

REPORT ON PROCEEDINGS BEFORE

PUBLIC ACCOUNTABILITY AND WORKS COMMITTEE

**NSW GOVERNMENT'S USE AND MANAGEMENT OF CONSULTING
SERVICES**

CORRECTED

At Macquarie Room, Parliament House, Sydney, on Thursday 15 June 2023

The Committee met at 11:15.

PRESENT

Ms Abigail Boyd (Chair)

The Hon. Mark Buttigieg
The Hon. Susan Carter
The Hon. Scott Farlow (Deputy Chair)
The Hon. Dr Sarah Kaine
The Hon. Peter Primrose

The CHAIR: Welcome to the first hearing of the Public Accountability and Works Committee inquiry into the New South Wales Government's use and management of consulting services. I start by acknowledging the Gadigal people of the Eora nation, the traditional custodians of the land on which we are meeting today. I pay my respects to Elders past and present, and celebrate the diversity of Aboriginal peoples and their ongoing cultures and connections to the lands and waters of New South Wales. I also acknowledge and pay my respects to any Aboriginal or Torres Strait Islander people who are joining us today and anyone who is watching online.

This inquiry has been established to examine whether the use of private consulting firms across New South Wales government agencies is delivering appropriate outcomes in terms of ethical, effective and efficient policymaking and service delivery. At today's hearing, the Committee seeks to understand current government policies and practice around the engagement and management of consultants. We will start by hearing from the Audit Office of New South Wales, which in March this year released a performance audit on New South Wales government agencies' use of consultants. Then we will be hearing from NSW Health about the use of consultants in the health sector. Finally, we will be hearing from NSW Procurement about the New South Wales Government's procurement policy framework.

Before we commence, I would like to make some brief comments about the procedures for today's hearing. Today's hearing is being broadcast live via the Parliament's website. A transcript of today's hearing will be placed on the Committee's website when it becomes available. In accordance with the broadcasting guidelines, the House has authorised the filming, broadcasting and photography of committee proceedings by representatives of media organisations from any position in the room, and by any member of the public from any position in the audience. Any person filming or photographing proceedings must take responsibility for the proper use of that material. This is detailed in the broadcasting resolution, a copy of which is available from the secretariat.

While parliamentary privilege applies to witnesses giving evidence today, it does not apply to what witnesses say outside of their evidence at the hearing. I therefore urge witnesses to be careful about comments you may make to the media or to others after you complete your evidence. Committee hearings are not intended to provide a forum for people to make adverse reflections about others under the protection of parliamentary privilege. In that regard, it is important that witnesses focus on the issues raised by the inquiry terms of reference and avoid naming individuals unnecessarily.

All witnesses have a right to procedural fairness according to the procedural fairness resolution adopted by the House in 2018. If witnesses are unable to answer a question today and want more time to respond, they can take a question on notice. Written answers to questions taken on notice are to be provided within 21 days unless the Committee has resolved on an earlier date. In relation to the evidence you are giving today at this first session, that will be a 21-day time frame. If witnesses wish to hand up documents, they should do so through the Committee staff.

In terms of the audibility of the hearing today, I remind both Committee members and witnesses to speak into the microphone. We have a fantastic new audio system here in the Macquarie Room, so we hopefully will not have any of the problems that we had in the last term of Parliament. Finally, could everyone please turn their mobile phones to silent for the duration of the hearing.

Ms MARGARET CRAWFORD, Auditor-General for New South Wales, Audit Office of New South Wales, affirmed and examined

Mr IAN GOODWIN, Deputy Auditor-General for New South Wales, Audit Office of New South Wales, sworn and examined

Ms CLAUDIA MIGOTTO, Assistant Auditor-General for New South Wales, Audit Office of New South Wales, affirmed and examined

The CHAIR: I welcome our first witnesses. Auditor-General, would you like to commence by making an opening statement?

MARGARET CRAWFORD: Thank you very much for your invitation for us to provide evidence to this inquiry. You have my submission, which details our audits. That will be the basis for our evidence today. As you see, the use and management of consultants has been a topic of interest for my office for some time. This is because of the level of spending and the risk that is presented when consultancies are not well managed. These risks include whether agencies receive value for money; whether probity and conflicts of interest, real or perceived, are properly managed; and whether advice received is evidence based, objective and not designed to prosecute a desired outcome. While not a finding of our report, attention of course has recently been drawn to the risk that government information is managed confidentially. In addition to the risk presented by poor management of consultancies, common findings of my reports relate to the lack of oversight, inconsistent classification, and failings regarding data and transparency. These failings make it difficult to accurately determine the quantum of spending on consultants.

The CHAIR: I will start by asking a few broad questions, particularly in relation to that 2023 report that you released in March—the \$1 billion spent on consultants over the last five years, that we know of. I initiated this inquiry very much on the back of that report. Like so many others, I've been shocked pretty much daily by what's coming out of the Federal inquiries into the use of consultants in the Federal Government, particularly in relation to PwC. Do you think that the Federal inquiries are simply unveiling a few bad apples, or do you share my concern that this goes broader than that and that we're looking at systemic structural issues?

MARGARET CRAWFORD: I can't really comment on the Commonwealth inquiry, but I think our collective view would be that the risks associated with consultancies would not be limited to one firm. Certainly our reports don't focus in on any one particular consultancy firm. The risks apply more broadly to other firms as well.

The CHAIR: Do you see any evidence of it being almost the business model of these consulting firms to grab a foothold in government and then to capitalise on that?

MARGARET CRAWFORD: I don't think I can comment specifically on that. What I can say, and this is detailed in our reports, is that often what we see is an initial engagement and then that engagement is extended and extended. In some of the cases we referenced in our report, the value of the extensions far exceeded the initial engagement.

The CHAIR: This is what looks to be an overuse and over-reliance on consulting firms by government agencies. If that is the case, why would that be such a big risk to the integrity of the public sector? Why should we be caring?

MARGARET CRAWFORD: Well, in the first instance, at no time do we ever say it's inappropriate for government to use consultancies. There are good reasons why governments would want expert or specialist advice on different topics. We're not saying that that in itself is a problem. For us, the issue is around the management of those engagements and I guess the nature of the engagements—to make sure that they are strategic and seeking that expert, independent advice and not just replacing the work that may normally be done by public servants.

The CHAIR: That's one of the big distinctions you make in that report. As you say, the effective use of consultants would be to use them where the public sector is lacking that specialist expertise or there is perhaps a need to do something quickly that the public sector would not ordinarily have the time or capacity to do. But you identified that you were also seeing examples of consultants being used for what would be seen more as the core functions of government. Can you elaborate on that?

MARGARET CRAWFORD: I will perhaps defer to my deputy on some of that, but there is judgement here about what is core to government. But I think our reports have called out specific examples that would point to things you would think, well, surely public servants could and should be doing those things. But, Ian, did you want to add to that?

IAN GOODWIN: Thank you. I will probably point the Committee to three of the Auditor-General's reports: obviously, the first report that you mentioned, Chair, on the use of consultants in March this year; the other performance audit on the design and implementation of TAHE; and the *State Finances 2021* report, which is a financial audit summary report. In the two performance audits, it is noted that the audit team saw engagements that range from accounting and legal advice, project management, provision of administrative support and secretariat services. We have seen, through the course of our work, particularly with central agencies such as NSW Treasury, which positions itself as a central agency around financial advice to government, the engaging of firms under consultancy where they are preparing meeting agendas, circulating minutes, arranging meetings or doing accounting advice on public sector accounting where you would think that the NSW Treasury would have the expertise and should have the expertise in public sector accounting.

The Hon. MARK BUTTIGIEG: Just to follow-up on that theme—I just want to explore because there were a couple of interesting pieces of evidence there. It seems as though you are saying that there could be a default laziness, if you like, in extending some of these contracts. They're in place. They've got pre-approval. Let's just keep using them. I'm interested to know whether this is then feeding into a kind of vicious cycle where the public sector gets denuded of the internal skills and intellectual property to be able to do what they may have been doing competently 20 to 30 years ago. Is that a fair assessment?

IAN GOODWIN: That's certainly the risk. That's what's been called out by the Auditor-General. The risk is when you start using a firm—certainly, once you've got a firm engaged, it is far more efficient to keep rolling that contract over than, perhaps, going to the market. But the flipside to that is whether you build an undue reliance, and the risk of that undue reliance is the risk of an erosion of capability across the public service for core policy and core work that essential agency would do. There's also the risk that you lose that diversity of view when you keep going back to the same firm over and over.

The Hon. MARK BUTTIGIEG: But is it the AG's view that that's the point we're at?

IAN GOODWIN: I think what's getting called out in the reports is there is a risk, and, if it's not properly managed and considered, the risk is that you will see an erosion of capability. I guess everyone is aware that there was a contentious accounting view on the general government sector accounting for TAHE which, as has been called out by the Auditor-General, was close to a qualification of the whole-of-government accounts. Now that nested itself around public sector accounting, and there was a firm that was heavily involved—in fact, on advice, on two departments—around the public sector accounting. I would like to think that a central agency would have the expertise to deal with those public sector accounting issues and, in the end, it sort of got to a point where it nearly was a qualification of whole-of-government accounts.

The Hon. MARK BUTTIGIEG: Yes, I remember it well. Back to the Chair's opening comment about the \$1 billion that we know of: Does that mean that, because of the lack of data and appropriate surgical reporting back on the precise quantum, it could be a lot more?

MARGARET CRAWFORD: I think that million dollars is what we were able to calculate from various sources. There are four key sources of data on this matter. But it's probably a subset of a broader spend that may be called something else. But that would be a subset, so we would expect that the spend is probably larger.

The Hon. MARK BUTTIGIEG: We don't have any ballpark estimates on what that might be?

MARGARET CRAWFORD: I wouldn't like to give you a ballpark. But what we are asking or recommending is that the Procurement Board and NSW Procurement do the sort of analytical work that we did for that audit report to try to really track this and to be much clearer about the quantum and transparency around that.

The CHAIR: Just before we leave that point, can you explain a bit more about why that data is not complete and particularly that distinction between contractor and consultant?

MARGARET CRAWFORD: Yes—definitions. Look, I could have a go at it, but I think Ian would do that much better than me so, if you wouldn't mind?

IAN GOODWIN: Just to backtrack. The \$1 billion from the annual report data—that was with the audit team aggregating 350 annual reports over that five-year period. So the annual reports are the only data source that itemises specific consultancy expenditure over \$50,000. So it's the broader dataset but, as has been noted, there are limitations and the limitations sit around—as the Chair just pointed out—inconsistencies in the definition of what is a consultant versus what is a contractor and, in fact, in the audit evidence reported in that report, I think we had a sample of 36 engagements where it was able to identify that there was arguably some misclassification around that. So inconsistency in application definitions is an issue.

The other issue is exclusion of particular agencies from annual reporting requirements. So the report calls out that local health districts, which are required to prepare financial statements, are not required, under the current requirements, to prepare an annual report, so they don't disclose what consultancies they have engaged because they don't have the annual report. What they're doing is consistent with the requirements set out by the regulations. They're not captured in the Ministry of Health's annual report. The actual expenditure will be rolled up in the financial reports of the local health districts, which are in the Ministry of Health's financial report. But, in the Ministry of Health's annual report, consistent with the regulations, they only include consultancies that the ministry has engaged. So it's very difficult to know what that gap is, but the report calls out that it's probably, at least, \$170 million just on LHDs. There are also certain SOCs—State-owned corporations—that are also exempted from having to disclose their consultancy expenditure.

The Hon. MARK BUTTIGIEG: Sorry to divert your attention but, on that point—because it's something that I was reading earlier about SOCs being exempt—what was the rationale behind exempting SOCs, given that the New South Wales taxpayer has a direct stake via, in some cases, a 100 per cent shareholding?

IAN GOODWIN: That's probably a question best referred to NSW Treasury as the policy owner of those regulations.

MARGARET CRAWFORD: Can I just add that there are changes to annual reporting requirements that will take effect from the start of the next financial year. They still will provide for exemptions, but the arrangements will more generally apply, for example, to local health districts from 1 July, unless exempted.

The Hon. Dr SARAH KAINE: Can I just go back a little way? Mr Goodwin, you were talking about contract extensions and variations and you particularly referred to the design and implementation report of the Transport Asset Holding Entity. Going back to contract extensions and variations, I note that, in the Auditor-General's report into the Transport Asset Holding Entity, Treasury responded to your recommendations that they were going to engage a more thorough process to manage contract variations and extensions. My question is: What was the process for managing extensions and variations prior to this new commitment to develop something?

IAN GOODWIN: The New South Wales procurement guidelines provide guidance around that but I might invite Claudia Migotto, Assistant Auditor-General and Head of Performance Audit, to touch on that a bit.

CLAUDIA MIGOTTO: I can't really speak to what changes Treasury might have implemented in response, but the Procurement Board guidelines provide that there does need to be a justification for a variation, and that agencies have a responsibility to anticipate any additional costs that might arise at the outset of the engagement so that they can be incorporated, or that a variation may be able to be anticipated.

The Hon. Dr SARAH KAINE: But did you find that that was happening?

CLAUDIA MIGOTTO: For the TAHE engagements?

The Hon. Dr SARAH KAINE: Yes.

CLAUDIA MIGOTTO: I don't think we can—yes, would you like to—

IAN GOODWIN: We certainly found that there were certain contracts where—there was a contract initially—Treasury engaged a big four firm for advice around the application of accounting standards, the changes in accounting standards—that was in the order of \$360,000. Upon completion, it was in the order of \$2.4 million to \$2.5 million.

MARGARET CRAWFORD: We could take it on notice.

IAN GOODWIN: We could clarify the exact number. It's in the report, but it's in that order of contract variation.

The Hon. Dr SARAH KAINE: In a more recent report, the March 2023 audit, you provide a case study of Sydney Metro and the variation of contracts which seem to start just below a reporting threshold and end just before another reporting threshold. Given the TAHE experience and the example you give, I wonder whether you have any comments about practice around variation or indeed around the use of thresholds?

CLAUDIA MIGOTTO: I guess in relation to the Sydney Metro example that you are referring to, yes, that's correct. It came through as a single-source procurement, which is permitted up to amounts of \$250,000. The original contract awarded was \$249,000, and then it was extended. An allowable maximum was half a million and it was extended up to \$479,000. We use that example in the report because there are a couple of risks there related to a single-source procurement with a variation that doubles the cost of the total contract value.

The Hon. Dr SARAH KAINE: Did you find that the variation process you are talking about, which is set out in the procurement guidelines, was followed in that case?

CLAUDIA MIGOTTO: I'm not quite sure if I could say that the guidance was followed. What we were looking to see was, as I mentioned earlier, whether the cost of the additional variation was anticipated or could reasonably be anticipated at the outset of that contract. I think that's what we are essentially saying is the issue there—that the possibility of a contract variation and that the increased cost of the engagement could reasonably have been anticipated at that point.

IAN GOODWIN: I might add one thing. The procurement guidelines do provide some guidance, particularly around thresholds, but I go back to the Auditor-General's opening statement. What we are talking in this context—we're not so much talking about the firms, we're talking about the public service and how they manage the use of consultants. Irrespective of the guidelines—and one should always ensure that they comply with the guidelines—there are some principles that the Auditor-General said in the opening statement, which are that you should ensure that you're achieving value for money, you're getting advice that is not going to be captured or lack objectivity or lack of impartiality, and that conflicts of interest and probity are properly managed. They're just good hygiene principles irrespective of compliance with a guideline that you should always be striving for when engaging consultants.

The Hon. SUSAN CARTER: I wonder if we could go back to the issue we were talking about before in relation to the concerns you have raised about the risk of using consultants—that there is a loss of skills in the public service. I note that the recommendations in your report to Parliament in March didn't actually state that the New South Wales government should reduce its use of consultants. I wonder what the level of concern was, and why you didn't make the recommendation to reduce the use of consultants?

MARGARET CRAWFORD: Perhaps I will give a general answer in the first instance. The Auditor-General can't make any comment or provide advice to government in relation to policy matters. It really is a matter for government as to whether they engage consultants or not. Again, our reporting is really calling out the risks but also saying that if managed appropriately—we would not normally make a recommendation to government on what is really a policy matter, like reducing the amount. That wouldn't be something that an auditor-general would do.

The Hon. SUSAN CARTER: Even though you're identifying risks with that policy?

MARGARET CRAWFORD: We might if we had a specific example but not as a general statement, I wouldn't think.

IAN GOODWIN: I might add to what the Auditor-General has mentioned there. I think we have to be very careful about—we're not management. Management in those executive agencies need to take the responsibility around the strategic decision to use a consultant and then the compliance. There is sufficient guidance, which can be improved—clarification of definitions. The Procurement Policy Framework states that you need to ensure that you are demonstrating value for money. The risk called out by the Auditor-General is to ensure that you don't create an undue reliance or erosion and that, ultimately, those decisions are decisions for management. What the Auditor-General has called out are the risks that should be managed in making those decisions.

The Hon. SUSAN CARTER: So it would be a fair summary of what you're telling us that there's no issue with the use of consultants provided that they are managed appropriately and in accordance with the guidelines?

MARGARET CRAWFORD: That's correct.

The Hon. MARK BUTTIGIEG: In terms of that value-for-money proposition that's been mentioned as a metric a few times now, is there any precision around what it actually means? Is there a gold standard of measuring a standard cost-benefit analysis?

IAN GOODWIN: It's an unhelpful comment, but it's an art more than a science. I don't think there's a prescribed formula. What I would offer is that when we do the audits, we do look at value for money. What we would always be looking for is whether management has actually made an assessment against a value-for-money criteria. Management should establish that criteria and it should be documented. What we find is that when we seek evidence of a value-for-money assessment the records may not exist. One of the other issues that is called out is record-keeping practices across agencies when making those decisions.

The Hon. MARK BUTTIGIEG: Is that value-for-money proposition one of the mandatory requirements or not?

MARGARET CRAWFORD: To do an assessment would be.

IAN GOODWIN: The Procurement Policy Framework states that routinely exercising extension options or rolling over contracts can reduce competition and limit access to new suppliers. For those reasons the policy framework states that agencies must only extend contracts where it can be demonstrated that doing so will deliver value for money. It is called out in the framework and what we would look for is that management have done that assessment.

The CHAIR: Before we go back to the Government questions, I want to pick up a few things before we leave them. Let's go to that one first. That is one thing you also raised in the 2023 report. But also in the *Audit Insights 2018-2022* report was this lack of post-engagement assessment. If you're working out the value for money you would expect that, once the consultants have done their work and we get to the end of that, there would be an assessment as to how good that project was and whether or not it was value for money. If I recall correctly, you looked at 82 contracts or something, and only four of them had actually gone through that process. Is that correct?

CLAUDIA MIGOTTO: Three.

The CHAIR: Despite that being a requirement, as I understand it, under the procurement guidelines, can you elaborate? How does that happen that these agencies aren't being required to do those post-engagement assessments?

CLAUDIA MIGOTTO: I probably can't answer the question of why doesn't it happen. But I think it goes to our central findings around the management of consultants and the Procurement Board and Procurement NSW's visibility of the processes that are occurring at the agency level.

MARGARET CRAWFORD: It really goes to a recommendation more to the Procurement Board and to Procurement NSW because we also say in our reports that consultants aren't used strategically. What we are really meaning there is that there is a role for the Procurement Board to assess where do we get the best benefit and, looking across the sector, where have we got great outcomes that other agencies could learn from or apply. So that is what we mean when we say we are not using consultancies strategically.

The CHAIR: When we are talking about whether or not we should be reducing consultant spend et cetera, we have a billion dollars going out in five years of government spend on consulting, and we have—presumably, at least from the sample you did—a very small amount of those actually being assessed as to whether they are value for money. Just picking up on the question that Ms Carter asked, the previous Government had an election commitment in 2019 that they would reduce the total spend on consultants by 20 per cent every year for four years. But as you note in your report, they actually spent more than they were spending before. Not only did they not meet that reduction but they actually spent \$100 million more than they had targeted to. So even when we are trying to reduce spend on consultants, we can't. What does that say about our over-reliance on consultants and what the public sector is now capable of doing?

IAN GOODWIN: I think in the first instance it says something about monitoring and whether that commitment was being effectively monitored. What is called out in the report is that the way that commitment was executed was to reduce the budgets in agencies by that amount, and then it was assessed that, by reducing the budgets that are available, they met the commitment. What didn't happen was using the data, the actual expenditure spent, the recurrent expenditure that is captured in Prime. So Prime is a financial system within Treasury, used for preparing the budget and whole-of-government reporting. Prime has its own limitations because it is only recurrent expenditure of general government sector agencies. But the actual expenditure was not being monitored through there, and the \$100 million that you are talking about comes from Prime. What that probably means is that expenditure on consultants was probably spent at the expense of something else if the budgets had already been reduced. But it is a question of whether that was being effectively monitored.

The CHAIR: It sounds very hard to actually reduce the spend on consultancy when we're trying.

The Hon. PETER PRIMROSE: Three questions if I can, just so I understand. It's correct, isn't it, that the NSW Procurement Board is responsible for monitoring New South Wales government agencies' compliance with procurement policies and directives? Okay. In relation to monitoring New South Wales government agencies use of consultants, what specific checks are you aware that they actually undertake?

CLAUDIA MIGOTTO: I think it is important to note that the process of managing consultants in compliance with Procurement Board directions essentially occurs through a devolved system. So it operates at the agency level. Agencies will have their specific arrangements that reflect the Procurement Board requirements.

The Hon. PETER PRIMROSE: So it is more aspirational than actually determining if it happens or not.

CLAUDIA MIGOTTO: "Monitoring" is probably the operative word there, as you say, if you are describing the role of the Procurement Board.

The Hon. PETER PRIMROSE: So it's for good and against evil, but how do you know that it actually happens?

MARGARET CRAWFORD: There is self-reporting and secretaries are accountable for compliance with the policies.

The Hon. PETER PRIMROSE: Who do they account to?

MARGARET CRAWFORD: I think they are required to provide information back to the Procurement Board. As I say, it is self-reporting information so then it is up to the Procurement Board what it does with that.

The Hon. PETER PRIMROSE: Would you be comfortable with that?

MARGARET CRAWFORD: I think we've called that out in our reports as a weakness in the system.

The Hon. MARK BUTTIGIEG: The self-reporting nature?

MARGARET CRAWFORD: Yes.

IAN GOODWIN: I'll just go back to the opening point. While the Procurement Board has a role as set in the framework, it should be monitoring the things that are asked to be done. So there are things around if a certain consultancy contract was not effectively performing or was performing to an unsatisfactory standard that should be reported, and contracts over \$150,000. The report calls out that that is not actively monitored. But you can't walk away from the responsibility of line management, who are the ones commissioning the work, whether they are commissioning the work by taking a strategic approach as well as a compliance approach.

The Hon. PETER PRIMROSE: So who's monitoring the people who are supposedly being the monitors?

IAN GOODWIN: The Procurement Board at the moment sits within Treasury, so that is probably a question that is best directed to NSW Treasury.

The Hon. PETER PRIMROSE: Yes, we will.

IAN GOODWIN: And then secretaries would operate through a delegation structure and that's not unusual, but I wouldn't like to leave the belief that it is only the Procurement Board. Line management has a role here to make sure that—

The CHAIR: The Procurement Board is made up of the secretaries of government agencies, right? So you have a board comprised of secretaries of government agencies regulating the procurement by secretaries of government agencies, effectively. That seems like perhaps that structure is not necessarily very robust.

IAN GOODWIN: It should be, and I guess one of the things that is called out is transparency is always a friend here. If there is effective transparency measures where all consultancy arrangements are made available in a transparent manner that becomes a self-check on the system.

The Hon. PETER PRIMROSE: Reading through an article from 21 years ago by Christopher Wright and Jim Kitay entitled "'But does it work?' Perceptions of the impact of management consulting", I will quote from their abstract:

- Based on extensive interview data, we find that consultants and clients commonly rely on subjective assessments of consulting impact and 'impression management'.
- A countervailing 'high-impact' rhetoric is discerned among large consulting firms which stresses the measurable, bottom-line results of consulting interventions.
- We interpret this discourse as a legitimization strategy aimed at countering the growing critique of consulting.

Would you like to comment on that?

MARGARET CRAWFORD: I don't think I should comment on that. I think again the point that we're making here is it's how well engagements are managed—whether they are planned, they are strategic in nature and well managed as opposed to whether there is any value or not in getting a consultant.

The Hon. PETER PRIMROSE: The term "impression management" strikes me as being important in that. From our discussion in relation to the Procurement Board—the whole of the Procurement Board I suspect, from what your reports suggest, is ensuring there is appropriate impression management and those on that board may have a direct interest in that. But I'll leave that as a comment rather than anything else.

The Hon. Dr SARAH KAINE: Going back to the Procurement Board and the idea of self-report and their monitoring role, in your experience with all of the audits that you've done—some of which we've heard cited here—have you ever found any sanction on either a consultancy firm or an agency for disregarding the guidelines?

CLAUDIA MIGOTTO: I think the level of coverage in terms of more regulatory action, as you might characterise it, may be a question best directed at Treasury. In the sample of audits that we looked at for our performance audits—82 audits—we didn't necessarily see within that sanctionable noncompliances. Our issues more go to, as the Auditor-General has said, management and justification and ensuring good outcomes from those processes.

The Hon. Dr SARAH KAINE: But in the absence of reports explaining value for money et cetera it would be difficult to sanction because you wouldn't have the reasoning. Would that be a fair conclusion?

CLAUDIA MIGOTTO: Previous of our reports have outlined that there are gaps in the Procurement Board's visibility over some of these issues. Our 2018 audit recommended that they implement the vendor management system. Sorry, I should say that in response to our recommendations of that audit the agency committed to implement a vendor management system, more correctly.

The Hon. Dr SARAH KAINE: Has that happened?

CLAUDIA MIGOTTO: That has yet to happen. That would be one of the key areas potentially increasing their visibility over the day-to-day operation of consulting engagements.

MARGARET CRAWFORD: I'm just going to go into defence mode of them a little. One of the things that the Procurement Board has done is that they've introduced what's called a standard commercial framework.

The Hon. Dr SARAH KAINE: I want to ask about that one.

MARGARET CRAWFORD: We haven't audited that specifically, but they would argue that that has delivered savings because it does place caps on consultants at different levels.

The Hon. Dr SARAH KAINE: But it is a voluntary cap, and you estimate the quantum of about 27 million, I think, most recently, of engagements that go beyond that cap. I guess the question would then go to data integrity. Do we know why some consultancies don't need to abide by that cap, in what circumstances, which agencies are choosing that and why particular organisations—I know one listed in there was Boston Consulting, that springs to mind—refuse to sign up to that framework? Did you find any data? Is there any data for us to find about that?

MARGARET CRAWFORD: I think those questions should be directed to the Procurement Board. I think they would have some information to answer some of that.

The CHAIR: I think it was in one of your reports where you referred to one example where Boston Consulting had had a review of their work, it had been found unsatisfactory and then they got a contract extension. Does that ring a bell for you? I'll have to find the reference.

CLAUDIA MIGOTTO: Boston Consulting was one of the three contracts that we had reviewed—

The CHAIR: As one of the three?

CLAUDIA MIGOTTO: —that did actually have a post-implementation review.

The CHAIR: Which is interesting in itself really.

The Hon. SUSAN CARTER: I'm interested in your discussion of risks and the management of these consultants and the compliance with the procurement guidelines and post-procurement reviews. Are you of the opinion that a lot of these risks could or should be addressed by further training for the people who are involved with managing these consultants?

CLAUDIA MIGOTTO: Guidance? I think perhaps one of the issues that we do draw out strongly in our report is that there is ambiguity in the guidance, even to the point of the definition of a "consultant", which, in practicality, I think we see through the data, through our examination of individual engagements, is difficult to apply without guidance and advice provided around that. Then we've also identified that the advice and guidance that is provided by Procurement New South Wales is ambiguous and provides examples of things that could potentially be considered advisory services, whereas other aspects are more direct service provision such as data analysis and so on. Within those definitions there's ambiguity. Probably a starting point for improving practices would be to improve that advice and guidance and specificity.

The CHAIR: There was mention before of Health and, I guess, the unknown amount that the local health districts are spending on consultants, because that's not reported up. That was identified in your March report. Was it 82 contracts that were reviewed in the March report?

CLAUDIA MIGOTTO: Yes.

The CHAIR: Of those, how many of them were from Health? Were any of them—

CLAUDIA MIGOTTO: None of those were sampled from NSW Health. I can list the agencies that were, if that's helpful, but Health was not one of them.

The CHAIR: I'm just curious if any was with Health. We've been looking into the local health districts, in my office, and going through those annual reports and trying to put together how much we think they are spending. I can table a document that shows what we believe to be around \$124 million spent by those local health districts since those reforms in 2011, which, compared to some of the major departments within government, is actually a far greater spend than many of them put together but also dwarfs the amount of money that's being spent by the Health department on consultants. Does that sound about right to you? Have you done that work and tried to piece together what's being disclosed in those annual reports from local health districts?

IAN GOODWIN: I think in the Auditor-General's report in March it estimated that there was about 170 million. That's an estimation. Local health districts still prepare financial reports or financial statements, which are audited, and within that you'll get an aggregate consultancy expenditure. Because it's a line item of expense, it won't list out by consultancy. We can estimate what that gap might be. What we don't have the detail of is what is in that gap, because it's not required to be reported under the schedules.

The CHAIR: If we include that to the amount that we have coming directly from Health, that actually makes Health quite a large spender on consultants, compared to other departments within government. Would that be right?

CLAUDIA MIGOTTO: We haven't broken down total expenditure per agency across the whole government sector. What we did was look at annual reports to get that total spending figure of a billion. Then we looked at 10 individual agencies to look at their compliance. We can't answer a specific question about agency by agency spend.

The Hon. MARK BUTTIGIEG: You would imagine somewhat intuitively, if—I think—that Health accounts for 30 per cent of the State budget—then the Chair's logic stands to reason that they would be proportionally a large spender on consultants as well. Is it a little bit incongruent that there's a level of opaqueness about the expenditure on the qualitative nature of the consultants as well? Is that a concern for the Auditor-General?

IAN GOODWIN: I'll just answer the opening question of how much is spent by the ministry. In the ministry itself, in fiscal '22, the last financial year, the consultant spend was about 22.3 million for the ministry. Then there's separately the LHDs. That is available. And you are correct: The Ministry of Health is one of the larger agencies, in terms of scale and complexity, of the New South Wales government.

The Hon. Dr SARAH KAINE: Could I ask a follow-up question which links definitional ambiguity to the local area health districts. Like yourself, Chair, I've had a look at the annual reports. You can see the consultancy spend and then differentiate that to contractor spend. But, given that you've already highlighted that that's not a neat definition, it is possible that some of that large contractor spend might be otherwise categorised as consultancy as well. So it could hide some of the consultant spend, inadvertently or otherwise, in that contractor spend.

MARGARET CRAWFORD: Correct. Probably vice versa as well.

The CHAIR: We're effectively looking at quite a large amount of expenditure that so far has been not subject to your audit process and has not been reported as part of this consultant spend. I went back and had a look at your report from 2019 on the governance of local health districts, which I found incredibly useful and interesting. There was a lot of talk there about the need for the essential decision-makers involved in these local health districts to have greater expertise in understanding the financial and operational performance data of those districts. You specifically talk about reviewing and analysing data. If those boards don't have those skills, do you think that they are then less capable of assessing the value for money of consultants? Can you imagine it driving a greater use of consultants if people without the right skills are sitting on those boards?

MARGARET CRAWFORD: You are referring to the audit we did on the governance of local health districts?

The CHAIR: Yes.

MARGARET CRAWFORD: Okay. That is really going to test me and my memory of that. I don't know that we could make the finding that you are suggesting. We couldn't necessarily make that. I think those boards are set up to have a mixture of skills, so you would think that that means they are equipped to oversight the health districts both in relation to consultants and other matters. I really can't remember the specifics. Can you, Claudia?

CLAUDIA MIGOTTO: I think it's a general question about LHD board capability. I would probably answer it by saying that if we were to look at that—and we didn't specifically in that audit in relation to the management of consultants—we would be looking to see good, robust advice that's consistent with Procurement Board directions and guidance being provided into those boards to support their decision-making around those things.

MARGARET CRAWFORD: It has come back to me now. I do remember. What we were looking at in that audit was really the oversight of the ministry and the clarity of governance arrangements between ministry and local health districts, as opposed to looking specifically at capability. Some of our commentary about capability, I think, from memory, went to the employees of local health districts as opposed to necessarily the board members themselves.

The CHAIR: You noted that there were certain relationships that needed further consideration. For example, we had board members of those local health districts being appointed directly by the Minister. Those board members were choosing their chair, but the chair had to be signed off by the secretary of health. But then when it came to the chief executive and the other senior executives, they were being employed directly by the health secretary and are directly employed by the health secretary. You pointed out in the report that that created two masters, where the executives within these districts were reporting to the ministry as well as to this supposedly independent board. Can you elaborate on that and the potential for why that matters in the governance of these boards?

MARGARET CRAWFORD: Yes. I think it would be better if Health answers questions in relation to current arrangements. But at that time there was definitely a degree of confusion about accountability because of the way the LHDs were structured and their relationship with the ministry. That lack of clarity was what we were calling out in that audit report. It would be good to follow that up with ministry staff, I think, rather than us.

The CHAIR: Will do. Something that you gesture towards but don't talk about directly in that report is the potential for conflicts of interest on the operation of those boards. Are you aware of the number of consultants—either those who are currently employed by consulting firms or have immediately in the past been employed by consulting forms—sitting as board members on those local health districts?

MARGARET CRAWFORD: I think we have some insights into that that are perhaps not comprehensive, but some.

IAN GOODWIN: I probably would frame the answer around current big four partners in considering the conversation that might unfold this morning. We did have a look at audit and risk committees, which can be different to a finance and performance committee in terms of remit. But we did look at boards and audit committees and consider limiting the search to existing partners in big four firms as to where they sit. The relevance of that question is that obviously they are in an executive management role elsewhere and in a business that looks to self-sell. The quick look at that is that we haven't seen—we are certainly aware of one in the past but as it currently stands not on any of the LHDs. There are some partners that sit on other agencies, such as cemeteries, museum of applied arts and Taronga Zoo, but not the LHDs at this point.

The CHAIR: On the South Eastern Sydney Local Health District, I believe, there is an ex-partner of PwC sitting on that board today who has declared a financial interest still in PwC. There are certainly examples and, as you have said, there are plenty of examples in the past on those boards. I will come to that with Health later. There are also examples within the chief executive and senior executive function. You can do a quick Google search or LinkedIn search to find the numbers of ex-consultants from KPMG, EY, Deloitte and PwC who are now employed at very senior levels within those health districts. Given the opaqueness of the local health districts' engagement of consulting firms, does that give you cause for concern?

IAN GOODWIN: I think it's an interesting question and a somewhat tricky question because one of the things you want to get on boards is a diverse set of skills and deep expertise. There is no doubt—as a general comment rather than a specific comment—that across any of these large firms partners would have diverse and deep expertise. That is a general comment. I think it would be a very strong proposition to suggest that a retired partner should not be on those boards because the downside to that is that you deny the expertise and the deep set of knowledge and diverse skills that could be made available.

It goes back to the opening statement to the inquiry and the Auditor-General's comment: This is more about management of the use of consultants rather than the suggestion that there should be an absolute prohibition. The management of that is making sure that where there is a conflict of interest or a financial interest, that is declared. Good practice would suggest that, once declared, if there is business being discussed where you might have a financial interest, you would exit yourself from those discussions. They are the good practice principles that, for example, the Australian Institute of Company Directors would suggest in a more generic sense.

The CHAIR: Taking it back to a more systemic level, when the United Kingdom brought in reforms to their health system in 2012, which were almost identical in the devolution of responsibility to particular boards or trusts across different regional parts of that jurisdiction, there was some quite scandalous news that followed in the years afterwards about the increased use of consultants for those boards on the basis that—the contention was that they had been set up to fail. You had these boards that were simply unable to perform all of the financial and operational activities that they needed to without the use of consultants. In that case, we had a very clear track of consultants actually being the ones to propose that structure in the first place. If we have a situation where consultants are proposing particular structures to government, government implements them and then we end up with an overreliance on those consultants within these new structures, does that cause concern from an audit perspective and looking at whether or not we are actually using these consultants in the right way and managing them in the right way?

MARGARET CRAWFORD: I think, largely, Chair, these are matters better put to the Ministry of Health. If we conducted an audit that actually found failures that stem from the matters you are raising, we would call that out. But I don't think we are equipped to make a general comment.

The Hon. Dr SARAH KAINE: Mr Goodwin, you talk about "deep expertise" of consultants. I am presuming that, if there is deep expertise in consultants and the services they provide, that would be reflected in the results of projects that they've been involved in. I hope I'm not taking it the wrong way, but I'm thinking, from the TAHE investigations, that perhaps was not the case and in fact there is a dearth of evidence showing positive outcomes from the use of consultants. To carry on from the Chair, there's a recent article from 2020 looking at the use of consultants in the British health system, which actually shows that decline that you're speaking of. So I just wondered about your description of "deep expertise". I wondered if there's been any attempt by anyone that you know of to look at some of the normative assumptions. That's a very normative assessment of what consultants bring to the table, without the corresponding, it would seem, data or evidence to support it.

IAN GOODWIN: I might just make a clarifying comment, if I may. When I was talking about the expertise, I was talking in terms of what an individual who has now left a practice could bring to a board—as distinct from the success of particular consultancy engagements. My comment was more about ensuring that, whatever system you do set up, you don't deny your access to individuals that have expertise. But the principles of declaration of conflicts of interest or financial interests—those governance and probity measures—always need to be the guardrails to accessing that expertise.

The broader comment—I'm not sure that what we did in the Auditor-General's audit was an assessment around how the public service was engaging consultants which had, "Were they strategic in nature? Were they meeting the definitions? Were they compliant in nature?" It wasn't necessarily a test of whether the outcomes of those consultancies were the right outcomes. I think it's fair to say, one can always point to examples where perhaps there weren't good outcomes, but it's probably fair to say that one could also point to other outcomes as well that were successful.

The Hon. Dr SARAH KAINE: Has there been any global assessment? Or not even global—we're talking about the dearth of data and not collecting data. Are you aware of any assessment of success?

MARGARET CRAWFORD: No.

IAN GOODWIN: No. Not from our work.

MARGARET CRAWFORD: Not from our work. I'll just remind you also that in our work we did again call out the need for benefits realisation as a key part of managing consultancies, so that you can assess whether, in fact, you did get a good outcome from that engagement.

The Hon. Dr SARAH KAINE: So there's a gap there?

MARGARET CRAWFORD: Yes.

The Hon. SUSAN CARTER: I am just following up on the outsourcing of work to consultants through, for example, local health districts and the clear picture that's emerging—that there's work being done by consultants. In the systemic issues around the value-for-money proposition, has there been any work done or is there, in fact, even an audit process that could be done to look at, if this work was not being outsourced to consultants, what the cost would be to the agency of employing and maintaining full-time staff with the relevant spread of expertise to do what might actually be project-based work and whether systemically consultants can create more value for money than a workforce?

MARGARET CRAWFORD: We have not done that work. I can't see why it couldn't be done. But that would really be a matter for management rather than us.

IAN GOODWIN: I think it's important to always go back—management has the responsibility here and management should be able to have the tools, including internal audit, to look at these matters.

The CHAIR: When you were speaking before about people who have retired—preferably those that don't retain a financial interest in the consultancies that they came from, but let's just say that you have a retired consultant sitting on a board—presumably if we were putting those people on boards because they added that expertise, why are we then seeing an increasing spend on consultants? To me, that seems counterintuitive.

MARGARET CRAWFORD: Interesting.

IAN GOODWIN: It's an interesting question. I think it goes back to an earlier question around training and capability. Probably being a little bit on the defence of the public service, I just offer a comment that there's certainly a lot being asked of the public service in terms of policy development. The labour expense cap does put a limit on the number of employees and contractors you can engage and it doesn't include consultants. So one of the things that has been offered in our audits is that sometimes there are capacity issues as well as capability needs and those capacity issues could be structural. I would offer that I don't think it's because public servants are lazy. I would not share that view. But I think there may be capacity constraints put on the system and that is a tool. It goes back to making sure that you have the right structural systems in place across the public service so that the capacity exists—as well as you haven't eroded the capability.

MARGARET CRAWFORD: It is also fair to remember that New South Wales has been faced with really significant emergency events over the last few years. While that may not directly impact the number of consultants, it certainly has had an impact on capacity to manage events at the same time as you're managing core business.

The CHAIR: Firstly, I put on record that I love the public sector and I want more of the public sector and I certainly would not subscribe to the view that they inherently don't do things better than the private sector. But when we're looking at this previous Government strategy to reduce spend on consultants, was that coupled with a strategic rebuilding of public sector capability to take from that? Or was that, to your knowledge, just a sort of aspirational goal?

MARGARET CRAWFORD: I would say that it was probably a fairly blunt instrument, as our report showed. The budgets may have been decreased but there wasn't a whole program to then manage that through agencies who, in fact, did continue to engage consultants from other sources.

The CHAIR: Because you could, obviously, have a policy from government where you are actually using consultants to increase the capacity and to decrease the reliance on external consultants going forward.

MARGARET CRAWFORD: Again, we're not commenting on policy.

The CHAIR: No.

MARGARET CRAWFORD: We can only speak to the work that we did.

The Hon. Dr SARAH KAINE: Just a slight follow-up and maybe it's just a reframing—Mr Goodwin, you mentioned the labour expense cap and that's the discussion we've just had. Putting it a different way, if we had a capable and adequately resourced public sector, then is that likely to reduce the use of consultants to cover that gap that you said was the squeeze because of that labour expense cap?

IAN GOODWIN: At this point, I'm just offering a personal view—

MARGARET CRAWFORD: You don't have personal views!

The CHAIR: You're not allowed to be a person.

IAN GOODWIN: —rather than anything we've done as an audit. I think the question is a little bit, perhaps, not to be unfair—I don't think it's as linear as perhaps the question might propose it is. I think it's more complex than that.

The Hon. MARK BUTTIGIEG: Can I just follow up on that because it's very interesting. Superficially it appears as though it's a dichotomy and some of your evidence has gone to this before. If it's a devolution for management discretion based on the philosophy that a manager of a particular agency should know their subject matter and therefore they're the best-placed people to make an objective judgement about where to draw the line when we bring in consultants because of their particular areas of expertise and when we use our own internal people, because we know the business, so to speak, that's really not your remit, is what you're saying. That's a function of management structures and maybe Treasury coming in over the top and making a decision about whether agencies are managing correctly. But the key theme of your evidence here today is that the Government wasn't even complying with its own guidelines and regulatory framework. Even if we disagree with the use of

consultants or not and the adequate place to draw that line I just outlined, they weren't even complying with their own guidelines and their own policies—and to date we're kind of playing catch-up to even get it back to that point where they are complying. Would that be a fair summary?

MARGARET CRAWFORD: It would, to some extent. But again, each agency and each agency head would have a view as to the appropriateness or otherwise of their engagement of consultants. Again, I think what our work was saying is there's not visibility of that. There's no reporting of that that's coming back to the centre so that it can be assessed overall. I'm sure there would be individual secretaries who would have very good reasons why they needed to engage a consultant over and above whatever the budget—

The Hon. MARK BUTTIGIEG: But we don't know because they're not complying with the framework.

MARGARET CRAWFORD: Exactly. Again, we go to overall monitoring of devolved arrangements, and transparency.

The CHAIR: Would it be helpful if we expanded the "follow the dollar" powers for the Auditor-General so that you could be looking—I understand there's an exclusion for the moment for services that are provided directly to government agencies for their exclusive use. It seems like that would capture some consulting spend. Would that allow you to be able to find out more about the use of consultants?

IAN GOODWIN: The obvious answer to that is yes, it would. But I would also just offer that the Auditor-General, through a number of reports going back to 2018, has been calling out these risks. They are coming out of the financial audit work, the report called *Internal controls and governance 2022*, which talks about consultants—and indeed contractors—that are on long-term engagements. I think a very good starting point would be just to go through the recommendations that have already been made and take stock of those.

The Hon. MARK BUTTIGIEG: I sense there's a level of frustration here that this is not necessarily a contemporary revelation. You mentioned 2018. We are now five years down the track and we really haven't made that much progress.

IAN GOODWIN: I think things could be done better, is probably what has been called out over a number of years by the Auditor-General's reports.

The Hon. MARK BUTTIGIEG: Can I just explore another area of off-book potential consultancy spend, so to speak? It is this idea of—I think I saw somewhere—the legal panel. Does that mean, in a nutshell, if we're employing lawyers and the panel decides that lawyer XYZ from ABC firm is appropriate, that doesn't have to be classified as a consultancy and therefore doesn't show up in the spend?

MARGARET CRAWFORD: I'm not sure that I'm going to know totally the detail of this, but there is a legal services panel from which legal firms are sourced. I do not know the reason why it's exempt from reporting. That question would need to be directed to the Procurement Board.

The Hon. Dr SARAH KAINE: Is that a similar situation with IT consulting?

MARGARET CRAWFORD: That's one of those tricky areas. Again, there is a professional services panel that relates to IT, and there is some confusion then, if you engage a person through that panel, whether that's a consultant or not a consultant. It could be engaged through that panel and still be a consultancy. That's where it just gets a little bit hard to get really underneath the data.

The CHAIR: In the context of other jurisdictions and commentary, and some of the things that academics have been saying in this area, there's often this reference to the idea of loss leading: the practice of consulting firms—particularly on the audit side, often—going into a business or a government agency and providing their services at a discount—sometimes pretty much for nothing—just to get their foot in the door to then be able to market their other services. Have you seen any evidence of that in the New South Wales context?

MARGARET CRAWFORD: Not in terms of a particular audit report that we've done, at least in my time. Perhaps we've had some more direct experience in relation to our own auditing of the local government sector when we took over that sector. Prior to becoming the auditor for local councils, all councils had outsourced their audit services to the private sector. Certainly our experience was that the price they were paying for private sector auditors was extremely low and you would have to question: Why was that? Where were those firms making up for the low price they were charging for their audit?

IAN GOODWIN: I could probably just add to the Auditor-General's comment there. When the Auditor-General took over the mandate for that local government sector, part of how we resourced those audits was to use some of the existing firms initially because it's such a large sector to manage. It was quite obvious that the audit fees were very low. We also saw evidence where some of the firms that were doing the audits as the external auditor before the Auditor-General took on the mandate were also providing advice that probably

wouldn't meet our standards around independence—providing advice to management on accounting and then auditing that.

Since the Auditor-General has taken over the responsibility to manage the audits across the local government sector, obviously the Audit Office doesn't provide other services—it's simply an audit office—and the firms that do work with us as audit service providers under a contract are actually our contractors rather than a consultant. Because they operate to our methodology, the costs of those audits have increased over time. I think you could probably see a point in time when private firms were doing the audits in their own right and were also doing other advice to the councils. Since the Auditor-General took over the mandate, where we don't allow a provision of advice that perhaps might have been offered in the past—

The Hon. MARK BUTTIGIEG: Sorry, the implication from that evidence is that there's a little bit of a quid pro quo going on with reducing the cost for the audit, yes?

IAN GOODWIN: Not now.

The Hon. MARK BUTTIGIEG: Not now. No, I understand, but—

The CHAIR: In the past.

IAN GOODWIN: It's a hard thing, because we haven't audited that. I simply would just offer that the fees were low and we saw evidence of provision of advice that wouldn't meet our standard of independence. And we don't allow that any more.

The Hon. SUSAN CARTER: But if the advice that was being provided didn't meet the standards, that's also an indication that those external relationships weren't being managed properly by the local councils.

IAN GOODWIN: I couldn't offer a view on that because that's before our time. What I would say is the term of "loss lead", to be fair to the firms, they would probably argue that's not a practice that they do any more. Obviously I've asked the question of PricewaterhouseCoopers—"What is the practice there?"—and they've given the assurance that the audit practice is a different profit centre to other practices. I have not tested it, but I think that would be their view, and that the practice of loss lead was a practice that perhaps existed prevalently a while ago. I think the firms would probably say that doesn't exist any more. It certainly doesn't exist under the arrangements of the Auditor-General.

The Hon. SUSAN CARTER: But I suppose, returning to the theme that we've been exploring—where a lot of the issues are around the adequacy of the management of the relationship with the consultants—if local councils, whether it was part of a package of services or whatever, were paying for and receiving advice which didn't meet appropriate standards, that would suggest that relationship was not being managed well by the local council.

MARGARET CRAWFORD: I don't think Ian was saying that the advice didn't meet the standard. The standard we're applying is one of independence—that if you're providing auditing services, you should not also be providing advice to the same agency, particularly on accounting matters. I think that's the standard Ian is referring to. Speaking on behalf of councils, they probably really appreciated the fact that they could get access to good advice because, from a capability perspective, they really needed that.

The CHAIR: I think it's definitely an area we can follow up with each department as well to see if they've got examples of contracts that seem a bit cheap in the context. Another one of those broad themes that are coming out in other jurisdictions is this use of consultants to basically rubber stamp a policy the Government had anyway. Whether it's to provide cover for that policy or because somebody more junior is trying to prove, to the Minister or whoever, that this is something they should view as worthwhile. Going and getting consultants to basically stamp off on that—is that something you're seeing in New South Wales?

IAN GOODWIN: "Seeing across New South Wales" is a fairly broad statement, so I probably couldn't answer the question in the broad. I think the Auditor-General has deliberately called out that, if not properly managed, there is a risk. We've used the term "undue reliance", and that can manifest itself in terms of getting advice that may not be objective or impartial. That risk was called out in the *State Finances 2021* report, and the design and implementation of TAHE. I guess if there is an example, perhaps we've called out the risk in the context of TAHE.

The Hon. MARK BUTTIGIEG: Is that the—I think the phrase I saw referred to was "opinion shopping"?

IAN GOODWIN: I think that's a phrase that someone else might have used, but I understand the phrase. I'm not sure that we saw evidence of opinion shopping, which might be where you go from firm to firm and then you settle on the firm that you like. Perhaps what we did call out is that, in the question of TAHE, one firm was offering advice to two departments, and there was a question as to whether that advice was giving the same answer.

MARGARET CRAWFORD: The preferred advice. What was the preferred advice.

IAN GOODWIN: Yes. And Treasury probably took a view that they disagreed with one part of the advice to another department from that one firm, and preferred the advice that they had. I guess it's history now that the Auditor-General said the advice that Treasury preferred was not necessarily the advice that was going to get a cleared opinion. In fact it was probably going to get a qualified opinion.

The CHAIR: In that case, I think maybe what you're thinking of, Mr Buttigieg, was that we had KPMG acting for both Treasury and Transport, but then previously there had been the PwC report provided that was giving advice. I think maybe that's where that "opinion shopping" concept came from. Do you recall—

IAN GOODWIN: I do recall there was an advice from PwC. A lot of the complexities here—the advice was looking at a different question. It was looking at the question—one of the questions—of control. The final model of TAHE had evolved since then. I think it's an interesting question perhaps for the department that commissioned that advice as to why they didn't settle on the final advice. I think it was settled as a draft advice. The reality is it was answering a different question and the model had evolved since then.

The CHAIR: At the end of this process we're hoping to give recommendations. I heard this discussion before about these contracts below certain thresholds, and we're not getting disclosure below \$50,000, for instance. If we were to have at least a requirement that, say you have multiple below-\$50,000 contracts with PwC or with KPMG or whoever, even if you're not getting details of each of those contracts you get an aggregate reporting. Is that the kind of thing that you think would be a solid recommendation to get more of a grip on this use of consultants?

MARGARET CRAWFORD: I think to some extent—correct me if I'm wrong—the current Procurement Board or NSW Procurement do try to do those aggregates through their expense cubes.

CLAUDIA MIGOTTO: Spend cubes.

MARGARET CRAWFORD: Yes, spend cubes—got it right. I think they are making that sort of effort. It probably doesn't have total coverage and, again, we would say that it needs to be made transparent.

The Hon. Dr SARAH KAINE: It seems ad hoc, whereas it could be up-front. It could be an up-front disclosure, as opposed to Treasury then having to rejoin the dots down the track.

IAN GOODWIN: I think there's a couple of dimensions here. Transparency is obviously everyone's friend in terms of accountability. Any system where there is transparency on the use of consultants will improve accountability. The other side of it is just making sure that the probity arrangements on the commissioning are robust as well. There are a number of things to be considered. One would be that I know in other jurisdictions they talk about the role of public servants being able to not go to an agency where they've been subject to a tender process. The Commonwealth has quite clear guidelines on that, probably more helpful guidelines than exist in New South Wales.

The other thing is the simple gifts and benefits—having a transparent gifts and benefits register, where you're disclosing to make sure that public servants aren't at risk of receiving gifts and then offering contracts. I'm not suggesting for a moment that that exists, but what I am offering is that transparency is a friend, and it's more than just the number. It's about probity measures. Part of that would be having open gifts and benefits registers, which the Auditor-General has commented on in the past in internal controls and governance reports.

The Hon. PETER PRIMROSE: You may wish to take this on notice; I'm just aware of the clock. In relation to the State's financial consolidation system, Prime, are there any particular gaps there that you've identified—you mentioned a couple previously—where your view is that there shouldn't be gaps in relation to consultants?

IAN GOODWIN: I think the gap that the Auditor-General has offered is where is the single source of truth on the total expenditure of consultants? Prime just happens to serve a particular purpose, and the purpose it serves is it aggregates recurrent expenditure in the general government sector. Any expenditure on a consultancy that is capitalised to a project for an accounting purpose—and that can be quite legitimate to capitalise that, so it goes to the balance sheet—won't necessarily show up under that line item of recurrent expenditure. It's still going to be within the whole-of-government account; it's just not sitting in recurrent expenditure.

So the point I would offer is that Prime serves a particular purpose. The audit looked at Prime from the perspective of measuring whether the election commitment to reduce expenditure on consultants by 20 per cent—the \$100 million—had been achieved. The baseline measure of that election commitment related to recurrent expenditure across the general government sector, so that's where Prime sat. It's not so much a limitation within Prime—Prime is the accounting system. What Prime also doesn't do is itemise—as an accounting system you

wouldn't expect it to itemise each expenditure in detail. It will aggregate all of that expenditure across the system, but it won't necessarily tell you that that dollar relates to that consultancy on that agency. That's why we went to the annual reports.

The Hon. PETER PRIMROSE: Should it?

IAN GOODWIN: It just serves a different purpose. I think the thing that has been said by the Auditor-General is that there should be a single source of truth. Prime is just offering—it's an accounting system and a budget system. It definitely captures recurrent expenditure. The only real question is whether you should be capturing capitalised expenditure. If you want to get the true picture of total expenditure on consultancies, Prime is going to give you part of the answer. That doesn't make it incorrect—it's just giving you part of the answer.

The Hon. MARK BUTTIGIEG: Can I take you, Auditor-General, to a paragraph in your letter to the Chair, which was very helpful as a kind of overarching position of the report and the reports that are being done? I just want to tease something out because there is a degree of ambiguity about it, and I want to get clarification from you. It says:

This audit also examined the effectiveness of the NSW Procurement Board in fulfilling its functions to oversee and support agency procurement of consulting services. The report noted that the Board is not fully effective in overseeing and supporting agencies' procurement of consulting services. The Board's oversight of agency and supplier compliance with the Standard Commercial Framework is limited as it relies on self-reporting, and the information provided is insufficient to properly monitor compliance.

Does that mean that the inability of the board to carry out its role is solely due to the lack of transparency and qualitative nature of the data, or does it also mean that, notwithstanding that, they're still deficient?

MARGARET CRAWFORD: To be clear, that was a 2018 report. I think I will defer to Ms Migotto, but I think there has been some improvement. But we've still identified gaps.

CLAUDIA MIGOTTO: Yes, and I think one of the key gaps that we identified is the lack of implementation of the agency's stated response to the recommendation about implementing vendor management system, which would have provided greater visibility, perhaps, to entities like the Procurement Board. But I think it's a bit difficult to dissociate the effectiveness of the board from the effectiveness of the data and the potential for data leakage that's occurring before the board's consideration.

The CHAIR: You have been very diplomatic in your responses here. When I read the 2023 report, I sensed a real frustration over just how difficult it is to actually work out how much the New South Wales government is spending on consultants. Mr Goodwin, you've talked about transparency—we should know this stuff. If I went out to a person on the street and just asked them randomly, I suspect—and it's certainly how I feel—that there should be somebody somewhere within the New South Wales government who can say, "In this financial year we had this much money that went from our accounts to PwC, from our accounts to KPMG, from our accounts to whoever." Is that available somewhere? I know that you have not been able to get hold of it, but is it something that someone, say, in Treasury could just look into their accounts and say, "This is how much we spent"?

MARGARET CRAWFORD: I think it's fair to say that our expectation would be that NSW Procurement attempts to do that by pulling together the different sources of information to present a full picture. There are judgements, though, involved in categorisation of various engagements et cetera. The frustration that we might feel is probably similarly felt with management within government agencies. It's the same frustration. But we would expect that NSW Procurement would do better in analysing the data. I think our audit demonstrated that it was possible to bring that all together into one place.

The CHAIR: Whether you call it consulting or contracting or whatever you call it, someone must know how much we have given to the big consulting firms.

MARGARET CRAWFORD: Yes, and we think that should be NSW Procurement.

The CHAIR: That has been incredibly useful. Thank you again for all of your reports, for attending and for everything that you do in this space. We may have additional questions for you after the hearing. We've resolved that the answers to those, along with any questions that you took on notice today, will be returned within 21 days, and the secretariat will be in contact to discuss that.

(The witnesses withdrew.)

(Luncheon adjournment)

Mr ALFA D'AMATO, Deputy Secretary and Chief Financial Officer, Financial Services and Asset Management Division, NSW Health, sworn and examined

Mr PHIL MINNS, Deputy Secretary, People, Culture and Governance Division, NSW Health, sworn and examined

The CHAIR: I welcome our next witnesses from NSW Health. The Committee resolved earlier that in relation to this particular session we would have a shorter period of time for returning answers to questions taken on notice and supplementary questions. Those will be due back by 23 June instead of the usual 21 days. If I could start by asking you to make a short statement, and try to keep it short as possible.

ALFA D'AMATO: Thank you for the opportunity to appear in front of the Committee. I am the **Deputy Secretary of the Financial Services and Asset Management Division** within the Ministry of Health and the **Chief Financial Officer**. The **Financial Services and Asset Management Division** has strategic oversight across the procurement of goods and services within NSW Health. As leaders and enablers of better practice, the division's key objective is to maximise value across NSW Health. The division provides support with respect to governance, regulatory compliance and strategic direction for all NSW Health entities.

NSW Health conducts its procurement in accordance with its obligation to ensure value for money, improve competition and facilitate access to government business, particularly by small and medium enterprises and regional enterprises. This includes consideration of various factors including cost, quality, capability and capacity. NSW Health operates under a devolved procurement model with strong oversight from the Ministry of Health Strategic Procurement branch through policy settings, compliance activity, training and guidance. Shared services entities such as HealthShare NSW and eHealth NSW lead tactical and operational procurements, Health Infrastructure NSW leads the delivery of NSW Health capital projects, and local districts and specialty networks operationalise statewide contracts and manage local procurement according to business needs.

I would like to acknowledge the Audit Office report into the use and management of consultants by New South Wales government agencies, released on 2 March 2023. While NSW Health was not one of the agencies that participated in that review, it welcomes the Auditor-General's recommendations to improve the practices in relation to engagement of consultants. I would also like to add that in 2020 NSW Health commenced reform of its procurement framework and governance.

The reform program is focused on five work streams—sourcing and contracts, dataflow, supply chain traceability, business intelligence, and analytics—and transitioning all procurement activity into a statewide platform. This will create a single end-to-end centralised procurement system with a single source of truth for all data. The procurement reform program is ongoing. Through this program of works I am confident that NSW Health will address the concerns of both the Auditor-General's recent report and those of the Committee. I share the ambition of the Committee to make sure that we appropriately balance the long-term social, economic and environmental interests of the State and make sure our resources are used wisely and responsibly.

The CHAIR: If we could commence questions with some basics around NSW Health's total spend on consulting, are you able to tell us how much NSW Health has spent on consulting firms since 2011?

ALFA D'AMATO: Since 2011—I need to take that on notice. But I can tell you that what we spent last year—and that was reported in the annual report—for consultants is \$6.372 million. This includes consultancies less than \$50,000 and above \$50,000, which are disclosed and itemised in the annual report.

The CHAIR: Great, so that's 2021-22?

ALFA D'AMATO: That's 2020-21.

The Hon. SCOTT FARLOW: Is that calendar year or financial year?

ALFA D'AMATO: It's financial year. In respect of 2021-22, the total was \$3.7 million.

The CHAIR: That sort of accords with—I've been through the annual reports and I think it's about \$29 million all up, but if you could come back on notice that would be great.

ALFA D'AMATO: That's correct. I want to make a note. In regards to the consolidated reports, we always report the results for the State at the consolidated level. NSW Health, as you mention—the 22.2 million is the whole spend across all entities. But we itemise only the components related to the parent, which is the ministry. I understand that the Auditor-General this morning also addressed the fact that there has been changes and from next year we will be looking to implement these changes and therefore we will be able to itemise the spend across the whole system in the annual report.

The CHAIR: Are you aware, then, of how much the local health districts have spent on consultants since 2011?

ALFA D'AMATO: Since 2011? I need to get back to you. I don't have the figures since then.

The CHAIR: As a matter of course, although the Auditor-General was saying that it's very difficult for her to find the total spend on consultants from the local health districts, presumably NSW Health has that data readily available. I understand you haven't brought it here today, but it is readily available?

ALFA D'AMATO: It is, but I do want to make a comment that each individual local health district prepares a financial statement which is publicly available and they report the spend on consultancies for each district. That is publicly available. What is not available is the itemised details that we make available for the Ministry of the moment as has been the practice in compliance with what has been requested.

The CHAIR: Understood. I table a document. My office went through all the annual reports for each of the local health districts and we came up with a figure of \$124 million since 2011. If I could ask you to take that document away and on notice come back and confirm whether or not that is the correct amount, that would be very useful.

The Hon. MARK BUTTIGIEG: Can I clarify that those figures you quoted for financial years 2020-21 and 2021-22 are direct ministerial expenditures on consultants as opposed to expenditures by the local health districts, is that correct?

ALFA D'AMATO: What we do report in general reports are two amounts; one is the parent, being the ministry, and the other one is the consolidated results. The consolidated includes everything—all the districts, pillars, agencies and entities. So the difference between the two would account for all other entities, which I presume is what is in this table that has been—

The Hon. MARK BUTTIGIEG: Okay.

ALFA D'AMATO: This is available by just going through, as I suppose has been done, on the internet. Every single district publishes their financial statement.

The CHAIR: For comparison then, if we look at the table we have the Ministry of Health spending just over \$6 million in the 2020-21 financial year, whereas we have the local health districts spending just over \$15 million in that year. Similarly, we have in 2021-22, from a ministry level, Health spending \$3.7 million on consultants, but we have \$14.225 million being spent by the local health districts.

ALFA D'AMATO: I would like to clarify the fact that what you are looking at is a subset of all the entities, in that it doesn't include some of the shared services, for instance, that would have been otherwise reported in the consolidated results.

The CHAIR: So your consolidated results also include HealthShare, eHealth—all of those is in your figures?

ALFA D'AMATO: That's correct.

The CHAIR: Just not the LHDs.

ALFA D'AMATO: I'm sorry. The LHDs is a subset of the consolidated numbers. When you look at the annual report currently, for instance for 2021-22, consolidated would report a \$22.2 million total spend. So if you then take the ministry out of that, you can't compare the balance to what you've got here because there are still other agencies missing.

The CHAIR: I understand, but we still have a rather large percentage of that total spend being spent by the local health districts or at that level, correct?

ALFA D'AMATO: That's correct. It's also worth noting that the total budget over these years for the local districts would be around \$300 billion.

The Hon. MARK BUTTIGIEG: Three hundred?

ALFA D'AMATO: It's on average around \$20 to \$24 billion a year—the districts-only component. So if you look at that as a denominator, this looks more like something 0.03 or 0.305.

The Hon. SCOTT FARLOW: So what is the Ministry of Health's budget in that period?

ALFA D'AMATO: The Ministry of Health as in the NSW Health budget this year 2022-23 is \$33.5 billion, of that there is \$3 billion of capital and the balance is recurrent. So if you look at the growth and

what has been published in the budget papers over the last 11 years since this data has been corrected you can aggregate the whole lot and you see an average.

The Hon. SCOTT FARLOW: But just by way of understanding, how much would the local health districts be responsible for in terms of the budget spend as a percentage, give or take?

ALFA D'AMATO: Give or take, I say between 65 per cent and 70 per cent, if not more at times. It depends. For instance, if you take the COVID years there might be a little bit more as a result of the way we deploy some of the resources.

The Hon. SCOTT FARLOW: So 65 per cent to 70 per cent?

ALFA D'AMATO: Yes.

The CHAIR: Just correct me if I'm wrong. So we're saying, yes, the local health districts are 75 per cent of the total spend of Health overall in its consulting spend, but you're saying that's proportionate to the budget that those local health districts run compared to the rest of Health. Is that the point that was being made just then?

ALFA D'AMATO: That's why my answer was related to the overall proportion of the budget that is deployed to districts and networks.

The CHAIR: Just to put it in a different comparison or a different light, the spend just from the local health districts, not including the rest of Health, in the last year on consultants was more than Education, DPC and DPE spent together—so combined. That is still objectively quite a large consulting spend from these local health districts, wouldn't you agree?

ALFA D'AMATO: I would need to check the figures from Education and what has been reported in Education. I think, as it's been noted this morning by the Auditor-General, there are some inconsistencies in the way different clusters are reporting. So I need to just check that the figures you've quoted are comparable to what we have reported.

The CHAIR: Does NSW Health have any visibility around how much additional money is also being spent on contractors where those contractors are consulting firms?

ALFA D'AMATO: I've just got the data in front of me. It is \$6.4 million. This is for 2021-22.

The CHAIR: So \$6.4 million for 2021-22 was spent on contractors—

ALFA D'AMATO: Was reported in the contractor spend in respect to some of the big four consultancy firms.

The CHAIR: Was that local health district level or was that—

ALFA D'AMATO: I can't tell you that. I don't have that level of detail. I've just got the aggregate at the moment.

The CHAIR: So there was \$3.7 million spent last year at a consolidated—sorry, not a consolidated level. What was the spend last year on consultants across Health?

ALFA D'AMATO: It was \$22.2 million.

The CHAIR: And then you're saying an additional \$6.4 million was also given to the big four for what was classified as contracting rather than consulting.

ALFA D'AMATO: That's correct. I would like to refer back to the definition of consultant that is also provided in the Auditor-General report. It is clear that consultants, and in particular in regard to also how the Procurement Board defines consultants—those engaged for professional advice and/or recommendations. So then the difference between consultant and contractors, which I believe also the Auditor-General report calls out, can be a little bit difficult at times. But we do have a statewide guideline for Health, supported by our procurement policies, to make sure that we can capture correctly what is an advisory consultancy versus contractors.

The CHAIR: Just to drill down into what that might look like in practice then, I understand the Qudos arena immunisation or vaccination hub was run for the Western Sydney Local Health District by PwC. Would that have been classified as a contracting service or as a consulting service?

ALFA D'AMATO: I would need to confirm the details but, as you said at the very beginning this morning, at times we need to engage consultants because we need something to be done quickly. That's more likely than not that it could be a contracting rather than a consulting.

The CHAIR: And I think we can apply a slightly different lens to the way that we view activities during COVID, which was particularly for Health a particularly unusual set of circumstances where things needed to be done in a rush. I'm just curious. Do you have any other examples then of the type of spend on consulting firms that would be classified as contracting as opposed to consulting?

PHIL MINNS: I could give you a couple from my own context that occurred during the COVID period. One of the things we had to do was plan for catastrophic workforce outcomes. If we experienced what was experienced in Europe or the United States in our health system, we would run out of a clinical workforce. We had a strategy around all of our options to surge workforce but particularly we landed on how we could bring people who had lost employment elsewhere in the State—how we could bring them in and make them resources that could assist the clinicians who we still had. We never actually had to fully execute that plan, thankfully. But we had to develop it and we had to screen and get employment-ready several thousand potential employees. We used an external firm to do that because we did not have that scale in any of the districts or in the ministry. So it was a classic case of extreme need. We need capability; we need it very quickly.

The Hon. MARK BUTTIGIEG: Can I ask on a related point, on that previous PwC example where they were ostensibly contracting for Qudos, is there any probity oversight from the department to ensure that the potential for advice from the same firm isn't conflictual on then a subsequent contract?

ALFA D'AMATO: I need to double-check. I have to admit that what we put in place during COVID is probably slightly different to what would normally occur. On top of that I also would like to state that we have a new procurement policy, which has been put in place since June last year. It's likely that might have been after the Qudos arena, so I will need to get back to you.

The Hon. MARK BUTTIGIEG: That would be good. So if we could have pre- and post- any probity measures that either didn't exist or now exist, because you see the potential for, obviously—and it was raised this morning in evidence from the Auditor-General as well.

The Hon. Dr SARAH KAINE: Could I ask, Chair, through you a follow-up question but maybe take it broader again. I'm just trying to understand. In your opening statement, Mr D'Amato, you spoke about the ministry providing strong oversight of arrangements. My understanding is that there is responsibility for monitoring and compliance, yet there's a devolved system. Could you, in the shortest possible way, give me an explanation of how that works, both the oversight but the devolution. There seems to be a bit of a tension there that I don't quite understand.

PHIL MINNS: If I can, Dr Kaine. I'll talk about the devolved governance arrangements. You're familiar that we have local health districts. It's a feature of the National Health Reform Agreement dating back to, probably, about 2011, 2012. The New South Wales response to that is the 15 local health districts and the two specialty networks. It's quite clear, under that national framework, that those local networks have to manage their own budget in accordance with State financial and audit requirements. So they should not be characterised and seen as branches or divisions of the Ministry of Health. They are not. They are statutory corporations under the Health Services Act. So they have a requirement, both in terms of the policies that Alfa's team maintains and implements, as well as the requirements of Treasury and the Procurement Board, to actually operate within that framework. One of the things that my area requires them to do each year is to develop an attestation statement, as an executive of the district, with the board and signed by the board chair, that goes to the seven features of our governance framework that they need to monitor and attest that they have in fact executed. That's how the governance piece works. Alfa can explain the oversight on procurement.

ALFA D'AMATO: Thank you, Phil, and thank you, Dr Kaine. What I wanted to mention is that, obviously, our policy has been recently launched, in June last year. This document is the only policy applicable to all Health entities. And it clearly spells out roles and responsibilities as well as the expectations when it comes to all the procurement aspects, whether sourcing, planning and contract management as well. There's been a lot of consultations internally, and I believe these policies, which is complemented with a procedure document, provide sufficient details to Health entities in respect to how to approach procurement in all respects as well as consultants.

The Hon. Dr SARAH KAINE: That new policy came in last year. New policies often come in to fix deficiencies in previous policies. Could you explain what it was that you were attempting to do with the new policy, that perhaps wasn't there in previous policies?

ALFA D'AMATO: I think the main thing we wanted to achieve was—first of all, there was an audit conducted on our contract management and that triggered the procurement reform approach from our end, which has given us great opportunities not only to resolve the contract management, to take a broader look at all our procurement aspects. In the first instance I think one of the key challenges I wanted to resolve was in regard to

roles and responsibilities. For instance, we have shared services around not only the procurement but also in respect to ICT and the capital. This policy creates a very clear expectation in regard to when they are to use statewide contracts, when they're to use shared service models and when to use ICT. For instance, eHealth would be in the category manager for that particular sourcing. That's what we really tried to explain.

Then we took the opportunity not only to emphasise, if you want to expand on some of the aspects, in particular when it comes to, if you want, what I call the—it was also referred this morning—getting started. In setting up all the steps, we really want to focus the branches or districts to identify what are the business needs so that, at that point, we can be clear on what it is that we set as objectives. Also, they've clear steps in regard to what then needs to be considered around sustainability, resource efficiencies, calculating and submitting the contract value, which goes back to the core of this concept of contract variation. So we also put in place steps, proactive steps, to make sure, when there is an engagement, there's clear opportunity at the very, very beginning to understand what is the possible extent of the engagement so that we can avoid contract variation, and we have steps in regard to how to authorise contract variation.

The Hon. Dr SARAH KAINE: And there wasn't a process in place before to do that.

ALFA D'AMATO: There was another policy before. But this probably details further all these steps. We have removed any interpretation as much as possible. Again, 12 months on, we're looking at a review. This policy came with strong change management as well. There were lots of training sessions conducted when we introduced this policy. To support this policy, we also have put a lot of effort in the procurement academy, which is a training session that all our procurement leads need to go through in order to comply with this policy.

The CHAIR: Perhaps we can look at just a couple of examples of—

The Hon. MARK BUTTIGIEG: Can I quickly check, because it was a related point on the evidence, the attestations of this self-assessment model. Are you aware of any scrutiny by the Procurement Board on these attestations? Or are they just taken at face value? Can you recall any examples where the Procurement Board has come back to an LHD or the department and said, "Actually, we want to drill down into this a bit"?

PHIL MINNS: I'm not familiar with one. But we can take it on notice and seek to confirm.

The CHAIR: Just going to a couple of recent contracts that have been entered into by health agencies since that update to policy. These are both Ambulance Service of NSW contracts. I'm looking at one from 4 October last year. This is a notification of an amended contract from—it's looking at September 2022-23. It is with Deloitte, in relation to the SWIFT Program. It's for an amount of \$1.8 million. Can you tell us what that was for and why it needed to go to an external provider?

ALFA D'AMATO: I probably need to go back to the details of the particular contract. But, from what I'm familiar with, the overall program is about additional ambulance stations that were announced in this year's budget. That program of work is the implementation part. But, as I say, I just need to go back to it. We're looking at around 30 new stations across the State.

The CHAIR: This particular one is in relation to the establishment of a project management office and then a governance and performance-monitoring framework. I understand that this went out on limited tender. I'm interested in knowing why that was, I guess, for such a huge amount. Also, did that limited tender lead to more than just Deloitte putting in for the work? I also understand that there have been a number of concerns raised in relation to the product of that work. I can put some more questions in on notice. But it does raise the question of how do you assess value for money within Health when looking at these sorts of projects.

ALFA D'AMATO: First I'll take that on notice in respect to the details of the particular engagement because I'll have to check with the chief procurement officer. In regard to assessment and value for money, that is again documented in the policy and clearly spells out in the procedures what it is that we're looking for. Effectively, it is a balanced approach where we mitigate risks and balance the opportunities to deliver on the outcomes that—just going back to the section here—

The CHAIR: Just while you're doing that, can you just also clarify. My understanding is that a limited tender for a \$1.8 million contract is just a breach of the procurement rules. Is it not?

ALFA D'AMATO: It depends whether the limited tender—what you mean by that. But, as I say, I'm more than happy to have a look at the details of the particular contract.

The CHAIR: I'll just mention the other one I have in front of me as well. This one is 28 November 2022. Again this is through Ambulance Service of NSW. It's a rostering and resource-planning system, which again has been subject to quite a lot of criticism. It's with PricewaterhouseCoopers. It's for just over \$1 million and, again, was done with limited tender. If you could find out for us on notice who else put in for that work, that would be

useful. There is a section here where they talk about the evaluation criteria against which the tender was assessed and there is a 20 per cent weighting for "Demonstrated skills and experience of key personnel proposed" to work on the project. That is surprising in something where it looks like it didn't actually go out to a broad tender. It looks and smells like it's really just gone out to one particular firm and partner that they knew wanted the work. If you could come back on that one, that would be very useful.

ALFA D'AMATO: Sure.

The Hon. SCOTT FARLOW: To the Chair's point on the limited tendering scenario, who makes the determination of it being a limited tender and who is the final approver on that point?

ALFA D'AMATO: The CPO—the chief procurement officer—reports to me. They will be the one in charge of making the assessment.

The Hon. SCOTT FARLOW: So in that regard, is that across NSW Health or is that for NSW Ambulance?

ALFA D'AMATO: NSW Health.

PHIL MINNS: Chair, I was just going to make the point that I don't know the details of that ambulance matter and Alfa will come back with the information as requested, but that clause relating to key personnel who will work on the project—you will probably find it's relatively common as a condition across the sector because there is a desire to know that you are buying the expertise of the people who you think you are buying the expertise of such that you don't engage with and decide on a tender bid that you would like to use this firm in this instance because of the history of the people that they have put forward on their team to then discover that a different team arrives to deliver the work. I don't think it's an unusual clause in its own right, but that's just a general comment. We will come back with specifics.

The Hon. SCOTT FARLOW: I imagine part of that is weighted as well. If you have got a partner, for instance, who is working on a project compared to having five juniors, for instance, that's one of the considerations as to whether you are going to get value for money and whether you are going to get the sort of advice that you are looking for.

PHIL MINNS: Yes, you are keen to understand that you receive what was sold to you in terms of expertise. I think Alfa mentioned in his opening statement or we may have mentioned it in our response to various media inquiries that there are two broad reasons why we will seek to use consultants. One is that they bring an expertise that is not commonly executed in our organisation. They are more across the detail than we are. The other is the one where we have already given an example about acute capability needs and we need to scale quickly.

The Hon. MARK BUTTIGIEG: That is fair enough. But I think the concern from the evidence we have heard so far is how does the Procurement Board know, for example, that when you go to PricewaterhouseCoopers and say, "We want a roster system developed for ambulance drivers," or whoever it was, the relevant inquiries that were made as to the qualitative expertise within PwC would be the same that were used before on a previous project? This is the problem, isn't it? There is no transparency over the decision-making.

PHIL MINNS: There is transparency for the people who make the decision in the tender evaluation process. Before we let the tender, our procedures require us to have a tender evaluation strategy signed off. We don't start procurement without a clear sense of what we are looking for and how we are going to evaluate value, capability and likely success of the project. That would have happened in NSW Ambulance. We will have to go and look at the case. But the Procurement Board itself sitting at the whole-of-State level does not have the internal capacity to try and look at every one of these decisions. You have seen from the numbers that there is a usage level in Health that is high, and it is needed. And so we make use of consultants.

The Hon. MARK BUTTIGIEG: But my point is that there is no machinery of government that goes—for example, in the PwC case, when the decision was made to give it to them to do the ambulance rosters, were there relevant inquiries made as to the skill set and the experience based on our previous experience?

PHIL MINNS: If they used our procurement framework even before the refresh, they would have done that work.

ALFA D'AMATO: Let me back to you with the details on that.

The CHAIR: That would be very useful. I take your point around "Demonstrated skills and experience of key personnel proposed". We didn't see it in the other tender that I raised. It stuck out. If that's just something that every contract has regardless, I would like to know a bit more about how many contracts across NSW Health do have that as a criterion that was evaluated. In any case, if you could come back, that would be great.

ALFA D'AMATO: Chair, sorry to interrupt, if I may, just further to your inquiry in regards to the limited tenders, in the current policy, which I believe is also the procurement requirements, anything between \$250,000 and \$30 million requires three quotes. That is the limit they describe.

The CHAIR: If you could come back and let us know if anyone else tendered for that and who they were, that would be very useful. I come back to the point that one of the main concerns that has been raised in relation to the potential overuse and over-reliance of government on consulting firms is this usage for things that really should be within the core functions of government departments. When we are looking at these ambulance contracts in particular—this Swift one of \$1.8 million for Deloitte is to determine the best location of ambulance stations, as far as I can tell, or for the central management of where ambulances should go across the State. How do we not have that capacity within NSW Health or NSW Ambulance? That seems like a very core function of Health in this State, don't you think?

PHIL MINNS: I think Ambulance will have a view about how it needs to organise its future network of stations. Both Alfa and I have not had any involvement in that tender matter. We need to see what they have requested, which we are happy to do.

The Hon. PETER PRIMROSE: But there would have had to have been a needs analysis done to say that you needed to procure it outside of the service.

PHIL MINNS: Yes, but Ambulance is certainly not in the business of trying to understand real estate values across New South Wales. Purchasing land to build stations will be a big aspect of this program. That's not a core capability for Ambulance.

The Hon. PETER PRIMROSE: So there would be guidelines that would have been provided to people who were looking at developing this needs analysis?

PHIL MINNS: I think we need to go and look at the case.

The Hon. PETER PRIMROSE: I am just trying to understand. "NSW Health procurement procedures encourage staff to undertake a needs analysis," so there must be guidelines that were used to enable them to do that.

ALFA D'AMATO: Yes.

The Hon. PETER PRIMROSE: "Staff are also required to access value for money," in line with the NSW Procurement Board definition. So there must be guidelines provided.

ALFA D'AMATO: Yes, absolutely.

The Hon. PETER PRIMROSE: Can we get a copy of those?

ALFA D'AMATO: I think that the answer is likely to be more in regards to the standard commercial framework, which is managed by NSW Procurement, which allows to enter into this contract with limited tender approaches, where they specify the cap rates and what is the mix—the value—in respect of the consultancy.

The Hon. PETER PRIMROSE: I would like a copy of those guidelines that are given to staff.

The CHAIR: We are talking about a \$1.8 million contract here. You would think that at least some point Ambulance would—and my understanding is that even though it's an Ambulance contract, it's something that NSW Health has to sign off on, ultimately. You would assume that a needs analysis of some sort had been put up to a higher level before this got signed off. This is a significant percentage of that ministry spend.

ALFA D'AMATO: If I can, I will make two comments. One is that all the frameworks are in the policy. I am more than happy to provide the policy and the procedures. The other part that I also think we need to acknowledge is the complexity around—as I understand it, 30 stations were announced to be deployed so that they could improve the ambulance performance. I'm not an expert at that so I'm more than happy to take that on notice, but I do need to acknowledge the complexity of the piece of work from the ambulance side and the fact that NSW Ambulance is not in the business, as Phil has mentioned, to do this on a day-to-day basis.

The CHAIR: You would think that the personnel, though, within the ambulance service would be very well placed to help advise on that. My understanding is they're not even consulted.

The Hon. PETER PRIMROSE: Can I just confirm that you have taken on notice to give us those guidelines?

ALFA D'AMATO: Yes.

The Hon. Dr SARAH KAINE: Could I take us back a step? It might be another one where we're given something afterwards. Mr Minns, you spoke about evaluation as being part of the process. We heard this morning from the Auditor-General that evaluation of consultancy engagement was not done very well. In fact, it wasn't done in the majority of cases. I know that Health wasn't part of that. But I wondered if you could explain a bit what the evaluation process is and perhaps provide us with some examples that can be taken and brought back to us.

PHIL MINNS: Yes. Just to clarify, I was referring to the tender bid evaluation process that's at the front end. I think Alfa's procurement team is best able to advise on evaluations at the end. In some cases, you know, you would take the view that an evaluation is not likely to add any particular value, because you wanted a product from the consulting project and the product was delivered. If you were happy with that product—

The Hon. Dr SARAH KAINE: Except that it's a requirement. It's a requirement, isn't it, of the New South Wales procurement guidelines?

PHIL MINNS: But it might be a very brief process in some instances. If you requested a piece of advice with a report that had a series of recommendations around two competing options and you got the report, well, you know, there's not a significant long-term evaluation there. There perhaps is in three years' time, when you say, "We took the advice and we acted on it. Did it succeed?"

The Hon. Dr SARAH KAINE: So for an activity like the PwC Qudos—oh, that was the contractors. But for a consultancy of that scale, you're saying for you it's more a threshold issue. So you would hold an evaluation for a bigger contract but more a report or something for smaller ones.

PHIL MINNS: I really would have to defer to Alfa there because it's within the CPO's role.

ALFA D'AMATO: In respect of the evaluation, as I mentioned before, the implementation of the new procurement policy allowed us also to focus on the contract management aspects of the procurement. That is where we also focus training and the procurement academy, because I think that the evaluation component is also, if you want, reliant on the contract management aspect or whatever we sign.

The Hon. Dr SARAH KAINE: Yes, but in terms of what the practice has been—I understand that you've got a new policy. We heard this morning from the Auditor-General about other circumstances, but we don't have that transparency with Health because you weren't part of the audit. So, in your understanding, historically, the evaluation process, as opposed to what the policy says going forward—

ALFA D'AMATO: Look, again, I need to have a look at the details and I've asked the team to look into the details, but probably the most important part is that we do believe—and we're working with Treasury and NSW Procurement in regard to the VMS, the vendor management system, because we believe that could actually resolve and streamline the process not only to manage the contracts but also to provide and ensure that we can monitor that the evaluation is being performed in accordance to the policy.

The CHAIR: Perhaps we could ask you to come back on notice with the percentage of consulting contracts where a post-engagement evaluation has been undertaken and also how many of them were seen to be unsatisfactory.

ALFA D'AMATO: Sure.

The CHAIR: That would be very useful.

The Hon. SUSAN CARTER: Mr Minns, I wanted to clarify that point about evaluation, because I understood you were saying that, depending on the nature of the engagement, the right time to evaluate may be on delivery or may actually be after a period of three years when you've been able to see the quality of the advice as you've been implementing, so it may not be as straightforward as evaluating at the time of delivery. Could you just confirm that?

PHIL MINNS: That's a good rendition of what I was seeking to say.

The Hon. MARK BUTTIGIEG: I want to drill down on one of the points that the Chair made previously about personnel and the use of internal subject matter expertise in some of these projects. The ambulance one is one example. Nurses' rosters presumably is another. Prior to and during these outsourcing events where you're getting consultants to tell you about rosters and whatnot, is there any hard and fast process whereby there's an obligation to engage with the people at the user end and consult them as well? Because it seems to me there would be a lot of efficiencies from actually talking to the people who live and breathe it every day.

PHIL MINNS: Look, generally, if we are engaging a consultant and it's a significant piece of work that touches part of the system or the whole system, one of the features of the design of the engagement that we'll seek

a response for in bids is: How are you going to consult with key stakeholders in the system? It's very rare that we would use a consultant to provide their subject matter expertise without reference to any of the internal stakeholders who hold knowledge and expertise. It would be pretty rare if it happens at all. A significant part of several of the workforce-related projects that we have run both pre- and during COVID has been the engagement phase with members of our workforce and representatives of our workforce.

The CHAIR: Just before I turn to the local health district structure again, could you take on notice what your average annual spend was on consulting firms prior to 2011 when those health reforms came through? That would be very useful—just maybe in the five years prior.

PHIL MINNS: Chair, if I could clarify that, we will be able to give you a global number, but because we moved from a different structural base of area health services to the 15 LHDs, I think there will be quite a lot of difference in what we're measuring in those time frames.

The CHAIR: Understood. Maybe just state the limitations in the answer so that we can work out how we might or might not compare it. Which consultants were involved in advising on those NSW Health reforms in 2011?

PHIL MINNS: I cannot answer that, Chair. We can take it on notice. I imagine we can find out.

The CHAIR: Yes, let me help. Maybe you could come back and confirm this. One of the consultants involved was KPMG. KPMG was contracted to consult on the *Future Arrangements for Governance of NSW Health* report, which was released by the then director general, Mary Foley, in 2011. That was actually hard to find, because that report had been put out by the secretary at the time under her own name, but during that she credited a Mr Solomon as providing input into it. It's not mentioned in the report but, at the time that he was providing that input, he was the national health lead for KPMG.

Then a little bit of further analysis leads you to find the actual tender and the information in Health's annual report at the time that talks about the contract they had with KPMG of that same name. If you could maybe dig through that to provide confirmation that that's indeed what that was, that would be very useful. The report says that the Minister announced new appointments to these local health boards to prepare them and to equip them for the task ahead, especially in relation to financial and governance capability. Jillian Skinner, who was obviously the health Minister at the time, in her second read when she introduced the bill for this new structure for local health districts, also said that she would undertake a review of the appointments to assure herself that each board does have the appropriate mix of skills in its membership.

I was talking with the Auditor-General about this earlier. When we look at the very similar 2012 reforms that happened in the UK, the experience there was almost like these local boards were being set up to fail because they didn't have that expertise. The only way that they could get that financial expertise was by consulting out to external parties. It's with that lens that we then look at our own reforms in New South Wales and that devolution of structure, and how we then end up needing a higher level of financial expertise in these boards, which were originally conceived as being a way to input community and clinician feedback back into the structure. That's a very potted summary! But I guess my question to you is: Seeing the reporting and the scandals that came out, particularly in relation to McKinsey, who was involved in that original giving of advice on the structure of the NHS reforms, and seeing that the same structure had been put in place in 2011, did Health share those concerns that we would be setting up these local health boards to rely on external consultants in order to meet their financial obligations?

PHIL MINNS: Chair, I can't comment. I joined Health in 2017. I have a significant set of issues understanding our context so I haven't explored the NHS experience. You'd really have to try to speak to people who were advising the Minister at the time. I don't even know who they are, I'm sorry.

The CHAIR: I fully intend to in a future hearing. I guess I'm curious, though—I've read ICAC's report into managing conflicts of interest, for example. It sets out very clearly the additional steps that agencies should take in circumstances where conflicts of interest are likely to be a problem. Given what had happened in the UK, and given the very high numbers of ex-consultants involved in the health department more generally, on these boards and in executive roles in local health districts, did Health take any proactive measures to ensure that these boards wouldn't end up being reliant on external consultants?

PHIL MINNS: I can't comment. I don't have any historical context. I do know that the Act specifies that we need to seek certain capabilities from boards in terms of membership. The reason why they are in that range of, I think, six to 13 in their membership construct is to see if we can get broad capability into the board membership. One of them is definitely about financial acuity and acumen. But as to what happened at the time, I'm sorry, I can't be a reliable witness.

The CHAIR: Are you aware that PwC was also involved in advising on those structural reforms in 2011?

PHIL MINNS: I have no historical knowledge of what happened.

The CHAIR: They presented a preliminary costing of efficiency opportunities report that went into that sort of governance and structure. That happened, I think, at the end of 2011 and early 2012. At the time, Mary Foley was the secretary and director-general of NSW Health. Just prior to her being appointed in 2011, she had been the national health practice leader for PwC Australia. She'd gone straight from that health practice role at PwC Australia into the New South Wales government as our highest public servant in NSW Health. Then we have advice coming in from PwC on restructuring our health department and structure. Did Health ever think that that would lead to potential conflicts of interest or a situation where the resulting structure might lead these boards to become reliant on external consultants?

PHIL MINNS: I'm sorry, Chair, I cannot comment. The only point I'd make is that if you were to talk to the chairs of our boards, I don't think they would describe themselves as being reliant on external consultants. In large measure, they're not the ones procuring them.

The CHAIR: And yet they're spending \$127 million over the past 11 years to manage—this is just in what we know. This is just consultants doing consulting work for these local health districts.

PHIL MINNS: In the context of a very significant overall budget spend that they're also managing.

The CHAIR: They're spending more than the Department of Education, DPC and DPE combined. That is a massive spend coming out of the health department through these LHDs on consultants, which is largely going under the radar because it's not being reported back up. It's not something that the auditor has any oversight over. Does that structurally not create concerns for Health generally that it's getting the best value for money out of these consulting contracts? You have ultimate sign-off as the head agency.

PHIL MINNS: Well, we don't sign off their procurement decisions. That is not how our governance structure works. What we expect is that the local management and the LHD board will ensure that they follow all of the relevant procedures that are meant to guide their procurement decisions. But we do not stamp them in the centre.

The CHAIR: I understand that the boards are appointed by the Minister at the time—those appointments are made by the Minister at the time. The chair is appointed by the board as a whole but signed off by the secretary.

PHIL MINNS: No, the chair is also appointed by the Minister.

The CHAIR: Okay, so the chair is appointed by the Minister.

PHIL MINNS: It's the deputy chair who can be—I would have to check, actually.

The CHAIR: Okay. But there is a significant political involvement in the appointment of those boards. The health secretary is also appointing the executive—I'm not sure if I mentioned this to the Auditor-General earlier or not, but a quick Google search can discover a lot of employees at these local health districts coming straight from health positions within PwC, KPMG, EY and Deloitte. Because of Health's overall responsibility for who is sitting on those boards, what steps has Health taken to ensure that those boards are acting independently and are getting best value for money from consultants?

PHIL MINNS: There is a governance compendium, which we're happy to table for the Committee, that really is guidance and direction to all of the board chairs and the board members. It deals with seven critical aspects that the attestation reports on. When we look at how boards get appointments made and how they get refreshed, it is subject to the approach that the Minister of the day would like to take. But broadly speaking, we do an expression of interest—and we probably do it every two to three years—to have a refreshed panel of people who've got an interest in being on a health district board. We make that information available to the Minister of the day. The Minister of the day will determine how they want to then proceed to make appointments that are subject to Cabinet approval.

The CHAIR: The—

PHIL MINNS: And just one final point—which I have forgotten, so back to your question.

The CHAIR: I'm sorry! Let me know if you think of it. But I have looked at that compendium. There is a very small part in there in relation to conflicts of interest. It's basically just, "You need to disclose your conflict of interest." If you go on to look at the ICAC recommendations with regard to avoiding corrupt conduct in relation to conflicts of interest, the steps and obligations are actually a lot stricter in avoiding not just conflicts of interest but perceived conflicts of interest. It goes to that sort of "reasonable person" test: What would you perceive to be a misuse of that position to favour other interests outside of your official role?

I'll give you an example because I think that's useful. This was flagged in the Auditor-General's report, so I went and looked through. To be quite honest, I've spent the past couple of weeks just completely embedded in local health district minutes and different types of board meeting documents. The one that really stuck out to me was the example of Kristin Stubbins, who is now the head of PwC or has just been made the acting chair of PwC Australia. She was appointed to the South Eastern Sydney Local Health District board at the same time as she was working at PwC; this was back in, I think, 2013.

During the time that she's a board member, the board then appoints PwC to do a significant body of work for them, which is then ongoing. Over a number of years, they set up a project management office where there is this work for PwC or with PwC being done. Ms Stubbins recuses herself at some points but she's an apology at others. It's unclear; I may call her in so we can ask her directly. Then she resigns from the board saying—in the minutes it says because she wanted to do that work that PwC had been awarded the contract for back in her other role at PwC. I'm not sure if she was a partner or an employee at the time. The point is we have this situation where you have somebody who has been appointed to a board at the time that the main person in NSW Health was Mary Foley, who herself had just come from PwC, advising a Minister. They've appointed a person to a board who is currently still working at PwC. That same local health district then awards this work to PwC, which she then goes on to work on as her project—as her full-time work.

I'm not accusing Ms Stubbins of anything. The ICAC is very clear; it's not about the character of a person or whether or not there's wrongdoing. It's about the perception and how that impacts on what the ordinary person might think. Do you look at that situation and think it's possibly not ideal in terms of the way that Health has been structured in this State that we are now allowing consultants to advise and also come in as board members? Does that smell to you?

PHIL MINNS: You're asking for an opinion, which is a difficult concept for a public servant to deal with. I did think of the other point I raised. When we do the expression of interest process, part of that is about relevant mandatory checks into the background of people who we might be putting forward in a longlist to the Minister of the day. We have done some scrutiny, such that we are able to, to understand someone's history to the extent that we can. We ask them to make certain statements in the EOI response they provide that we rely upon as well, and we might do a bit of a spot audit check on some of those. That's how we approach trying to provide the Minister of the day with a longlist.

The Hon. Dr SARAH KAINE: If I could interrupt just for a relevant point—within that process you would have then an analysis of board composition, including backgrounds, that you provide to the Minister so that the balance of the board could be looked at?

PHIL MINNS: So that it meets what is specified in the Act as the necessary range of capabilities. Yes.

The Hon. Dr SARAH KAINE: And that includes background?

PHIL MINNS: Yes. If you were to lose particular members of the board who were there as having defined capability sets, then we would put forward names from the EOI list to the Minister's office that met that gap.

The Hon. Dr SARAH KAINE: Are we allowed to request that analysis over time? Obviously not the vetting process itself but the list that you provide?

PHIL MINNS: The list of names?

The Hon. Dr SARAH KAINE: The names and the background.

PHIL MINNS: I will take it on notice. I'm not sure if there are any privacy rights associated with people who have completed the EOI. There may be. I'll need to check.

The Hon. MARK BUTTIGIEG: What you're saying is that, given that process, it would be inconceivable that the Minister would not be aware of at least a potential conflict of interest, and then it's his or her call. Correct?

PHIL MINNS: It's the Minister's decision, with the papers going through Cabinet.

The CHAIR: But let's get back to the basics. I understand you're saying that's a decision for the Minister, and that in this particular instance—this is 2013/2014—it's not something that is a current concern for you. In terms of Health's overall responsibility for ensuring that public money is being spent appropriately, do you not go back and look at the trends? When I've crunched the numbers, if they're not a big four consultant, the people on these boards have current consulting firms of their own or whatever it happens to be. Do you go back and look at those trends and say, "What are the current risks from all of this to our spending of money on consultants?"

PHIL MINNS: I think I want to go back to your first description of the example. Alfa reminded me that we have a quite lengthy internal policy that's about management of conflict of interest, which specifically applies

to board members. As part of their induction they would also be exposed to that policy framework, which is in addition to the compendium. I think the last point to make is that when we look at EOI responses, we are often not including people in our longlist to the Minister if they don't have any relevant board experience or board education. We have an expectation that people who want to be on one of our boards may well have accreditation from AICD.

The CHAIR: You're not saying that everyone who is appointed to these boards went through that process, though? Presumably the Minister can step in and say—

PHIL MINNS: The Minister can, on occasion, ask us to prepare the paperwork for a particular member.

The CHAIR: I'm just drawing links, but there's so many ex-Liberal MPs on these boards as well.

The Hon. SCOTT FARLOW: There's some ex-Labor MPs as well.

The CHAIR: There are a couple of ex-Labor members. As a neither Liberal nor Labor person, I can say that pre the Liberals having any power in government, we had more Labor people appointed to boards; that's true. There does seem to be political wrongdoing on both sides. Again, I'm not casting aspersions or blame or saying that there is any wrongdoing. But in a situation where we have so many people on these boards who are seemingly connected with government or consulting agencies or both, does Health not have an obligation to step back and look at the risk of that in terms of ensuring that money is well spent? You talk about conflict of interest—"Oh, there are conflict of interest policies"—but at what point do you actually check they're being complied with?

PHIL MINNS: My understanding is that we did check in recent days with South Eastern Sydney to understand what they tried to do at the time with respect to the potential for a conflict of interest. The advice back from the district is that they took relevant measures and they feel that they managed that. Now I can't comment any further on that; it's really a matter for the chair of the board.

The CHAIR: So the board chairman, Michael Still, was reported in *The Australian* saying, "Times have changed in terms of conflicts of interest but in those days the board needed help from whatever competent professional they could get." What does that mean—"Times have changed in terms of conflicts of interest"?

PHIL MINNS: You'd have to ask Mr Still.

The CHAIR: I will have to ask Mr Still. But from the perspective of Health, do you not take any steps to ensure that the multiple boards within the Health structure are being run and complying with their governance requirements in the way that they should?

PHIL MINNS: That's what the framework around the compendium and the attestation is all about.

The CHAIR: So it's about putting out documents to tell people what they should be doing rather than actually checking that they're doing the thing.

PHIL MINNS: Well, we have 15 boards at least. We have two more for the specialty networks and then we have other board government entities in the pillars. They are there to do a job. Their job is defined in the Act. They can't do things that are contrary to directions established by the secretary. And we spend a lot of time—indeed the Audit Office inquiry in 2019 was about how does that nuanced federation actually work and how does it operate. We always believed that that can be improved.

The Hon. MARK BUTTIGIEG: I'll tell you what strikes me as a bit bizarre in this particular case study and going back to 2013—you weren't around then so there is no implication about your oversight. When I was elected to council back in 2008, I remember getting training on this, and there was a three-tier threshold test. One of them was perceived conflict of interest. Where there is a clear perception of conflict, the idea that the recommendation wouldn't go to the Minister and it's said, "We recommend we don't have this conflict"—what I'm asking you is: Are you confident that the current process would have applied that test and it's said to the Minister, "Don't do this"?

PHIL MINNS: We don't recommend appointments to boards to the Minister. We respond to the Minister's directions and we give the Minister a long list of screened—

The Hon. MARK BUTTIGIEG: But you point out the conflicts.

PHIL MINNS: Well, the conflict will be there in their summary of their career.

The Hon. MARK BUTTIGIEG: So the Minister has to actually join the dots; it's not called out?

The Hon. SUSAN CARTER: Can I just clarify this issue of conflict because it seems to be a bit circular. If I'm understanding what is being suggested, if somebody, let's say, has worked at some stage in Health at PwC, for example—

The CHAIR: The day before they start at Health, say.

The Hon. SUSAN CARTER: Yes, and that then is the experience which is relevant for them being considered to be eligible for appointment to the board. Any appointments made at that time, you would need a crystal ball to know what decisions that local health district was going to make in relation to which consultants, if any, were going to be appointed. So it seems a bit internally circular to be suggesting there is this built-in conflict.

The Hon. MARK BUTTIGIEG: I think the Chair pointed out it was concurrent.

The CHAIR: Current employees.

The Hon. SUSAN CARTER: But if, for example, you have somebody who is PwC who is appointed, is there any conflict if a consultant from Deloitte is engaged? No. So how do you know at the time of appointment—

The Hon. MARK BUTTIGIEG: No, my question was very straightforward.

The Hon. SUSAN CARTER: —what that district as a whole will decide to do?

The Hon. MARK BUTTIGIEG: The question was very straightforward and simple. Is the perceived conflict—and I don't think anyone would seriously argue there is no perception, in that situation, of a conflict. Surely any reasonable person would perceive there could potentially be a conflict. Is it actually pointed out or is it left to the Minister to infer from reading through the CVs? And is that still the case?

PHIL MINNS: I'd have to go back and check what advice was given to the Minister. As I said, we are not recommending, we are responding to—

The Hon. MARK BUTTIGIEG: I understand.

PHIL MINNS: There would have been a brief to the Minister at the time that would have dealt with that appointment and other appointments, and I'd have to check to see what offers contained.

The CHAIR: Just on that, if you could also take on notice looking at—there are a number of them. There are at least—I think I found nine across just the metropolitan health districts where there has been a very clear connection with one of those big four consulting firms. If you could check what was said in relation to that. I'm very interested if there was a particular flag for conflict of interest or any other issues raised in that advice.

The Hon. MARK BUTTIGIEG: Can I just get this on the record too—take it on notice if you like, but my specific question is: Would the current processes require the department to specifically call out the perceived conflict of interest?

PHIL MINNS: We'll take it on notice.

The Hon. SUSAN CARTER: Can I just ask—perhaps take it on notice—about quantum. Do you have any figures on what percentage of the local health district budget is spent on consultants.

ALFA D'AMATO: I just want to point out that I noted this morning comments have been made in regards to whether we are disclosing or not disclosing the spend on consultants. I mean, it's the fact that you provided me with this is that we disclose this information at a district level. In answering your question, I would just say to verify the—

The CHAIR: Yes, and that is correct. We're talking more about the way in which that is reported back up and how the Auditor-General has oversight of it or not.

ALFA D'AMATO: And I guess my point I want to make is that what you are looking for is a specific type of reporting that, in a financial statement, is not necessarily required unless someone specifically says we want to see itemised information, because from a disclosure point of view this sort of information is disclosed, is publicly available—as you notice in your table. Therefore, I just want to make sure that we agree on what we are talking about in comments that say we are not disclosing. We are disclosing the information.

The CHAIR: It's very hard to find.

ALFA D'AMATO: Well, I appreciate the challenge. I also want to mention the comments made this morning about the limitations around the Prime system—the Treasury system. This information in our annual report reconciles to the Prime system, so I don't see that I bury it. I appreciate the capital and the capitalising, but—

The CHAIR: Sorry, are you disagreeing with the Auditor-General's report?

ALFA D'AMATO: Well, I think that there is certainly not a barrier. The numbers in the annual report match what has been reported inside the Treasury system.

The CHAIR: Just for the record, that particular spreadsheet that I handed you took one of my staff members over a day's work to produce. That is not easily findable and transparent information.

The Hon. SCOTT FARLOW: I want to go back to the question before about who makes the determination when it comes to procuring consultants. The local health board, depending on its identities or the like—I imagine that the local health board would not have much interaction when it comes to actually determining consultant usage within the local health district. Is that correct?

ALFA D'AMATO: Yes, they have no delegation.

The Hon. SCOTT FARLOW: No delegation.

ALFA D'AMATO: No financial delegation. Therefore, they have no say in what is being procured.

The Hon. SCOTT FARLOW: And these things wouldn't go up to the local health board in terms of any sort of decision-making?

ALFA D'AMATO: No.

The Hon. SCOTT FARLOW: So the perceived conflict of interest here is a bit of a moot point, isn't it? Not for you to comment.

The CHAIR: Perhaps we can go to the ICAC report then. I'm looking at the April 2019 *Managing Conflicts of Interest in the NSW Public Sector* report from ICAC, which steps us through, very clearly, what is a conflict of interest and why it matters if there is a perceived conflict of interest. Obviously disclosure is a first step, but it then talks about how easily corrupt conduct can arise from a conflict of interest, including from misusing resources and improperly accessing, using or disclosing information in connection with a conflict of interest. For example, if the information that resides in a consultant's head from sitting on a board perhaps makes its way back into the general knowledge they're bringing to—I don't know—putting forward a proposal for work from their firm to someone else in Health. What they say is:

For high-risk units and branches—

that's where we perceive that there could be this high risk, which you would have to say consultants sitting on local health districts having such a huge consulting spend would be at this kind of high-risk area for conflicts—

... the best practice is to consider additional controls that go beyond the agency's standard policy requirements.

...

Examples of additional controls include ...

- taking steps to restrict access to confidential information
- implementing additional segregation of duties and supervision ...

What has NSW Health done to manage more effectively the potential for conflicts of interest on local health district boards?

PHIL MINNS: It's the strategy that I've already described. We train board members, we induct them. At that induction they will be reminded about the conflict of interest policy. They will be stepped through it. We expect them to be directors that are capable of playing a board role. Part of that does rely upon them as individuals, but it also relies very heavily on the Chair.

The CHAIR: That ICAC report also refers to refusing to allow people to also work in employment elsewhere where it's likely to conflict with their duties as an official, especially when that official—in this case, a board member—has financial delegations or influence over expenditure.

The Hon. SCOTT FARLOW: I think you just told us they don't have financial delegations.

The CHAIR: Is that what we're absolutely saying? You're saying that an LHD board that decides to hire PwC, for instance—

The Hon. SCOTT FARLOW: The board doesn't decide it.

The CHAIR: Well, that's not what the minutes are implying, and I've got all of the South Eastern Sydney Local Health District board minutes here. They talk about how the board has issued a request for tender to PwC. They talk about how the board has appointed PwC to do work for the district. Are you saying that's not what happens?

PHIL MINNS: It's a case that is before my time. I will need to take it on notice.

The CHAIR: I think we'll come off that bit then and maybe just zoom back out to health generally. When, again, looking at that potential for conflicts of interest in terms of being exposed to information and taking that information and using it elsewhere, given the huge numbers of people within NSW Health who were previously at a consulting firm or who then go directly on to a consulting firm—I could give you so many examples of this. Mary Foley is a great one, but I could list for you a dozen other people who have just gone straight from consulting to NSW Health and back out to consulting. What measures do you put in place to ensure that they are not taking information with them directly into their new positions, from NSW Health?

PHIL MINNS: I would probably need to find for you the end-of-employment separation process that operates.

The CHAIR: We talked a lot about procedures and rules and the way things are supposed to be. Unfortunately, human beings don't act like that. They are often incentivised to do a different thing, especially if they're not checked on or if it's not structurally put in place for them—so if there's no requirement, for example, to be on a gardening leave for a period of time or something like that. I understand that as a matter of course you would have things in a separation agreement at the end of an employment; everyone has that. But what are you doing, given the additional high risk here, to ensure that the information that they've gathered at NSW Health is not then taken and used by them to be able to get business back from NSW Health afterwards once they're back in their consulting firms?

PHIL MINNS: There are occasions where if someone leaves and goes to a consulting firm who is working with us—and it can be more than the big four—there will be a discussion with that firm about separation and Chinese walls about where they can work.

The CHAIR: So we're relying on the firm to do the right thing?

PHIL MINNS: There's a limit to what NSW Health can do in terms of restricting the ability of someone to pursue gainful employment once they leave our employment.

The CHAIR: There's a simpler example then. I understand that many of these consulting projects involve people from the consulting firms coming and sitting within the department. Do you have any of those consultants who actually sit in the department?

PHIL MINNS: Yes.

The CHAIR: What do you do while they are there in a government space with access to government information? What are you doing to ensure they are not using that information or taking that information and then their employer using it to more favourably get work from you after?

ALFA D'AMATO: First of all, if they come and sit with us normally they are to be onboarded using our system and therefore they're issued a StaffLink number from us, which means they also need to comply with all the rules that we have to comply with as employees. That means they also need to do the mandatory training, which I also admit sometimes is rather expensive because we have to pay them while they do this training, which also include all types of training, including privacy, confidentiality and use of data. They have to be complying with all our standards, including confidentiality. I think the most important part that I want to also remind is that when we know that there is a potential risk—and in my experience, when I engage firms to do analysis on data—we also at times put clauses that they have to destroy the data and provide the evidence that the data has been destroyed.

The CHAIR: Are they given an IT login? Are they given access? Can they print out information while they're there? Again I'm hearing that there are procedures in place, and I would expect that. Given the high potential for conflicts of interest, what structural things are put in place to ensure—that's an example that they have to prove that they have deleted data, for instance. But how much is it checked in terms of what else they have taken back, particularly if you've got an employee going back to their partner in the consulting firm and saying "I need to share this with you"? Presumably there's a lot of information flowing out of NSW Health at that point.

ALFA D'AMATO: I think that the main reason why anyone who has access to our system has to do all the mandatory training is specifically to mitigate that risk. If you're asking what we do to eliminate that risk, I think we need to be realistic in regards to the size of the workforce we're bringing in and the risk, as I said, for each individual engagement. My experience is predominately around the audit and assurance, where we at times bring in firms to assist us in implementation of technical and accounting standards. In that case they have to go through the whole process. With that said, even the Audit Office, who comes and audits our results, have to go through the same process as well.

The CHAIR: Given the high risk—I guess I would love to have such a favourable view of people just doing what they have said that they would do: going through training and then suddenly becoming ethical people. But fundamentally we know that there is an incentive structure put in place where there's an incentive for these consultants to learn as much as they possibly can, to then go back to their firms and then to get as much work as they possibly can from NSW Health. Given that high-risk scenario, do you not put any other additional limitations in place?

ALFA D'AMATO: You make it sound as though we don't put in any limitation and I just want to reinforce that we do put limitation. The fact that they've got access to our printer doesn't mean they've got access to the database where we keep all the financial records. So they are restricted to what they need to see. As I say, it's a risk-based approach. When we engage them with very sensitive data, whether it is—I'm talking about my division—financial data that we know that could be used, we ask them to make sure that they destroy every data and every dataset that they use for their work.

The CHAIR: Have you ever had an example of someone from a consulting firm who has not done the right thing? Has there ever been a case of that?

ALFA D'AMATO: Not that I can recall. But I know the Commonwealth does the same when they engage consultants to do some analysis on national datasets.

The CHAIR: Has anyone ever raised with you a concern about conflicts of interest of a consultant, whether they are within NSW Health doing some sort of work or on a board?

ALFA D'AMATO: Not personally.

The CHAIR: With Health? Maybe take it on notice.

ALFA D'AMATO: Okay.

The CHAIR: I'm trying to get to the bottom of—if someone did have a concern about a potential conflict of interest of a consultant working within any part of Health, who would they go to? Who would keep that information? Where's that point of complaint?

PHIL MINNS: It would either be something that comes to the ministry, by email typically. Sometimes it will go directly to the district. Depending on the nature of the matter and whether or not there's not a conflict in the district investigating the issues themselves, they will pursue it through their local internal audit function. But if they feel there's a conflict—if it, for example, alleges an involvement of the chief executive as well—then typically the audit function in the district would refer it to the ministry and we would seek to understand the facts of the matter and understand if risk is actually manifesting.

The CHAIR: Are you able to take on notice to find out whether that has occurred at any time in relation to a local health district board?

PHIL MINNS: Where it's a conflict potentially about being—

The CHAIR: Where there's a potential conflict of interest—it doesn't have to be a consultant—of any kind.

PHIL MINNS: We won't be able to do that by the twenty-third because we would have to go out and ask every district to do a response.

The CHAIR: Not at a district level; at a Health level, where it's come into the ministry.

PHIL MINNS: The ones that have come to us, yes, we could probably do that in 10 days.

The CHAIR: I think sometimes the evidence of robustness of systems working is whether or not there have been complaints—whether they were valid or not—to then work out whether checks and balances are ever operational. It's intriguing that we're not seeing—there seems to be quite a level of lack of oversight with these boards and with the districts. Are there other people within NSW Health that we should be calling to ask these questions?

PHIL MINNS: If you want to understand board practice, I think you need to think about talking to some of the board chairs.

The CHAIR: We will talk to the board chairs. Is there anyone else within NSW Health who makes the decisions about putting in extra requirements for making sure that conflicts of interest do not become a problem and that sort of thing? Who is the person—where does the buck stop in terms of ensuring that those consultants be managed?

PHIL MINNS: Me.

The CHAIR: That's you. All right. Just checking we had the right people.

The Hon. MARK BUTTIGIEG: This needs analysis that is required to be performed before a consultancy firm is engaged—just to clarify, that's both for the ministry and the LHDs?

ALFA D'AMATO: Yes.

The Hon. MARK BUTTIGIEG: Can I ask what sort of information is called for as part of that needs analysis?

ALFA D'AMATO: I can provide that on notice if you want all the details. Otherwise, I can make reference to the procedure that we have issued, that guides all the information that we ask the team to consider in regard to their needs analysis. Identifying the business needs requires them to assess whether the spend is required; identify and understand your internal stakeholders' needs; engaging those stakeholders to win their commitment to your procurement strategy because they'll require them to also be part of the potential evaluation panel; brainstorm different ideas on what your agency requires from the procurement; exploring alternatives for the delivery of the same outcome; and determining and agreeing on the business needs. That's broadly what we ask the team to consider as part of the first step on getting started.

The Hon. MARK BUTTIGIEG: For example, with that exploring alternatives, is that just a requirement that they tell you that they've explored alternatives? Or do they actually have to quantify—"We thought about doing this internally, but we don't have the capacity, and here's the evidence as to why we don't have the capacity." Is it that thorough? Or is it more, "Yes, we've done what you've said"?

ALFA D'AMATO: It depends on the scope, I guess. It could be a big project. Ultimately, any big project will run with a steering committee, which includes different team members. I presume, at that time, once the steering committee has decided, yes, we need to go to tender to seek some support from consultants in regard to advisory or other, they will come with a proposal, a brief and ultimately—

The Hon. MARK BUTTIGIEG: Do those steering committees have workers and workers' representatives on them?

ALFA D'AMATO: In respect of internal workers, you're referring to?

The Hon. MARK BUTTIGIEG: Yes.

ALFA D'AMATO: Yes. That's right.

The Hon. Dr SARAH KAINE: I have one final question. Mine is just an accounting thing, and you might be able to answer it super-quickly, but it's for someone who's perhaps not as well versed. In going through the financial statements of the local health districts, there seems to be a change that occurred between 2014-15 and 2015-16. I'm not anticipating that you're—it might still be an easy answer for you to come back to me.

ALFA D'AMATO: I'll give it a go.

The Hon. Dr SARAH KAINE: In 2014-15, consultancies reported the spend—I've checked across them all—in two line items, "capital works" and "other", and then it wasn't. It started to be consolidated into just the one. I looked at if there was a change in accounting standards. I couldn't see anything there. I just wondered what it would be that had prompted the change across all the area health districts.

ALFA D'AMATO: I'll go back in regard to what prompted, but I suppose this connects back to the comment the Auditor-General made this morning, in regard to the difficulties at the time to account for the whole spend of consultants because some is capitalised versus what is reported.

The Hon. Dr SARAH KAINE: I just wonder why, because it's a devolved system—we kept being told it's a devolved system—each area health service that year changed the way they accounted, from two to one.

ALFA D'AMATO: It's a good point, but I need to remind you that, yes, it's devolved because locally they need to make this assessment, whether they do need to spend the resources in certain areas, but ultimately there is an overall government framework, which we are cascading down. That's what we attempt to do with our policy, which refers to the NSW Procurement.

The Hon. Dr SARAH KAINE: Would you mind seeing if there was some change in policy that prompted that?

ALFA D'AMATO: I will.

The Hon. Dr SARAH Kaine: It was just an intriguing kind of change that was across the board. So it would be good to know why.

ALFA D'AMATO: I'll have a look.

The CHAIR: Just one final question for you to take on notice, I would think. I have in front of me a PwC report from June 2012 that was prepared for New South Wales Infrastructure, called *Health Infrastructure Baseline Report*. It's a good 60-something pages. I understand that it cost \$9,000 for Infrastructure NSW at the time. I did ask questions of the Auditor-General earlier about this practice of loss leading. Just so that we can check whether or not this was also loss leading, can you just perhaps let us know what future spend, in the years after this, Infrastructure NSW spent on consulting services with PwC?

ALFA D'AMATO: Sorry. Just to clarify—Infrastructure NSW or Health Infrastructure?

The CHAIR: That's true. It was for Infrastructure NSW in relation to Health Infrastructure.

ALFA D'AMATO: Then I'd need to determine who has engaged them. Sorry.

The CHAIR: Good point. I might have to ask Infrastructure instead.

ALFA D'AMATO: Can I go back to your original request in regard to Ambulance and whether there were other participants in the suite. There were six providers who responded to the request, and the outcome is recorded in the e-tender. If you want, I can provide you with the names of the companies there.

The CHAIR: That would be good. Thank you. Excellent. We are a little over time. Thank you very much for your generosity in spending time with us to answer our multitude of questions. To the extent there were questions on notice, of which there were many, or we have supplementary questions, they, as I said at the beginning, are due back by the twenty-third. We'll take a quick afternoon tea break, and we will be back at 3.15 with NSW Procurement. Thank you.

(The witnesses withdrew.)

(Short adjournment)

Ms SONYA CAMPBELL, Deputy Secretary, Commercial, NSW Treasury, sworn and examined

Mr SONG HONG, Executive Director, NSW Procurement, sworn and examined

The CHAIR: I now welcome our next witnesses.

SONG HONG: I am professionally known as Song Hong, but my legal name is Sung-Soo Hong.

The CHAIR: Thank you. Would either of you like to start by making an opening statement?

SONYA CAMPBELL: Thank you all very much for the opportunity to participate as a witness in this hearing today. As I said, my name is Sonya Campbell. I am the Deputy Secretary, Commercial, in NSW Treasury. I am joined by my colleague Song Hong, who is the Executive Director for NSW Procurement. We are looking forward to supporting the Committee in relation to the inquiry into New South Wales government's use of consultants, and we have provided the Committee with an interim submission with a view to updating it following our hearing with you today. That interim submission contains information in relation to New South Wales government's procurement operating framework, including roles and responsibilities of the Minister for Finance, the Procurement Board, devolved agencies and NSW Procurement, and how this impacts on each devolved agency's engagement and use of consultants.

As you are all aware, New South Wales government is one of the largest and most complex organisations in the Southern Hemisphere, employing more than 400,000 staff across a diverse set of industries. New South Wales government's procurement operating framework provides all devolved agencies with government-wide laws, policies and guidelines as to how they should procure goods and services of any kind for the State of New South Wales, with ultimate accountability for those procurements being with the heads of agencies and departments, specifically in relation to the use of professional services firms, which include consultancy services.

In our interim submission we have focused on the whole-of-government Performance and Management Services Scheme, that is managed by NSW Procurement, which is the largest of such schemes in government. We would be happy to provide you with more details on this scheme as part of this inquiry. In addition, NSW Procurement is actioning the recommendations from the Auditor-General's report on New South Wales government use of consultants, noting there are key dependencies on departments and agencies to fully implement those recommendations.

As mentioned earlier, New South Wales government is complex and spans a diverse set of industries. As a result, there will always be a need for external strategic advice to assist and support government in making decisions, and this was evident during the rapid social and economic responses to the COVID-19 pandemic and natural disasters over the past few years. We understand the people of New South Wales are searching for confidence that the strategic advisory work undertaken by consultants for government is underpinned by policies, procedures, processes and ultimately assurance that this work does deliver value and does not result in conflicts of interest or unethical behaviour. Thank you again for the opportunity to provide the Committee with information about the broader current operating framework for procurement and, more specifically, on the use of consultants. We are looking forward to your questions.

The CHAIR: Thank you very much. I will ask one to get us started and then I will hand over to Government members, who are desperate to ask questions. In the Auditor-General's 2023 report, we heard earlier that only three of the 82 consulting engagement examples that they reviewed had evidence of a post-engagement review. My understanding is that it's a requirement under the Performance and Management Services Scheme administered by NSW Procurement for them to do that review. What enforcement measures do you take in relation to the procurement rules?

SONYA CAMPBELL: Thank you for your question, Ms Boyd. I'll start perhaps at a high level with a bit of context around the Procurement Board and then I might refer to my colleague Mr Hong around the operation of the scheme itself. The Procurement Board oversees the quality of procurement in government through the accreditation scheme. There is an accreditation scheme for both goods and services, which is administered by NSW Procurement, and there is a separate one for construction procurement, which is administered by Public Works, both of which are overseen by the Procurement Board.

That scheme relies on self-attestations from all agencies that are required to be submitted annually and signed off by both the chief procurement officer within the agency and the head of the department—the secretary. That scheme requires a whole range of factors to be reviewed. One thing that the board is looking at at the moment is how to add additional assurance to that process, and those are very much live conversations in the context of the Procurement Board currently. We do believe there is opportunity for improvement. I might hand over to my colleague Mr Hong now to talk about the particular performance management scheme.

SONG HONG: Thank you, Ms Campbell. That sets the context of how the scheme and the board works. In terms of your specific question about enforcement, I rely on the comments from Ms Campbell that there is an accreditation scheme and the agency head is ultimately accountable for that agency. We would need to get reporting from the agencies to determine what additional reviews that we need to do. In that particular instance, yes, the Auditor-General's report highlighted that. We weren't aware of that.

The CHAIR: Were you surprised?

SONG HONG: We were surprised because the scheme—again, given the complexity of New South Wales government, we have to operate within a devolved structure and we have to rely on that devolution structure and the authorisations set by it. The expectation would be that the agencies, one, comply and, two, ultimately the agency head is responsible for what happens within that agency. If it requires escalation, it needs to be escalated to NSW Procurement or the NSW Procurement Board.

The CHAIR: Given the Auditor-General's report and those findings and the fact that it did come as a surprise, do you think that the self-attestation scheme is working? Should there be a more proactive monitoring and enforcement from NSW Procurement?

SONG HONG: Ms Campbell, are you happy for me to answer or do you want to go first?

SONYA CAMPBELL: I am happy for you to make a comment and then I am happy to add to it.

SONG HONG: Maybe I will take it up a level. NSW Procurement, in terms of its, I guess, authorisations and responsibilities—we don't have any, from a legislation perspective. The legislation sets out the powers to the board and has responsibilities for agencies to comply. We do support the board and we do support agencies in fulfilling their obligations. In relation to your question specifically around the accreditation scheme, I've been in government for two years and it is one of the things I have looked at. Ms Campbell has already highlighted that we are looking at further assurances that we could get from agencies, either from them or from us going in. But, again, we can't do everything and so one of the things that we are looking at is further assurances going into agencies, but that's an active discussion with the board as well as the agencies involved.

The Hon. MARK BUTTIGIEG: Sorry, I don't think I was concentrating enough then. Can you just clarify—does that mean Treasury has no legislative purchase over the Procurement Board?

SONYA CAMPBELL: The Procurement Board is set up under statute. I am a member of the Procurement Board, delegated by the Treasury secretary. There are duties under that legislation for us as board members. I've been in that role since the end of last year. I've had three meetings with my Procurement Board members, where I have worked to steer the conversation to be strategic, particularly around our collective responsibilities from a whole-of-government perspective with respect to that legislation.

The Hon. MARK BUTTIGIEG: Under the current legislative framework, does the board have the ability to request better quality data to improve—

SONYA CAMPBELL: Yes, it does. The board has the ability to give Procurement Board directions, which would have the force of law.

The CHAIR: You would have to have been living under a rock not to have seen the Federal inquiries into consultants, particularly the scandal surrounding PwC at the moment. What steps has Procurement taken in response to those revelations in relation to PwC?

SONYA CAMPBELL: I'm happy for Mr Hong to answer this.

SONG HONG: Given this Committee was probably preparing for this committee, there has been some press this morning about this particular matter, which I'm happy to share. Decisions were made over the past week. The things that were highlighted in the press and the press release set out that we met with PwC senior leadership on 1 June—or I met with a colleague in PwC senior leadership to discuss the Collins matter that's under investigation. We were given context as well as information as to what had happened. In terms of specific action, there were three actions that we have taken. The first one is, for every ongoing PwC matter that the New South Wales Government engages, they will clear any staff before they are engaged so that those staff have not been implicated or are involved in the Commonwealth matter. The second—

The CHAIR: Sorry, did you say that's for ongoing contracts?

SONYA CAMPBELL: For new engagements.

SONG HONG: They've already confirmed that existing work.

The CHAIR: So for new?

SONG HONG: Yes. They've already confirmed that in writing, but for new ones they will attest to the procuring agency at the time of procuring but also to NSW Procurement once a month, which is the reporting requirement that we have as part of the scheme that we operate—that they will report to us on that particular point. The second point was in relation to reviewing the conflict of interest and confidentiality provisions of their performance and management services scheme. We'll make any adjustments as required once we review it. As per the interim submission, we have confidentiality and conflict of interest terms within that scheme, so all suppliers must adhere to that. But we will have a look at it and determine whether any adjustments need to be made. The third and probably the most impactful response was that, after considering what's going on within the Commonwealth, we have decided to—sorry, I have recommended and the Treasury secretary has approved that PwC for taxation services, which is category 7 within the scheme, will be suspended for three months pending further review and subject to further information being provided through the various inquiries and investigations that are ongoing at the moment.

The CHAIR: So that looks—sorry, Ms Campbell.

SONYA CAMPBELL: I was just going to add that that has also then been communicated to all of the chief procurement officers across government and all of the Procurement Board members and chiefs of staff of secretaries.

The CHAIR: So you met with PwC on 1 June. There were assurances in relation to no-one who was involved directly in the PwC tax leak part of the scandal being involved in the works currently being done for the New South Wales Government. Then there was an agreement to do a confidentiality review in contracts. I think it's a very good example of what I was talking about before—that you can put all of the provisions in place that you like, but you can't actually stop people from doing the wrong thing without more structural measures. Thirdly, the tax services would be suspended for three months—or no new tax services for three months. What is the value of the contracts that you, in the ordinary course, would have expected to make with PwC in the next three months in tax in that particular category?

SONG HONG: I guess the way I'll answer that is that in the devolved model agencies hire consultants via the procurement process. I don't actually have the information. I wouldn't have the information. That's a question for the agencies to determine how much work they would do with PwC on any given month from a tax—

The CHAIR: From a rudimentary understanding of the type of work that has been given out to consultants so far, it seems like a very small percentage of the total consulting spend of New South Wales Government to PwC would be, in the ordinary course, in relation to tax work, would it not?

SONG HONG: I'll answer that by saying two things. One, the Commonwealth matter relates to the international tax team and the tax work that they did for the Commonwealth. So the recommendation that I made was deemed appropriate, given the fact it is the tax culture or the culture at the time of that breach that was the issue. Given that investigation is going on at the moment within the Commonwealth and across different forums, that seemed a proportionate response to that. In relation to any expenditure on tax, I can take that on notice if you like and see what the numbers are in Spend Cube, which is a system that my team oversees for the whole of government.

The CHAIR: Is that a proportionate response, though, if you've got a firm that has been found to have fundamentally breached the trust of the Australian people and that has made decisions and breached ethics in order to accrue a gain for itself while also doing taxpayers out of at least hundreds of millions of dollars? Is it a proportionate response to say, "That's okay, that was just a few bad apples. Anything related to that specific bit of what you were doing, we won't do with you for three months"? To me that does not sound like a proportionate response to what has gone on.

SONYA CAMPBELL: I would answer that by saying, at this point in time until we have further information, we do believe that's a proportionate response. These big consulting firms provide a diverse range of services to government agencies and by singling out a particular one when all of them would probably have historical issues in the past is thereby reducing the market that we would have for what might be services that are needed. So we think it's a proportionate response. There are independent reviews happening at the Commonwealth level and within the organisation itself. Pending the outcome of those reviews, we will continue to review our recommendations around PwC being a prequalified consultant in New South Wales.

The CHAIR: Ms Campbell, did you previously work at PwC?

SONYA CAMPBELL: I did, Ms Boyd, yes.

The CHAIR: Do you think there's any conflict of interest or perceived conflict of interest in you being involved in making decisions in relation to the procurement of PwC, having worked with PwC in the past?

SONYA CAMPBELL: In this instance Mr Hong made the recommendations to the secretary, which were approved. I don't believe there's a conflict of interest. My experience working for PwC is reflective of many people across the public sector who have worked for consultancy services—

The CHAIR: There are so many.

SONYA CAMPBELL: —who now work for government and there's a reason why we work for government. But I think if there was any perceived conflict of interest then I would remove myself from that decision-making.

The Hon. Dr SARAH KAINE: Mr Hong, you mentioned in response to a question from the Chair that, with the devolved structure, getting information wasn't necessarily as easy as it might appear from the outside. I wondered if you could talk a bit more about that, because we heard from the Auditor-General this morning about challenges with data and integrity and how comprehensive it is. Because that was part of the recommendations in her report, perhaps you could also address where Treasury, particularly NSW Procurement, is with those recommendations—so the data issue in context of those other recommendations as well.

SONG HONG: That's fine, I'll answer those questions. In relation to data, we have multiple datasets within NSW Procurement, so maybe I'll talk about that and then pivot to the dataset that we may need in the future. The main dataset we have is the system called Spend Cube. It's effectively the invoice data from all the agencies across government, so it is backward-looking. It gives a view as to how public moneys are spent and it is done at a supplier level. Although we do try to categorise it, it is ultimately at a supplier level. We know supplier names, we know ABNs and it gives us a view of how money is spent across the sector.

We do have another dataset in relation to professional services. As I mentioned, we have the scheme called the Performance and Management Services Scheme. Within that there is a subset of 12 categories called business advisory services. As part of suppliers signing up for those 12 categories, they are required to submit data—the ones that have signed up to the standard commercial framework. They provide us with supplier-fed data about the engagements across the sector. They are the two datasets. My team uses those datasets for triangulation purposes because government is complex. I know the Auditor-General would love one single data source. I think triangulation is a way that you can have a view as to what is going on between the operational data that I oversee versus the financial reporting data that my colleagues in Treasury oversee.

In relation to the Auditor-General's specific recommendations, as Ms Campbell mentioned, we are in discussions with the Procurement Board as to what additional information that would require from agencies to allow us to have, I guess, a macro oversight. The way I look at it is—and I've been saying it to my teams—it's a wide but targeted dataset. We can't go wide and deep because, one, from a bureaucratic perspective that would be too burdensome and, two, you've got to be able to do something with the data. How do you get a wide dataset that is targeted? That is a discussion that we are actively involved in with the Procurement Board to determine what that will look like.

The Hon. MARK BUTTIGIEG: Can I just ask on that: Where you said that there was a—I don't think you used the words, but it's like a micro pick-up of all the invoices. If those invoices are marked "consultancy work"—presumably there's a heading "Consultancy Work", "PwC", whatever—it's not theoretically possible to use all that microanalysis to work out exactly—

SONG HONG: Again, it all comes down to the detail, of course. If the request is, "Do you have"—on the dataset that we've been able to get from agencies—"expenditure for one or all of the big four?" we have the information. If it's consultancy, I'm happy to talk about the definition of consultancy. But as defined in the Procurement Board direction as well as the government sector finance guidance, that's a narrower definition. We have the broader definition, which is professional services, which is what my team oversees. But for the definition of consultancy, I would have to point to the total State sector accounts.

The CHAIR: Just on that contract versus consulting definition, what does Procurement do to make sure that people are reporting that correctly, other than giving them the definition, in terms of doing a spot check to make sure that they got that right? We got the information from the Auditor-General that there was potentially a bit of grey area, if not sometimes just deliberate—or maybe not deliberate—mistakes being made in that classification.

SONG HONG: I'm happy to address it.

SONYA CAMPBELL: Yes.

SONG HONG: There is a definition of consultancy and there are some examples and guidance that my team has given. I guess the Auditor-General's recommendation is we enhance those guidelines and guidance. If you look at the definition of consultancy, it talks about temporary engagements advice for the purposes of

management—in this case, government management—making decisions. There may be some enhancements to that, but I think where it may add value is to actually define what is not a consultancy. That is what my team is looking at, because if I look at the overarching services provided by professional services, which is the area that my team focuses on, the two subsets will be consultancy advice and non-consultancy advice, and then give guidance to the sector as to what is non-consultancy advice. To the Auditor-General's point that there may be some grey, I agree there will be some grey. Agents will need to determine whether it's strategic advice for decision-making or whether it's not that, and therefore in the other bucket.

The CHAIR: In terms of not just that but the conversation we were having before about getting these contracts in just below thresholds to what seems like an avoidance, then, of higher requirements, what does Procurement do in terms of actively looking for that and going, "Hang on a minute, there's a lot of those that are just below the threshold," or, "There's a lot of these that look like they probably have been put in as a contractor rather than a consultant"? What do you proactively do to ensure that these things are being entered properly and the system is not being dodged?

SONYA CAMPBELL: I'm happy to answer that. I think there's a number of things that NSW Procurement do around that. The first is obviously providing the framework and the rules and working through the governance that sits under the Procurement Board through the procurement leadership group.

The CHAIR: Yes, that's the rules.

SONYA CAMPBELL: Yes. But that's also a practical element where there are practitioners coming together, because it's really the responsibility of the chief procurement officers in those agencies to be making sure that the frameworks are followed within those agencies.

The Hon. Dr SARAH KAINE: Could I ask a really pertinent follow-up question?

SONYA CAMPBELL: Yes, of course.

The Hon. Dr SARAH KAINE: I apologise for cutting you off mid-sentence.

SONYA CAMPBELL: That's okay.

The Hon. Dr SARAH KAINE: One of the things we've heard a lot about is the frameworks, the policies. There's quite a lot, as I see it, in the prequalification, self-assessment and self-attestation area that my colleagues have already referred to. I'm at a loss to understand ultimately what happens. Ultimately, if an organisation or an agency is found not to have engaged, who says, "That is not okay, you can't do this"? We've seen it now once with PwC after everything that has come out. Ultimately, is it a question of, "As long as you follow the framework, that's okay"? If it's not, can you give an example of a sanction? Aside from PwC, what are the sanctions that have been applied?

SONYA CAMPBELL: Where I was going to follow on was to give you an example of what we do in Treasury. Whilst NSW Procurement is part of Treasury and is whole-of-sector facing, we obviously have a procurement function within Treasury as well. We have a whole program—and Song will step in if I misstate anything—where we've developed the toolkits, the templates, the training, the regular training as part of inductions. A lot of these were part of the independent Sedgwick report, which is another example of what we did in Treasury following adverse findings around our procurement practices. All of those recommendations have been accepted and are being implemented. They track through our audit and risk committee all the way up to our executive board.

The Hon. MARK BUTTIGIEG: Is part of that that you don't take an attestation or a statement from the recipient agency on face value but you actually scrutinise it?

SONYA CAMPBELL: As Mr Hong said before, we're looking at that process at the moment. We've been piloting new ways of looking at assurance with some agencies at the moment. But I do agree that that is an area for review and opportunity from our perspective.

SONG HONG: Can I add maybe one more thing? As part of the accreditation model and accountability sitting with the head of the agency, you need checks and balances within that agency. If you think about how consultants are engaged, it's not done by the procurement team. There is a business owner with a budget that is trying to either fulfil a service or to complete an initiative that has been set either by the secretary, the deputy secretary or maybe even the Minister. They will drive that process, and the procurement teams within the agencies will then support that business owner in terms of how to procure. The expectation is that the procurement teams understand the framework and understand the policies and guidelines. They should be calling things out within their own delegations to the relevant senior people if they see things that are not fit for purpose or unethical et cetera. If it can't be resolved within that framework, then they can come back up to the Procurement Board and

to NSW Procurement because, again, it is a very diverse industry set across government. We can't oversee everything. The framework is there to support it.

The Hon. Dr SARAH KAINE: So how often do the procurement teams bring that to the Procurement Board? I understand in the framework there are some inbuilt, suggested points of evaluation. Is it the procurement team's job to evaluate? Also, just in terms of the Treasury engagements—some Treasury engagements of consultants have been huge, and not even historically but quite recently: in the millions of dollars. I wondered if we could have that answer to the evaluation question and then an answer to: What has Treasury done to evaluate the success or otherwise of its engagements with consultants? So there are two questions there: How often does the Procurement Board see that reporting, and then the Treasury.

SONG HONG: In my time in government—two years—nothing has come up from a consultancy perspective to the board.

The CHAIR: I think Dr Kaine is maybe sharing the same frustrations here. I'm going to use a silly example to explain what I mean, so bear with me. We can write laws that say you don't break into people's houses, and then we can explain that law to people and say, "You don't break into houses." Then if we see them doing it, maybe we say, "Well, here's a bit more guidance as to how you don't break into people's houses." But eventually, if nobody is actually putting a sanction on the people that are breaking into houses, nothing is going to change. I feel like you and also NSW Health are talking a lot about, "We're putting these rules in place; we're putting these frameworks; and we're making people sign things to say that they've done the training or they've read the whatever." That's not the same as enforcement of the rules and guidelines and processes. Where in the government structure does somebody enforce those guidelines and actually check to see that they've been complied with?

SONYA CAMPBELL: Yes. I think that is the role of the Procurement Board and the responsibility of the Procurement Board. I think there is definitely an opportunity to review and improve the way that the board is doing that.

The CHAIR: They're not doing it is what I'm hearing.

SONYA CAMPBELL: No, it's not that they're not doing it, but I think, to your point, we are relying on the self-attestation, or have relied on the self-attestation process.

The CHAIR: Is there an example then of them doing that enforcement role in a way that is not just writing more rules and putting out more procedures and guidelines?

SONYA CAMPBELL: The better question, or what we're focusing on in the Procurement Board at the moment, is the capability that is needed to be strategic and to do all of the things that you're referring—

The CHAIR: The question though was: What have they done in terms of enforcing and to check that the guidelines have been met? I said, "They're probably not doing anything then," and you said, "No, no; they're definitely doing something." Please give me an example of what it is the Procurement Board does to monitor and enforce compliance with the rules.

SONYA CAMPBELL: If the secretaries of departments who are accredited to carry out procurement of goods and services are signing off to the Procurement Board that their agency has followed those processes, then the current operating environment would be for the board to trust those attestations. We're looking then as a board at how we add a layer of assurance for the board.

The CHAIR: What does that say to you if, as we heard from the Auditor-General, three out of 82 consulting engagements had gone through that mandatory post-engagement performance review—only three. But you're still getting these attestations that say, "Yes, we complied with the procurement guidelines; it's all fine." Clearly something is fundamentally broken with the self-attestation. To then say, "We're looking to put a level of extra assurance on top," is really understating what is required here.

SONYA CAMPBELL: I think, Ms Boyd, that, firstly, we as Treasury haven't seen the specific agency audit reports that were done separately. We've received the one that was provided to Treasury. So, again, I don't have full visibility on that. Remember that there are Procurement Board members from every agency in that board who have the same responsibility from a whole-of-government procurement perspective to be bringing issues to the board, so that, as a board, we can look at what measures need to be put in place to monitor and enforce.

The CHAIR: If the board is comprised of agency secretaries or their delegates, and the board is relying on attestations from these secretaries, are you not just marking your own homework?

SONYA CAMPBELL: That's a very good question. Essentially, the secretaries have all delegated, so I would expect that, between the chief procurement officer and the delegate of the secretary who is the board member, the secretary is taking ultimate responsibility for providing those attestations to the Procurement Board.

The CHAIR: I certainly have no assurance at all at this point that NSW Procurement, who is supposed to be—I thought, and correct me if I'm wrong—the setter of standards for procurement, particularly in the context of the inquiry we're looking at right now, for this massive amount of spending on consultants. We've seen that the past Government couldn't rein it in; it was going up and up and up. We've seen reports coming out from the Auditor-General for years talking about lack of transparency over that spend and all the rest of it. The Auditor-General and NSW Health are saying to us, "It's NSW Procurement who can tell you the total spend on consultants," et cetera. It sounds like the buck stops there. I'm really worried that we have a Procurement Board that is effectively, as I say, marking its own homework and relying on itself. Does that not scream to you the massive risk that we don't actually know what's going on in terms of procurement when it comes to management consulting?

SONYA CAMPBELL: As I said, I think there is a lot of opportunity for review and improvement. I do think that, in addition, NSW Procurement have put in place a number of measures over the last four years in response to the previous Audit Office report around those recommendations for greater transparency and data. The challenge that central agencies have is needing those other agencies to be implementing and investing in those systems and capability, to be putting those checks and balances and monitoring and compliance in place within their agencies.

The Hon. MARK BUTTIGIEG: Can I just add to this, perhaps in a bit more of a diplomatic way—and I'm not suggesting yours was polemic. Sorry, but we're in government now.

The CHAIR: No offence taken.

The Hon. MARK BUTTIGIEG: Structurally, you've got this situation, which the Chair has pointed out, where you've got the people who are procuring on the board kind of talking to themselves about, "Is everyone okay with this? Yes; let's go back." That's putting it very crudely but—

SONYA CAMPBELL: Can I just add one point of clarification though? There is a diverse membership across the board, ranging from CFOs to CFOs. But they are all at that deputy secretary level, so it's not everyone marking their own homework.

The Hon. MARK BUTTIGIEG: The way I'm seeing this is that the agency will get a budget from the Treasury, and that's their KPA, right—"I'm going to stick within this budget, and as long as I do that, the qualitative nature of the spend is neither here nor there. If I spend a third of it on consultants, no-one is really too fussed as long as I tick all the boxes." I know that's a crude characterisation, but let's pull it back a little bit. Has Treasury ever done anything in terms of providing a template approach or a tool for assisting the agencies to do a cost-benefit analysis, for example, on the use of consultants vis-a-vis internal resources? This is so that there is a more proactive approach to go, "Here's a way we can measure whether or not it's actually worthwhile us doing it. Once we've gone down that path then we're good to go."

SONYA CAMPBELL: I think it's an excellent question, because we do that for other investments. Probably one point of clarification at the start is that within New South Wales government we have labour expense caps as well as operating expenditure, so we can't just decide what we want to spend on each. That does put a constraint on the public sector, so I think it's important to acknowledge that. Then what I would say is that whilst the procurement policy framework sets out the framework for planning, sourcing and managing, and has a range of mandatory requirements and tools and templates, agencies that are accredited are then able to operationalise that. Mr Hong might want to add clarity to that—no?

SONG HONG: No, I'm good. That's good information.

The Hon. Dr SARAH KAINE: It sounds to me, following on from the questions and discussion we've had today, that the crux of the issue is the devolved structure—that it doesn't allow oversight by the Procurement Board, which is meant to have oversight. It doesn't allow NSW Procurement to get the data it needs. It doesn't allow us the transparency we would like to be able to identify spend. Is that a reasonable assessment?

SONYA CAMPBELL: I think there is certainly an opportunity at the moment to look at how the devolved model works versus what sits in the centre and where, on that spectrum, is a good operating model that allows greater transparency and greater insight into data.

The Hon. PETER PRIMROSE: Is that opportunity being undertaken at the moment?

SONYA CAMPBELL: From our perspective, I would say yes.

The Hon. PETER PRIMROSE: Can you elucidate on that a little bit?

SONYA CAMPBELL: Both through conversations at the Procurement Board—and noting I've only been in the chair since December last year—but also through engagement with the Minister for Finance, who has

responsibility under the legislation. So we are proactively briefing at the moment around how that model works and where there are opportunities for improvement.

The Hon. Dr SARAH KAINE: Can I go back to my evaluation question because we got legitimately carried away with something else. I was asking you, Ms Campbell, about evaluation that had been undertaken by Treasury of your own considerable consulting spend. I wonder—if you don't know, I'm happy for you to take it on notice—if you could provide a bit of the same assessment that the Auditor-General did. How many consulting contracts have you engaged in over five years? How many of those have had evaluation and negative/positive kinds of results? Have you got any answers for me?

SONYA CAMPBELL: Treasury is also a big place, but I can speak to what I am aware of within my portfolio and my department. A lot of that expenditure does come from the commercial space. There have, historically, been large transactions, large reviews with a large amount of expenditure. I think there is a supplier feedback as part of the system. A lot of that will depend on the individual teams that engage that. A lot of the time, in my experience, it's been verbal feedback, but I agree there is probably an opportunity for things to be more formally recorded.

The Hon. Dr SARAH KAINE: I understood that there was a formal requirement under the procurement framework for any contract over \$150,000 to have—so this verbal thing that goes on, that doesn't fulfil—we were talking about compliance and non-compliance, and every member of the board attesting that they'd done it. Well, clearly, as the Chair pointed out, they haven't.

SONYA CAMPBELL: I think it happens in a range of different ways, I guess is the point I was trying to make. In my experience, a lot of this has also been through governance bodies recording that feedback at the end of an engagement. So I think there would be different sorts of examples of how that is actually done in practice. I'm happy to take the question on notice and come back to you with some analysis from a Treasury perspective.

The Hon. MARK BUTTIGIEG: I've just got a quick one from the earlier evidence. Just out of interest, the State-owned corporation use of "that's not reportable", what was the genesis or the rationale for that?

SONYA CAMPBELL: Obviously I wasn't in the previous conversation, but you are talking about "not reportable" of consultancy expenditure?

The Hon. MARK BUTTIGIEG: Yes.

SONYA CAMPBELL: They're a commercial business that report to an independent board, so that is reported in a different way from a general government perspective.

The Hon. MARK BUTTIGIEG: Basically, is that because Treasury is the shareholder—for example, Essential Energy; 100 per cent shareholder.

SONYA CAMPBELL: Yes.

The Hon. MARK BUTTIGIEG: They return a dividend and, therefore, as long as the dividend is okay Treasury doesn't really delve into the micros of how they run their business?

SONYA CAMPBELL: No, I wouldn't say that.

The Hon. MARK BUTTIGIEG: Okay.

SONYA CAMPBELL: We have a business planning process annually. There is a statement of business intent. There is a statement of expectations that can come from the portfolio Minister to those businesses, which could include procurement requirements.

The Hon. MARK BUTTIGIEG: Okay, so it can. What about minority shareholders, like Ausgrid and Endeavour, for example?

SONYA CAMPBELL: Yes, so we don't have control. Our directors who sit on those ministerial holding companies are part of the board of Endeavour and Ausgrid, but the Government does not have control of those organisations.

The Hon. Dr SARAH KAINE: I know that the Auditor-General pointed out in her report an exemption given to Landcom by the previous Treasurer. That seems to be a different category to State-owned corporations. On what basis are those exemptions given? What are the reporting requirements and how many other such exemptions were given under the previous Government?

SONYA CAMPBELL: I would have to take that question on notice. We obviously have a large number of businesses across the portfolio. It's not just the shareholding Ministers; there are portfolio Ministers that sit in different departments that set out their expectations.

The Hon. Dr SARAH KAINE: Yes, it's just that it's the Treasurer, in particular, who gives exemptions. So whether it's in another portfolio, ultimately, it's the Treasurer in that Landcom case. I wonder how many other cases and how many other exemptions the Treasury gave.

SONYA CAMPBELL: Can I just clarify the question? It's an exemption from?

The Hon. Dr SARAH KAINE: From the reporting requirement.

SONYA CAMPBELL: You're talking about annual reporting requirements?

The Hon. Dr SARAH KAINE: I'm just going to go back to the auditor's report. Yes. It falls into that same kind of category of those and it goes to our data question of we are not getting a complete picture because there are some entities that have been given either that blanket exemption or particular exemption. As we finish, I can refer you to the part of the Auditor-General's report.

SONYA CAMPBELL: That would be appreciated. Obviously a number of those businesses have their own governing legislation as well as having independent boards and they are set up commercially in that way. So they are treated differently for reporting purposes.

The CHAIR: Thanks very much for your attendance. That does conclude the hearing for today. The secretariat will be in touch in relation to any questions you took on notice or supplementary questions that we may provide. In any case, they will be due within 21 days. That wraps us up for today. Thank you.

(The witnesses withdrew.)

The Committee adjourned at 16:02.