The CHAIR: That's electronically?</p> <p>ADAM DENT: I would have to get the details on that. It will either be by survey or by phone contact, I imagine, but I can get the details and provide that to you.</p>	The surveys will be online only and invitations to complete them will be sent by email.
8	<p>The CHAIR: Which is great. Is there much competition for that type of work? Was that work sourced by open tender? What was the process?</p> <p>ADAM DENT: Given the value of the contract, I imagine—I don't have it in front of me—that it would have been an</p>	The Fiftyfive5 contract was an open tender, with 12 submissions received and three short-listed.

	<p>open tender. Given the size of the award of the contract, we'd be required to have gone to open market, or, at the very least, if it was part of scheme five, it would've been three, but I can follow that up. I imagine it was an open tender.</p> <p>The CHAIR: Thank you. It would be useful to know.</p>	
9	<p>The Hon. Dr SARAH KAINE: I think earlier you also said it was part of your strategy to reduce reliance on consultants. Now we have part of your strategy is reducing reliance on consultants and also matching that with building capability. Are we able to see what that strategy looks like written out? I would be pleased to be able to read what it is that you have as a document.</p> <p>ADAM DENT: Certainly. Our strategy is published online, but I'm happy to share a link nonetheless. The two key lines in that, being a strategy document, are simply that we intend to invest in developing our own talent and reduce outsourcing.</p>	<p>The SIRA2025 Strategy is available on SIRA's website: https://www.sira.nsw.gov.au/corporate-information/strategy</p>
10	<p>The CHAIR: What is the size of SIRA's contingent workforce?</p> <p>ADAM DENT: I can follow it up. I think it's somewhere between 15 and 25, at</p>	<p>The size of SIRA's contingent workforce, according to the Department of Customer Service Contractor Central Fieldglass system, was 21 as at 30 June 2023. It was 18 as at 16 August 2023.</p>

<p>last check. It's, relatively speaking, not large, and it is predominantly—I would say it would be majority in our digital team, where we've had to find data engineers, for example, or developers who, as Ms Young just identified, are not in the market at the rates we can always afford.</p>	
--	--