

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 Tuesday 8 August 2023

The Committee met at 11:00.

PRESENT

Ms Abigail Boyd (Chair)

The Hon. Mark Buttigieg

The Hon. Scott Farlow (Deputy Chair)

The Hon. Dr Sarah Kaine

The Hon. Peter Primrose

PRESENT VIA VIDEOCONFERENCE

The Hon. Bronnie Taylor

The CHAIR: Welcome to the fifth hearing of the Public Accountability and Works Committee's inquiry into the New South Wales Government's use and management of consulting services. I acknowledge the Gadigal people of the Eora nation, the traditional custodians of the lands 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 and Torres Strait Islander people joining us today. Today we will hear from academics and researchers, as well as representatives from NSW Treasury, the NSW Procurement Board, and the New South Wales branch of the Australian Paramedics Association.

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 they may make to the media or to others after they complete their 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. 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 microphones. Finally, could everyone please turn their mobile phones to silent for the duration of the hearing.

Dr CATHERINE WILLIAMS, Research Director, Centre for Public Integrity, before the Committee via videoconference, affirmed and examined

The CHAIR: I now welcome our first witness, who is appearing via videoconference. Would you like to begin by making an opening statement?

CATHERINE WILLIAMS: I'd like to thank the Committee for the invitation to appear before you today. The Centre for Public Integrity began to look at issues relating to the use of consulting services late last year. Initially, what we were interested in was the flow of donations between the big four accounting firms and the major parties and any correlation that might exist between those donations and contract value. What we discovered then led us to focus next on a category of contracts that is called "management advisory services" and we have since done some new analysis that will be released later this week. I had hoped it would be ready to discuss with you today, but it's not released yet. I'll certainly ensure it's provided to the secretariat in case that's of interest to the Committee.

What we're finding in our research has led to us being deeply troubled by the lack of sufficient transparency in respect of what is being purchased with public money from consulting firms, as well as by the hollowing out of the public service and the potential for conflicts of interest that is inherent to the operating model of some of these firms. We're working on developing a comprehensive package of reforms to respond to these issues and, if that would be of interest to the Committee, I'd certainly be very happy to stay in touch with you as we develop it further.

The CHAIR: Absolutely. You mentioned the conflict of interest. There are a few different types of conflicts of interest in this area. The one that we have heard a lot about with the PwC scandal has been in relation to the conflict of interest between work done for government and work done for other clients. We've also had some public commentary around the potential conflict of interest for audit work versus other types of work. Thirdly, there is this conflict of interest that I will get to, perhaps as a second question, in relation to board members—people who are working at those consulting firms and also working as board members on government or other companies. In relation to this audit work, is there ever a situation where you can have a firm working as the lead auditor for a company and also working on public policy for a government in a way that would impact on that major client in an ethical way? These—whatever they are called these days—integrity walls, can they ever actually work?

CATHERINE WILLIAMS: The simple answer to that is no. As you say, there are many and varied conflicts of interest associated with this operating model and that is a key one. It is not resolvable by the implementation of integrity walls, because the difficulty is that even if we assume that the walls function effectively to prevent the information flowing into areas of firms where it shouldn't, you can't control the perception of that conflict of interest continuing to exist regardless. I suppose I think of it as a bit analogous to the principle of apprehended bias that we talk about in relation to judges. It is so important that the integrity of the judicial system is maintained if there's a circumstance that could result in what is referred to as a fair-minded lay observer reasonably apprehending that—when we are talking about this instance—the judge might not bring an impartial mind.

If we take it over to the situation of consulting firms in the scenario that you have described—that they don't have a conflict of interest—the difficulty is that that fair-minded lay observer still well might reasonably apprehend that a conflict exists. That has this deleterious impact upon public trust, which then has a flow-on effect for democracy. That's the key problem here—that even if the walls function as they are supposed to, they cannot prevent there being a perception of a conflict of interest that is harmful to our society.

The CHAIR: I think you've put that incredibly well. I guess if I were to speak to a random 10 people outside and said to them that the Government had just produced a report with the help of a particular firm—say one of the big four—and that report had benefited particular parts of industry or happened to support a particular project and that that same firm also had an audit arm that was doing work for that client that then benefitted, you would think that that shouldn't happen. It doesn't pass the sniff test.

CATHERINE WILLIAMS: It absolutely doesn't pass the sniff test. I am glad that it came across in a way that made sense, because I was worried that I tied that up in a very complex way there. I agree very much that we need to be thinking about what the average member of the community thinks about these issues when they hear about them. If their likely perception is one that would detract from their trusted government, then we should be preventing it from happening in the first place. Some conflicts of interest are able to perhaps be managed sufficiently well to mitigate their potential harmful impact, but some are so significant that they simply shouldn't happen in the first place, and this is that sort of conflict. That is why we are supportive of the proposition that the firms' auditing and consulting arms should be separated structurally.

The CHAIR: Going back to that first type of conflict of interest then, if we have a circumstance where a big consulting firm is doing work for government and they are also doing work for the clients that will either benefit or suffer detriment through government policy, to what extent can we have assurance that that work being done for government is going to be in the public interest and in the best interest of government, and not feathering the nests of the consulting firm's other clients? Can there ever be an ethical split within the consulting firms for that type of work?

CATHERINE WILLIAMS: Again, I would find it very difficult to conceptualise of protections that would be sufficiently robust to allow that sort of circumstance to happen. It concerns me and I know many of the academics working in this area that it sometimes seems to be the case that the big consulting firms are perceived of as the fount of all knowledge and expertise, when Australia is fortunate to have a very, very well-resourced set-up—a qualified, knowledgeable academia effectively—all these experts who could be harnessed to provide genuinely independent expertise, the sort of expertise that it wouldn't make sense for the public service to retain on an ongoing basis and that there is a legitimate need to outsource. Those experts can probably, in many cases, step in in cases where these firms are conflicted in the way that you're describing because, as I say, I so far haven't seen any system of sufficiently robust protections that would, in our minds, be satisfactory to allow that sort of conflict to exist.

The CHAIR: We have in the case of PwC, Allegro coming in and them potentially setting up this new government-only advisory service, but we've been told that one of the benefits of consultants is that they bring with them this private sector expertise. They have their finger on the pulse because they are also working with all of these commercial clients, so when they come to government, they can give the benefit of that expertise they bring from working across society, not just with government. Yet then we have this idea that we are going to have a government services only firm as a spin-off from PwC. At what point do we say, "Why don't we just use a public sector consulting group that only does government work?" Do you understand the rationale for this PwC spin-off idea?

CATHERINE WILLIAMS: I don't understand the rationale for that idea. What I suppose our response to that would be is why is the Government not doing government-only work? Why is that work not staying within the public sector? There is a legitimate use for external expertise, but that legitimate use, we would say, is in circumstances where there is a demonstrated and acute need for capability that is properly not within the constant capability of the public service. An example, perhaps, helps to pin this down a bit, and maybe a good one is urgent legal advice that is sought in relation to a highly specialised area the public service can't justify retaining expertise in all the time. That would be a legitimate case in which to have recourse to an external consultant. But, otherwise, we should be focused on building up the capability of the public service, not referring work to a government-only consulting firm.

The CHAIR: Yes.

The Hon. MARK BUTTIGIEG: I want to follow up on that because I think it is a crucial point. Obviously, we want to try to come to this from an objective basis because we've all got our political and ideological viewpoints, which is why we are in this place. But from a purely logical point of view, you would imagine that the ideal model would be public service having as much resident expertise as possible, given the service delivery and the direct transmission mechanism from the people they're serving, via their parliaments and their politicians and the public service, to the service delivery.

There will be a bespoke marginal service which they will not have capacity in, which is where, presumably, consultants and contractors are brought in. But what appears to have happened over the past 20 to 30 years is that that model has been flipped so that almost the default position is to consult and outsource. That has a deleterious effect on the public sector because it wears down its capacity. So it then becomes a self-reinforcing principle, because the public sector is no longer capable of doing it and these big consulting firms can do it because, guess what, they've had 25 years to build up the expertise. Is that the position of the Centre for Public Integrity, in a nutshell?

CATHERINE WILLIAMS: You have characterised it perfectly, yes.

The Hon. MARK BUTTIGIEG: What is your suggested way forward in terms of realigning that to the point where the public can feel confident that they are actually getting value for money and that the public service is accountable, and consultants are accountable?

CATHERINE WILLIAMS: Look, it's such a good question and, in a sense, I can make some comment about it now and I might come back to you as we develop our reform package, if that's okay.

The Hon. MARK BUTTIGIEG: That would be helpful, yes.

CATHERINE WILLIAMS: There are so many elements to it. I might take the easiest element first, if that's okay, and that is how the public can be assured that it's getting value for money. One of the things that really concerns us is the lack of meaningful information about what is being purchased when services are procured. I have to say I am not as familiar with the New South Wales disclosure system, so please correct me if I am wrong in assuming that it's quite similar to the level of detail disclosed on AusTender in respect of Commonwealth procurements. But what we are seeing in our research is that when a contract is disclosed, if that is to be a useful exercise there needs to be enough detail disclosed so that people can actually figure out what has been purchased and scrutinise the purchase to see if there is value for money.

If I give you one example—in the category of management advisory service contracts we see services being purchased described as things like "business support services" and "program and product management service and support". Now, I don't know what that means. I've got no idea what that means, and I think that probably the average member of the public would have no idea what that means. But it's public money that's buying those services, so why should the public not know what that means?

Perhaps a practical solution in terms of facilitating the level of disclosure required for people to have confidence that they're getting value for money is that when a contract is disclosed the scope of work, for example, could be uploaded with that disclosure so that people can see precisely what is being bought. And, at the end of the project, at delivery if it's an advice-based project, then why can the delivery outcome not also be uploaded to the same repository? Of course, there might be a need for sections of it to be redacted. We would accept that. But, otherwise, the default position should be that more information is disclosed so that it is able to be scrutinised, so that people are able to have trust that they are getting value for money when services are procured by government.

That is the easy element of it. The much more complex element of what you spoke about is how we now rebuild a public service that has been systemically hollowed out. One thing that can be really beneficial is high-quality, in-house training programs for public servants and also—this is something that Mike Keating, former secretary of various Federal departments, including Prime Minister and Cabinet, has spoken about—a need to rebuild the capacity of the public service to do research and evaluation in particular. Those skills are vitally important.

Where that evaluation work is being done, it appears it is often being outsourced, which has two problems. The first of those problems is that the firm being contracted to do that work is probably more likely to say what the Government wants to hear because it wants to get more work. It's difficult to say something to someone buying something from you that you know they don't want to hear. The other problem is that it has meant that there's not that critical skill within the public service to do that work. I would say that when we are trying to rebuild, we have to focus on the areas that are really critical and that have been effectively decimated by the approach that has been taken to the use of consultants over a long period. Look, it's only half an answer, and I will come back to you as we develop more precise reforms around that.

The Hon. MARK BUTTIGIEG: Prior to the PwC incident—we seem to rely on an investigative media to expose a lot of these situations, as well as some of these committees at both the Senate and the State level. In a lot of ways, we shouldn't have to have a reactive system. We should have a proactive system that's structurally sound so that this is the exception rather than the rule. What level of awareness do you think the public would have of government expenditure on consultants prior to PricewaterhouseCoopers? Is it the sort of thing that goes under the radar? Or do you think the public are aware and are not happy? What's your organisation's view on that, if you have one?

CATHERINE WILLIAMS: It's not something we've specifically considered. But looking at the flow of media coverage in relation to this issue, the public is unlikely to have awareness of how money is spent in this area without a scandal leading to media coverage as a consequence. Unfortunately, it doesn't get the regular scrutiny that is required. Another thing that we are thinking about is a more periodic role that an Auditor-General's office could play in respect of monitoring compliance with rules. Of course, then those agencies need to be resourced more if they're going to be doing more work. And also, ways to enable parliaments to scrutinise this sort of spending on a more periodic basis—what sort of information would be really valuable to give to parliaments from departments, and on what kind of basis, for parliaments to be able to do their scrutiny functions? I agree with you entirely: The work of parliamentary inquiries in this area has been vitally important and has unearthed a whole lot of information that needed to come to light. We are keen to ensure that Parliament continues to get access to the information it needs to do scrutiny properly.

The Hon. MARK BUTTIGIEG: Are there any exemplar jurisdictions that are doing this better than anyone else that you are aware of?

CATHERINE WILLIAMS: Not that we are aware of at this point, but we're still undertaking our comparative analysis of jurisdictions.

The Hon. Dr SARAH KAINE: I have a question that follows on from your consideration of scrutiny. Given that currently it seems to be a self-regulated space where there are some professional bodies that almost cover consultants but there seems to be a bit of a gap, I wonder if you could talk a bit about the role, if any, of self-regulation in this space. You did allude to scrutiny in your previous answer. Almost all of our witnesses, regardless of their views, have noted that there will probably always be some kind of consulting needed for those niche areas of expertise, so the idea of scrutiny or regulation of the behaviour of consultants is going to extend well beyond a rebuilding of the public sector. Could you perhaps just comment on that regulatory space?

CATHERINE WILLIAMS: Our view on self-regulation in this area is that it has not worked and it does not work. You need independent regulation. Self-regulation is never going to be sufficient. We are interested and are currently looking at what sort of mechanisms could be used to ensure that consultants are able to be effectively held accountable, and not that they are held accountable at the whim of their employers, who often have an incentive to minimise perceptions of employee wrongdoing. We're working at the moment on developing what appropriate mechanisms might be.

The Hon. Dr SARAH KAINE: So that's one of the recommendations that might come out of your—

CATHERINE WILLIAMS: It's one of the things we're looking at, absolutely.

The CHAIR: I come back to the other main type of conflict of interest that we have been exploring in this inquiry, a lot of which came out of looking into the use of consultants in local health districts and on their boards. I note that one of your recommendations in the Federal sphere has been to prevent former partners of the big four who are receiving annuities from holding public sector roles. Across the New South Wales agencies, we have a huge number of boards that have ex-consultants on them and, in some places, there are current consultants from the big four sitting on them. In most of those cases, and when we have had these discussions with the relevant boards and with Health, we are being told that as long as you disclose that you were employed or are employed by that consulting firm, your conflict of interest is done. Can you explain to us why you think that we need to prevent government boards from having consultants or ex-consultants on them?

CATHERINE WILLIAMS: Again, to my mind, the problems are two: the potential for a real conflict of interest, and then the potential for it to be perceived that there is a conflict of interest. Theoretically, I'm not sure of the sorts of processes that are in place in New South Wales and what is deemed acceptable as a tolerable conflict of interest, but I would hope it's not possible that somebody is able to be appointed to a board that might be making recommendations relevant to clients of that person's firm. I would hope that is not possible, but I am not sure.

The other issue is that even if people aren't appointed to a board and doing work that might potentially benefit their firm's clients, the holding of a public board position obviously leads to the ability to build up networks of influence and knowledge that might be beneficial to a firm's operations regardless. So I think it's important to be very careful about those sorts of appointments. In respect of public appointments broadly, I think it's important that there is a very robust process in place for the making of those appointments, because the risk of those appointments being perceived as jobs for mates is a real one. We have done a lot of work around the sorts of processes that need to be in place.

One thing I think is the case in New South Wales is that there is a guideline or standard in respect of making appointments to public boards. From the brief look I had, it didn't seem to me that that was legislated, but we would be talking about there needing to be in place a legislated process in respect of making those appointments: requirements around transparency—so, that they are advertised; that there is an independent panel undertaking the assessment process; and that the relevant Minister is then able to appoint from a pool of shortlisted candidates, not whomever they wish to appoint. Those measures, also, would go some way, I believe, to helping to ameliorate the damage that could be caused by people who are employees of these firms holding the positions on public boards. But, as I say, to me that really is a red line. If the board is doing work, making recommendations, where the firm has clients that could benefit or the firm is seeking to expand its operations, you have to be very, very careful about tolerating that arrangement, I think.

The CHAIR: One of the revelations from this inquiry so far in our questioning of PwC and the information they returned to us on notice—we questioned them about a program they've got called the OnBoard program. They have 666, I think it was, partners or employees of PwC on government or not-for-profit boards across Australia. But they also participate, we have now been told, in something called the Observership Program, which is a program where they are putting PwC employees and partners on as observers on boards, rather than as board members, in a kind of mentoring relationship.

Subsequent to that, we found out also that they have benevolently or in some cases been paid to give mentoring advice to CEOs or CFOs of particular government agencies. So there is what looks to be a business

model of getting PwC people onto boards. When we asked the acting CEO about that, we were told it was basically a benevolent thing where people wanted to give back to the community. What do you make of that? Is there a case for saying that even if there is not a direct conflict of interest between a person's firm and the work they are doing on a board, they are, if nothing else, promoting the benefits of consulting and outsourcing to those boards?

CATHERINE WILLIAMS: Look, my response is that, if we assume that firms engaging in that sort of behaviour are rational entities, they are doing that in order to further their own interests. If the desire is genuinely to give back to the community—I am going to say something that will sound a little bit silly now, but as a teenager I worked for The Body Shop. The Body Shop had a program that wanted to give back to the community. So they paid all of their employees to volunteer at grassroots projects of each local store's choosing. At my store, we did dog walking for people with disabilities who were not able to walk their dogs. There is plenty of genuine need in the community where, if a corporation wishes to give back, it can give back in a way that does not appear designed to reinforce its ability to make profit. So I'd suggest that those firms could look at those alternative methods, given that a method of the kind that you've described is difficult to see as anything other than a firm's effort to build its network, entrench its business model et cetera.

The CHAIR: Incredibly well said. One of the other things that we have been looking at is the possibility of post-engagement separations; we've been looking at this revolving door. Are there other jurisdictions that impose a limit on the places that public servants can go to once they've worked in high levels within government, to stop them from going straight into employment with one of the big consulting firms?

CATHERINE WILLIAMS: To my knowledge at the moment, no. Mostly what we are seeing is that these post-employment separation periods apply to working specifically for lobbying firms, and where those prohibitions exist—I mean, in some jurisdictions they're really substantial prohibitions. Canada has a five-year prohibition, which I think is a really interesting approach. I would mention, too, that they do something I think is valuable if you were to ever look at a longer post-employment separation period than currently exists in New South Wales in respect of lobbying or broadening it to these sorts of firms, too. The integrity commission can have a role in relation to determining whether there should be an exemption in an individual case from that five-year prohibition, which I think is appropriate given you're talking about such a substantial period of time when you get into that upper range of limits. But in respect of consulting firms, we've not seen anything so far.

I think one thing that we're trying to be cognisant of is that even though those firms are not specifically lobbying firms, at times they might be engaging in lobbying in the sense of trying to win work. Also we're kind of conceptualising it from the position that the point of there being a prohibition, a cooling-off period, in respect of lobbying work is to allow the dilution of networks and the value of knowledge obtained during a person's period in government—a public position. It allows that to dilute over time. As we see it at the moment, this is probably an analogous circumstance. You don't want people, with the benefit of their public role funded by the taxpayer able to build up networks and knowledge over a period, to be able to straightaway move to an organisation that knows the value of that network and knows the value of that knowledge—and that's why it's prepared to pay top dollar for it—being able to benefit in a way that is not fair. We're at the moment approaching it from that perspective, and I think that will ultimately drive our recommendations in this area.

The CHAIR: Just a final area of questioning from me. We've got Treasury coming back in this afternoon to answer some more questions and also the Procurement Board. We've spent some time asking about post-engagement reviews with consultants, and we asked for a bunch of data, for example, to come back to us from Health where they've listed out their consultant use—each of the contracts—which has been incredibly useful, and then also commented on whether or not there has been some sort of a review of how good that work was. In the vast majority of cases, they've just said, "The work was done so we paid." That's sort of the post-engagement review that was done. Say, for example, that a consultant has helped do a business case and they've predicted that the benefits will be x, y and z going five years into the future. Do any jurisdictions ever go back and look and say, "Well, actually, no, you got that completely wrong" or "Yes, that was quite good"? Are there any proper, real substantive reviews of consultants' work done anywhere?

CATHERINE WILLIAMS: Not that we have seen. We've seen no example of that so far. The sad reality might be at the moment that that's the sort of review that would be outsourced instead of being done. It's absurd but it's well possible at the moment, and that comes back to that sort of evaluative capacity that needs to be rebuilt within the public service. Then, in that case, once that's rebuilt, they absolutely should be undertaking those sorts of reviews so that over time you get a sense of areas in which certain firms are able to deliver, are not able to deliver, should not be contracted again as a provider of a particular service. It's critically important that, where public money is being used to purchase a service, there is some review of whether what was supposed to be provided was provided and the ultimate value of that.

The CHAIR: We're seeing, of course, at the Federal level with the defence contracts, with the allegations last night that were raised on the *Four Corners* program, that some work was given to consultants that then ended up, potentially, not having been done. Do you think that is primarily because we lack, as a—does the public sector now lack the expertise to review? Or is it more a case of there's no disclosure, there's no transparency and there are no consequences for when people do the wrong thing in relation to consultants?

CATHERINE WILLIAMS: It's hard to determine the extent to which each of those factors is driving the current situation. It's likely a combination of all of those things, I think.

The CHAIR: Just finally, one more thing, because I could talk about this for hours. One of the other things we found is this kind of phenomenon of secondments, where people from consulting firms are brought in and they're sitting within government departments, often what looks to be quite long-term contracts as well, where they're effectively looking like they're employees. We've also discovered that there is a discount given from the big four to government for contracts where they will allow a secondee to sit in the department. What do you think about that in terms of the sort of ethical challenges that that raises?

CATHERINE WILLIAMS: It raises substantial ethical difficulties because, presumably, if a firm is prepared to charge less where they're allowed to put a secondee in place—there's a reason for that. They see some benefit, potentially, able to be gained. If you've got a secondee from an external firm, embedded within the public service, again, investing time, building up networks, building up knowledge—if ultimately the objective of that is to take more work out of the public service and direct it to the firm, which it likely is, given that that's the firm's operating model, then I can't really see how it should be permitted.

The CHAIR: Thank you. I'll just check with my colleagues if there's any other questions before we let you go. Just checking with Mrs Taylor online. No. I think we're good. Thank you so much for taking the time to come and share your expertise with us today. Thank you for all of the work that your organisation does. To the extent there are supplementary questions or questions taken on notice, there'll be 21 days to respond, and the Committee's secretariat will be in touch. That concludes our session with you today. Thank you.

CATHERINE WILLIAMS: Thank you so much for having me.

(The witness withdrew.)

Dr BETTY CON WALKER, Economist, Author and Former NSW Treasury Official, sworn and examined

Dr BOB WALKER, Emeritus Professor of Accounting, Business School, University of Sydney, FCA, affirmed and examined

The CHAIR: I now welcome our next witnesses. Would you like to begin by making an opening statement?

BETTY CON WALKER: We do have a short statement. As we've said in our submission, the public sector has always outsourced some functions. The use of outsourcing, of which consultancies are a subset, increased on the basis of two beliefs. First, that it would lead to a smaller public sector and to savings of 20 per cent based on ill-considered interpretations of some questionable UK academic work. Not that we're advocating a smaller public sector and banning the use of consultants. Rather, we are advocating a more efficient and skilled public service with consultants only to be used as a last resort, not a first resort.

Our initial submission provided more data to that reported by the Auditor-General. For example, it covers expenditure on consultants for a longer period, as well as information on contractors. It should be noted that some of these outlays may not have been recorded as expenses but were treated as part of the cost of new assets. Our supplementary submission, which we've drafted after following some questions asked by the Committee, presents additional data about expenditure on consultants, however described, relative to trends in public sector employment. There is little information, as I think the Committee has found, available to determine whether savings have actually been achieved. We do know that public sector employment has not fallen. It is a third larger today than it was in 1999. On the face of it, outsourcing to consultants and contractors has not produced material, let alone major, savings.

BOB WALKER: We go on to refer to the Public Service Commission's collection of data which may be able to show any skills gap. If that reporting is improved, this information could be used to implement our recommendation to engage public servants with relevant skills to form a New South Wales public sector consultancy. Our supplementary information responds to suggestions that there are robust systems in place to deal with complaints about members of the accounting profession. We present a case study—a little old—of how a complaint to CPA Australia was handled. This concerned the dissemination in 2013 of a widely publicised report about government finances two days before a Federal election. That report was intended to influence the public at large. This Committee may wish to suggest that a disciplinary committee established by the accounting bodies should be more proactive in addressing matters affecting the public interest, particularly when dealing with government finances. Thank you. I am open to questions.

The CHAIR: Thank you very much for your work in this area and your detailed submission. There's a lot to cover. I just wanted to start on the point that you raised at the end there about what appears to be a lack of consequences for people in the industry doing the wrong thing. We heard from CA ANZ in our last hearing about how they had begun or commenced an inquiry into the behaviour of KPMG in relation to the TAHE scandal. We heard about the lack of enforcement around the ethics test cheating and the PwC scandal. What would a regulator that was actually doing its job and was fit for purpose be doing at this point? What does the ideal regulator look like to you?

BOB WALKER: Well, it's not what we've got at the moment, which is simply that regulatory activities are devolved to a committee of CEOs of agencies, in essence, which I think is a bit silly.

BETTY CON WALKER: Accountancy firms.

BOB WALKER: CEOs of accountancy firms, yes. The second thing I think you should note is the submission from the Institute of Chartered Accountants, of which I am a member, I am a third-generation chartered accountant—believe it or not that such a thing could happen. They suggest that their procedures prioritise matters which may harm or damage consumers, by which they possibly mean shareholders and creditors. They don't seem to place much emphasis on the public interest, and I just found it particularly outrageous in this case study we report that there were headlines in major media and nothing was done about it. Plainly, as we show in the submission, the activities of a certain group of people, one of whom was an accountant, didn't comply with the profession's standards. I think the other two members were economists, and I have to say that, regardless of my wife's interest in this matter, economists don't have codes of ethics. Turning to, then—your question was how would such a public sector consultancy operate, was it?

The CHAIR: No, my question was what would the ideal regulator for those consulting firms look like, if it's not what we have now.

BOB WALKER: I think you have to have a combination of monitoring, and the identification of deficiencies and breaches of standards, and then some form of enforcement. I note that the profession's regulatory body says they don't do any enforcement, but they're also saying they're unaware of any major deficiencies. I wonder—if you don't do any monitoring, how do you know what's deficient? So there should be some proactive process of watching what's going on and then taking action in a timely way—not 18 months later, as happened in this case study.

BETTY CON WALKER: They rely on people bringing forward complaints, basically. That's been our experience with that example. It sounds like they're still relying on people bringing forward complaints, rather than their taking a proactive role in identifying issues. Obviously, in their current state, they're not the bodies to monitor consultants in the broader sense that you're talking about. There would have to be significant changes for that to happen—for them to be an effective monitor and overseer of any wrongdoing.

The CHAIR: Perhaps we can look, then, at the analysis you've done about the public sector numbers versus use of consultants. I take your point that the public sector has not—I don't want to use the word "benefitted", because I don't think it would be a benefit for them to reduce their headcount. But from your analysis, there hasn't been a reduction in headcount versus the increase in the use of consultants. But are your numbers looking just at government agencies that otherwise would be using consultants, or are you looking at the whole of the public sector, including teachers, nurses, midwives et cetera?

BETTY CON WALKER: The numbers are for the total public sector, particularly in the table in the supplementary. I'm not sure if the supplementary submission has been—

The CHAIR: We've just published it, yes.

BETTY CON WALKER: In that table we've gone back as far as we could using the New South Wales Reports on State Finances, which is where we obtained the information on consultants, and they didn't publish a line item on contractors until 2011. Our first submission started the analysis at 2011, simply because that was the first year that there were separate line items for consultants and contractors. That found incredible numbers—\$2.7 billion spent in that period on consultants and some \$21 billion spent on contractors. What we've done now is we've gone back as far as we could in terms of consultants, and that is, again, on the New South Wales Reports on State Finances. We've gone back to 2001.

Taking that into account, we've found that the number since 2001 is now up to \$3.7 billion. So in that 10 years before 2011, \$1 billion roughly, or \$1.1 billion, was spent on consultants. Adding that to the 12 years since, we now have a total spend in New South Wales of \$3.7 billion on consultants alone. Then if you look at the contractors' figures, as I said, we don't have any line items for those before 2011. I'm sure they are hidden somewhere in some other line item. But in that period the total spend on contractors was, I think, \$21.2 billion just in those 12 years. You can add to that. One of the issues we found is—

The Hon. MARK BUTTIGIEG: Sorry, Dr Walker. Was the requirement for the line item of contractors like a decree from the bureaucracy or did it just start appearing?

BETTY CON WALKER: I didn't find any point where someone decided that there was a decision to do that, but it just appeared. I started going through the reports and the first time I saw this delineation was in the 2011 report. So I'm not sure why—

The Hon. MARK BUTTIGIEG: Does that mean it's possible that there may be extra expenditure on contractors?

BETTY CON WALKER: Absolutely. It may be in "other", or who knows where it's hiding. But it's certainly a bigger figure than—that's why we say there's at least \$21 billion spent on contractors over that period.

BOB WALKER: As mentioned in our opening statement, under accounting practice, you can capitalise—in other words, add to the value of an asset—expenditure on certain work that is classified, through some ambiguous way, attributable to that asset. So contractors' expenditure could be much greater than what's reported as a line item in the operating statement. I'm not sure we put this in a recommendation, but a better solution would be for any notes to the accounts that refer to expenditure on contractors to indicate what's been expensed and what's been capitalised and, likewise, what's been expensed and what's been capitalised with consultants.

BETTY CON WALKER: The problem we have with this differentiation between contractors and consultants and other definitions is that even the accounts themselves have, over several years, had to redefine expenditure in their own accounts in subsequent years, in a couple of cases. That tells us that people who are compiling data are not quite sure about the definitions themselves. There is a lot of grey area here. Whilst we present these figures, they are the best we have seen in the published data. I'm sure there may be better data

unpublished, if someone looked and tried to differentiate how they came to define one lot of expenditure as consultants and another as contractors.

The Hon. MARK BUTTIGIEG: To date, that ambiguity around accounting standards remains today?

BETTY CON WALKER: Absolutely. There's no reason to believe that everyone in the public sector who's compiling data is sure of the definitions. There are definitions and there are guidelines. You can have as many definitions as you like but, unless those things are monitored in some way and checked once they are put together, you can't be sure whether they are the real figures or not. We know from your hearings that there is very little monitoring of performance, let alone putting together information.

BOB WALKER: To clarify, recent changes to accounting standards in the last decade—I can't recall what year—introduced a rule that, if errors were identified in the classification, or reporting of dollar amounts, for that matter, they could be corrected retrospectively. So anyone trying to track trends shouldn't rely just on the reports of that year but has to look at what retrospective changes remain.

The Hon. MARK BUTTIGIEG: So there's no official template document from Treasury or wherever that says, "This is how we want you to account for everything. This is a standard practice and all departments will employ this approach so that, when we pull it all up, we have an accurate picture of what we have spent on consultants and what we spent on contractors", and that sort of thing? It is just kind of whatever the devolved departments think?

BOB WALKER: I have two comments. First, disclosure about spending on consultants and contractors serves two purposes. It's an instrument of accountability so that you can identify how the agency is spending its money. Secondly, it is information to enable people to assess financial condition and operating performance. They are somewhat distinct. That's why I suggest that the notes should distinguish those things. Coming back to standardisation, when I served as chairman of the Council on the Cost of Government, which was a role to look at State finances generally and which involved some deal of conflict with central agencies, who didn't like people correcting anything or questioning what they'd said—

The Hon. MARK BUTTIGIEG: When was this, Doctor?

BOB WALKER: I can't remember my CV on this one. There's a footnote there somewhere.

BETTY CON WALKER: It's on the first submission.

BOB WALKER: It was 1995 to 1999. There is a footnote on page 8. We had a bit of trouble getting going because the agencies at the time—the head of the Premier's department—allocated people who just weren't qualified to do the sort of work we wanted. In fact, I spoke to one person in a central agency who said, "Let me tell you who they allocated." He went through a list. There were 15 people allocated to us, and he identified 13 as non-performers that were handed to us to look after. I had to then recruit people myself from outside.

BETTY CON WALKER: You're a bit modest about it, but this was a Council set up in order to do a little bit of what you're trying to do, which is oversee what was really happening. It was separate from the central agencies; it reported to the Premier and to Parliament. So it had an ability to look into not only agencies but also the central agencies. Naturally, they were not happy about that. So they weren't very facilitative in the resources that were provided for that Council to do its job.

BOB WALKER: In fact, three central agencies were represented on our council, and there were three or four others. Just turning to your question about if there is a standard template for reporting, there are some guidelines, I suppose, on reporting, but one of the difficulties is that it's up to the agencies to decide how they categorise expenses and so forth. Hence, when we saw changes made from year to year by agencies, one of our projects was to recommend that the central agencies—or Treasury in particular—develop a minimum standard chart of accounts. That's an index of the way you record things—assets and liabilities, revenues and expenses. We were told that Treasury didn't need to do that; they'd already done their own project. We asked to see it. One of my private sector colleagues, who'd been the chief financial officer of one of the top hundred companies, demolished it in five minutes of conversation. He'd read it and pointed out the inconsistency in definitions and so forth. So Treasury withdrew that, and I think they wrote off the expenditure on that, which was some millions of dollars.

The Hon. MARK BUTTIGIEG: I think it's in your submission.

BOB WALKER: The idea of a minimum standard chart of accounts was actively resisted by Treasury, who preferred to develop a system that helped them to report to the Australian Bureau of Statistics, which I didn't think was quite the priority at the time. There may have been changes since then—I haven't tracked those—but I don't think there have been.

BETTY CON WALKER: No.

BOB WALKER: It's now up to agencies to decide how they—

BETTY CON WALKER: Even if you have a template, there is still a lot of judgment involved, and the only way that you can ensure the judgment of the individuals doing this work is by monitoring and asking questions. That takes time, obviously, but that's the only way that you can be sure that people who are actually involved in putting these important numbers together know what they're doing and that they are complying with the expectation of what should be included in those numbers. I'm not certain that happens anywhere.

BOB WALKER: We now have devolution of responsibility.

BETTY CON WALKER: Devolution, yes.

BOB WALKER: Devolutions composed of CEOs of agencies.

BETTY CON WALKER: One of the things that really stunned me was when the Auditor-General, who appeared before you, explained that she was not able to get a figure from the Government on how much was spent on consultants. That really floored me, because it was a stunning thing after all these years, and after all the spending—I'm sure, billions of dollars—on information systems, they couldn't produce an expenditure list, even as bad as it may be or as good as it may be. That's why I started my own analysis and I went directly to the Report on State Finances as an alternative, because the Auditor-General literally had to go through 350 annual reports—agency reports—over five years to get her figures. That office isn't supposed to be a collector of information. They are supposed to be analysts of information—auditors of information, hence Audit Office—not collecting raw data. I mean, that was just ridiculous, in my view. Something needs to be done.

The Hon. MARK BUTTIGIEG: It is a little bit counterintuitive in this day and age, isn't it, with software packages and accounting packages, where it doesn't seem like a terribly difficult thing to standardise coding of different expenditures so that you push the input user down certain pathways—unless it's a total stuff-up, like, for example, if you're allocating a consultancy fee for the design of a project, you enter it as capital. That's obviously a mistake you can't help, because it's used independently.

BOB WALKER: It may not be.

The Hon. MARK BUTTIGIEG: Presumably it's got something to do with consultant training as well.

BOB WALKER: If a consultant is giving engineering designs or something like this, which are used, it is probably appropriately capitalised.

The Hon. MARK BUTTIGIEG: This goes to one of my earlier questions. Are there any other jurisdictions that we can hold up as the gold standard to say, "This is what you should be doing"?

BOB WALKER: I think the Commonwealth has probably got a standard form of reporting by agencies, but they don't involve themselves in businesses as much as providing just general government services. That's possibly a source. Certainly the private sector members of the council at the time were very adamant that it was possible to develop a minimum standard charter of accounts and, indeed, we—

The Hon. MARK BUTTIGIEG: This is a crucial subject, isn't it, because unless you get an accurate snapshot of what is going on, it is hard to make objective judgments.

BETTY CON WALKER: Exactly. They seem to have information in silos. One system has some information, another system has some other information, and so on. It's just a bizarre approach to managing the biggest State in Australia. It really is just a silly, silly thing to think that you can't do it.

BOB WALKER: To digress a little, one of the concerns about expenditure is also whether it is effective. One of the things I noted as a student of public sector finances was that some agencies changed their performance indicators from year to year to year—generally in order to show improvements. If they didn't show improvements, they changed over time. One of the projects that we undertook in the Council on the Cost of Government was to look at how to standardise performance reporting. To do that, we looked at international best practice, which I think at the time was the US Governmental Accounting Standards Board, which had spent a lot of money developing standard performance indicators. They weren't simply by agency; they were by policy areas of government. And so we produced a series of reports by policy areas of government and we called it Service Efforts and Accomplishments Reporting: what was being spent, what resources were allocated to a project and what was achieved. I thought it was one of our major projects. We published a series of our reports and, I have to say, I was surprised to see they weren't in the State government archives. But they are in the Parliamentary Library in the basement, if you want to look at those reports.

The Hon. MARK BUTTIGIEG: That certainly gives them greater status!

BOB WALKER: It was resisted, obviously, by the agencies, who'd like to continue to report that they were doing well, rather than actually give the facts about what they have achieved.

The Hon. MARK BUTTIGIEG: On a related topic, we have seen these examples of very significant infrastructure projects, which are understandably outsourced. The Government's not going to have the internal capacity to build a road tunnel underneath the city from point A to point B. But what's been particularly concerning in the last term of Parliament, and on a number of committees, are the budget blowouts. A budgeted spend of \$12 billion doubles in what seems like a very short amount of time due to variations. What's your view on that in terms of using, presumably, consultants to scope out these things as well? Twenty or 30 years ago, say, would that scoping and administering have been done internally? If so, did we see the same sort of cost blowouts on infrastructure projects?

BOB WALKER: Do you want to answer that?

BETTY CON WALKER: Twenty or 30 years ago there was what was called the Public Works Department, and they actually employed people with skills in this area. So they knew what they were doing and, moreover, if things went wrong, they knew they went wrong. In other words, they could manage contractors. Obviously, they brought in contractors to do the work.

The Hon. MARK BUTTIGIEG: Yes, but the contracts were micromanaged by public sector people.

BETTY CON WALKER: Exactly. These people had the skills and knowledge to know how things should go and how they should proceed. I don't know that that's the case now. I just don't know; it may be. There may be some people, but it doesn't look like it from the outside.

The Hon. MARK BUTTIGIEG: No. It doesn't look like it.

BETTY CON WALKER: It doesn't look like it. So things go crazy with overblown costs.

The Hon. Dr SARAH KAINE: Can I ask something that might be a little bit off track but is related to comments you made about the skilling and skills capacity of the public sector? In your opening and in your submission, you talk about the Public Service Commission. Is it my understanding from your research and work that the Public Service Commission, which is charged with workforce development and capability, doesn't actually have the data, by agency, regarding skills et cetera?

BETTY CON WALKER: I think they would have access to it. What we have noticed is, in their publications, their emphasis is quite skewed. For instance, they produce what's called occupations, and this shows the New South Wales public sector by a range of occupations. I can provide the Committee, just in case they—I have an extra copy. When you look at this list, which is published on their site, there are various occupations: schoolteachers, nurses, police officers. There is not a single occupation there that relates to accounting and financial skills, and that surprised me.

So we know how many cleaners and laundry workers there are, and about 20-odd occupations, none of which need to have specialised financial skills. That really is another stunning thing. This is the Public Service Commission, which is supposed to look at the skills and the capability of the public sector. So they obviously have enough information to give us the number of people in each occupation, but we don't know how many there are with financial skills, for instance. So the question to ask this Commission is do they have the information or do they have access to it? Can they pull together some information on skill shortages in terms of how many skilled accountants they have, in that kind of financial area where most of the consultancies come from? But it doesn't provide it.

Then they have something called NSW Public Service Talent Pools. They have available pools from which agencies can call on people with various skills, and they are graded. There is a grade 5-6 talent pool, a grade 9-10 talent pool and a senior pool, presumably above senior level 1. It is just a puzzle. It's all about grades and numbers but nothing about skill gaps, which is what we're looking at. What are the skill gaps? That's the only way you're going to be able to improve the capability of the public sector: if we actually know what's there now and what needs to be filled. Taking that to the next step, we feel that the way the public sector can get away from this reliance on outside consultancies is to actually set up its own with skilled people. You can only do that if you identify where the skill gaps are. If this Commission doesn't have that information, the question is why not? What is it doing? Just publishing an annual report on just numbers without qualitative information? It's just bewildering.

The CHAIR: I think it really highlights that when we're talking about overall numbers of people employed within the public sector, there's also what they're doing when they are in there. I would definitely love to see some sort of comparison amongst agencies as to how many people we currently have, what they are doing and how that then varies, or whether there's any correlation with how much we're spending on consultants in those particular

agencies as well. Have you seen anything like that? Is there any work that's been done around that that you've seen? If not, would it be the Public Service Commission that would ideally be tasked with doing that?

BOB WALKER: A cautionary note: We know Bob Carr adopted a recommendation of mine as chair of the Council on the Cost of Government that, in future, chief financial officers employed within the New South Wales public service should be graduates and members of either the Institute of Chartered Accountants or Australian Society of CPAs. There is a third body, which I think most of its membership is probably drawn from the public sector, for people who do substantially clerical operations. They objected, and so it was expanded to cover them as well. That's something the accounting profession has now accepted. In all their submissions they talk about the three accounting bodies. But I really believe that you need people with more than basic bookkeeping skills, or you need people—

The Hon. MARK BUTTIGIEG: It might be a good start! Chief financial officer controlling billions of dollars—it might be a good idea to have a professional qualification.

BOB WALKER: That could involve people with master's degrees who have done some specialist work. These days, with the flow of international students, there's a fear that standards of undergraduate degrees across the country have somewhat declined.

The Hon. Dr SARAH KAINE: That's for another inquiry!

The Hon. MARK BUTTIGIEG: What's the criteria now, Doctor? Is it currently the same as the Carr criteria?

BOB WALKER: I think it was amended, after vigorous lobbying, to encompass the third body; I've forgotten their name, actually. I've never read of any activity. They haven't made submissions to this inquiry and I don't know if they've talked about their monitoring or disciplinary procedures. But it's a professional association of people who perform clerical and bookkeeping roles and possibly prepare financial statements.

BETTY CON WALKER: In answer to the Chair, we were surprised to hear the Treasury people who appeared before you—and NSW Procurement, I think, was the other fellow—state that their job is not to monitor, basically, and that accountability is at the agency level. That was never the intention. I was in Treasury at the time that all this was discussed, right at the beginning. There was never an intention to devolve accountability to the agencies, because that's where you lose sight of what's going on—especially if there's no monitoring, as admitted by the central agencies. If you don't have monitoring, how can we take the next step? We don't know where the problems are, so how can you fix them?

The Hon. MARK BUTTIGIEG: The counterpoint from Treasury may be that it's okay to have devolved monitoring as long as you have standardised accounting and qualified people in those particular areas overseeing the expenditure. Would that work?

BETTY CON WALKER: This is monitoring by themselves, so they're monitoring their performance. Do you think they will report bad news or will they admit they've made a mistake in hiring and paying a consultant \$3 million for a project that failed? I think that's hard to believe—

The Hon. MARK BUTTIGIEG: In that sense, yes.

BETTY CON WALKER: —especially when they're responsible, accountable and on short-term contracts. It may have been okay in the days when public servants weren't political play things, but now they're committed to doing what the Ministers want them to do and to provide advice that their Ministers are expecting rather than fearless advice.

The CHAIR: When we had Treasury in before and we were asking them these questions about consultant spend, I got quite frustrated at not being able to get to an answer as to exactly how much New South Wales is spending on consultants.

BOB WALKER: That's not surprising.

The CHAIR: I think I asked, "If you're not the person to tell me then who is?" They said, "No, no, it's us." Even in that devolved structure, is it Treasury then who should be ultimately responsible for ensuring—you say it wasn't intended that they would devolve accountability amongst all of the different departments and agencies. Who was to retain that ultimate oversight over public money? Is it Treasury or is it supposed to be someone else?

BETTY CON WALKER: It would've been a combination, depending on how Premier's is set up. When you have a Premier's department that covers Cabinet as well—Premier's and Cabinet—it's one issue. They have control and they can delve into every issue—but when you have a split there, that causes some problems because

then who's going to take responsibility for that? In terms of the financial aspects, it should be Treasury but they have decided that that's not their role, as admitted by them. Because they should have the expertise and the knowledge to be able to monitor agencies, it should be them. But, ultimately, the Premier is responsible for what happens. A group in Treasury—when I say "a group", Treasury itself—should be looking at these things, should be monitoring and should know exactly what's spent on these areas. We noticed your frustration reading through it. They don't know. They give you one answer but it's incomplete, and then you have to go to some other area to get the rest of it. It just doesn't make any sense.

The CHAIR: In terms of how that gets regulated, it's not like a bit of legislation was passed that said, "Treasury, you don't need to worry about this." It seems like over the past two decades there's been this increasing devolution and lack of transparency and accountability. What do we now need to do to bring it back? Would that ordinarily be done through a Premier's guidance note? How does that kind of change happen?

The Hon. MARK BUTTIGIEG: Can I ask a supplementary question to that by way of comparison? We had the discussion about the old Public Works Department. I will put it in crude terms. Current model: Treasury, transport department—here's a lump of money. Go and do what you want to do with the tunnel. You've spent the money. There's a big blow-up in the newspaper about how inefficient it is. Bad minister. That is pretty much the model now, right? Under the old model, was it the case of "Treasury, here's a lump of money. Department of Public Works, go and spend it on a road", or whatever? Did they then have to come back to Treasury as the public works department saying, "This is how we've spent it"?

BETTY CON WALKER: The allocations would not have changed. The allocation would still be by department previously, as well as now, because that is the way the structure is in terms of budgeting. If you look at the budget papers, allocations are by agencies so that they could not just give a lump to Public Works and let them spend it. It is still by department. But you had Public Works involved in all sorts of things. They were able to get themselves involved in the big projects—in the actual, physical projects—and that is where the difference, I think, lies.

The Hon. MARK BUTTIGIEG: If I were playing devil's advocate—I'm just pre-empting the other side of the argument, if you like—what accountability was there when the public works department were doing it? How did we know that taxpayers were getting value for money then would be the academic question to ask.

BOB WALKER: It was an academic answer.

The Hon. MARK BUTTIGIEG: That's why I asked it.

BOB WALKER: Recalling my history with the Council on the Cost of Government—and I note this Committee has been very interested in Health expenditure—one of the things we noted was that there was no centralised purchasing of drugs and pharmaceuticals. It was done individually or by area health services. Hence the Government was not taking advantage of its market power to drive good prices for those things. I think Public Works was in charge of that but they could not really tell us how much was being spent on that. They quickly started the project on it. I cannot recall what they found, but it was not something that Public Works were doing, at that stage.

BETTY CON WALKER: But possibly because the information systems were not as good as they are now. I mean you're talking you know—

BOB WALKER: That's true, yes. And they certainly were trying to get it.

BETTY CON WALKER: Getting back to the Chair's question, it seems to me that the way that it would be done would be a Premier's Memorandum—a Premier issuing a memorandum to all agencies explaining what the arrangements are, who they are accountable to when big projects are underway. They need to monitor themselves and then provide any reports on those projects, either way, but that the central agencies would be tasked with the role to check on those projects. They will know which projects will be monitored, which will be checked, which will be gone into to see—for example, if there is an overspend, everybody will know because they will want more money from Treasury. On a big project they cannot hide that because they need the money. They will need to request the extra funding. That is where the central agencies come in and find out what is going on. But the Premier needs to set down that process. It cannot be done by a single agency.

The CHAIR: So the Premier could issue a memorandum that said, "The buck stops with you, Treasury. I want you to actually understand how much is being spent on consultants, et cetera, and actually monitor and enforce compliance with guidelines", et cetera. That could be something the Premier could do.

BETTY CON WALKER: Absolutely, and all agencies need to know that is the arrangement because, as you say, they have sort of slipped along and changed the intention so that no-one knows anything. They do not know what is going on in one department and we're relying on—there is this NSW Procurement Board made up

of agency heads, for God's sake. Agency heads are reporting to agency heads, often, themselves. I know they have deputies or they have stand-ins for membership, but that really is Mickey Mouse stuff, isn't it? It would be laughable if it wasn't so serious. That is not accountability; that is just checking on one's own work—or wrong.

The Hon. MARK BUTTIGIEG: I did want to just go over one thing that tweaked my interest in your submission. It was with respect to the Carr era. I'll quote your submission. On page 11 it states:

This was brought home when the NSW Council on the Cost of Government—

which you referred to earlier—

prepared revised guidelines on 'service competition policy' in 1997. They were issued to outline the Carr Government's policies regarding contracting out. Rather than requiring CEOs to outsource as much as possible, the guidelines required CEOs to know their costs and to operate efficiently. If market testing (through informal enquiries or formal benchmarking exercises) indicated that a particular activity was inefficient, relative to the costs of obtaining services from alternative suppliers, then CEOs were obliged to find out why, and do something about it. If these efforts failed, outsourcing was to be considered as a live option.

I thought that was an interesting model because it placed competitive attention on the public sector to get productivity up internally and, if that didn't work, then outsourcing was looked at. Is that a model that you advocate?

BOB WALKER: It was one we did advocate. That's why I think the Premier issued it as a memorandum. As I said, it got white-anted a bit by agencies who didn't want meddling in their affairs.

BETTY CON WALKER: And Treasury and the central agencies didn't want to enforce it, because it was a suggestion from the Council on the Cost of Government.

The Hon. MARK BUTTIGIEG: So it was an internal sort of territorial thing?

BETTY CON WALKER: Yes, possibly.

BOB WALKER: That could possibly explain it, but also people tend to be very defensive if you—I found enthusiasm for pointing out defects in public sector accountability wanes the longer a government has been in office. It's good the first year. It changes.

The Hon. MARK BUTTIGIEG: There's probably another paper in that.

The Hon. SCOTT FARLOW: Maybe another inquiry.

BETTY CON WALKER: Try to get as much done in the first year.

The CHAIR: Thank you very much. That brings us to the end of this session. To the extent that there are supplementary questions or questions taken on notice, you'll have 21 days to respond to those. The Committee secretariat will be in touch. That concludes our morning hearing. We will go to lunch and come back at 2.00 p.m. with witnesses from the NSW Treasury.

(The witnesses withdrew.)

(Luncheon adjournment)

Ms SONYA CAMPBELL, Chair, NSW Procurement Board, and Deputy Secretary, Commercial, NSW Treasury, on former oath

Mr ALFA D'AMATO, Deputy Secretary and Chief Financial Officer, NSW Health, NSW Procurement Board, on former oath

Ms MARINA van der WALT, Deputy Secretary, Financial Management and Services, NSW Treasury, sworn and examined

Mr SHAUN SMITH, Chief Operating Officer, Department of Planning and Environment, NSW Procurement Board, affirmed and examined

Ms AMANDA YOUNG, Chief Operating Officer, Department of Customer Service, NSW Procurement Board, affirmed and examined

Mr ANTHONY MANNING, Chief Executive, School Infrastructure NSW, NSW Procurement Board, affirmed and examined

The CHAIR: Would anyone like to make a statement, or is there anything else they would like to deliver at this point?

SONYA CAMPBELL: Yes, Chair. I am going to make an opening statement on behalf of the attendees today. Good afternoon, everyone. Thank you again for the opportunity to participate as a witness in this hearing today. I appear today as the delegated chair of the NSW Procurement Board. Today I am joined by four of my NSW Procurement Board colleagues from across New South Wales Government. I am also joined by Ms Marina van der Walt. Ms van der Walt's team is responsible for the collation and reporting of the New South Wales Total State Sector Accounts, which include the financial reporting of consultancy engagements, as well as financial management for Treasury as an agency.

We look forward to further supporting the Committee and answering your questions today. As you are aware from the New South Wales Government's submission to this Committee, the Public Works and Procurement Act provides the legislative framework for both government-wide procurement policy as well as actual procurement by New South Wales government agencies. The Act establishes the Procurement Board and is currently subject to the direction and control of the Minister for Finance in the exercise of her functions. The board has statutory objectives, functions and powers, including developing and implementing a government-wide strategic approach to procurement, confirming and approving the government-wide New South Wales Procurement Policy Framework and establishing accreditation programs for government agencies to directly procure goods and services subject to terms and conditions. The procurement function within government is part of an evolving landscape and the board, working with the Minister, will need to adjust for this to remain fit for purpose.

In the past, the board has had a focus on implementing the decentralisation of procurement responsibilities across government. That focus shifted in more recent years to deliver procurement policy and directions in response to natural disasters and the COVID pandemic. Now is the time for the board to be responding under a new Government and rapidly evolving market conditions with respect to consultancy firms and public sector procurement guidance. By way of example, the board have met three times in the past two months, twice out of session, to discuss matters relating to PwC, and have taken actions to suspend PwC from providing taxation services to the New South Wales Government. More recently, it has issued a direction to the sector that requires all new or varied engagements with PwC to be approved by the secretary of the department. This is in addition to the requirement for attestations regarding conflicts of interest to be provided by PwC for any staff engaged in New South Wales government work.

As you have previously heard, the New South Wales Government procures through a devolved model across agencies. In practice, this means that the Procurement Policy Framework is operationalised by government agencies. That said, all government agencies that are subject to the Act must comply with mandatory parts of the New South Wales Procurement Policy Framework for procurement of any kind, including consultancy engagements. Government agencies must also comply with the conditions set out for accredited agencies and unaccredited agencies respectively.

In relation to the definition of consultants, within the New South Wales Government, the term "consultant" is defined solely for the purposes of reporting consultant expenditure by agencies. This definition is set out both in a Procurement Board direction, as well as the NSW Treasury policy and guidelines agency direction for mandatory annual returns to Treasury. The definition of consultant for this purpose includes a person or organisation engaged under contract on a temporary basis to provide recommendations or professional advice to

assist decision-making by management. Generally, it is the advisory nature of the work that differentiates a consultant from other contractors. Consultancy services are a subset of overall professional services, provided by a pool of over 3½ thousand diverse suppliers, pre-qualified under the Performance and Management Services Scheme to supply professional services, including consultancy services, over 15 engagement types. The top 19 suppliers, as part of the business advisory services category, report monthly to NSW Procurement, who in turn report monthly to the board.

What are we doing to improve use and management of consultants? The March 2023 Audit Office report noted that ongoing improvements had been made by NSW Procurement in relation to the Government's oversight and use of consultants. That said, there are always opportunities to improve and the recommendations from that report are currently being responded to with the board's guidance. At the meeting of the board in May 2023, the board endorsed a program of work to address the Auditor-General's recommendations for NSW Procurement and the board, including working with agencies to improve and refine the definition of professional services, consultancy services and non-consultancy services. The board is also being supported by NSW Procurement to improve the quality of strategic consultancy data from agencies to assess and determine government-wide strategic risks and issues.

There has been much inquiry and media discussion in relation to public sector capabilities and potential overuse of consultancy services by governments, both at the Federal and State levels. Although there are opportunities for the public sector to increase its breadth and depth of capabilities, there is also a role for consultancy firms to provide strategic advice to government. We saw this during the response to several natural disasters and the COVID pandemic over the past few years. There is a balance to be struck between investing in core public sector capabilities versus flexibility to seek specialist advice when required. We will learn from this and other inquiries, presenting an opportunity to recalibrate the core capabilities needed within New South Wales government.

Finally, Treasury, as a devolved agency, is also currently developing further guidance to support its own staff in managing consultancy engagements. This is to ensure compliance with procurement rules and government-wide reporting requirements, as well as increasing the quality of outputs for the State and its people.

The CHAIR: Thank you very much for that update. Can I just clarify one bit of it before asking the first question? You talked about secretary approval now for PwC engagements. Is that new since you were last before us? Is that additional to the measures that you had outlined in your answers to questions on notice?

SONYA CAMPBELL: That is correct, Chair.

The CHAIR: When did that take effect?

SONYA CAMPBELL: The Procurement Board direction was released—sorry, I'll get you the exact date.

The CHAIR: Is that the secretary of each agency that the work falls under?

SONYA CAMPBELL: No, it's at a department level, unless otherwise delegated to a CEO or a chief procurement officer. Sorry, Ms Boyd, I will find that exact date for you—14 July.

The CHAIR: That was a Procurement Board direction. In the pre-qualification scheme that you referred to, there are 3,500 pre-qualified providers. At what point do people or organisations get taken off that list?

SONYA CAMPBELL: When an agency is notified of poor performance or a conflict of interest the matter is investigated within that agency and then the scheme owner has the responsibility for removing the supplier. So in the case of the taxation services, that was a matter that was managed by NSW Procurement within Treasury and, as we discussed previously, that was advice that was provided by Mr Hong to the Secretary of Treasury to remove PwC from the taxation services. There are other examples across different schemes that are managed within different parts of New South Wales government.

The CHAIR: So PwC were removed from the taxation services part of the pre-qualification scheme but they remain on the remainder of the service items, or whatever, on that list?

SONYA CAMPBELL: That is correct.

The CHAIR: In your answers to questions taken on notice from the 15 June hearing, you noted the other—so we have secretary approval for the PwC engagements at this point. Is that for all PwC engagements or is that, again, for tax?

SONYA CAMPBELL: No, that's for all engagements.

The CHAIR: For all engagements?

SONYA CAMPBELL: It's the current direction across the sector.

The CHAIR: Then we have a self-attestation statement or some sort of self-attestation action from PwC that is required for each of those engagements, whether tax or not, to say that no-one involved in that Federal PwC tax scandal is involved in New South Wales government work, correct?

SONYA CAMPBELL: That's correct.

The CHAIR: We've since received the terms of reference for the Ziggy Switkowski review from PwC. Notably, it talks about only looking at the culture of the organisation as it stands today. It is not going to that review, as we understand it from the terms of reference. It is not going to go back and actually investigate wrongdoing or seek to weed out anyone who was involved in that scandal. Given that PwC isn't doing any kind of robust investigation into that wrongdoing, how can you be sure that the people that you are engaging from PwC for government work haven't been involved in that tax scandal?

SONYA CAMPBELL: Thank you for the question, Ms Boyd. Given that the practices, as best we know, were related to taxation services, and we've taken the step to suspend any taxation services—together with the attestations being provided, we would be seeking to assess that. Obviously, with any procurement, the CVs of people being proposed will form part of those proposals that are assessed by government agencies. I would think it should be fairly evident, on the face of it, whether people being proposed would have been likely to have any relationship with that Federal tax work.

The CHAIR: Given that the PwC tax scandal came to light because people had raised the alarm who weren't government—it is not that government identified it. These scandals are coming to light because of the work of investigative journalists and people on inquiries. When we look at the PwC tax scandal, is the New South Wales Government not concerned that this is just the tip of the iceberg and that there could be more examples of this that haven't been uncovered?

SONYA CAMPBELL: I think that's a matter that agencies would need to have a look at in terms of historical procurement practices. I can speak in the context of Treasury and the well-publicised audit that was done around the establishment of TAHE the use of consultants there. As we discussed at the last committee hearing, Treasury took that seriously. It engaged Steven Sedgwick to do an independent report, has published that report publicly and accepted those recommendations, and is implementing improvements across the department in response to that. From a Procurement Board perspective, we're aware of some complaints that have been actioned, but nothing of the significance of what has been revealed at the Federal level.

The CHAIR: I guess some of us thought that the Switkowski review was actually going to check that this wasn't a case of a few bad apples and was going to investigate whether there were other problems within the organisation. We're now not getting that assurance. We're only getting a review of the current culture of PwC. Does that new information change the basis on which the Government decided to take this very limited approach of only taking PwC off the list for tax matters?

SONYA CAMPBELL: I think it is an ongoing conversation. The board have recently approved establishing a specific audit and risk subcommittee of the board that will be looking specifically at supplier complaints and a range of other audit and risk matters. This would be a question that is relevant for that committee to consider. In the context of supplier complaints, we had a conversation recently that we don't have the investigative powers within the board, nor do we have the resources, to carry out those sorts of investigations. But there is a question around whether that should be done and, if so, who should be doing it.

The CHAIR: In your answers to questions on notice, you gave us the information that expenditure for tax services represents approximately 1.2 per cent of the Government's overall business advisory services spend with PwC. Are you able to tell us what per cent—because 1.2 per cent of business advisory services is quite small—it represents in terms of overall spend on PwC services by the Government?

SONYA CAMPBELL: We would have that detail. I may have it to hand, but I will take that on notice for now, if I can.

The CHAIR: This 1.2 per cent is a pretty tiny amount of the work. If I was PwC looking at the consequences of a scandal of this nature, I would see that once we include the overall spend on PwC by the Government we're probably looking at way less than 1 per cent of our business being penalised because of that action. Does that seem proportionate to you, now that you've got these figures in front of you?

SONYA CAMPBELL: The example of PwC is a complex one because they have taken the steps to actually separate out their government consulting business from other services. That is something that, as a board, we are monitoring.

The CHAIR: They haven't done it yet, though, have they?

SONYA CAMPBELL: They've obviously announced the intention to do it and are moving towards that. But we need to look at how that works within our pre-qualification schemes, hence the response from the board to require any engagement with PwC entities to be approved by the secretary of the department. As for the new entity, they will then need to go through a process to satisfy the pre-qualification conditions to be part of those pre-qualification schemes.

The CHAIR: Can we turn to KPMG, which is also still on that pre-qualification list? You mentioned the TAHE debacle. You didn't call it a debacle, but I will. I think some really valid questions have been asked about the consequences for KPMG on the basis of that. You mentioned the Sedgwick report, which made very modest recommendations in relation to the use of consultants and certainly didn't go towards talking about KPMG in any way. There were very real findings from this Committee, in its previous form, in relation to the way in which KPMG was employed or appointed by both Treasury and Transport, where you had the secretary of Treasury telling the KPMG partner involved in the Transport work what to do, effectively. There were some very real issues there around the Government's use of consultants. I don't see anywhere in that Sedgwick report a recommendation that actually deals with what the consequences should be of the Treasury's use of KPMG. Are you seeing something different to me? Have there been any other consequences for KPMG when it comes to the use of consultancy services by the Government?

SONYA CAMPBELL: I don't think specifically, if you talk about consequences for KPMG, but I think there are consequences for Treasury as a result of what has happened, which have been taken very seriously. The Sedgwick report was the first part of that, but it's the rigour and the processes that we are putting in place in terms of how we engage consultants going forward that will ultimately have ramifications not just for KPMG but for any consultant looking to work with Treasury in terms of how we procure, how we manage and how we monitor performance. That is part of the recommendations that have come out of the Sedgwick review in terms of the improvement program that we have and are putting in place that, as I said last time, Ms Boyd, is being monitored through our internal audit and risk committee all the way up to our executive board.

The CHAIR: We've had cheating on ethics tests, we've had KPMG actually acknowledging that it made mistakes in the context of the Senate inquiries, we've had the report from the Auditor-General and we've had the inquiry from this Committee. What does it take to get taken off the pre-qualification list? Why is KPMG still sitting there? Does there need to be a media scandal before we actually take action to restrict the use of these consultants?

SONYA CAMPBELL: KPMG, like others, is a very large organisation with many employees. I spoke previously about the way that issues are notified and are escalated in terms of performance being reviewed. There are a range of options to procuring agencies—from terminating agreements for poor performances, breaches of confidentiality or conflicts of interest through to escalating that up to the board. Based on the information that I have, there hasn't been anything notified of significance enough for the board that would warrant a decision to remove KPMG as an entity from pre-qualification.

The CHAIR: Is that the problem then? Basically, we have a system where somebody at an agency or department level has to say, "I wasn't happy with this work", or, "Something has happened with this particular piece of work", and then escalate that up to the Procurement Board, as opposed to the Procurement Board having a look at the organisations on the pre-qualification list and saying, "Hang on a minute, there are all of these questions over these organisations. This is a red flag. We need to take them off the pre-qualification list and take a look at every single engagement." Shouldn't that be what we are doing?

SONYA CAMPBELL: It's something that we can consider, Ms Boyd, but with over 3½ thousand diverse suppliers on the pre-qualification scheme, again, that is a very large task for a team that is administering those schemes.

The CHAIR: I absolutely appreciate that, but, with respect, these are the big four. You've had plenty of notice—everybody in this room has had plenty of notice—of the KPMG evidence, and of PwC, Deloitte and all the rest of them. So it's not like anyone has had to go and do some research to monitor it. We're not talking about the 3½ thousand; we're talking about these particular entities that you do have notice of because they are in the media. Whose responsibility is it to actually say, "These organisations are clearly not fit to be on the pre-qualification list. We may still entertain some work with them, but in terms of getting our big tick of approval, we are going to take that off for now"?

SONYA CAMPBELL: I think it's a question that we can take away, Ms Boyd, in terms of how we do routinely review and look at that pre-qualification list. I would also expect that, as part of routine procurements,

individuals—which, essentially, these professional services firms are—are being rigorously assessed in terms of past experience and capability when they are being selected to undertake government work.

The Hon. Dr SARAH KAINE: Could I ask a related but smaller question? We are saying that there are 3½ thousand entities listed. I'm sure pretty much everyone in this room watched the *Four Corners* report yesterday.

The Hon. SCOTT FARLOW: I was watching the soccer, actually. I don't know that that's a fair assessment when you look at the ratings.

The Hon. Dr SARAH KAINE: Me too, Scott. I watched it before. It was on iView on Sunday night, so I watched it on Sunday night. I did watch the Matildas last night, which was more enjoyable. There was a suggestion that one of the issues is with trying to collate information—and we have talked about this, I think, with you before and with others. Getting data is quite difficult. There are 3½ thousand organisations or entities on this list. When we say that KPMG is pre-qualified, is that every bit of KPMG, or is it KPMG Pty Ltd, KPMG Consultancy Services, KPMG XYZ? How does that work?

SONYA CAMPBELL: Yes, it's a good question. There are different entities within these big firms with different ABNs attached, and they would be assessed for pre-qualification against different category services, which becomes a capability assessment to be able to perform those services. So they wouldn't be across every category, but they would be across ones where they have applied for pre-qualification.

The Hon. Dr SARAH KAINE: Is there no crossover in any of those entities—in terms of do they offer some of the same kinds of work, or do they all offer discrete services?

SONYA CAMPBELL: There are the larger entities. All of them have different examples of smaller, more boutique entities. Some have some in the Aboriginal consulting space or in the ICT space where they may be pre-qualified separately, but all of the big four are pre-qualified under the business advisory services scheme, which is the scheme where we have the reporting direct from suppliers to NSW Procurement centrally.

The Hon. Dr SARAH KAINE: Would we be able to get a list of how many entities that fall under each of the big four are separately listed on the pre-qualification list?

SONYA CAMPBELL: Yes, I think we could provide that information to you.

The Hon. Dr SARAH KAINE: That would be helpful, thank you.

The CHAIR: Can I pick you up on that last comment you made about how each of these people who were doing the work are individuals, which obviously they are. But the pre-qualification scheme pre-qualifies the firm, not the individual.

SONYA CAMPBELL: Yes.

The CHAIR: Is that not part of the problem here? We have these massive organisations that have so many different individuals sitting under them. Is it possible for us, or is it sensible for us, to be pre-qualifying those firms as a whole?

SONYA CAMPBELL: I'm not sure how else you would do it, but I think it does come back to the question of strategic procurement capability within the public sector in being able to assess tenders that come in from any of these firms in terms of the lead partners that are proposed, the people that are proposed to work on it, their level of experience and all of the mandatory tendering requirements that form part of that assessment process.

The CHAIR: Do you think that the pre-qualification list provides comfort for those using it that they don't need to also do additional checks? I'm thinking in particular—we were speaking with Dr Williams earlier from the CPI and we were talking about the situation where you'll have these big firms doing auditing work for a particular commercial client and then another arm will go off and do advisory work on policy that would have a direct impact on that particular client that they've got in audit. Would that sort of conflict of interest or potential conflict of interest, or even just the fact of that other work that the auditing arm is doing, be considered at the point of whether or not to procure? Or do those things only get disclosed once there has been a procurement—or not even? What happens?

SONYA CAMPBELL: They should be disclosed as part of the procurement process. These would be standard questions in terms of recent work experience and disclosing any conflicts of interest that would be assessed as part of an evaluation process.

The CHAIR: If a consulting firm is going through the procurement process and they're putting in their details, then they will have in that a list of their conflicts or potential conflicts. Would it be expected that they would list not just their consulting clients but also their auditing clients within that?

SONYA CAMPBELL: I would think if it's in respect of auditing functions, then that should be a standard thing that agencies are assessing if they're procuring those types of services.

The Hon. SCOTT FARLOW: Just on that question, back to the associated entities and the like, would that pick up those associated entities as well for instance? If it was under the banner you were doing something with a consulting arm, for instance, would it then pick up potentially the accounting arm or the IT services arm or the like?

SONYA CAMPBELL: If you're talking about the pre-qualification?

The Hon. SCOTT FARLOW: Yes.

SONYA CAMPBELL: It would pick up the entity that is pre-qualified and the ABN that's associated with it but, again, it enables you to go and seek a tender or a quote from people who are pre-qualified. They still have to go through a tender process and provide the information that is requested from the procuring agency.

The Hon. SCOTT FARLOW: But in terms of that information, does that apply just to that entity or does it apply to associated entities as well?

SONYA CAMPBELL: It would apply to the entity that you're proposing to contract with.

The CHAIR: So just picking up again on the process for removing a firm from the pre-qualification or raising issues, you said before it's reliant on whoever is doing the work with the consulting firm to raise the flag with the Procurement Board and to go through that process. One of the interesting things coming back from all of the great data that we've received from Health in relation to their use of consultants—and listing each of those contracts out. We asked, "How many of these contracts were subject to a post-engagement evaluation?", and the vast majority of them came back saying basically, "The work was done so we paid", as opposed to there being an actual assessment process where perhaps a form is filled out or something along those lines. Again, when I raised this with Dr Williams this morning, there was a discussion around whether or not the public sector is actually now in a position to be able to review those contracts properly and the quality of that work properly. Given that perhaps there's not either the resources or the expertise to conduct those reviews and given the data we've got back on the thousands of contracts where there's not been a real post-engagement review, is that the best system for relying on whether or not good work has been done from consultants?

SONYA CAMPBELL: Thank you for the question. We talked about this last time in the context of Treasury. Having had time to reflect on it, I went back and asked the questions. Internally in Treasury, we have looked at how we raise awareness of buyers within our agency around those expectations and the toolkits that we provide in order to do that. A lot of it relies on, when engagements are undertaken, them being notified. We now have prompts to follow up with people or buyers internally who have engaged consultants to actually undertake those sorts of performance reviews. As I said, Ms Boyd, I think this is an evolving landscape, and we are looking at lessons to be learnt, whether it be from the audit report or these types of inquiries, as to how those practices can be improved, but noting it's a very big, diverse New South Wales public sector. So we're looking to try and set that overarching guidance that would then need to be operationalised within the agencies.

The CHAIR: It's clear that there is a lot of work to do.

SONYA CAMPBELL: Yes.

The CHAIR: I appreciate that it is evolving and the new Government and the new administration is thinking through all of these issues. In your answers to questions on notice taken from the first hearing, you talk about implementing that recommendation from the Auditor-General's report around these reviews of work, saying that you're committing, by December 2023, to conduct regular assessments of quality of work done by consultants. What will that look like? Do you know? What process have you embarked on to try and work out what that will look like?

SONYA CAMPBELL: Perhaps I might actually refer that to my colleague Ms van der Walt. Within her team, within Financial Management and Services, sits the sort of program for implementing those recommendations.

MARINA van der WALT: Yes. My team prepares the annual reports and coordinates the annual reports for the whole sector. We also provide guidance to the sector, in terms of what the expectation is of those reporting requirements. So I might just take a step back and give the Committee just a bit of context because we are in the final stages of the implementation of the government sector Act, which means that all agencies this year, for the financial year end '23, are moving to reporting under the GSF Act, where previously they were reporting under annual reporting Acts. What that means is we are going through a staged implementation—again a good opportunity to link in any improvements in our annual reporting.

For FY23, we released an annual reporting framework in February, which is on Treasury's website, which contains mandatory reporting requirements. Those annual reports also provide requirements for financial reports. This sits above the financial reporting requirement. In the annual reporting framework, we have specifically asked and mandated that agencies provide us with information on the use of consultants. There's a threshold: more detailed information for consultancy expenditure above \$50,000 per engagement and then an aggregate of the number and the total of consultancy expenditure below \$50,000. That information is reported in the agencies' financial reports, and that's audited by the Audit Office.

The CHAIR: Will that include the local health districts?

MARINA van der WALT: Great question. At this stage it's the agencies under the GSF Act that are required to report. For this financial year, it is the same agencies that were required to report last year, so for FY23, no. For the next financial year, we are currently developing an annual reporting risk-based framework. As part of the transition we are moving to a different way of reporting, which is that all agencies are required to report unless they are exempt. At the moment we are going through the process to determine which agencies will be exempt from reporting. That work is very much on foot right now.

The CHAIR: Thank you. In terms of the post-engagement review process—I am just going to have ask you—are you bringing consultants on to help you with any of that? Please tell me no.

MARINA van der WALT: No.

The CHAIR: Very good. Will there be a framework where you ask agencies to look more deeply or provide more detail at the end of an engagement after they have paid the bill? Is that part of what is planned?

MARINA van der WALT: What we collect—and I'll refer back to Sonya now—is what has actually been expended and it's all linked to the procurement policies and the definition of the use of consultants. That's the transparency and the accountability side. In terms of the policy side—

SONYA CAMPBELL: The performance is supported by NSW Procurement for the whole of Treasury and we are implementing those recommendations for two reasons: One is because of the Sedgwick Report but also because of the Audit Office recommendations. There are a number of recommendations for all agencies. I think it would be a question for each agency as to how they are proposing to implement that sort of performance feedback. I think the question for the board would be what level of reporting or information might we want to see coming up from agencies once that performance feedback is being embedded at an agency level.

The CHAIR: I'll ask you that question then. What is it that you will expect to see then by the end of December 2023 when they come back to the board? What is the level of review that you will expect to have occurred, at least with some of the major engagements?

SONYA CAMPBELL: As a board, I don't think we've determined that yet, Ms Boyd. We have recently looked at an action plan in relation to data and reporting to the board, but specifically around performance reporting is not something collectively as a board—

The CHAIR: Okay. So, in paragraph 1.2 of your answers to questions on notice—

ALFA D'AMATO: If I may, I can provide that. Can you hear me okay?

The CHAIR: Can you bring the microphone a little bit forward?

ALFA D'AMATO: Is that better?

The CHAIR: I think maybe it is not working.

ALFA D'AMATO: How about that now?

The CHAIR: Yes, it's good now.

ALFA D'AMATO: I just want to provide a quick update in respect to what we have put in place on 1 July this financial year to achieve two key aspects. One is compliance in respect of the districts reporting so that we can prepare ourselves to comply within the new guidelines and therefore report that in the annual report in respect of professional services and consultancies. All districts have been requested to provide any engagements above \$30,000 to our chief procurement officer from 1 July. This is a directive we are issuing internally.

At the same time, we are collecting all these details so we can make sure the post-engagement reviews are conducted while we are introducing, as I mentioned at the last hearing, a VMS—vendor management system—that allows them to streamline the process of collecting all these details. So we are preparing ourself for this financial year—as in 2023-24—to make sure we have the data and we can comply not only with the Auditor-General recommendations but also with our internal processes in regards to post-engagement reviews.

The CHAIR: I am still trying to understand the answer to questions on notice in paragraph 1.2:

NSW Treasury is therefore subsequently implementing Recommendation Five from the AG Report for all NSW Government agencies to, by December 2023, conduct regular assessments of the quality of work done by consultants.

At the moment that is not being done, from what I can see. Again, Mr D'Amato, in the Health data we got back, the answer to that question was basically, "We paid the bill". So what will be done to actually ensure the quality of that work?

SONYA CAMPBELL: I think, Ms Boyd, you've heard what Health has put in place. Treasury has put in place processes whereby all engagements are registered centrally with our NSW Procurement team. I think the thing to note is that they don't manage these contracts. There's a difference between procurement and contract administration, and so it is the buyers within Treasury, or the agency, that would manage that performance. The role of Procurement then becomes prompting at intervals—or at the end of that engagement, most likely—a review of the quality of that performance and being able to record that centrally so that that information can be considered at a whole-of-agency level.

The Hon. Dr SARAH KAINE: I have a quick follow-up, Mr D'Amato, about the vendor management system. I seem to recall that in Treasury's response to the Auditor-General's report, there was commentary to the effect that progress was slow on the vendor management system because of either departmental- or agency-level responses. I note that you've said there is progress, so could you briefly explain what has changed that has allowed that progress to be made? It seemed to be the implication that there was something at a different level that was a barrier.

ALFA D'AMATO: I wouldn't say it was a barrier. There are certainly challenges, no doubt, in implementing such a change into a large and complex system. But I feel that given that we now have introduced all these requirements across the system of the district sector report, the most efficient, effective way to achieve the goal and be transparent will be through our system. So I feel that the cost-benefit—

The Hon. Dr SARAH KAINE: To assist the agencies?

ALFA D'AMATO: Yes, that's right.

The Hon. Dr SARAH KAINE: So that's the change—from asking them to implement it to you now sort of driving that more?

ALFA D'AMATO: Yes, that's right, and I presume—if you think about the cost of implementing that across the system, when effectively the districts didn't have to report annually, the level of detail the Minister has reported has changed and so on.

The Hon. Dr SARAH KAINE: Thank you, that answers that. It's a change in where the directions come from.

The Hon. MARK BUTTIGIEG: Can I ask you follow-up as well on that structure you outlined? You have Treasury budgeting for agency spend and giving allocations for the agency to spend. It's on them to do a performance review of the spend and then that's reported back to Procurement, who then may also say, "How did you go? Was it worthwhile?" Is that how it works?

SONYA CAMPBELL: From a Treasury rather than a sector-wide perspective, yes. Like all agencies, we have a central procurement function, and within Treasury that sits within NSW Procurement. They provide the documentation and the advice and the templates and the tools in accordance with the Procurement Policy Framework for all buyers within Treasury and support them through that procurement process. The buyer within Treasury manages the scope that they have procured and the deliverables and the output. What we're putting in place in terms of the whole of life of an engagement is the piece that's been called out as missing at the end—the review of that performance and how we then capture that data so that we are learning from it. If a particular supplier has not performed well or the quality of the deliverables was not what was expected, that should be taken into consideration in terms of any future engagement. I think the question being asked is how might we do that more broadly across the sector.

The Hon. MARK BUTTIGIEG: Yes, so that's in the case of the purchase of goods and services. What about a project like an underground road tunnel or something?

SONYA CAMPBELL: Treasury doesn't procure tunnels.

The Hon. MARK BUTTIGIEG: No, so Transport would spend the money?

SONYA CAMPBELL: You have Mr Manning here today representing School Infrastructure, which is an agency that procures construction.

ANTHONY MANNING: We also don't buy tunnels either; I just thought I'd make that point. In the construction procurement space, we work through a thing call contractor performance reports. The panels that we operate through, from an infrastructure perspective, require, I think, a quarterly contractor performance report. Whether it's an architect, an engineer or a building contractor, we produce a report. The report is completed usually by the project director in discussion with the consultant or contractor about their performance. They may have a different view on whether it has gone well in the last quarter or not gone well, but then it's usually agreed between both parties that the outcome is the outcome. We do then report that information into the main panel. But, as an organisation, we then use it to—

The Hon. MARK BUTTIGIEG: The main panel being—

ANTHONY MANNING: The main panel is a whole-of-government infrastructure panel—architects, engineers and building contractors. It's a pre-qualification scheme not unlike the consultant one but slightly different. We also use that information from an agency procurement perspective, in terms of whether we might want to work with that consultant ever again. Where they don't necessarily get a great response, we work with them to see whether it's actually something that we have done in the way we have gone about procuring or something they have done in terms of the skills. We may have a conversation about removing resources if they are not the right resources or we may simply make a decision that we don't really want to engage them again because our experience wasn't good. So there is a model.

In the past, it has been patchy, in terms of all of the teams putting all that information together. But over the last six months and 12 months we have driven that quite hard to make sure that we are up to date. There are some precedents that I think the Procurement Board will look at in terms of that process, but it's a single sheet of paper and it goes through and you basically give a score, I think, between zero and five in terms of whether it's accurate and timely. That is the standard process.

The Hon. MARK BUTTIGIEG: So that is all autonomous in the sense that it's agency-based review.

ANTHONY MANNING: But it goes back into the owners of the panel. The panel is a whole-of-government panel. They collate all of that information from all those agencies. We might find a panel with an architect or an engineer that isn't necessarily delivering cross agencies what they might want to do.

The Hon. MARK BUTTIGIEG: I know it's outside of your remit, but to use the emblematic one that everyone knows about, the massive blowouts in infrastructure, at what point do the eyebrows get raised? Is that back at Treasury, when the Minister comes asking, "By the way, I need 27, not 12." Is that the discipline that is enforced?

ANTHONY MANNING: I wouldn't necessarily associate a project that goes beyond its budget with that actually being a consequence of poor performance by either a consultant or a contractor. It may simply be, "We found more asbestos in the ground than we thought we would find and therefore we spent more money." If there is a performance issue, we'll deal with it within the CPRs. That is not necessarily a link to if the project has cost more money than we thought it would. That's more likely to be a function of scope and a whole range of others. If we do think it's failure of a contractor or a consultant—

The Hon. MARK BUTTIGIEG: Because the consultant may very well be the one making the assessment of this is how much we think it's going to cost, based on assumptions.

ANTHONY MANNING: Totally. And if those assumptions prove to be wrong, it may just be the assumptions are wrong and we all agreed to them.

The Hon. MARK BUTTIGIEG: But if they are consistently wrong across a number of projects, there is a problem.

ANTHONY MANNING: Then, as an organisation, if they did that to us, yes, we would be prioritising them on the bottom of our choice of consultants for future projects.

The Hon. PETER PRIMROSE: I note in your submission on pages 7 to 11 you describe the Government's arrangements for procurement from devolved government agencies. For each of those, how difficult is it to put another column there saying how much, in terms of monetary value, say, for 2022-23, was involved by that agency in the use of consultancies?

SONYA CAMPBELL: If I've understood your question, are you talking about in the way that we are reporting at a total State sector perspective?

The Hon. PETER PRIMROSE: How about I put it in my way. How much did the portfolio Premier in 2022-23, say, at the end, use for the purchase of consultancy services?

SONYA CAMPBELL: That would be reported through that agency's annual report.

The Hon. PETER PRIMROSE: Rather than go through 3,000 annual reports, how difficult is it for someone else, such as you guys, who are involved in organising a particular component of this, to actually have that? So I can open up and, when you present this to the next inquiry in a couple of years' time, there is another column there that says, "The body that uses the most consultancy work is, in fact, X."

SONYA CAMPBELL: Yes.

The Hon. PETER PRIMROSE: I can't tell from this who's using the most consultancy in terms of value of money.

SONYA CAMPBELL: I think we could certainly do that.

The Hon. PETER PRIMROSE: There's another column I'd like—I don't know who would provide it—and that is for all of the other consultancies used by that portfolio. What's missing in terms of our knowledge about the use of Education? What other consultancies, other than for that column, would be in another column that you don't have access to?

SONYA CAMPBELL: I think we just have to be clear about what definitions we're using in this context.

The Hon. PETER PRIMROSE: Okay. I'm using a definition of giving money to people to give you advice.

SONYA CAMPBELL: I understand, but this is why there has been great debate around the current definition of consultancies and that giving of professional advice to assist decision-making versus—

The Hon. PETER PRIMROSE: We've discovered from the Senate that the defence department uses four times more money than anyone else. I still don't know who uses the most consultancies, because, since something like 1864, from the bureaucracy here or anyone else, even though we're paying people lots of money and we're trying to regulate them, there's still no agreement in relation to who these consultants actually are and how we define them. How about someone actually determines—and I don't know, someone in charge of procurement—who you're giving the money to and calling consultants, and puts a table there, so I can tell how much is being given by Education to these guys?

SONYA CAMPBELL: I think the question you want to ask is how much are we spending on professional services firms across different types of services.

The Hon. PETER PRIMROSE: I would imagine that, given the number of senior people involved, that should be readily available, shouldn't it?

SHAUN SMITH: It is published in each agency's annual report. I take your point about the annual reports.

The Hon. PETER PRIMROSE: How about I don't go through dozens of annual reports? Presumably, you are the guys looking at procurement. You must have that centrally. Does anyone in your agency go through and actually have a look at what other people are spending in relation to consultants?

SHAUN SMITH: We do have the data that's provided by agencies, and that is amalgamated. The point I was going to make in relation to annual reports is that the information is provided at a point in time into the central procurement team, and there are administrative arrangements that change around the shape of government agencies. So my particular agency has had a machinery of government change every year since 2018.

The Hon. PETER PRIMROSE: I used to work 10 years as a public servant; I know how it works. I know how it changes all the time. I know how the budget changes every year so you can't follow how much is allocated. But let's go back to a particular time—2022-23. It's over; it's gone. For that particular year, you must be able to deliver us an idea, centrally, about how much was actually spent, using the definition that we've been given by Ms van der Walt in terms of what a consultant is.

MARINA van der WALT: We should be able to do that. We are collecting that information for the financial year ending 2023, and it's those agencies that are required to report. So that will capture the major portfolios across government.

The Hon. PETER PRIMROSE: That would be really valuable. Could I also ask if you could include in that what you believe is missing and who else we need to approach to get that additional information? As I said, at this stage, sitting here through many things, I still don't know how much has actually been spent on whom, and because we don't have a clear definition, I don't even know for what.

The CHAIR: That's very useful. Coming back to my question about how we actually work out if these consultants are value for money, let's take the example of a business case. With a business case, which I understand

from a lot of accountants is more art than science in a lot of ways, we are not just working out the costs but also the potential benefits, and you can scope that how you like. As I understand it—and other people disagree—you can sort of massage those figures a little bit to work out how to get a BCR that comes up with something that looks reasonable. Because there are so many ways to do that, when we come in maybe five years' time and look back at comparisons of business cases, we must be able to say, "That one was far off the mark; that one wasn't." But if all we are doing is a review at the time we receive the document, we are not really able to work out the quality of that, are we? Is there anything within Treasury or Procurement where you actually assess the quality of work at that scale?

SONYA CAMPBELL: I think the short answer is probably no. What I would say is that Treasury is undertaking a review currently of its business case guidelines and is consulting across the sector with a view to updating those early next year.

The CHAIR: Is it employing consultants to do that?

SONYA CAMPBELL: No, it's not—not that I am aware of.

The CHAIR: I'm going to ask that question.

SONYA CAMPBELL: Not that I am aware of. Apologies, I just lost my train of thought.

The CHAIR: No, I threw you off. It's updating its guidelines.

SHAUN SMITH: While Ms Campbell recollects her thoughts, I have a couple of thoughts in relation to the quality of the work. Ultimately, in the devolved procurement model, there are a range of officials in public sector agencies who are contracting the work and they are ultimately accountable for assessing the quality of the work that is then delivered to them by their various consultants. As a senior official, I will be looking at the work that is provided to me by any firm—whether it is a consulting firm or any other firm, to be perfectly honest—and if I don't think the quality is acceptable, that is a contract management issue that will happen at the point of contract management.

If you are talking about a business case, there are a whole bunch of guidelines that Treasury does set with respect to business cases: what the inclusions should be and the parameters that people are expected to use to model economic and non-economic, and financial and non-financial, benefits. All of those things are laid out in terms of the guidance we give consultants to do that work. If a consultant delivers work that doesn't meet the standards specified by Treasury, that is a matter for contract management in the agency—for the accountable authority who is procuring that work to engage with that consultant and get an acceptable quality or follow the performance scheme rules about how they manage that consultant. That can include even a referral to the Procurement Board for poor performance.

The CHAIR: Let me just stop you there. I appreciate that is how it should work in theory. But we saw with TAHE, and with Treasury's engagement with KPMG in that case, that there is an element of confirmation bias—let's just put it in a nice way—where public officials may be actually looking for a particular answer from a particular consultant, whether they've made that explicit or not. At what point does someone independent come in after the event and look back and say, "Well, actually, that BCR was completely wrong"?

SONYA CAMPBELL: I will come back to the last part of your question, but I remembered my train of thought earlier, just to pick that up. Where that independence comes in—not only does Treasury set the guidelines, but obviously business cases get assessed independently through Treasury. Ultimately, recommendations are made to government around those investments and they become government decisions. There is that level of independence in Treasury. In the case, for example, of major infrastructure projects, there is additional assurance through Infrastructure NSW, which will look at various stages of a project's life cycle, both at strategic and final business cases and throughout procurement. There is that added layer of independent assurance there.

In terms of your question at what point do we come back and check whether the business case was quality, I think in a large part that quality assurance comes through the processes that I have just described. If there is a bias within an agency, then you would expect that independent scrutiny, through both a Treasury and a government decision-making process, would be able to identify perhaps where benefits and costs may not have been accurately reflected. But that is the process, and I think once a decision is made—or an investment decision to support a business case—it then goes back to the agency who was responsible for delivering on that program of work as to how they manage it.

The Hon. Dr SARAH KAINE: I just want to continue on that learning from experience train of questioning and answers. Given what has been revealed with regards to use of consultants in various inquiries et cetera, has NSW Treasury or NSW Procurement embarked or intended to embark on an audit of overruns or extensions of contracts? We have heard here and in previous hearings about contracts being extended, or my

colleague has spoken about budget overruns. Is there a view that you are going to collate the information that we have on this, across agencies, and see if there are patterns—have a look at what we have learnt and have a look at why there have been either overruns or extensions so it might inform how we do things in the future?

SONYA CAMPBELL: I think that is a strategic question to put to the board, because the board would then need to ask agencies to invest the time and effort that would be required to undertake that process at an agency level. So NSW Procurement is not set up centrally to do that. It can support the Treasury agency group to do that.

The Hon. Dr SARAH KAINE: Can you essentially order agencies to provide you with information?

SONYA CAMPBELL: No, that would come through the board.

The Hon. SCOTT FARLOW: I want to pick up on Mr Smith's point in terms of disquiet, for instance, with a particular contractor or consultant you might have. You go through that process. You were mentioning a referral to the NSW Procurement Board as an ultimate step. I was just wondering, Ms Campbell, how many of those do you receive per year?

SONYA CAMPBELL: Not many. I think, when I asked that question it was—I can find the exact details—in the order of three to five over the last three or so years.

The Hon. SCOTT FARLOW: So one a year, let's say.

SONYA CAMPBELL: Yes.

The Hon. SCOTT FARLOW: And what level of gravity do you need to get to that kind of referral? Is this non-completion of work?

SONYA CAMPBELL: Sorry, I actually have misunderstood your question, because I was referring to data around supplier complaints. Around processes that have been—

The Hon. SCOTT FARLOW: Okay. I am talking more about internal department complaints.

SONYA CAMPBELL: Yes. I am not aware of complaints that have been escalated up through the board.

The Hon. SCOTT FARLOW: I guess these are the potentials—that everybody in New South Wales government is very happy with the consultants that they have employed and engaged, which I suspect may not necessarily be the case, or there are grumbling issues that go along. What sort of mechanisms are there so that, for instance, Mr Smith's experience with a consultant can be shared with Mr Manning so that you may have an indication within your own department that might lead you never to go back to that consultant again in terms of engagement? Is that shared with other government departments by some mechanism?

SONYA CAMPBELL: It's a very good question, and I was discussing this yesterday with my team. The example that Mr Manning has given you around what's happening in the construction procurement space is an opportunity to look at how we might do that in the consultancy space. I think, historically, there may have been consultant performance reporting at a whole-of-government level but, again, that relies on individual agencies providing that information centrally so that we can look at it centrally in terms of how we then disseminate insights and lessons and use it to inform decisions around pre-qualification, for example.

The Hon. MARK BUTTIGIEG: In evidence earlier today we heard about the different models of oversight. I imagine there are a lot of situations in the contemporary setting where government gives a contract to a major supplier to construct a road, school, hospital or whatever, and the consulting arm of that same firm is essentially project managing the construction. This raises the question of wouldn't it make sense—the example that was used this morning was the old Department of Public Works—to have public servants micromanaging the project or overseeing the construction on behalf of the public, rather than having an outsourced oversight on the ground? Does the Procurement Board have a view on those two models?

SONYA CAMPBELL: Public Works is still performing that function for various delivery agencies across government at the moment. Mr Manning and Mr D'Amato would have examples of that within their agencies and their construction projects. Public Works also still manages the whole-of-government construction procurement scheme in terms of the GC21 standard contract, training for agencies as well as, in a large part, supporting local councils in the region around their procurement and construction management.

The Hon. MARK BUTTIGIEG: Was the historical model that they were all encompassing? Is what you're saying now is it is kind of a bit of both—what I was describing is a bit of a hybrid?

SONYA CAMPBELL: I can't talk to the historical model. I don't know if any of my other—

The Hon. MARK BUTTIGIEG: Because what we've been hearing—and I've heard this on the ground talking to people who were brought up in, say, the seventies and eighties—is, "Oh, you had this great old public works department that used to go out and inspect things and everything was done properly and it was a great world." That is kind of the evidence we heard this morning. I am wondering whether it is a mix of that oversight—that micromanaging, project management public servant on the ground—and consultancies managing their own construction?

ANTHONY MANNING: To talk to the education model, we run a model where we employ project directors to actually be the client role. Regardless of whether we have a private sector consultant or Public Works, they report into a project director for School Infrastructure, who is the client, who makes sure that whoever they are—

The Hon. MARK BUTTIGIEG: So they're employed by the Department of Education?

ANTHONY MANNING: Yes, they're engaged for the Department of Education. Their job is to make sure that regardless of who the supplier is or where they come from—be it a consultant, an architect, an engineer, a project manager or a building contractor—they're delivering to the standard that we expect them to. In the kind of older days, if you like, the client entity would've been more of an administrative function and Public Works would play both consultant and client representation. We've actually separated those two. We would use Public Works, if you like, as a consultant and they'd compete in the market, but there are some areas where they have a much stronger capability and are useful to us as an agency.

If I look at the Cooler Classrooms Program that runs across 900 schools, we've engaged Public Works to oversight that on our behalf. But we still have a client role in that space to make sure that we're checking what they're doing and what everybody else is doing is consistent with what we want to do. So the model is slightly different, in part because infrastructure agencies have now got that capability themselves to move away from just an administrative function to a client role where we're clear about the spec, the time frame and the budget, and we're clear that we own the decisions and the outcomes of the project and nobody else does. It's a mixed model, but in a slightly different way.

The Hon. MARK BUTTIGIEG: The potential for conflict, then, in terms of, "Well, I'm working for Jones Lang LaSalle", or whoever, "and I'm going to be the project manager on the ground"—what you're saying is that potential for conflict should be filtered out at the project manager level, who is employed by the Department of Education, because they would go, "Well, hang on"—

ANTHONY MANNING: Yes, we would never engage the same entity to do the construction work as the oversight of the construction work.

The Hon. MARK BUTTIGIEG: Is there anything in government guidelines that mandates that separation?

ANTHONY MANNING: Probably. But given that it's not great practice, I've not looked to check.

The Hon. MARK BUTTIGIEG: No, it's not good practice, which is why—

ANTHONY MANNING: Which is why we wouldn't do it because we wouldn't get great outcomes. Building contractors who take the risk on the building side tend not to be in the consultancy space. They tend to be two very different animals. But in all regards, our job as a client is to police them to make sure we get the quality of the outcome that we want. To be fair, my project directors are accountable to principles and a whole range of others who have very clear views about what they think success looks like.

The Hon. Dr SARAH KAINE: My question is not exactly related, but I note that we have, for example, Education and Health representatives here, and I thank them. With regard all of the things we're talking about, particularly in relation to what my colleague Peter Primrose is raising about reporting—and, of course, the idea that we need a central vendor management system—am I to presume that currently, because of the devolved system, if we were to bring in each government department, we would have quite a divergence in invoicing systems, reporting and conflict-of-interest procedures, aside from a general policy that comes down from the Procurement Board? A huge variety—is that the sense that I'm getting in practice across each of these layers of engagement?

SONYA CAMPBELL: In practice, the short answer is yes, how agencies operationalise. That's not to say that there are not whole-of-government initiatives in place around how we have better consistency. One example is how we're looking at that in the procurement-to-pay life cycle across government, which touches on both procurement but also the banking and financial services team that sits in Treasury, how we look at that more on an end-to-end basis and bringing the sector together in terms of consistency in principles. The systems do look different within different agencies. Obviously, Ms Young is here with us today from DCS, who own the

ICT system. Those are historically some of the challenges in trying to drive that consistent approach across government.

The Hon. Dr SARAH KAINE: To take a question that's usually asked by my colleague here, which agency would you hold up as the closest to best practice or the exemplar? There's got to be quite a lot of variation. I suspect, given the looks on your faces, you might have some ideas about which would be better than others.

SONYA CAMPBELL: I think that's a really difficult question to answer. There are exemplars across the sector in different parts doing different things. Working in a central agency, what we're looking for is working with partners in agencies who can take more of that whole-of-government approach and help drive that consistency across the sector and within those agencies, and that looks different from department to department.

The Hon. MARK BUTTIGIEG: This is an important point because it came out in evidence earlier in terms of accounting standards. That was a big point the previous witness, or the ones before them, put down in evidence, that there doesn't seem to be a standard template approach to how you enter consultancy services, for example. So you may be getting divergent sources of information depending on how it's entered. Wouldn't it make sense for Treasury or Finance to put out a standard process? Presumably, with technology these days you can guide people down a certain path so that it's difficult to make a mistake, depending on what the service is. Then you're going to get an accurate snapshot of what has actually been spent on consultancy and contracting and that sort of thing. But at the moment it sounds like it's very much dependant on how the agency allocates it.

SONYA CAMPBELL: There are two things. One is the work that Ms van der Walt was talking about in terms of Treasury guidance to the sector around financial reporting requirements. The other is the work that we discussed when I was before the Committee previously in working with the board around some of that definitional work around what is a consultant, what is not a consultant—better examples that we might be able to provide to provide that guidance to the sector around, to your point, the differences in interpretation that may be being made across the sector and how that expenditure is being classified.

The Hon. MARK BUTTIGIEG: In the accounting profession they have mandated standards of accounting that cover all this stuff.

SONYA CAMPBELL: Which, in my experience, are also very open to interpretation.

The Hon. MARK BUTTIGIEG: Sure.

MARINA van der WALT: They are. Yes, they are open to interpretation and a high degree of judgement as well. What we currently report through our Total State Sector Accounts is—under "other operating expenses" there's a note, note three, that has been the same year on year. That provides more detail on consultancy expenses, but that is only for consultants that are classified under other operating expenses. I think what you are referring to is there are cases where consultancy expenditure is capitalised on the balance sheet and depreciated.

The Hon. MARK BUTTIGIEG: That was one of the examples that was given, yes.

MARINA van der WALT: Yes. So what we would need to do is, again, aggregate the data and, through our financial reporting framework, provide guidance to the sector to provide us with both recurrent and capital expenditure. We will need a system to support us to collect that information and consolidate it.

The CHAIR: I go back to that point on business cases. I want to get this clear. From what I'm hearing, although there are guidelines and there are expectations as to how a business case gets prepared by an external consultant, there is no situation where we go back and assess, years down the track, whether or not the business case was actually correct—

SONYA CAMPBELL: I can answer that question. I think it was framed—

The CHAIR: Can I finish this bit because this is vitally important. A couple of years ago there was a disclosure about School Infrastructure spending \$10 million a year on Deloitte to write business cases for small-scale infrastructure projects. The other week we heard from NSW Ambulance about the \$400,000 they were spending on Deloitte to do business cases for them. If we are spending all this money on consultants to do business cases that otherwise could be done by government, what are we doing to make sure those business cases are actually robust and worth the money?

SONYA CAMPBELL: I talked about the front-end process. I think the part to your question I did not answer was what do we do at the back end if the projects have not delivered. Two things, and then I am happy to give Ms van der Walt an opportunity to respond as well. Certainly in the infrastructure space the Gateway policy and assurance framework require a final gate, which is around benefits realisation. I think we would accept that that is probably not done as routinely as we would like it to be done, so there is an opportunity to be looking at whether benefits have been delivered and, if not, why not? I think, to Mr Manning's earlier point, that could be

for a whole range of reasons. There could be root causes around the quality of the inputs, which could be from consultant input. I think the other thing, and this might be what Ms van der Walt wants to talk about, is the outcomes budgeting approach from Treasury—and I might defer to you, Ms van der Walt, to explain this better than I might—where we are looking to make sure there is clear linkage to expenditure, programs and benefits, and being able to assess that they have been delivered as part of annual budget cycles.

MARINA van der WALT: We might need to get some more information for you, but there is another group in Treasury, our economic strategy and productivity group, that captures all the—they have got an evidence bank of all the business case BCRs, and that is to support evaluations of those projects and business cases and a comparison bank.

The CHAIR: We have talked about secondments before and the idea of different consultants coming in and basically sitting within departments. There were a couple of eTender entries that piqued my interest around Treasury's use of secondees. I am looking at one from 22 June this year that was published. This is for a six-month contract with Deloitte, valued at around \$680,000: secondments to Treasury to support with reviewing the agency's monthly data submissions and providing support to the team over year-end processes. How many people are seconded under that contract and why couldn't they be sourced as employees?

MARINA van der WALT: I can get you the data about the number of people. We're in a unique situation this year where the production of the Total State Sector Accounts overlaps with the production of the budget. That is because of the elections and change of government and the Government deciding to deliver the budget in September. There are busy periods through the year generally when we produce the financial reports, because this team in Treasury is responsible for producing the monthly financial reports that are published on our website. They're also responsible for producing the Total State Sector Accounts, as well as the aggregates, which are the total numbers for the budget process. Because of the peak in workload this year, we have relied on some additional labour hire.

The CHAIR: There was no way that those people could be brought on as employees and then redeployed for the other half of the year to do something else?

MARINA van der WALT: That is a model that we are looking at going forward and under a steady state where the budget and Total State Sector Accounts won't overlap. In a normal year our budget would be handed down sort of late June and the sector accounts by October, November—would be the aim. So there's no overlap in—

The CHAIR: You referred to them as "labour hire", effectively. Is that because now no-one knows what "consultants" is and what is not? Would that be categorised as "consulting services" in Treasury's accounts or as—

MARINA van der WALT: No, if you go to note 3, you will see that that is actually disclosed separately.

The CHAIR: Then we have another two that look the same but are two different companies. We have one-quarter of a million to KPMG and one-quarter of a million to Deloitte, I believe. These are contracts that run from 23 March to 24 September, so they go for 18 months—support on accounting and financial advisory services under the AASB. Now, this seems to be some sort of accounting policy support. Again, it's half a million dollars for both of these. Are these secondees? What are they?

MARINA van der WALT: Sorry, I'm going to need a little bit more detail on that. What was the date at which that was—

The CHAIR: The date that they were published is 18 April. The contract duration is from 6 March 2023 to 6 September 2024. It is called "accounting policy support". One is with KPMG and one with Deloitte, both for one-quarter of a million each, saying "support on accounting and financial advisory services under the Australian Accounting Standards and/or Government Finance Statistics and for highly technical and complex matters—18 months". You might need to come back to me on that one.

MARINA van der WALT: I'll take that one on notice.

The CHAIR: Another one here—a three-year agreement to provide actuarial services for NSW Treasury published on 13 February 2023. This one is \$901,890 with Mercer consulting. This is a three-year agreement to provide actuarial services. Again, is this not core government work? Why are we using consultants and not employees?

MARINA van der WALT: This is a very specific role that Mercer performs with Treasury and that is to value the defined benefits superannuation liability. That's reported in the accounts.

The CHAIR: And it can't be done internally?

MARINA van der WALT: The requirement for that is, once a year—

The CHAIR: That it be independent? That it be once a year?

MARINA van der WALT: It's independent, once a year. Then every third year there's another consultant that provides another overlay—

The Hon. MARK BUTTIGIEG: It's basically judging risk profile when people are going to pass away in terms of how much you have to pay them, correct?

MARINA van der WALT: It's complex. So it does involve that. It involves escalation—yes, the timing of when people will be retiring. It's subject to investment returns, what the current escalation rates are.

The Hon. MARK BUTTIGIEG: I don't want to sound dismissive but you would have economists and people resident in Treasury, wouldn't you, who would be, I would've thought—it doesn't sound like a very complex mathematical—

MARINA van der WALT: It is complex.

The Hon. SCOTT FARLOW: Give it a go, Mark. Offer your services.

The CHAIR: For \$300,000 a year.

The Hon. SCOTT FARLOW: To that point, is there a requirement for that to be independently verified and that it isn't done in-house in terms of that valuation and assessment?

Valuations are typically something that need to be independently verified; they are not something which you come and sight yourself. Is there that requirement?

MARINA van der WALT: I will need to get back to you on that in terms of whether there is a legislative requirement for us to do that.

The Hon. SCOTT FARLOW: You can take it on notice.

The CHAIR: I could go on. I have some more questions in relation to the lotteries duty monetisation. We have one of them here: Ernst & Young, \$175,000 to be an accounting and tax adviser. They leapt out at me as being things that we could perhaps treat as core government work. The question is why we are using so many consultants for this sort of work when perhaps we could be using employees instead.

SONYA CAMPBELL: I think, Ms Boyd, in relation to your inquiries around some of the lotteries consultancies, historically any of those major transactions that have been led out of Treasury have been led with a small team of people with the capability to have oversight of that and to manage advisers, but because they were in the nature of asset sales bringing proceeds to government, the costs of expertise that was needed to support those transactions were funded out of sale proceeds. That is a model that has applied in Treasury in the past. That is not a model that we are applying currently and there has been a realignment, certainly across my commercial team, around how we would manage that work, starting from the principles where we are building up teams internally and using advisers only where we cannot find the capability and expertise, whether it is within Treasury or other parts of the Government. That is the approach that is currently being taken.

The CHAIR: I appreciate that. I have one final question about the PaTH program and the update of the IT back end. That's not going to be a very eloquent way of describing what that is but I understand that Accenture, Deloitte and a whole bunch of others have been paid hundreds of millions of dollars in relation to this project so far. That is something that seems to be being given from department to department. I know that when Victor Dominello was the customer service Minister he pushed it on to somebody else, maybe to DCJ, because he felt that he could deal with it internally. Is there any update on that program or any attempt to reduce those consultancy costs? It is a cheeky one to finish us off.

SHAUN SMITH: In terms of an update on the program, the program is a multi-year program and the first stages went live in April and July this year. There's now some 26,000 public servants across, I'm going to say, about seven different networks of agencies, being paid out of the integrated whole-of-government platform. There's been a number of questions here today about how we get better visibility and transparency of information. One of the issues that has existed in the past is that there has been machinery of government changes that have affected the finance systems of all the agencies, with the exception of the large agencies like health, education and transport, which tend to stay pretty much in the same shape that they are. The PaTH program is an attempt to bring most of the other agencies onto one consistent finance and HR platform so that reporting becomes easier over time, that administrative changes to the shape of government become easier over time.

That is why that program has been instantiated, and it has been running for about the past three years. These programs are large and complex and do take a very long time to deliver, but the first couple of stages have gone live. There are a few more stages to go live to bring the balance of the Department of Communities and Justice, the Department of Planning and Environment, the Department of Regional NSW and aspects of other departments onto the platform. The current horizon is due to finish in about July next year.

The CHAIR: That is all we have time for. Thank you again for coming. To the extent that there were questions taken on notice or there are supplementary questions, the Committee secretariat will be in touch. There will be 21 days to answer.

MARINA van der WALT: I have some answers for you. On the first contract—that's providing support to the production of the sector account—we've got seven contractors helping us with that. The other contracts were proactively entered into, again to provide surge capacity. That's for our accounting policy team, and I can confirm that they have not—these contracts are only entered into in case we need the capacity, and the spend to date has been nil on those two contracts.

The CHAIR: That is interesting.

(The witnesses withdrew.)

Mr TILAK NABI, Organiser, Australian Paramedics Association (NSW), affirmed and examined

Mr GARY WILSON, Delegate and Former Secretary, Australian Paramedics Association (NSW), sworn and examined

The CHAIR: I now welcome our next witnesses. Would you like to start by making an opening statement?

GARY WILSON: We'd like to thank you for the opportunity to appear before the Committee. I would also like to acknowledge the support that previous committees have shown our members and the communities that we serve. I'm a delegate and former secretary of the Australian Paramedics Association (NSW), which is an independent, apolitical trade union that represents the majority of New South Wales frontline paramedics. I have also had the privilege of serving my community as a full-time paramedic and have done so for over 20 years. While NSW Ambulance has the potential to be a world-leading service, it continues to be hampered due to a lack of internal capability and resourcing. While there is always a place for consultants, NSW Ambulance seems to have become overly dependent on them as a result of these long-term issues.

While the inquiry's terms of reference refer to consulting firms, NSW Ambulance also uses other external consultants and partners, such as individuals or organisations. These external consultants have and continue to play a major role in influencing significant changes to the structure and operation of our organisation. As such, we believe they also need to be considered as part of the inquiry, rather than just consultancy firms. The major themes that are usually raised when the use of consultants is discussed are transparency, accountability and value for money. Unsurprisingly, these are reflected in the Committee's terms of reference and are concerns that we share; the themes also closely align with NSW Ambulance's own CORE values of Collaboration, Openness, Respect and Empowerment. They have been the cause, or factors in, numerous industrial disputes and have significant impacts on the welfare of our members and the quality of service we provide to our communities. We believe a lack of transparency, a lack of accountability and a lack of genuine consultation has and will continue to result in poor patient and staff outcomes unless there are systematic changes in the way consultants are used.

Some projects that we know have been impacted by the use of consultants within NSW Ambulance are the Statewide Workforce Enhancement Program for 700 new paramedics in approximately 2019; SWIFT, which was over 1,800 paramedics and 30 stations, and which is currently underway; the Paramedic Response Network, which included new ambulance stations and a change of model in Sydney; Frontline Leadership Model, which is currently underway and looks at our frontline leadership and management; and the Statewide Rostering Improvement Project, which is currently underway and will undoubtedly lead to some disputes. While much of the previous testimony regarding NSW Ambulance's use of consultants relates to internal processes of engaging and managing consultants, our focus is more on their use and the outcomes as it relates to our members and the community. I am more than happy to answer any questions you have, either today or subsequently.

The CHAIR: Thank you for coming and for sharing your experiences. I think this has been a missing piece in this inquiry so far, what it's like to be working in the public sector and at the receiving end of decisions that, as you say, have been influenced by consultants of whatever type. With all of those projects that you have mentioned, have you ever been asked what you thought about the outcome in terms of something that goes towards reviewing the quality of the work that those consultants did?

GARY WILSON: The short answer is no, but, in more detail, I would say that, having been a paramedic for over 20 years and having been at the head of APA for most of the last 10 years, there is a genuine lack of accountability for most of the projects that we undertake or are part of. There's a lack of genuine consultation and there's a lack of genuine abilities to provide input, either early in the process or even quite often towards the end of the process where we normally get asked to be involved. To my knowledge, we're still waiting to do evaluations of significant enhancement and roster changes that were part of SWEP back in 2019. We have asked to have that evaluation done and to date—nothing.

The CHAIR: When we had NSW Ambulance before us the other week, the impression I got was that it's necessary to bring in somebody else who sort of sits between the organisation and its employees in terms of gathering their feedback—that you needed to have somebody appointed to go and consult and work out whatever the next step was for the organisation. Is that your impression of the use of consultants? For these projects, have you had the opportunity to contribute? Were you asked for your input?

GARY WILSON: I firmly believe that there is a genuine place for the use of consultants in private and public sector, and where you've got short-term specialised requirements, then consultancy certainly makes a lot of sense. However, if you're talking about seeking feedback and information from your workforce, where you have employee representatives active in the space, I'm uncertain why you would need an external consultant to talk to your own staff or their representatives. Certainly, our organisation, since our registration 10 years ago, has

been actively trying to consult cooperatively and collaboratively to try to fix a number of issues, and our experience with a lot of these consultant-based processes is that we don't have the ability or the opportunity to provide genuine consultation or input. We are often involved quite late in the process. We have been given limited opportunities to provide input, even to the point where we don't see draft reports or preliminary conclusions so that we can provide feedback on issues that were never identified during the original discussions.

The Hon. MARK BUTTIGIEG: I recall the evidence. I think I might have asked the question—or one of us did—about the level of consultation. They maintained that they did talk to you. But what you're saying is why do you need consultants to talk to your staff? Why not have managements talk to them directly to find out what's going on, and save a whole lot of money?

GARY WILSON: As an employee representative union, obviously, our preference is that the employers talk to us.

The Hon. MARK BUTTIGIEG: Sure.

GARY WILSON: And, certainly, within Ambulance there has been a history of staff not feeling safe to speak openly about their views. We act as a buffer in those situations. As far as opportunities go, I can think of a major project recently where we had a very short informal meeting and were provided with no further opportunities to provide input in a situation—

The Hon. MARK BUTTIGIEG: Is it, basically, just a tick-a-box approach?

GARY WILSON: That would be my view.

The Hon. MARK BUTTIGIEG: Presumably, if I were NSW Ambulance, my response would be, "Well, if we talk to you directly we may not get the full picture because, as a union, you've obviously got an obligation to look after your members, which is wages and conditions. We've got to think of the big picture—service delivery, all the rest of it." What would you say to that?

GARY WILSON: As an organisation, from our inception, our goals have always been the welfare of paramedics and the communities that we serve. We have advocated—

The Hon. MARK BUTTIGIEG: It's the nature of the job, right?

GARY WILSON: Honestly, you don't do this job for the money. There are a lot of people who could make a lot more money in a lot of other areas. It's not why we choose to do this. We value our communities. And for many of us like myself—I live in a small regional town—we do things at our own expense for the sake of our communities. As an organisation, that's what our members expect, and so, when we advocate, we advocate not only for our members and not just for wages and conditions, but we try to look at the bigger picture. Our view, realistically, is that the one thing we should be in disagreement with with the employer is wages. Everything else we should be pretty much on the same page, because we all want the same thing.

The Hon. MARK BUTTIGIEG: Yes. So has the union put the view to management, "Look, if we work together on this we can save a whole lot of money, because we know how it works on the ground, we know what works for our people, we know what works for the community. Talk to us about how we can both get an outcome and let's cut these third parties out, because they're costing \$20 million", or whatever the figure is? Has that conversation been had?

GARY WILSON: Certainly, and repeatedly over, like I said, the decade that we have been a registered union. I think one that sticks in my mind is the Paramedic Response Network. Millions and millions of dollars were spent on changing our operational model in the metropolitan area to a hub and spoke, where we built brand-new superstations and we fluidly deployed crews out. Before we spent all of this money, the union quite bluntly said, "This isn't going to work." We weren't listened to. The process went ahead. We have lovely new superstations, and a significant number of smaller, older ambulance stations were closed. My understanding is that, to date, all but three of those stations have had to be reopened because the model failed, as we expected that it would. We're very grateful for the brand-new, shiny stations, and we would like some more. But it's frustrating, when you are trying to be cooperative and constructive, to be dismissed, ignored or, as you said, part of a tick-a-box exercise rather than a genuine consultation.

The CHAIR: Which consultant recommended the program that closed the small stations? Which program was that?

GARY WILSON: That was the Paramedic Response Network. I'm sorry, I'll have to take that one on notice. I don't have that readily available.

The CHAIR: No worries. We'll see if we can find it.

The Hon. Dr SARAH KAINE: You mentioned that it seems reasonable for very niche areas to use consultants for particular projects. Are there any projects that you think absolutely had to be done by consultants? I'm thinking of the past 10 years, when you've been intimately involved as a representative. What proportion of the ones that you've seen do you think could have been in-housed—and those that were legitimately needing that niche expertise?

GARY WILSON: Part of the problem that we've had—I believe our commissioner acknowledged publicly, which was nice to see, that NSW Ambulance has been far too lean for far too long, to paraphrase him. One of the things that has resulted in is that we don't have the relief capacity to take advantage of our own internal resources. One of the biggest resources that we have is our people, and yet we're unable to develop them to develop internal capability and resilience. It doesn't take very much for us to lose a capability because we don't have that spare capacity. If we had those, then we could have done without a lot of the consultants.

If we extend the definition not just to consulting firms but also to include individuals and other external organisations that provide specialities—one of the projects that's currently underway is a trial of body-worn cameras. This is a piece of work that would certainly benefit from an external stakeholder with specialised knowledge in research, such as a university. It has been a bit of a mixed result. There have been very significant issues with that. Again, it was disappointing. The first trial failed, and we had provided plenty of notice that it was going to. The second trial is now underway, and I think a lack of transparency and accountability from the first one will cause significant problems in the viability of the second.

The CHAIR: You mentioned just now, and also in your opening statement, other people who are brought on to do work in the form of consulting or other types of service provision. You said in your opening statement that they can influence significant change in an organisation. Can you give an example of that?

GARY WILSON: Currently, there's a report that has been released called the Foot report. My understanding—without detailed knowledge of the business behind the consultant—is that he's largely an individual who has been brought on to look at the frontline management model. He has made a number of recommendations, some which were core to the terms of reference and some which appear to be somewhat ancillary. There were issues with the consulting of that, and there is a lot of unhappiness within the ranks about the implementation of some of the recommendations. Many staff, especially managers, don't believe that it will serve our needs. As an individual, they will potentially change the way that NSW Ambulance frontline management operates for the entire State.

The CHAIR: Are you aware, in that particular instance, was there a need identified that that consultant was then brought on to fill? Or are you aware of any situations where this work is being pitched by a consultant to the organisation and then the organisation thinks, "That's a great idea; let's do that"?

GARY WILSON: We don't have the transparency to know that information. We aren't notified of when NSW Ambulance is looking at engaging a consultant. Quite often we're advised of it or find out through third parties much later in the process, which is problematic. In this instance, the need for frontline management change has been identified by staff for years. Staff have been crying out for a change. We need more support. There was hope. I was speaking to a frontline manager recently, and their comment was that when they went to these meetings where the consultants spoke directly to staff—which is, again, not something that we object to; we just want to be included in these conversations—they were hopeful that this would be the start of the significant change that we have all been calling for for years. Unfortunately, what they told me was that, whilst the conversation was very positive and they left the meeting feeling very positive about the future, once the report was released and the implementation decided, they felt shattered. What they thought was going to be their future turned out not to be the case, and the model that has been proposed, on surface evaluation, won't meet our needs.

The CHAIR: Was a draft of that model circulated? Was there an opportunity to comment?

GARY WILSON: Not to my knowledge.

The CHAIR: Has there ever been a case where the workforce has been involved in selecting a consultant or had any involvement in that part of the process? Has that ever happened?

GARY WILSON: Sorry, can I make an addendum? The draft was, I believe, circulated within NSW Ambulance upper management but not to stakeholders, for clarity. But in terms of staff involvement or employee representation involvement, not to my knowledge, no.

The CHAIR: In terms of recommendations that we might make from this inquiry, would greater workforce involvement in the recruitment of consultants at a management level make sense to be one of those recommendations?

GARY WILSON: It certainly would. I did give some thought to what sorts of recommendations would be beneficial, and they did include things such as ensuring that transparency with employee representatives is a standard expectation, that this be implemented at a policy level and that we implement a culture of early and active engagement with employee representatives to improve the outcomes and reduce unnecessary future costs—that sort of idea of engaging with staff who are very invested in improving the organisation. It benefits them. We have massive problems with our staff wellbeing. We're in crisis.

The Hon. MARK BUTTIGIEG: I imagine there are a lot of eyebrows raised, too, when a third party comes in with a banner of an accounting firm or whatever. That used to happen when I worked for Ausgrid. You would see it all the time and you'd think, "Why are we getting people in to tell us what we know?" You've got management who are managing a service to the public, you've got the people who are carrying out the service who live and breathe it, and then a third party comes in to tell them—

GARY WILSON: How to do their job.

The Hon. MARK BUTTIGIEG: I don't understand. There would be particular situations where there are specialist pieces of work that need to be done with outside expertise but, in your experience, do any of the consultancy engagements satisfy that criteria?

GARY WILSON: My understanding is that NSW Ambulance put before the Committee that they had internal resources that would guide and provide information to their external consultants when we were looking at consulting firms such as PwC, Deloitte and ORH. In terms of the individuals that we've been discussing, such as the frontline management rostering reform, whilst the people that are doing the consulting have a background in ambulance operations—Mr Foot, I believe, was ex-NSW Ambulance and ex-ACT ambulance—one of the problems that we see is that it's such a dynamic space that you have people who have a background in those fields but have been away from the front lines for significant periods. I'm not referring to going and doing a shift here or a shift there; I'm talking week in, week out working on the coalface. It's very easy for people to lose touch with what the current realities are. I think that's a risk that we haven't adequately addressed within NSW Ambulance. One of the ways that we could do that would be for a genuine, proactive engagement with the employee representatives. All of our organisation's executives are current, full-time, frontline paramedics. If our organisation doesn't know what's going on on the ground, nobody does.

The CHAIR: In addition to the obvious ways in which failure to consult with the workforce can lead to unnecessary costs, but also, I presume, a feeling of a division between workforce and management, can you talk to us about the impact on morale and the way that it makes people feel, on the ground?

GARY WILSON: For the last five years I've been saying, "Morale is at an all-time low. We certainly can't get any worse than this. This is the end of the pendulum swing." Then each year after that we seem to sink lower. COVID didn't help; COVID put a lot of stress on our members. We had a lot to deal with. Increasing workloads and the separation between the workforce and upper management hasn't helped. Every survey that I can think of has been consistent with that. Morale is one of the big problems that we've had, continue to have and will continue to have unless there are some systemic changes. It's not just about money—although some extra money would be lovely. It's not just about more paramedics; it's about changing our culture and how we treat our paramedics so that they can do their job better, so that they can look after their communities better, while maintaining their own wellbeing.

It can be something as simple as how we treat our paramedics with regard to allocating annual leave. We've got services in other jurisdictions where annual leave can be organised 48 hours out, on a computer, with an automatic approval, provided certain criteria are met. In NSW Ambulance, we have to plan our annual leave up to 18 months in advance; we have to take predesignated, three-week blocks; and we have limitations on how we can take annual leave, when we can take annual leave and how we can change it. There is a significant difference between those two positions. While we may not be able to get all the way to our ideal, we can certainly do better than we have. Those sorts of things can make a big difference to morale.

If you are going to bring in an external consultant to do anything, it would be to talk to employee representatives and employees to look at how they can improve their wellbeing and the processes that currently frustrate them. Some of the changes are very simple: how we fill out a time sheet. We've been asking since 2014 for some small changes in our timesheet software. Consistently we get told no. Again, these aren't big things. They aren't major changes; they aren't earth shattering. But sometimes it's the grain of sand that's in your shoe that is just the irritant that sends you over.

The CHAIR: It must be incredibly frustrating to be sitting there thinking about the ways in which you could improve the processes in your workplace, only to have it told to you instead by a consultant, who is then getting it wrong, in your view.

GARY WILSON: Or just to be completely sidetracked from the entire process, effectively.

The CHAIR: Are you aware of any consultants being appointed who have then recommended workforce restructure? On any of those programs, has there been a recommendation that we lose paramedics in certain areas? I'm trying to think of programs where they might have thought there would be resistance from you.

GARY WILSON: There's currently a rostering reform underway. Again, what they're looking at doing is centralising rostering, providing additional resourcing, and we do need additional resources. We need better rostering tools. We need to do better with our rostering. It's one of the bugbears that paramedics face regularly. But what we seem to be doing is further entrenching an archaic centralisation system where we're moving jobs from regional areas into a central Sydney location to do a job that has and can be done from home.

Sydney is some of the most expensive real estate in the country. Why are we paying for real estate in Sydney for jobs that can be done elsewhere? We're taking away jobs from regional areas. We're taking away opportunities for pre- and postnatal alternate duties. We're taking away opportunities for people who are on alternate duties due to workers compensation. We're taking away career development. And this has all happened in a very short space of time where people have been told, "This is our new model. This is what we're going to implement. You can either relocate to a new location or you can relinquish your role."

The CHAIR: Hang on. Just so we're clear, we have a program that is for rostering—we're talking about, "You're on at this time in this place; you're going here"—that used to be held by a number of people regionally that has now been brought into the city in a centralised way. Why? Because a consultant has—

GARY WILSON: I'd love to be able to tell you.

The CHAIR: Right.

GARY WILSON: But unfortunately with the lack of transparency and the lack of accountability, I have no answers for you. Each area used to look after its own rostering, and we have, again, some of the most capable people in these roles who know the intricacies of their own areas.

The CHAIR: They know the people. They know the areas. They know the services in the area presumably.

GARY WILSON: And the distances. We've had instances where we've had centralised processes which have said, "Surely it's okay to send a person from this town to this town because they're in the same area of management." The fact that there's four hours difference in driving apparently is irrelevant because they just don't know. And so a lot of managers, especially at the smaller stations, who know their staff and know what's going on with them, can manage their rosters to maximise the wellbeing of their staff. When you know the person who coordinates all of that in your area and can ring them up and have a conversation with them and go, "Look, there is actually a reason why I've done these roster changes", then that results in better wellbeing for our staff and reduces the costs of staff absences, overtime, premium labour and all of those things.

There's a lot of concern out there that when these things are centralised to a central body with a single set of rules to cover the entire State, what's going to happen is we're going to lose that ability to manage people as individuals rather than as numbers, and that's going to create problems. It's going to reduce our wellbeing. It's going to increase our absenteeism. It's going to increase all of the associated costs, and we don't see why. Certainly we need more resources. Certainly we need better rostering tools. But with modern technology, I don't understand why there's the push to centralise, and it's not just in the rostering. Virtually all of NSW Ambulance projects are run out of head office. To participate in any of those projects, paramedics have to work out of a Sydney location. You have half of the paramedic workforce who doesn't live in Sydney, many of us with alternate skills. I have an engineering background. We have architects. We have tradespeople. We have people with IT skills. We make no use of them as an internal resource because we don't provide them with the opportunity to be developed as an internal resource because we overly centralise with an archaic system.

The CHAIR: Sorry, I'm getting down this track now but I'm curious. Are they getting cheaper people centrally? I'm trying to work out how they could possibly be making any kind of cost saving out of this?

GARY WILSON: The cost saving would be—again, lack of transparency and accountability. We don't know, because we're largely not told these things. I would imagine that the cost saving is that they don't have to pay for travel and accommodation or resources to allow them to telecommute. Again, for most projects these days—in your own offices and talking to your own constituents, a lot of communication these days can happen remotely. We have telephones. We have emails. We have live sharing of documents. We have videoconferencing. We don't use any of these things to make use of the resources that we have available in our workforce, and we don't have the resource relief capacity to free them to do it.

The CHAIR: Just putting the two things together now, this is the statewide rostering improvement project that PwC is involved in, as I understand it.

GARY WILSON: That's correct.

The CHAIR: Interesting. I think we may need to look further into that, although perhaps outside the strict terms of reference of this inquiry. But, personally, I think it sounds like a crazy project. Is there anything else you'd like to say as a final comment?

GARY WILSON: There's so many things that we could say, but we'll leave that to the submission, I think. Did you want to quickly mention—

TILAK NABI: There was a question about which consulting firm was used for the superstations, the Paramedic Response Network, that Gary was referring to. It was Operational Research in Health that was utilised. They were also utilised for the deployment of the 1,800-odd paramedics that is currently being rolled out.

GARY WILSON: There was one other item that's in the terms of reference, that we haven't discussed at all. That's where we talk about enforcement actions of contracts. Again, without the transparency, it's very difficult to provide detailed information on this. Anecdotally, Ambulance seems to be left holding the bag financially when issues arise out of constructions of ambulance stations, fleet, those sorts of things. I was advised recently that our air operations, which we contract out, which I'm sure was done under a consulting process, are significantly impacted by pilot absences of up to 50 per cent in any given shift. I believe today we have a 20 per cent absence rate, which has to have an operational impact. It's a known problem. It's an ongoing problem. But I'm unaware of any effective measures, from a contract enforcement process, that are being taken.

The CHAIR: Interesting. Thank you for that. You will be putting in a submission as well. Is that correct? Yes?

TILAK NABI: Yes.

The CHAIR: We look forward to that as well. Thank you so much for your time today. Your information has been really valuable. Thank you, of course, for all of the work that you do for the community as well. To the extent that there were questions taken on notice or supplementary questions coming to you, there will be 21 days to respond, but the Committee secretariat will be in touch. That concludes our hearing for today.

GARY WILSON: I appreciate the time.

(The witnesses withdrew.)

The Committee adjourned at 16:15.