



# ***TRANSPORT AND RESOURCES COMMITTEE***

**Members present:**

Mr SR King MP—Chair  
Mr LL Millar MP  
Mr BW Head MP  
Mr JR Martin MP  
Mr LA Walker MP  
Mr TJ Watts MP

**Staff present:**

Ms D Jeffrey—Committee Secretary  
Mr Z Dadic—Assistant Committee Secretary

## **PUBLIC BRIEFING—INQUIRY INTO THE AUDITOR-GENERAL REPORT NO. 18 FOR 2021-22 TITLED *ENHANCING GOVERNMENT PROCUREMENT.***

**TRANSCRIPT OF PROCEEDINGS**

**MONDAY, 15 AUGUST 2022**

**Brisbane**

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### **The committee met at 9.02 am.**

**CHAIR:** Good morning. I declare open this public briefing for the committee's inquiry into Auditor-General report No. 18 for 2021-22 titled *Enhancing government procurement*. My name is Shane King. I am the member for Kurwongbah and chair of this committee. I would like to respectfully acknowledge the traditional custodians of the land on which we meet today and pay our respects to elders past and present. We are very fortunate to live in a country with two of the oldest continuing cultures in Aboriginal and Torres Strait Islander people, whose lands, winds and waters we all share. With me today are: Lachlan Millar MP, the member for Gregory and deputy chair; Bryson Head MP, the member for Callide; James Martin MP, the member for Stretton; Les Walker MP, the member for Mundingburra; and Trevor Watts MP, the member for Toowoomba North.

On 14 June 2022 the Queensland Audit Office report No. 18 for 2021-22 titled *Enhancing government procurement* was tabled and referred to the committee for detailed consideration. The purpose of today's hearing is to assist the committee with its consideration of the report. This briefing is a proceeding of the Queensland parliament and is subject to the parliament's standing rules and orders. Only the committee and invited witnesses may participate in the proceedings. Witnesses are not required to give evidence under oath or affirmation, but I remind witnesses that intentionally misleading the committee is a serious offence. You have previously been provided with a copy of instructions to witnesses so we will take those as having been read.

I remind the many members of the public who are here that they may be excluded from the briefing at the discretion of the committee. I remind committee members that officers are here to provide factual or technical information. Any questions seeking an opinion about policy should be directed to the minister or left to debate on the floor of the House.

These proceedings are being recorded and broadcast live on the parliament's website. Media may be present and are subject to the committee's media rules and the chair's direction at all time. You may be filmed or photographed during the proceedings, and images may also appear on the parliament's website or social media pages. I ask everyone present to turn mobile phones off or to silent mode. I also ask that any responses to questions taken on notice today be provided to the committee by 4 pm on Tuesday, 23 August 2022.

### **KILBRIDE, Mr Robert, Senior Director, Queensland Audit Office**

### **OLIVE, Mr Damon, Assistant Auditor-General, Queensland Audit Office**

**CHAIR:** Welcome. I invite you to make a short opening statement, after which we will have some questions for you.

**Mr Olive:** Thank you for the opportunity to brief the committee on *Enhancing government procurement*, report No. 18 for 2021-22, tabled in June 2022. In this report we examined departments' general government spending and strategic procurement practices. Queensland government departments spend a significant amount on non-frontline services—approximately \$18½ billion in the year 2020-21. In a time of significant fiscal constraint, departments are being pushed to find savings in their non-frontline expenditure such as accommodation, food services, printing, utilities and telecommunications, while still maintaining existing levels of service delivery.

Enhancing government procurement can lead to significant savings across the state. We did not undertake a full evaluative audit nor review the merits behind awarding contracts with existing suppliers. We did, however, review the data of all 20 departments to identify opportunities for better use of data and collaboration across departments to support effective identification of whole-of-government savings.

Effective government procurement can deliver better value for money and savings across government. Our report highlights three ways departments can enhance their procurement of goods and services. These areas are, firstly, stronger collaboration amongst departments. We found that procurement analysis is often performed with an individual department focus rather than strategic whole-of-government perspective. By collaborating and sharing information in a timely way, Brisbane

departments will be able to make more informed procurement decisions and get better deals. Second is the more effective use of the right data and analysis. We found that Queensland government procurement, which is part of the Department of Energy and Public Works, has built a dataset that provides insight into expenditure at departments, but this data is not effective at identifying future procurement savings. Data needs to be of high quality, timely and consistently classified. Third is more monitoring of and reporting on procurement, particularly where the departments are taking advantage of existing whole-of-government arrangements. We found that 466 whole-of-government contracts had been negotiated with suppliers, but there is no monitoring or reporting of whether departments are using these arrangements and if they are achieving value for money.

We make five recommendations in the report. These include: for Queensland Treasury and Queensland government procurement to monitor and report on how departments are collaborating to achieve whole-of-government procurement outcomes; for these entities to engage with departments about the costs and benefits at a whole-of-government level of moving to a universal classification of expenditure; to enhance information and data sharing between departments to support strategic procurement decision-making; that departments should use existing whole-of-government procurement arrangements and Queensland government procurement should monitor and report on this; and Queensland government procurement should ensure its most recent data strategy is endorsed and also develop and report against a detailed implementation plan outlining how its data strategy objectives will be achieved.

The committee may benefit from hearing from Queensland Treasury and Queensland government procurement about their progress in implementing these recommendations. I welcome any questions the committee has on the report.

**CHAIR:** You mentioned collaboration between departments. Do you have any examples of what you are talking about? I have some ideas but your ideas would be better. If it is impossible, that is fine.

**Mr Olive:** In the report we discuss an electricity example. It was probably a good example of all three of the themes that I just mentioned because they got together the right data to inform the analysis. They certainly collaborated well and shared information and it gave them the ability to negotiate with the suppliers well knowing the whole-of-government need and desire. In that example in the report as a case study we identified that over two financial years there was in excess of \$70 million saved in terms of the whole-of-government electricity spend.

**Mr WATTS:** I am interested in page 4 of the report and some general background on why you decided to audit government procurement. It mentions the general budget situation and that enhancing government procurement can lead to savings in government expenditure. Do you have more specific examples? An area that I am particularly interested in is Wellcamp.

**Mr Olive:** What we were looking at in this audit were those back-office expenditures that every agency, regardless of the service they may be providing to the state of Queensland, would be incurring. They were things like travel, utility costs, telecommunications and even stationery and the like. Whilst not the biggest spends within each of those agencies, they are ones that they would all be incurring. As part of that audit we thought that, given they are expenditure categories across all agencies, by looking at those categories we could potentially find opportunities for collective negotiation with suppliers across all 20 core departments.

**Mr WATTS:** Did you look at the procurement of masks and various things that were required across agencies through COVID?

**Mr Olive:** We specifically did not look into things that might have been seen to be in a medical category. We really did look at general goods and services. The two categories we looked at were ICT and general goods and services. There are six broad categories. Those were the two that we elected to look into, given their universal application across all agencies.

**Mr MARTIN:** You mentioned that one of your recommendations was universal classification. Could you expand on that a bit for the committee? Do you have any examples of different classifications that are being used by different departments and what the benefits are of having a universal classification?

**Mr Olive:** At the moment, the dataset that Queensland government procurement uses is based on accounting system transactions—so the financial data that entities use to produce their annual financial statements. At a high level within the financial statements, those expenditures are

categorised relatively consistently because there is guidance from Queensland Treasury about how that is to be put together. Once you get down into lower levels of detail, the categorisation of expenditure becomes less consistent.

I will use an example. Portable and attractive items is a category of expenditure that every agency would incur. That would include things like mobile phones, computers, small machinery and equipment—typically things that individually cost less than \$5,000 but across the sector is a substantial spend. It is something in the vicinity of \$144 million in a given year. When you see the broad range of items categorised in portable and attractive items, agencies on a collective basis do not get to see who the supplier is and how much we are paying per item. It is not the best information then to try and drive a more informed procurement outcome. The universal classification system would stipulate more standardised categories at a much more detailed level. It would be able to identify a small machinery type item, potentially even down to whether it was a tractor or a leaf blower, as opposed to the higher level of classifications we have. Rob, did you want to add anything more to that?

**Mr Kilbride:** The major point is that it is done at the time of purchase and it is done using a consistent classification that is agreed across entities. If you know that going into any negotiation then the more you can compare apples with apples. Rather than trying to say, 'These are similar apples,' it gives you the power to go to any supplier and say, 'We can see these differences for purchasing the same item across government.'

**Mr WATTS:** I am interested in information and data sharing, the irony being that ICT is one of the areas that is not well procured. Do I understand that correctly? The critical part of this is that everybody can see everybody's data and it is kept in a uniform manner. Is that what we are talking about?

**Mr Olive:** It is not necessarily that everyone would see everyone's data. It would be an open system that everyone contributed to. We are encouraging that data be centralised, that analysis be performed once and that agencies be involved in sharing information about what they are looking at procuring, having a forward-looking perspective and perhaps more detail of arrangements they have already negotiated. We did see some examples of where a larger agency had negotiated a good contract and invited others to piggyback on, if you like. Putting that information into the middle and saying, 'We're about to embark on a procurement for new ICT services,' potentially gives other agencies the ability to get on board with that at the preliminary scoping and negotiation phase rather than after a deal has already been struck with a particular provider.

**Mr WATTS:** Are there opportunities for us to learn from the tier 1s? To procure services for a large piece of infrastructure, if people put down all of their competencies and it goes into a big system, then people can choose different people in that system. Does the government have anything like the tier 1s have for hunting down new suppliers?

**Mr Kilbride:** I suppose there are standing offer agreements whereby we get suppliers together and agree on individual suppliers. There are groups of suppliers and panels they organise to provide this kind of whole-of-government process. The report is trying to highlight that we are going into these negotiations with standing offer agreements, or even when we go to suppliers we are in a weaker position because we are not effectively going in—

**Mr Olive:** With the full knowledge of what whole-of-government requirements are.

**Mr Kilbride:** Yes, or even what has been occurring. Consultant spend is another one we highlight in the report. Because we are not aware of the ICT spend you referred to before, at the present time, because of the way we classify it differently across government, we are often not aware of all those suppliers and the types of arrangements the same suppliers provide to different agencies in the same space. We are putting ourselves at a disadvantage when we go to those suppliers in a tender process or when we go to them actively to negotiate the details of the contract.

**Mr WATTS:** What the so-called tier 1s do when they procure something is: lots of companies have listed their capacity, the number of employees and equipment et cetera they have to supply a service, and they can then choose appropriate people to come in to that particular part of the tender and negotiate. You are saying that the Queensland government does not have anything like that where they can go and look for experts who are already being used and have already gone through a process of supply to the Queensland government?

**Mr Kilbride:** No, there is a process for that. I apologise for implying there was not. The Queensland government procurement policy has tender panels and category councils that will effectively coordinate the process to engage with suppliers.

**Mr WATTS:** If that process exists, why is there no collaboration? Surely that process would drive collaboration in the first place.

**Mr Kilbride:** I think there is collaboration, but at the end of the day we are an agency-led model where entities can still go and make decisions for themselves in their own interests.

**Mr Olive:** There is no requirement that they consult centrally or broadly across other departments before they enter into a negotiation to procure. It can be done, but there is nothing that requires that collaborative engagement to occur.

**CHAIR:** It would seem to be in their interest to do that, though.

**Mr Olive:** Correct. We did see some collaboration. We saw across agencies in their engagement with us and their final responses to the report and our recommendations that they were collaborating on that. One of our recommendations was really about trying to formalise that, establishing what they can collaborate on and just making sure that is formalised to some extent to try and promote even greater collaboration moving forward.

**Mr WATTS:** Do you think that problem is coming out of a culture within different departments or is it a process-driven element?

**Mr Olive:** It could be a combination of things, I would suggest. I think up until this point there has been the ability to collaborate. Agencies have had the autonomy to negotiate their arrangements, and there may be a view at the agency level that they do not want to relinquish that autonomy. That could be a factor as you described.

**Mr Kilbride:** There were even good examples where you had larger departments negotiate a good deal with a supplier and then being very open to sharing that with other agencies, which is great. The intent of this report was to look at the whole-of-government level. My argument there would be that that entity was able to negotiate a good deal because they had buying power. I suppose all we are trying to point out is that the buying power of the whole of government is a lot greater again and that we should be looking to leverage that as much as possible.

**CHAIR:** Can you give us any feedback on how your recommendations are being implemented or accepted at this stage?

**Mr Olive:** It is probably a little bit early to say. The recommendations were accepted by the two primary respondents, the Department of Energy and Public Works and Queensland Treasury. The individual agencies themselves would probably be better placed to answer that. My understanding is that Energy and Public Works have already finalised their data strategy, which was recommendation 5. We recommended that be endorsed, an implementation plan commenced and then tracking and monitoring against that plan. My understanding is that they have at least endorsed the strategy to try and move that forward.

**Mr WALKER:** The various responses repeatedly mention the government's Buy Queensland policy; however, the Audit Office report does not mention Buy Queensland. Does the QAO have any comments it would like to make about Buy Queensland?

**Mr Olive:** It was not specifically front and centre of the work we undertook as part of this review. Obviously Buy Queensland and the weighting that goes to local supply is included in the Queensland Procurement Policy. The nature of the work we undertook this time was more about that broader value-for-money prospect coming from entities working together to leverage the buying power of the whole state, so we did not specifically look at that aspect of Buy Queensland.

**Mr WATTS:** I am interested in a couple of your case studies. The first one I am interested in is the GOCs. I am trying to understand the arrangement in relation to energy supply. Obviously the government owns the GOCs. Do I understand from what you are saying that we are not collaborating on electricity purchase with our own electricity providers from departments to GOCs?

**Mr Olive:** No. If anything, we are holding electricity out as a good example of where it has been done well. Prior to this arrangement being put in place, departments and others were negotiating their own electricity arrangements with the relevant retailers within the market. This arrangement was one where it did actually bring the whole-of-government demand for electricity together. There was a whole lot of electricity consumption data that was aggregated as part of this arrangement and the requirements of government put together in a collective way to then go back and negotiate with the market. In this case CS Energy did win the contract for large-scale electricity provision. We would hold this out as being an example of where government has done this well.

**Mr WATTS:** The next one I am interested in is telecommunication devices and the 23,592 mobile phone devices across 20 departments that have been paid for but not used. Can you tell us a little bit more about what you found when you looked into that? That seems like an extraordinary number of mobile phones sitting in a drawer somewhere.

**Mr Olive:** I might let Robert answer that question because he is much closer to the detail. In essence, as we worked through that, yes, those 23,000 devices may not have had any active calls or anything from them, but they were often required as part of failover or redundancy support for other services.

**Mr Kilbride:** That was definitely the case. There were a lot of devices that did have zero usage and departments have been progressively looking into those a lot more. That was also acknowledged in the review. This case study was also very much about highlighting that, in order to identify the kind of unused device use, you need to look at more granular procurement data. A lot of the data that exists in the expenditure data we referred to earlier just tells you that you have bought all these mobile phones. It is the combination of usage data with the mobile phone that tells you how it is being used. That not only helps you better negotiate but also helps you identify those that maybe you should not have anymore. That was very much about saying, 'Yes, we have all these devices. We have the data there to identify they are not being used, so we should be trying to remove them as much as possible.' Agencies have been progressively increasing that.

**Mr WATTS:** That is the physical device. Is that also the SIM card?

**Mr Kilbride:** Yes. Essentially, in some cases the device is a SIM card which has been put into another device; for example, a telephone on the side of the road. There are other examples there such as emergency phones which we refer to in the report. Sometimes devices are required for emergency use even though they are not used all the time. For us it is very much about having data that says, 'This device is not being used,' and for the people who own that device to be very clear and to have it recorded why that device exists and the fact that it should not be used.

**Mr WATTS:** Really what you are saying is: collect the data in a uniform way then make sure that other people can access that data and see what is going on, because that ultimately is going to lead to the ability to negotiate better.

**Mr Kilbride:** Yes.

**Mr Olive:** It is a nice summary. I think the example we just discussed is an example where having data from the supplier that gives you granular detail about each device you are paying for and how many calls or whatever were made from it is really important for Queensland government procurement and agencies to know what they are paying for. At the moment, the central dataset has no detail to that level to enable them to really delve down into it and identify where there could be other potential savings.

**CHAIR:** You said these devices could be a SIM card for an emergency device. I know that an elderly relative has something that has a SIM card in it which we hope never needs to be used, but you still have to pay for that SIM card. Is that an example—not that you are getting them for elderly relatives?

**Mr Olive:** No, but the point is that, out of the 20,000-odd devices which include a SIM card, some will be for a legitimate reason in a health apparatus but some may well have been, as the example was given, a phone sitting in a drawer somewhere not being used.

**Mr WATTS:** The reality is, because of the data, we do not know.

**Mr Olive:** Correct.

**CHAIR:** We hopefully will in the future. Thank you very much for that. We have been beaten by time. That concludes this briefing. I would like to thank you both for your participation today. A transcript of these proceedings will be available on the committee's webpage in due course. I declare this public briefing closed.

**The committee adjourned at 9.31 am.**