



**Australian Government**  
**Department of Industry,  
 Innovation and Science**

SENSITIVE

**Acting Minister for Industry, Innovation and Science**  
 CC: Assistant Minister for Industry, Innovation and Science

Min ID: MS17-002593

**For Information**

**Subject: NOTIFICATION OF SIGNIFICANT INSTANCES OF NON-COMPLIANCE  
 WITH FINANCE LAW**

**Timing:** Routine

**Recommendation:**

That you **note** significant instances of non-compliance with the finance law relating to the National Measurement Institute.

Noted / Please discuss

Michaelia Cash.....

Date: 11 / 10 / 2017

**Comments:**

*please ensure we do not see any such breaches in the future.*

**Key Points:**

1. Section 19 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) requires the responsible Minister to be notified of any significant issues that have affected, or may affect, the entity including significant instances of non-compliance with the finance law. A copy of the notification (i.e. this brief) must be sent to the Finance Minister.
2. The closure of the National Measurement Institute (NMI) Kensington site (Perth, Western Australia) identified a number of issues with the way the NMI procures contract personnel through labour hire firms.
3. External provider, Callida Consulting, were engaged to undertake a review of the NMI's procurement of labour hire firms for the provision of contract personnel.
4. Significant instances of non-compliance with the Commonwealth Procurement Rules (including consequential breaches relating to Section 23 of the PGPA Act) were identified as result of the review. Notably, but not limited to, a failure to estimate the total expected value of a large volume of procurement activities resulted in the incorrect procurement method being used and contracts not being correctly reported on AusTender. Additionally, for the transactions sampled by Callida, there was no evidence of approval of commitments of relevant money under Section 23 of the PGPA Act and a lack of documentation supporting contractor procurement decisions more generally.
5. These are considered significant due to the nature of the non-compliance *and* the number of occurrences. For the 2016-17 Financial Year (to May 2017) there were over 2100 invoices paid at a total cost of approximately \$3.6 million. The breaches identified above apply to each invoice as each one represents a separate procurement activity.
6. Callida's report did not identify any evidence that funds spent on contractors by NMI were for improper purposes. The engagement of these contractors was undertaken in line with normal NMI operational requirements and in accordance with approved budgets.

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7. A number of recommendations were provided to, and are being considered by, the NMI to prevent future instances of non-compliance occurring. A key recommendation was to establish, via the open market, an overarching procurement panel arrangement to ensure compliance with the Commonwealth Procurement Rules. The establishment of a panel will meet the NMI's need for operational efficiency and flexibility while providing a more efficient, consistent and compliant process for procuring contract personnel.
8. Callida's report noted that the department has a comprehensive and sound procurement framework in place, and this matter is isolated to the engagement of contractors by the NMI.
9. A statement will be included in the department's 2017-18 annual report noting that you, as the responsible Minister, were advised of these significant instances of non-compliance in accordance with Section 17 of the PGPA Rule.
10. A copy of this brief will also be provided to the Finance Minister for information.

**Consultation:** National Measurement Institute.

Clearance Officer:

Heather Smith

Secretary

Department of Industry, Innovation and Science

**Section 47F**

Contact Officer:

**Section 47F**

General Manager, Finance Group

Corporate Division

**Section 47F**

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