



PARLIAMENT OF AUSTRALIA

Report 504: Inquiry into procurement at Services Australia and the NDIA

Final Report

Joint Committee of Public Accounts and Audit

June 2024

CANBERRA

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Chair's Foreword

The Committee's Interim Report tabled in September 2023 focussed primarily on the activities of the Synergy 360 consulting firm in advising the multinational software company Infosys in obtaining Government contracts. The Committee also investigated the alleged involvement of Synergy 360 with former Minister Stuart Robert and whether misconduct had occurred due to its clients having privileged access to him while tendering for Government business.

The Committee made no findings of malfeasance in relation to any individuals involved based on the evidence that it received. Regrettably, however, a number of the Committee's requests via formal summons for witnesses to appear and for documents to be presented in relation to these alleged activities were wilfully ignored. These matters were therefore handed over by the Committee to the National Anti-Corruption Commission for its consideration as it has the necessary investigatory powers and resources to potentially resolve these questions should it choose to do so.

As a second recommendation, the Committee sought approval from the Speaker of the House of Representatives to commission legal advice on the extent of its statutory powers to summon witnesses, particularly in circumstances where an individual is overseas. This was to provide clarity for future inquiries where these powers may again need to be exercised. A response to the Interim Report is awaited with interest.

This final report focuses on the award of a large contract to the ICT vendor Salesforce by the National Disability Insurance Agency (NDIA) for a new customer relationship and management software platform, known as the PACE system. Evidence received indicates that PACE has been working appropriately.

Unfortunately, however, aspects of this procurement conducted by NDIA fell short of the Commonwealth Procurement Rules and ethical requirements.

The Watt review did not make specific findings of misconduct in relation to the PACE contract award but did identify deficiencies in NDIA's procurement management. This led to an internal review being initiated by NDIA that remains ongoing.

The Committee was surprised to find that no explicit price weighting was included in NDIA's value for money assessments when ranking the tender proposals for this procurement and makes a recommendation regarding this.

Very significant contract variations were examined closely by the Committee. Variations saw Salesforce's contract value rise from an initial \$27 million at inception in April 2020 to \$135 million by October 2023. While some of this was explicable by a necessary expansion of user licences, a substantial proportion was due to significant changes in scope. Of concern is that other vendors had no opportunity to tender for the product that was ultimately

delivered as these variations in scope occurred after the contract had been awarded. In addition, more than \$20 million was added to the Salesforce contract for 'professional services' raising questions about cost control and value for money assessments.

The most egregious issue to arise from this procurement activity however is what appear to be clear breaches of the NDIA's Gifts and Hospitality policy by officials over a long period of time.

NDIA informed the Committee that any gifts or benefits of over \$100 in value must be pre-approved and then recorded in a compliance log but that no such disclosures had been made in relation to the Salesforce contract.

The Committee then received a detailed itemised list from Salesforce containing more than 100 instances of hospitality and/or gifts passing to NDIA officials over an almost 5-year-period both before and after the PACE contract bid and award, and throughout the periods of the contract variations. These included close to 50 items above \$100 in value per person including meals, drinks and golf outings.

The premise stated by NDIA for its hospitality policy is that none of its officials should accept gifts that could be seen to compromise their integrity. NDIA further stated in a hearing for the inquiry that *'it would be hard to see how a contract manager could maintain their integrity whilst accepting gifts from a vendor.'* The NDIA also gave evidence that an obligation on officials to not accept any gifts commences the moment a procurement starts to be planned. The Committee concurs fully with these principles.

Breaches of disclosure requirements and gifts and hospitality policies are simply unacceptable. It is understood that NDIA officials would need to engage with counterparts at Salesforce during the operation of this substantial contract. Some social elements to this may be reasonable, but any such interactions must be carefully conducted and managed to ensure that probity and integrity standards are maintained.

The Committee is not privy to, nor has it sought, the identities and roles of the NDIA officials who accepted gifts from Salesforce and does not have a remit to investigate these individuals. It is understood that NDIA is taking this matter seriously and the Committee welcomes this.

This episode raises further serious questions about how widespread this sort of practice and culture may be in other Commonwealth entities by Salesforce and other major ICT vendors. The Committee has sought additional information from Salesforce regarding the operation of its self-styled 'Office of Global Ethics and Integrity' which is supposed to have individually approved every instance of hospitality to government officials worldwide.

Given concerns regarding potential systemic inappropriate cultivation of public servants by Salesforce over a long period of time the Committee is requesting a further report on all hospitality Salesforce has provided to Commonwealth officials in all entities over the past three years.

The evidence to the inquiry has shown overlap over a long period of time between the aforementioned hospitality events and gifts, undeclared meetings between former Minister

Stuart Robert, Synergy 360, and Salesforce, and major and ongoing procurement activity and contract management by NDIA in relation to the PACE system.

The Committee has already substantially addressed issues relating to former Minister Robert and Synergy 360 in its Interim Report but finds it concerning that no records of discussions at three separate meetings with Salesforce are available. There is no evidence either that other tenderers or potential vendors who were not clients of Synergy 360 were afforded the same opportunity to engage with the then Minister. Ultimately, it was Salesforce that had this access, secured a major government contract and later benefited from a series of lucrative variations and provided undeclared hospitality to government officials.

The Committee makes five recommendations in this final report that include updates from NDIA on both its internal procurement review and on the continuing implementation of the PACE system, including anticipated cost savings; action by the Department of Finance and the Digital Transformation Agency to assess whether any inappropriate cultivation of Commonwealth officials by different ICT vendors is occurring; and a consideration by ANAO of possible future audits in relation to gifts and hospitality issues in the public sector.

I acknowledge the work and the professionalism of the Committee secretariat in supporting this inquiry.

Julian Hill MP

Chair

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Abbreviations

CRM	Customer Relationship Management System
DSW	Disability Support Workers
JCPAA	Joint Committee of Public Accounts and Audit
NACC	National Anti-Corruption Commission
NDIA	National Disability Insurance Agency
NDIS	National Disability Insurance Scheme
NQSC	Quality and Safeguards Commission



Members

Chair

Mr Julian Hill MP

Deputy Chair

Senator the Hon Linda Reynolds CSC

Members

Dr Michelle Ananda-Rajah MP

Senator Catryna Bilyk

Senator the Hon Matthew Canavan

Dr Carina Garland MP

Mr Ian Goodenough MP *(from 6 March 2023)*

Senator Karen Grogan

Dr Daniel Mulino MP

Ms Peta Murphy MP *(to 1 August 2023, from 9 August to 4 December 2023)*

Mr Graham Perrett MP *(from 20 June to 9 August 2023)*

Mr Henry Pike MP *(from 22 March 2023)*

Senator Barbara Pocock *(from 31 July 2023)*

Mr Sam Rae MP *(to 20 June 2023, from 1 August 2023)*

Senator Tony Sheldon

Mr Aaron Violi MP

Mr Josh Wilson MP *(from 28 November 2023)*

This committee is supported by staff of the Department of the House of Representatives



Terms of reference

The Committee will inquire into and report on:

- 1 procurement matters at Services Australia and the National Disability Insurance Agency (NDIA) contained in or related to the *Independent Review of Services Australia and NDIA Procurement and Contracting* (the 'Watt review'), and
- 2 the conduct of entities or persons involved in the activities considered by the Watt review, including issues of culture and probity.

List of recommendations

Recommendation 1

- 2.48** The Committee recommends that the National Disability Insurance Agency provides it with a detailed update on its own internal investigations into matters arising from the Watt Review, and its subsequent actions, at six months and again at 12 months from the date of this report.

Recommendation 2

- 2.49** The Committee recommends that the National Disability Insurance Agency updates it on the continuing implementation of the PACE system, including an assessment of value for money, productivity, user experience, and improved outcomes, at six months and again at 12 months from the date of this report.

Recommendation 3

- 2.50** The Committee recommends that the National Disability Insurance Agency provide an update in December 2024 regarding progress in the realisation of cost savings and anti-fraud measures as a result of the new PACE system.

Recommendation 4

- 2.51** The Committee recommends that the Department of Finance and the Digital Transformation Agency take appropriate action to understand the extent to which inappropriate cultivation of Commonwealth officials may be occurring as a result of hospitality and gifts by major ICT vendors.

Recommendation 5

- 2.52** The Committee recommends that the Australian National Audit Office consider the evidence and issues raised in this inquiry and consider further audits in relation to gifts and hospitality issues in the public sector to identify practices of concern, raise awareness, and help to build ethical cultures that operate with probity. This may include exercising its powers to obtain information from private sector entities that contract to the Commonwealth, in relation to gifts and hospitality provided to public officials.



1. Introduction

- 1.1 During the course of the Committee's inquiry into Commonwealth procurement, completed in 2023,¹ issues were raised regarding certain procurements undertaken by Services Australia and the National Disability Insurance Agency (NDIA).
- 1.2 Dr Ian Watt AC had been appointed to lead an Independent Review of Services Australia and NDIA Procurement and Contracting (hereafter referred to as the 'Watt review'), which commenced in December 2022. That investigation addressed questions about the involvement of Milo Consulting (trading as Synergy 360) and associated entities in procurements at the two agencies and reported its findings on 6 March 2023.²
- 1.3 The Committee held a public hearing on 14 April 2023 to consider the findings of the Watt review, at that time as part of its existing procurement inquiry, and heard evidence from Dr Watt, Services Australia, the NDIA, and other witnesses involved or connected with Synergy 360.
- 1.4 The Committee subsequently resolved on 11 May 2023 to conduct this separate inquiry into the issues arising from the Watt review and issued a media announcement on 17 May 2023. The Committee had determined that because the scope of the Watt review had been limited to the conduct of Australian public servants, it would inquire separately into the issues raised in and associated with its findings, rather than incorporate this new material into the existing procurement inquiry.

Conduct of the inquiry

Interim report on 13 September 2023

- 1.5 The Committee conducted public hearings for the inquiry on 23 June and 8 September 2023 (Appendix B). Six submissions were received by the inquiry at this stage, including one confidentially (Appendix A).
- 1.6 The initial focus of the Committee were the activities of the Synergy 360 consulting firm and its role as an advisor to the technology company Infosys on growing its public sector business and obtaining Government IT contracts.

¹ Joint Committee of Public Accounts and Audit (JCPAA), *Report 498: 'Commitment Issues' – An Inquiry into Commonwealth procurement*, August 2023.

² Dr Ian Watt AC, *Independent Review of Services Australia and NDIA Procurement and Contracting: Independent Reviewer's Report*, March 2023.

- 1.7 The Committee published an interim report for the inquiry on 13 September 2023³ in which it drew the following conclusions:
- Serious questions had arisen about financial impropriety and improper relationships with parties receiving contracts from the Commonwealth
 - Infosys paid significant funds to Synergy 360 for a number of contracts
 - Infosys held a range of meetings with former Minister Stuart Robert when it was bidding for, or delivering, a later troubled major IT contract, with no public servants present or records kept
 - Although alleged, no direct evidence was presented that former Minister Robert benefitted financially from the awards of any contracts, and these allegations were strongly rejected by him
 - The Committee's efforts to obtain further documentation in relation to these allegations were frustrated by refusals to comply with requests for this information.
- 1.8 The Committee noted also in these interim report findings that questions had arisen regarding its statutory powers under sections 13-15 of the *Public Accounts and Audit Committee Act 1951*. The Committee commented in this respect that:
- Comprehensive advice is not available to the Committee regarding the full extent of and procedures relating to these powers, which do not appear to have been used in recent memory. Legal advice is therefore required which can guide this and future Committees when necessary.⁴
- 1.9 The Committee determined that as it did not have the resources or accounting expertise available to it to properly assess or make findings in relation to the allegations, a referral would be made to the newly established National Anti-Corruption Commission (NACC) to consider this matter. The Committee's view was that consideration of these allegations would need to be made by an agency with compulsory questioning and document gathering and investigatory powers.
- 1.10 The Committee made the following two recommendations in its interim report:
- 1 The Committee recommends that the National Anti-Corruption Commission examine all material gathered through this inquiry to determine whether or not to conduct its own inquiry into procurements at Services Australia and the National Disability Insurance Agency involving Milo Consulting (trading as Synergy 360), the Hon Stuart Robert, and John Margerison [a part owner of Synergy 360 and former business partner of Mr Robert]. In making this recommendation the Committee is not making any findings in relation to the conduct of any individuals.
 - 2 The Committee recommends that the Speaker of the House of Representatives approve the commissioning of legal advice in relation to the Committee's statutory powers under

³ Joint Standing Committee of Public Accounts and Audit (JCPAA), *Report 500: Inquiry into procurement at Services Australia and the NDIA - Interim Report*, September 2023, Canberra.

⁴ JCPAA, *Report 500: Inquiry into procurement at Services Australia and the NDIA - Interim Report*, September 2023, Canberra, p. 7.

sections 13-15 of the *Public Accounts and Audit Committee Act 1951* including but not limited to situations in which a person claims to be resident overseas.

- 1.11 Coalition members of the Committee presented a dissenting opinion in relation to recommendation 1 and the referral to the NACC.⁵ The Committee published a corrigendum to the interim report on 15 November 2023 in relation to a minor factual issue which had no impact on its findings or recommendations.⁶

Present (Final) report

- 1.12 The Committee conducted two further hearings for the inquiry on 20 November 2023 and 1 February 2024 (Appendix B). Four additional submissions, including one confidential submission, and six supplementary submissions were received (Appendix A).
- 1.13 The focus of the Committee in the latter part of the inquiry, discussed in this final report, was the procurement of the PACE system by NDIA from the IT company Salesforce. The PACE system replaced NDIA's previous customer relationship platform to improve its management of the interactions between participants, staff and partners in the scheme.
- 1.14 This procurement by NDIA had been evaluated by the Watt review, which did not report misconduct in relation to the contract award but did note certain behaviours that fell short of the standards expected of Australian public servants. NDIA accepted this assessment and initiated its own internal review, which was ongoing at the time of writing and was expected to conclude in late 2024.
- 1.15 The Committee explored these issues further in the following areas:
- Contract variations
 - Increased user licences
 - Value for money
 - Conduct of the procurement
- 1.16 In its evaluation of the conduct of the procurement, the Committee assessed the findings of the Watt review relating to procurement practices, hospitality and gifts provided to NDIA officials by Salesforce, and the engagement of Synergy 360 by Salesforce to advise on Government contracts. The Committee further examined meetings between Salesforce and former Minister Robert, one of which also involved officials of NDIA, Services Australia, and Synergy 360 while all others were conducted only with Minister Robert, Synergy 360 and Salesforce with no officials present.

⁵ JCPAA, *Report 500: Inquiry into procurement at Services Australia and the NDIA - Interim Report*, September 2023, Canberra, pages 9–12.

⁶ JCPAA, Corrigendum to *Report 500: Inquiry into procurement at Services Australia and the NDIA - Interim Report*, November 2023, Canberra.

- 1.17 The Committee makes a number of observations and recommendations in relation to the NDIA response to the Watt review, and its internal investigations that arose from that report, and regarding the procurement, implementation and operation of the PACE system by NDIA.



2. Procurement of the PACE platform by NDIA

Overview

2.1 The PACE system is the new computer platform acquired by the National Disability Insurance Agency (NDIA) through the procurement process that was evaluated in the Watt review.

2.2 NDIA outlined the central role of PACE in delivering on their core functions:

PACE replaces our previous customer relationship platform which we use to manage interactions between NDIS participants, our staff and partners. They will use PACE every day, and it is a critical enabler for supporting NDIS participants. PACE relies on the Salesforce platform, which the agency procured in 2020.¹

2.3 NDIA informed the Committee at the public hearing on 1 February 2024 that it had implemented the recommendations from the independent review and was conducting its own internal investigations into some of the matters that had been considered:

Following Dr Watt's review, we also commissioned an independent investigation to give further consideration to matters that Dr Watt referred to me following the review. The context for the investigation is that, while Dr Watt's task force did not find clear examples of misconduct, it did note behaviours that appeared to be well below the standard usually expected of Australian public servants and invited me to consider my options for further investigation. The investigation is underway, and we expect it will be finalised later this year.²

2.4 The Committee received evidence that PACE appeared to be operating as expected and intended but had a number of queries regarding the processes and management activities that underpinned its procurement and contract management including:

- Contract variations including costs and scope
- Expansion of user licences and the fees involved
- Demonstration of value for money
- Conduct of the procurement itself, including
 - probity concerns i.e. whether hospitality or anything of a pecuniary nature occurred between NDIA and Salesforce

¹ Ms Rebecca Falkingham, Chief Executive Officer, National Disability Insurance Agency (NDIA), *Committee Hansard*, Canberra, 1 February 2024, p. 1.

² Ms Falkingham, CEO, NDIA, *Committee Hansard*, Canberra, 1 February 2024, p. 1.

- the involvement of any third party entities, including Synergy 360 specifically, in a consultative role for Salesforce during its NDIA bid
- the involvement of other specific individuals, including Mr David Milo and former Minister Stuart Robert, especially during the NDIA tender bid.

Contract variations

2.5 The Committee noted that the initial value of the contract was \$27 million but that this had expanded considerably to over \$100 million. Both NDIA and the tenderer, Salesforce, were asked to state the rationale and business case for this considerable cost increase.

2.6 Salesforce informed the Committee at the public hearing on 20 November 2023 that a number of client-driven factors underpinned this expansion of the contract:

The initial cost of this contract was approximately \$27 million. There were subsequent cost changes that were customer driven to support outcomes determined by the agency... These include: increasing NDIS users of 150 per cent; platform capability additions; and adding transactional capability, claims management and scheduling to CRM [customer relationship management] capability, all of which went through NDIS review and approval processes. Due to these changes and capability requirements, Salesforce costs associated with the agency to date are approximately \$100 million over four years.³

2.7 NDIA informed the Committee on this matter at the public hearing on 1 February 2024 that ‘the total Salesforce value for contracts as of 31 December [2023] is \$125.95 million.⁴ NDIA further stated:

The agency and the scheme grew in size and there were changes in policy positions that had to be built into the CRM functionality. As we understood the system better, it was more tailored to the unique needs of the NDIA.⁵

2.8 Salesforce further noted in terms of the increased contract scope that:

... in 2022 we went from 5,000 users to 10,000 users; from October 2023, from 10,000 users to 12,500 users... In addition, the NDIA specifically ask[ed] for further capability around campaign and event management, and that allows the capability for the NDIA and their partner communities to outreach to claimants and participants, so campaigning. In addition, case management—the ability to record, track, escalate and report on key business capabilities. So two pieces of scope, and that was increased at the ask of the NDIA.⁶

³ Mr Sassoon Grigorian, Vice President, Government Affairs and Public Policy, Salesforce, *Committee Hansard*, Canberra, 20 November 2023, p. 1.

⁴ Mr Ajay Satyan, Chief Information Officer, NDIA, *Committee Hansard*, Canberra, 1 February 2024, p. 2.

⁵ Mr Satyan, NDIA, *Committee Hansard*, Canberra, 1 February 2024, p. 2.

⁶ Ms Wendy Anderson, Vice President, Services, Salesforce, *Committee Hansard*, Canberra, 20 November 2023, p. 3.

2.9 The Committee was interested also in the additional professional services that had formed part of the expanded scope of the contract, and in the rationale for including them at an additional cost of \$20 million. NDIA responded on notice that this decision was taken due to the 'complexity, size and criticality of the PACE Customer Relationship Management system.'⁷ NDIA stated:

Salesforce professional services have significant expertise in their own product and have access to their internal product teams when specialist technical advice is required. This provides the Agency with an additional level of support, particularly when dealing with non-standard product requirements such as heightened accessibility.⁸

Increased user licences

2.10 The Committee further queried both Salesforce and NDIA on the need for the very large increase in PACE user licences from around 5,000 initially to over 12,000, given that NDIA does not employ that many people.

2.11 NDIA further outlined the details underlying these increased licence requirements:

Of the 12,500 licences, about 6,600 are allocated to NDIA staff—I am using the word 'staff' broadly—and contractors and labour hires and partners who work with the NDIA who have been allocated out of the 4,600 licences. So it is about 6,600 plus 4,600 between staff and partners. The contact centre uses 1,100 and ... a software government web team... uses 45 licences... of the 12,500 licences that the agency has procured, about 100 remain not assigned to people.⁹

Value for money

2.12 Value for money was of key interest to the Committee as a core criterion in Government procurement activities.

2.13 NDIA commented on this issue on notice that it 'reviews its price control framework and other market settings to determine whether they are appropriate and reflect the current market conditions.'¹⁰ NDIA further stated, in broad terms:

For Disability Support Workers (DSW) supports, the NDIA has developed a Cost Model. This Cost Model is based off benchmarking data and aims to estimate the costs that a reasonably efficient provider would incur in delivering a billable hour of support. The DSW Cost Model is one of the factors considered when pricing these supports.

For other sectors, the NDIA examines scheme data such as changes in the number of providers, the number of business entrance and exits, and payments

⁷ NDIA, Supplementary Submission 10.2, p. [3].

⁸ NDIA, Supplementary Submission 10.2, p. [3].

⁹ Mr Satyan, NDIA, *Committee Hansard*, Canberra, 1 February 2024, p. 3.

¹⁰ NDIA, Supplementary Submission 10.1, p. [2].

for the support to understand if the current pricing is sufficient to support the National Disability Insurance Scheme (NDIS) market.¹¹

2.14 NDIA further addressed this issue at the 1 February hearing, stating that:

To the question of value for money, particularly the professional services... we had to take market scans both whether its thinking about having those skills in house and thinking about IP that companies such as Salesforce directly provide, given it is their product and their professional services as well as third party vendors. I can confirm that the spend to date for this financial year is much less than last year.¹²

2.15 NDIA provided additional information on notice regarding the business case for investing in the new PACE system with respect to efficiencies, effectiveness and cost savings:

... the PACE system is primarily intended to achieve an improved level of service for National Disability Insurance Scheme (NDIS) participants by delivering a fit-for-purpose Customer Relationship Management System (CRM). In addition, the highly configurable platform and implementing an in-house development workforce will result in more cost-effective enhancements to the CRM in the future.

The business case for PACE estimated a 10% reduction in cost-to-serve, or a reduction of 1.8M hours from the time it takes staff to interact with the former CRM. These savings are being reinvested in increased participant contact.¹³

2.16 NDIA emphasised in its responses to questions taken on notice that as the roll out of PACE commenced in October 2023, there are no reports yet on cost savings but that these were expected to manifest as the old system was replaced over time.¹⁴

2.17 In responding on notice to questions from the Committee about how the PACE platform was being evaluated, NDIA indicated that it had conducted a trial in Tasmania over a period of 12 months. In terms of the participants, NDIA indicated that:

- 72% of participants said their experience in the Tasmania test was good or very good
- 55% of participants said their experience in the test was better, or a lot better than the last time they talked to the NDIA.¹⁵

2.18 NDIA also surveyed disability providers in the Tasmania PACE trial and found that:

¹¹ NDIA, Supplementary Submission 10.1, p. [2].

¹² Mr Satyan, NDIA, *Committee Hansard*, Canberra, 1 February 2024, p. 3.

¹³ NDIA, Supplementary Submission 10.1, p. [5].

¹⁴ NDIA, Supplementary Submission 10.1, p. [8].

¹⁵ NDIA, Supplementary Submission 10.1, p. [14].

- Providers liked the step-by-step guides, 28% said they were useful, and 25% liked the quick reference guides and frequently asked questions
- 26% of providers surveyed said they had enough training to understand our new computer system
- 46% of providers disagreed that NDIA had helped them prepare and understand what to expect from the test.¹⁶

2.19 NDIA further noted in this regard that the Australian Government had implemented a new framework to prevent possible market manipulation and overpricing by private sector providers:

... the Australian Government will invest \$6.7 million over 4 years to prohibit participants being over-charged when purchasing their supports. This includes the establishment of a multi-agency Taskforce comprising of the Australian Competition and Consumer Commission, the National Disability Insurance Scheme (NDIS) Quality and Safeguards Commission (NQSC) and the National Disability Insurance Agency (NDIA) as a key part of the Government's efforts to reduce waste and combat fraud... The NQSC has now strengthened the NDIS Code of Conduct with new rules on price differentiation and has released additional resources to further empower participants and providers with information about their rights and responsibilities regarding price transparency.¹⁷

2.20 The Committee queried however why no price weighting was used by NDIA as part of the tender assessments that eventually led to the contract award to Salesforce. NDIA commented at the public hearing on 1 February 2024 that price weighting was not always done for NDIA procurements, remarking that:

... for example, we don't require, under our policy, that you assign 20 per cent of the overall evaluation to price. However, price is always considered as part of the assessment and value for money because you're comparing all potential benefits of the procurement against all potential costs. The pricing gets captured in that consideration of whole-of-life costs, but it's up to the general evaluation team who are looking at it to determine the relative benefit and cost. We don't set a weighting for costs in all our procurements.¹⁸

2.21 NDIA further stated on this issue that it follows 'whole-of-APS guidance' on the issue of price weighting but that it was not possible to fully understand the decision-making processes in this regard for this particular procurement as the relevant officials were no longer with the agency.¹⁹

¹⁶ NDIA, Supplementary Submission 10.1, p. [14].

¹⁷ NDIA, Supplementary Submission 10.1, p. [4].

¹⁸ Ms Phoebe Thompson, Acting Chief Corporate and Commercial Officer, NDIA, *Committee Hansard*, Canberra, 1 February 2024, p. 5.

¹⁹ Ms Falkingham, CEO, NDIA, *Committee Hansard*, Canberra, 1 February 2024, p. 9.

Conduct of the PACE procurement

Findings of the Watt review

- 2.22 The Watt review made a number of findings and recommendations pertaining to NDIA's procurement practices, most notably:
- Properly documenting and monitoring the use of limited tenders due to claims of urgency
 - Publicly reporting on the number of suppliers invited to respond to a procurement offer
 - Requiring all procurement staff to declare any conflicts of interest
 - Reviewing procurement templates to ensure clarity in determining value for money and the preferred tenderer
 - Ensuring that internal probity and legal advice is accessible and consideration of external advice for larger high-risk procurements
 - Ensuring adequate record-keeping
 - Supporting adequate procurement training and professionalism.²⁰

Hospitality and gifts

- 2.23 NDIA informed the Committee that it had strict rules around hospitality and gifts that were consistent with established principles for Government entities. NDIA confirmed that:

The overarching premise of NDIA policy is that our officials must not accept gifts or benefits which might be seen to compromise their integrity. That applies at all times, whether we're in the market for a procurement or not. We publish any gifts or benefits accepted by all NDIA officials over \$100 on our website. It must be recorded in a compliance log that we maintain internally, and any gifts valued at over \$100 must be approved by the CFO or CEO before they're accepted.²¹

- 2.24 NDIA further responded on notice that having reviewed its records 'there is no evidence indicating that NDIA representatives hav[e] disclosed receipt of any gifts or benefits (including hospitality) from Salesforce during the 2019-20, 2020-21, 2021-22 and 2022-23 financial years.'²²
- 2.25 Salesforce evidence to the Committee on notice however indicates extensive social interactions with various NDIA officials over several years both before and after the

²⁰ Dr Ian Watt AC, *Independent Review of Services Australia and NDIA Procurement and Contracting: Independent Reviewer's Report*, March 2023.

²¹ Ms Thompson, NDIA, *Committee Hansard*, Canberra, 1 February 2024, p. 3.

²² NDIA, Supplementary Submission 10.1, p. [10].

awarding of the PACE contract, many of which above the \$100 threshold stated by NDIA as requiring pre-approval.²³

- 2.26 Salesforce records contain 118 line items for hospitality and gifts given to NDIA representatives between March 2019 and December 2023. These included meals, drinks, taxi fares, clothing, and golf outings and equipment. These records indicate 48 instances of when the value of the items was above \$100 per person.²⁴

Engagement by Salesforce of Synergy 360 and David Milo

- 2.27 The Committee queried on the role of Synergy 360 in providing business support to Salesforce in its bids for Government contracts.

- 2.28 Salesforce outlined to the Committee that it uses consultants from around the world to provide assistance with its public sector procurement bids. Salesforce further stated in relation to its business relationship with Synergy 360 that:

Synergy 360... approached Salesforce about providing advisory services to support Salesforce's strategy with the Australian federal government. Synergy 360 informed Salesforce they'd specialised in areas such as strategic business advice; program and project management; business case development; information technology architecture; and information technology security and the like. In 2019, Salesforce had three locally based employees in the public sector area in Canberra to service the federal government. Salesforce engaged with Synergy 360 around July 2019 as a consultant on a monthly retainer. The Synergy 360 engagement had no success fee and none was paid.²⁵

- 2.29 Salesforce further remarked on this matter in relation to the PACE procurement:

Synergy 360 was not engaged as part of our bid for the NDIA tender. That was a direct bid with our sales and professional services team. Overall, Synergy 360 was paid \$214,200, including GST, by Salesforce, over a period of 24 months. The Synergy 360 consulting contract was terminated in June 2021. Salesforce has not won any business with Services Australia.²⁶

- 2.30 Salesforce commented in relation to David Milo that he and Synergy 360's services were engaged in 2019 to supplement its knowledge of the market for Federal Government services in Canberra.²⁷ Salesforce further informed the Committee on notice that the approach by Mr Milo was through an introductory phone call with Synergy 360 on 30 May 2019.²⁸

²³ Salesforce, Supplementary Submission 9.2 and Annexure.

²⁴ Salesforce, Supplementary Submission 9.2, Annexure.

²⁵ Mr Grigorian, Salesforce, *Committee Hansard*, Canberra, 20 November 2023, p. 2.

²⁶ Mr Grigorian, Salesforce, *Committee Hansard*, Canberra, 20 November 2023, p. 2.

²⁷ Mr Bradley Cook, Area Vice President, Public Sector, Salesforce, *Committee Hansard*, Canberra, 20 November 2023, p. 8.

²⁸ Salesforce, Supplementary Submission 9.1, p. 4.

Meetings with former Minister Stuart Robert and Mr Milo

2.31 Salesforce also informed the Committee in response to questions taken on notice that it held three meetings with former Minister Stuart Robert, two in 2019 and one in 2020, at the request of the Minister. Mr Milo was also present at all three meetings. The NDIA attended the second of these three engagements. The subjects of these meetings and the attendees are outlined in Table 1 below.

Table 1 Salesforce meetings with former Minister Robert in 2019 and 2020

Date	Location	Topic of discussion	Attendees
4 June 2019	Parliament House, Canberra	General introduction of Salesforce to Stuart Robert and discussion on Services Australia and Salesforce's experience with Service NSW Meeting focused on digital transformation in the Australian government and Salesforce platform capabilities	Minister Stuart Robert Barry Dietrich (Salesforce) Nick Slater (Salesforce) Michael de Hennin (Salesforce) David Milo
12 June 2019	Salesforce Offices, Darling Park, Sydney	Presentation and demonstration of Salesforce's capabilities for potential use by Commonwealth based on Service NSW offering. Meeting focused on digital transformation in the Australian government and Salesforce platform capabilities	Minister Stuart Robert Kathryn Campbell (Services Australia) Paul O'Sullivan (NDIA) Barry Dietrich (Salesforce) Bradley Cook (Salesforce) Nick Slater (Salesforce) Michael de Hennin (Salesforce) David Milo
30 September 2020	Commonwealth Parliamentary Offices, Bligh Street, Sydney	Discussion on permissions, whole of government case management, Customer Relationship Manager products and national COVID-19 contact tracing coordination Meeting focused on digital transformation in the Australian government and Salesforce platform capabilities	Minister Stuart Robert Barry Dietrich (Salesforce) David Milo

Source: Salesforce, Supplementary Submission 9.1, pages 4-5.

2.32 Salesforce commented in its submission to the inquiry that none of these engagements with the former Minister Robert and Mr Milo were related to its tendering for NDIA contracts:

None of the meetings with Minister Robert... took place during the first or second NDIA tender process. Our response was a direct bid with our direct sales and

professional services team. Synergy 360 was not paid any fees in relation to winning the NDIA contract.²⁹

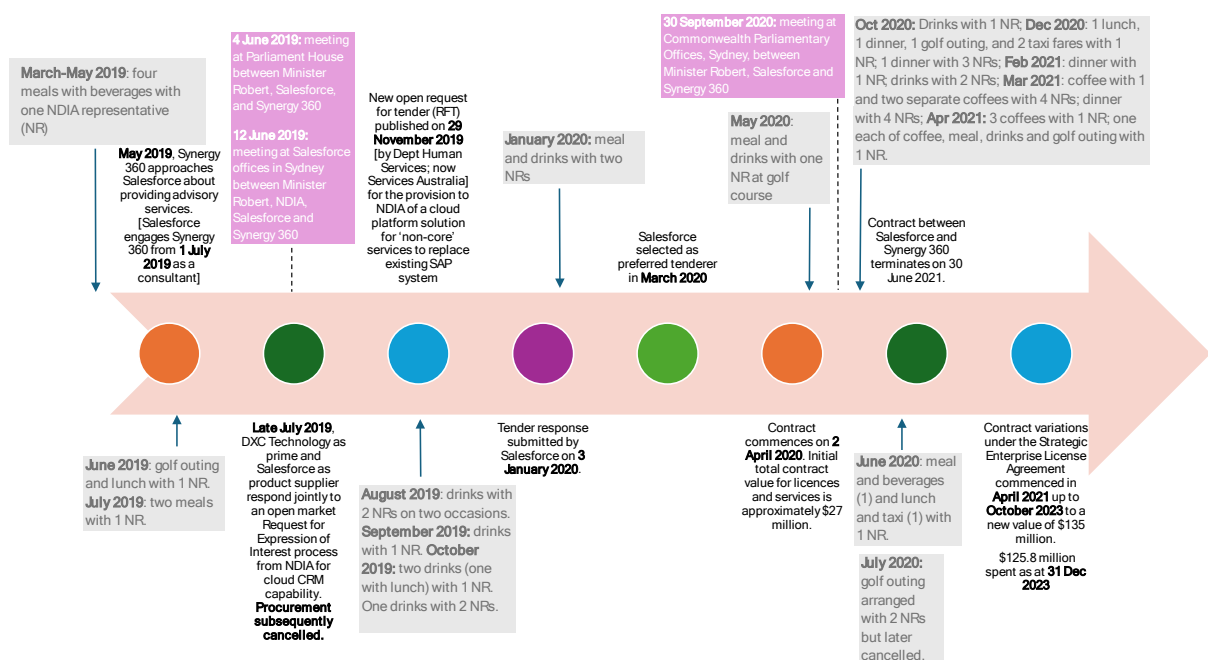
Committee comment

- 2.33 NDIA undertakes critical work and provides vital services to hundreds of thousands of Australians with a disability and an effective and efficient computer interface is critical to successful service delivery. The Committee acknowledges evidence from the NDIA that the PACE system is proving to be an effective computer platform that has so far delivered the intended capability.
- 2.34 The Committee notes evidence that cost savings were anticipated as a result of the new system, expected to be realised as the system matures, with any savings to be reinvested in service delivery. It is important that agencies including the NDIA do eventually assess whether intended cost savings materialise, to help inform future business cases and projects and the Committee remains interested in this aspect.
- 2.35 The Committee accepts the NDIA's evidence that the system is progressing well, but is concerned however about a number of aspects of the procurement having considered evidence to the inquiry in detail.
- 2.36 Firstly, while the Committee accepts that selecting the vendor and assessing value for money is not simply a matter of finding the lowest price available for a product or service, the Committee remains perplexed that in this procurement the value for money assessment gave no explicit weighting to price as a key factor in scoring and ranking proposals.
- 2.37 Secondly, the size of the contract variations is significant; the initial contract value of \$27 million at inception was subsequently varied to \$135 million and is currently in the order of \$126 million spent as at 31 December 2023. The Committee acknowledges evidence from the NDIA that business cases underpinned these very considerable contract variations which were driven primarily by changes to scope and functionality and in the number of user licences that had been acquired from Salesforce by NDIA.
- 2.38 The Committee accepts the evidence provided regarding the growth in user licences and approach taken. The decision to add significant additional functionality after initial procurement, however, denied other tenderers the opportunity to tender for the product ultimately being delivered. While sometimes this is unavoidable it is far preferable that agencies tender initially for a well thought out scope of service. Ongoing variations of significant commercial value heighten concerns about probity and integrity issues discussed further below. As well, an approximately \$20 million bucket in total over three years for 'professional services' added later as contract variations raises questions about cost control and how value for money is ensured and assured.

²⁹ Salesforce, Submission 9, p. 13.

- 2.39 The most serious issue however revealed as a result of this inquiry is what appears to be clear breaches of the NDIA's Gifts and Hospitality policies by officials. The policy requires that all hospitality over \$100 must be declared. The NDIA also gave evidence that an obligation on officials to not accept *any* gifts commences the moment a procurement starts to be planned.
- 2.40 The NDIA gave evidence that no declarations were made by NDIA staff of any gifts or hospitality. Following sustained questioning during and after the public hearings, however, Salesforce provided written evidence to the Committee of 118 instances of hospitality and/or gifts passing to NDIA officials from Salesforce executives over an almost four-year period, both leading up to and after the award of the contract and throughout the period of extensive contract variations of more than \$100 million. Notably, more than 40 of these instances of hospitality by Salesforce to NDIA representatives were above the \$100 per person threshold that requires pre-approval in accordance with NDIA's internal rules but had not been authorised or declared at any stage.
- 2.41 The Committee has prepared a timeline to map the procurement and subsequent contract variations alongside hospitality provided by Salesforce to NDIA officials and meetings between Synergy 360, Salesforce and former Minister Robert. This graphic is provided as Figure 1 below and clearly shows continuous overlap between hospitality, undeclared meetings and offsite events and major and ongoing procurement activity by the NDIA.

Figure 1 PACE procurement timeline from 2019-2023, including meetings and hospitality



Source: Compiled using evidence provided by Salesforce and NDIA to the inquiry

- 2.42 The Committee has not sought and is not privy to the identity or roles of the individuals who received Salesforce's hospitality or gifts, and it is not the Committee's role to make specific findings against individuals. The evidence does however raise serious concerns about the behaviour of public officials and Salesforce. The Committee accepts that once a contract is awarded it may be necessary for public officials and contractors to build strong trusted relationships to effectively implement projects and services and does not express a blanket opposition to engagement with some social character. But probity demands that any such efforts require very careful handling to preserve the integrity of contract management processes and avoid the perception of 'capture' or bias. As the NDIA stated in the public hearing, "as a general principle it would be hard to see how a contract manager could maintain their integrity whilst accepting gifts from a vendor." A failure to declare repeated hospitality, and acceptance of lunches, dinners or golf days while variations continue to be struck is simply unacceptable to the Committee.
- 2.43 The Committee has made the NDIA aware of this evidence and understands it is being taken seriously. The Committee has also written to Salesforce seeking additional information in the context of Salesforce's Global Gifts and Entertainment Policy (which the Committee received a copy of and has considered). It appears that the types of gifts that were offered to NDIA officials meet Salesforce's policy. The policy, however, states that gifts of over \$150 must be approved by the Office of Global Ethics and Integrity. The policy is also clear that any gift or entertainment to a government official (defined broadly), regardless of amount, must be pre-approved by the Office of Global Ethics and Integrity. In particular the Committee has asked Salesforce to now advise:
- If Salesforce's Office of Global Ethics and Integrity had approved each and all of these payments in accordance with their own corporate policy?
 - Who makes these decisions within Salesforce's Office of Global Ethics and Integrity?
 - If Salesforce's Office of Global Ethics and Integrity has ever declined a request to approve hospitality for an Australian Commonwealth official?
 - Salesforce is also asked to provide a table within 3 months of the tabling of this report of all hospitality provided to all Commonwealth officials by agency for the last 3 years (names redacted) consistent with the format Salesforce helpfully provided in relation to the NDIA, and advice as to whether each item was approved by Salesforce's Office of Global Ethics and Integrity.
- 2.44 Beyond specific instances and individuals, the evidence received, coupled with informal advice to Committee members, raises concerns regarding potential systemic inappropriate cultivation of Commonwealth officials by Salesforce over a long period of time. The Committee is concerned to understand whether these practices may be more widespread across the public sector including by other major ICT vendors. The Committee therefore makes recommendations to the Department of Finance (Finance), the Digital Transformation Agency (DTA) and the Australian National Audit Office (ANAO) suggesting a broader examination of these issues in relation to a selection of major ICT vendors – for example Data#3 Group, SAP, Dell Australia, Oracle, and Amnesium Pty Ltd - or others as may be decided. The Committee will

make Salesforce's answers to the above questions available to Finance, the DTA and the ANAO.

- 2.45 The Watt review did not make specific findings of misconduct in relation to NDIA's procurement of PACE from Salesforce. There were, however, recommendations from that report that reflected a number of deficiencies in NDIA's procurement management which informed NDIA's decision to conduct an internal assessment of how it will manage its acquisitions into the future on behalf of the Commonwealth. The Committee welcomes this approach by NDIA and is recommending that it be provided with future updates on these internal findings and also on its progress in implementing the PACE system.
- 2.46 With regard to questions relating to former Minister Robert and Synergy 360 the Committee has substantially addressed these issues in its Interim Report. During the latter part of the inquiry after the Interim Report was tabled, evidence was received of meetings between former Minister Robert, Synergy 360 and Salesforce. Again, it is noted that Synergy 360 made an unsolicited approach to a vendor (Salesforce) in advance of a tender process which emerged very soon after. Three meetings with former Minister Robert occurred, twice without public servants or probity advisors present and with no written records available of what was discussed or assurance that similar meetings were held with other tenderers or potential vendors who were not clients of Synergy 360. Ultimately Salesforce secured a major government contract and later benefited from a series of lucrative variations.
- 2.47 Consistent with the approach and recommendations in its interim report, the Committee does not make findings in relation to the conduct of any individuals, and will make the appropriate authorities aware of this final report and additional evidence via correspondence.

Recommendation 1

- 2.48 The Committee recommends that the National Disability Insurance Agency provides it with a detailed update on its own internal investigations into matters arising from the Watt Review, and its subsequent actions, at six months and again at 12 months from the date of this report.**

Recommendation 2

- 2.49 The Committee recommends that the National Disability Insurance Agency updates it on the continuing implementation of the PACE system, including an assessment of value for money, productivity, user experience, and improved outcomes, at six months and again at 12 months from the date of this report.**

Recommendation 3

- 2.50 The Committee recommends that the National Disability Insurance Agency provide an update in December 2024 regarding progress in the realisation of cost savings and anti-fraud measures as a result of the new PACE system.**

Recommendation 4

- 2.51** The Committee recommends that the Department of Finance and the Digital Transformation Agency take appropriate action to understand the extent to which inappropriate cultivation of Commonwealth officials may be occurring as a result of hospitality and gifts by major ICT vendors.

Recommendation 5

- 2.52** The Committee recommends that the Australian National Audit Office consider the evidence and issues raised in this inquiry and consider further audits in relation to gifts and hospitality issues in the public sector to identify practices of concern, raise awareness, and help to build ethical cultures that operate with probity. This may include exercising its powers to obtain information from private sector entities that contract to the Commonwealth, in relation to gifts and hospitality provided to public officials.

Mr Julian Hill MP
Chair
19 June 2024



Additional comments

- 1.1 Coalition committee members do not agree with the conclusions as written in paragraph 1.7 of this report. It is important to note that Coalition members presented a dissenting report to the initial Interim Report released by the JCPAA in September 2023.
- 1.2 Coalition members believe it is inappropriate to name specific individuals in this report, especially former Minister Stuart Robert and Mr David Milo, as the Committee has previously referred to other individuals connected with this inquiry as “officials” or “representatives.”
- 1.3 For consistency and neutrality, it would be suitable to refer to all individuals as “officials” and Stuart Robert as “government minister.”
- 1.4 As stated in our dissenting report to the Interim Report, Coalition committee members support the referral to the National Anti-Corruption Commission (NACC) of any serious allegations of corruption that are drawn to the Committee’s attention.
- 1.5 However, it is not the role of the Committee to request that the NACC conduct an investigation into any matter. The NACC is an independent agency and consideration of an investigation is the responsibility of the NACC Commissioner.
- 1.6 We further consider that paragraph 2.46 and 2.47 should be deleted as this matter was dealt with in the Interim Report published in September 2023.
- 1.7 Coalition committee members are concerned about the intent of paragraph 2.47 which states that consistent with the recommendations in its Interim Report, the Committee will make the appropriate authorities aware of this final report and additional evidence via correspondence.
- 1.8 Coalition Members believe the appropriate response to all individuals or organisations who make corruption allegations to the Joint Standing Committee on Public Accounts and Audit (JCPAA) is for the Committee to write to the submitter advising them on how they can directly refer their allegations to the NACC at <https://report.nacc.gov.au/>.
- 1.9 This approach ensures that referrals to the NACC are made by the person or persons who are best able to provide the NACC with the information and evidence relevant to the allegations and avoids the risk that the NACC Commissioner identified in his Opening Address on 3 July 2023 of the Commission being “weaponized” through inappropriate or unfounded referrals.

- 1.10 We also believe that this consistent and principles-based approach would avoid the circumstances described by Prime Minister Anthony Albanese; that it would be “entirely inappropriate for politicians to direct the national integrity commission to investigate a matter” and “it in fact could be regarded as an entirely inappropriate action by the Prime Minister, or any other politician for that matter, to try to direct the anti-commission into what to do.”

**Senator the Hon Linda Reynolds CSC
Deputy Chair**

Senator the Hon Matthew Canavan

Mr Ian Goodenough MP

Mr Henry Pike MP

Mr Aaron Violi MP



A. Submissions

- 1 Mr Anthony Daly
- 2 Ms Khamphone Xaysavanh
 - 2.1 Supplementary to submission 2
- 3 Mr David Milo
- 4 The Hon Stuart Robert
- 5 Confidential
- 6 Infosys
 - 6.1 Supplementary to submission 6 (response to questions on notice)
- 7 Confidential
- 8 Services Australia
- 9 Salesforce
 - 9.1 Supplementary to submission 9 (response to questions on notice)
 - 9.2 Supplementary to submission 9 (response to questions on notice)
- 10 National Disability Insurance Agency
 - 10.1 Supplementary to submission 10 (response to questions on notice)
 - 10.2 Supplementary to submission 10 (response to questions on notice)



B. Public hearings

Friday, 23 June 2023

Committee Room 2R1, Parliament House Canberra

Infosys Technologies

- Mr Andrew Growth

Friday, 8 September 2023

Committee Room 2R1, Parliament House Canberra

Services Australia

- Ms Rebecca Skinner PSM, Chief Executive Officer
- Ms Susie Smith, Deputy Chief Executive Officer – Strategy and Performance
- Mr Charles McHardie AM, Chief Information and Data Officer
- Ms Lisa Carmody, General Manager, Enterprise Strategy and Governance

Monday, 20 November 2023

Committee Room 2R1, Parliament House Canberra

Salesforce

- Mr Sassoon Grigorian, Vice President, Government Affairs and Public Policy
- Mr Bradley Cook, Area Vice President, Public Sector
- Ms Wendy Andreson, Vice President, Services
- Mr Michael de Hennin, Regional Vice President, Public Sector

Thursday, 1 February 2024

Committee Room 2R1, Parliament House Canberra and by videoconference

National Disability Insurance Agency

- Ms Rebecca Falkingham, Chief Executive Officer
- Mr Ajay Satyan, Chief Information Officer
- Ms Phoebe Thompson, Branch Manager - Procurements and Corporate Services