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Information Report

# **Australian Government Procurement Contract Reporting Update**

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Canberra ACT  
11 March 2020

Dear Mr President  
Dear Mr Speaker

In accordance with the authority contained in Section 25 of the *Auditor-General Act 1997*, I have produced an information report titled *Australian Government Procurement Contract Reporting Update*.

This information report is neither an audit nor an assurance review. This means that no conclusions or opinions are presented.

Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present this information report to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website — <http://www.anao.gov.au>.

Yours sincerely



Grant Hehir  
Auditor-General

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
Canberra ACT

## **AUDITING FOR AUSTRALIA**

The Auditor-General is head of the Australian National Audit Office (ANAO). The ANAO assists the Auditor-General to carry out his duties under the Auditor-General Act 1997 to undertake performance audits, financial statement audits and assurance reviews of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Australian Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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# Summary

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## Background and rationale

1. Procurement is an important and substantial activity for the Australian Government. In 2018–19, there were 78,150 contract notice (parents and amendments) publications with a combined value of \$64.5 billion reported by relevant entities on the AusTender website. Over the ten years up to and including 2018–19, contract values totalling \$490.8 billion were reported.
2. The *Auditor-General Act 1997* enables the Auditor-General at any time to cause a report to be tabled in either House of the Parliament on any matter. This is the second information report prepared by the ANAO on Australian Government procurement contract reporting. It incorporates more recent data than the December 2017 report (up to 30 June 2019 compared with 30 June 2017) and also includes analysis of historic trends over a longer period of time (10 years compared with five).

## Key information

3. Nearly two thirds of Australian Government entities are required to centrally report data on AusTender on contracts they have awarded with a value above prescribed reporting thresholds. There is no centralised reporting on the value of procurement activity undertaken by 34 per cent of Australian Government entities as they are not covered by the CPRs. This includes some entities that are engaged in significant procurement activities.
4. For 2018–19, 78,150 parent contracts and amendments were reported, valued at \$64.5 billion. The total contract value reported over the five years up to and including 2018–19 was \$305.3 billion, an average of \$61.1 billion per year. A feature of the reporting of contract notices has been considerable volatility in the value of amendments from year to year.
5. Delays with AusTender reporting are common, with 17 per cent of publications in 2018–19 taking longer than the prescribed 42 days. Delays are often significant, with it being common for reporting to take more than twice as long as it is supposed to.
6. Competition is a key element of the procurement framework. More than half of all contracts have been reported as resulting from a limited tender rather than an open tender. The Commonwealth Procurement Rules (CPRs) seek to limit the use of non-competitive approaches for higher value procurements. They do this by establishing thresholds above which procurements must be conducted through an open approach to the market, subject to listed exemptions. Analysis of AusTender data indicates that:
  - 44 per cent of procurements for contract notices above the relevant thresholds specified in the CPRs is let through limited tender; and
  - Non-Corporate Commonwealth Entities report greater use of limited tender approaches to non-construction services procurement than Corporate Commonwealth Entities non-construction services procurement, and for all entities construction services procurement.
7. Contracting through procurement panels has been growing significantly both in terms of the number of contract notices and their value. It remains common for a relatively small proportion of suppliers on a panel to be awarded the majority of contract value when the panel

is accessed. There are also indications that some panels are being accessed after their reported end date.

8. Entities report that the majority of the contracts involve the procurement of services rather than goods. Procurement contract notices in a small number of areas represent the majority of total reported contract value, with it also being common for a small number of suppliers to dominate in most of those categories. Over the ten year period analysed, the total contract values reported for consultancies reached its lowest in 2013–14 and has grown each year over the last five years. Reporting also indicates a small number of suppliers are dominant providers.



# 1. Background

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## Introduction

1.1 Procurement is an important and substantial activity for the Australian Government. Contract values totalling \$490.8 billion were reported on the AusTender website over the ten years from 2009–10 to 2018–19. In 2018–19, there were 78,150 contract notice publications with a combined value of \$64.5 billion. This comprised:

- 62,928 parent<sup>1</sup> contracts with an aggregate value of \$47.2 billion; and
- 15,222 contract amendments with an aggregate value of \$17.3 billion.

1.2 The contract values reported on AusTender are to represent the total maximum value of each contract over its life (including Goods and Services Tax). Payments under a contract may span more than the year in which the contract notice was published. While actual expenditure is not reported on AusTender, so long as entities accurately report values as contracts are entered into and any amendments subsequently made then AusTender data can provide a reliable indicator of the total expected expenditure over the life of each contract. All actual expenditure on contracts should be captured in each entity's financial management information system and included within the expenditure figures reported by each entity in its financial statements.

## Roles and responsibilities

1.3 Under the *Public Governance, Performance and Accountability Act 2013* (the PGPA Act), responsibility for the proper use of public resources, including procurement, rests with the Accountable Authority of each entity. This responsibility includes developing procurement policies, procedures and systems and the conduct of individual procurements.

1.4 The Department of Finance (Finance) is the central agency with responsibility for establishing and promulgating the resource management framework, which includes the procurement policy framework. The keystone of the procurement policy framework is the Commonwealth Procurement Rules (CPRs<sup>2</sup>) issued by the Finance Minister under Section 105B of the PGPA Act. In addition to addressing the way in which procurement processes are to be conducted, the CPRs include requirements for relevant entities<sup>3</sup> to publish on AusTender information on: planned procurements; open tenders; and notices reporting key details of contracts that have been awarded.

1.5 The primary purpose of the contract notice section of AusTender is to provide information to the market at the conclusion of a procurement process to demonstrate that the contract that has been awarded is consistent with the representations that were made during the approach to

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1 The original procurement contract notice published on AusTender is referred to as a parent contract. A contract may be amended on more than one occasion.

2 The ANAO will be referring to the CPRs dated 20 April 2019.

3 See paragraph 2.2.

the market. This reflects that Austender was introduced in 2007 as the contemporary implementation of a gazettal function that dates back to 1901.<sup>4</sup>

1.6 The procurement framework also includes: web-based guidance developed by Finance to assist entities to implement the framework; resource management guides promulgated by Finance to advise entities of significant elements of the framework and key changes and developments; and various templates, such as the Commonwealth Contracting Suite. Finance is also responsible for the AusTender platform.

1.7 In April 2019, Finance advised the Australian National Audit Office (ANAO) that:

- the first procurement information report tabled by the ANAO in December 2017<sup>5</sup> had helped it to identify a number of areas where entities could improve their contract reporting; and
- in response, it has either completed, or is in the process of completing, a range of initiatives to assist entities to better meet their reporting obligations and improve the accuracy and consistency of their reporting. The initiatives identified to the ANAO by Finance included:
  - a cross agency project to improve data quality for entities that use SAP<sup>6</sup>;
  - introducing additional fields into AusTender that require entities to record the justification for undertaking a procurement that is above the relevant procurement threshold through a limited tender<sup>7</sup>;
  - working with the Australian Bureau of Statistics to refine the methodology that is used to estimate the level of small and medium enterprise (SME) participation<sup>8</sup>; and
  - consolidating all information and guidance on the reporting requirements into a Procurement Reporting Resource Management Guide (RMG).<sup>9</sup>

## Rationale and approach

1.8 The purpose of the ANAO is to support accountability and transparency in the Australian Government sector through independent reporting to the Parliament, and thereby contribute to improved public sector performance. The *Auditor-General Act 1997* (section 25) enables the

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4 From 1901 there was a printed gazette, which reported details of significant contracts that were awarded. In 1985, a separate Purchasing and Disposal Gazette was introduced for this purpose. In 1999, the Purchasing and Disposal Gazette was superseded by the Gazette Publishing System (GaPS), an online electronic gazettal system. When AusTender was introduced in 2007, GaPS was decommissioned and the contract notices section of AusTender assumed this gazettal function.

5 Auditor-General Report No.19 2017–18 *Australian Government Procurement Contract Reporting*.

6 Finance advised the ANAO that entities using SAP represent between 85 to 90 per cent of the volume and value of contracts reported on AusTender.

7 See further at paragraphs 3.16 to 3.19.

8 Finance has reported on SME participation in procurement by entities that report into AusTender. See: <https://www.finance.gov.au/government/procurement/statistics-australian-government-procurement-contracts->

9 In February 2020 Finance advised the ANAO that it expects this Guide to be released in February 2020.

Auditor-General at any time to cause a report to be tabled in either House of the Parliament on any matter.

1.9 This is the second information report prepared by the ANAO on Australian Government procurement contract reporting. It incorporates more recent data than the December 2017 report (up to 30 June 2019 compared with 30 June 2017) and also includes analysis of historic trends over a longer period of time (10 years compared with five).

1.10 This information report presents no conclusions or opinions. This is because it is neither an audit nor an assurance review. For example, the ANAO did not test the integrity of the underlying data used to prepare this report. The ANAO performed diagnostics over the AusTender data provided by Finance to prepare for the analysis in this report, and confirmed that the same data extract was used by Department of Finance to produce statistics on Australian Government Procurement Contract Notices.<sup>10</sup>

1.11 The report was prepared at a cost to the ANAO of \$205,000.

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<sup>10</sup> The majority of the analysis is based on the AusTender Contract Notices dataset extracted on 30th August 2019, provided by Finance. The data is point in time and contract notices may be amended or updated.

## 2. Centralised reporting on Australian Government procurement activity

### Entities required to report on AusTender

2.1 As of September 2019, there were 190 Australian Government entities governed by the PGPA Act. This comprised:

- 101 non-corporate Commonwealth entities (NCCEs);
- 71 corporate Commonwealth entities (CCEs, that is, a body corporate); and
- 18 Commonwealth companies (that is, a *Corporations Act 2001* company that the Commonwealth controls).

2.2 The CPRs outline the procurement policy framework that applies to nearly two thirds of PGPA Act entities. Their core objective is to ensure the 125 covered entities<sup>11</sup> achieve value for money in the conduct of procurement activity. The CPRs apply to all NCCEs. In addition, the Finance Minister is able to prescribe that corporate Commonwealth entities and/or wholly-owned Commonwealth companies comply with the CPRs. At the time this Information Report was prepared, 24 of the 71 CCEs are prescribed under section 30 of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) to comply with the CPRs. In addition to those 24 CCEs, section 29AA of the PGPA Rule applies the CPRs to the Commonwealth Superannuation Corporation, but only in relation to its function of providing administrative services relating to the superannuation schemes it administers. None of the 18 Commonwealth companies were prescribed. Table 2.1 provides details.

**Table 2.1: Corporate Commonwealth Entities as at September 2019**

CCEs subject to the CPRs	CCEs not subject to the CPRs
<ul style="list-style-type: none"> <li>• Australian Digital Health Agency</li> <li>• Australian Human Rights Commission</li> <li>• Australian Institute of Health and Welfare</li> <li>• Australian Institute of Marine Science</li> <li>• Australian Maritime Safety Authority</li> <li>• Australian National Maritime Museum</li> <li>• Australian Nuclear Science and Technology Organisation</li> <li>• Australian Pesticides and Veterinary Medicines Authority (APVMA)</li> <li>• Australian War Memorial</li> <li>• Comcare</li> <li>• Commonwealth Scientific and Industrial Research Organisation</li> </ul>	<ul style="list-style-type: none"> <li>• Airservices Australia</li> <li>• Anindilyakwa Land Council</li> <li>• Army and Air Force Canteen Service (Frontline Defence Services)</li> <li>• Australia Council</li> <li>• Australian Broadcasting Corporation</li> <li>• Australian Commission on Safety and Quality in Health Care</li> <li>• Australian Curriculum, Assessment and Reporting Authority</li> <li>• Australian Film, Television and Radio School</li> <li>• Australian Hearing Services (Hearing Australia)</li> <li>• Australian Institute of Aboriginal and Torres Strait Islander Studies</li> </ul>

<sup>11</sup> As at September 2019. Entities required to comply with the CPRs, including the AusTender reporting obligations, are referred to in the CPRs as 'relevant entities'.

CCEs subject to the CPRs	CCEs not subject to the CPRs
<ul style="list-style-type: none"> <li>• Commonwealth Superannuation Corporation (administrative functions only)</li> <li>• Director of National Parks</li> <li>• Export Finance and Insurance Corporation</li> <li>• Grains Research and Development Corporation</li> <li>• Independent Hospital Pricing Authority</li> <li>• Murray-Darling Basin Authority</li> <li>• National Gallery of Australia</li> <li>• National Museum of Australia</li> <li>• National Portrait Gallery of Australia</li> <li>• Old Parliament House</li> <li>• Regional Investment Corporation</li> <li>• Reserve Bank of Australia</li> <li>• Sydney Harbour Federation Trust</li> <li>• Tourism Australia</li> </ul>	<ul style="list-style-type: none"> <li>• Australian Military Forces Relief Trust Fund (Army Relief Trust Fund)</li> <li>• Australian National University</li> <li>• Australian Postal Corporation</li> <li>• Australian Reinsurance Pool Corporation</li> <li>• Australian Renewable Energy Agency</li> <li>• Australian Sports Commission (Australian Institute of Sport)</li> <li>• Central Land Council</li> <li>• Civil Aviation Safety Authority</li> <li>• Clean Energy Finance Corporation</li> <li>• Coal Mining Industry (Long Service Leave Funding) Corporation</li> <li>• Commonwealth Superannuation Corporation (non-administrative functions)</li> <li>• Cotton Research and Development Corporation</li> <li>• Defence Housing Australia</li> <li>• Fisheries Research and Development Corporation</li> <li>• Food Standards Australia New Zealand</li> <li>• Indigenous Business Australia</li> <li>• Indigenous Land and Sea Corporation</li> <li>• Infrastructure Australia</li> <li>• National Disability Insurance Scheme Launch Transition Agency (National Disability Insurance Agency)</li> <li>• National Film and Sound Archive of Australia</li> <li>• National Housing Finance and Investment Corporation (NHFIC)</li> <li>• National Library of Australia</li> <li>• National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA)</li> <li>• National Transport Commission</li> <li>• Northern Australia Infrastructure Facility</li> <li>• Northern Land Council</li> <li>• Royal Australian Air Force Veterans' Residences Trust Fund</li> <li>• Royal Australian Air Force Welfare Trust Fund</li> <li>• Royal Australian Navy Central Canteens Board</li> <li>• Royal Australian Navy Relief Trust Fund</li> <li>• Rural Industries Research and Development Corporation</li> </ul>

CCEs subject to the CPRs	CCEs not subject to the CPRs
	<ul style="list-style-type: none"> <li>• Screen Australia</li> <li>• Special Broadcasting Service Corporation</li> <li>• Tiwi Land Council</li> <li>• Torres Strait Regional Authority</li> <li>• Wine Australia</li> <li>• Wreck Bay Aboriginal Community Council</li> </ul>

Source: ANAO analysis of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule).

2.3 The value of Australian Government procurement activity reported in AusTender excludes that undertaken by 34 per cent of Australian Government entities not covered by the CPRs. Some of those entities are engaged in significant procurement activities.<sup>12</sup>

2.4 For the 125 covered entities, the CPRs require the publication through the AusTender procurement information system of certain procurement information, including some details of contracts that have been awarded above specified thresholds (see Table 2.2 below). AusTender reporting is not required for contracts with a value below those thresholds.

## Reporting thresholds

2.5 Entities required to report on AusTender must publish parent contracts and amendments if they are valued<sup>13</sup> at or above the relevant reporting threshold.

2.6 Table 2.2 illustrates the AusTender reporting thresholds for different categories of entities as well as the thresholds specified for the additional procurement rules in the CPRs (sometimes referred to as ‘covered’ procurements). When the expected value of a procurement is at or above the relevant ‘procurement threshold’ additional rules in the CPRs must also be followed unless an exemption applies. Primarily, those additional rules require that, except under specified circumstances, procurements valued above the threshold must be conducted by an open approach to the market.

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12 This includes: the Australian Rail Track Corporation which, in addition to its ongoing procurement activities relating to the management and maintenance of a 8,500 kilometre rail network, is responsible for the delivery of the \$9.3 billion Inland Rail project; WSA Co Limited, which is developing an airport in Western Sydney with a budget of \$5.3 billion; and Airservices Australia which in February 2018 signed an acquisition contract with a ceiling price of \$1.3 billion for a new air traffic control system for Australia.

13 Contract notice amounts are to reflect the total estimated maximum value of the contract.

**Table 2.2: Reporting and procurement thresholds**

Relevant entities	Reporting threshold		Procurement threshold	
	Construction services	Non-construction services	Construction services	Non-construction services
Non-corporate Commonwealth entities	\$10,000	\$10,000	\$7.5 million	\$80,000
Corporate Commonwealth entities:				
• 5 prescribed entities identified at paragraph 3.7 of the CPRs	\$7.5 million	\$80,000	\$7.5 million	\$80,000
• 19 other prescribed entities	\$7.5 million	\$400,000	\$7.5 million	\$400,000
• Commonwealth Superannuation Corporation (administrative functions only)	\$10,000	\$10,000	\$7.5 million	\$80,000

Note: The CPRs (paragraph 3.8) state that the Commonwealth Superannuation Corporation must also report contracts with a value above \$80,000 in regards to its administrative functions only, and it has reported 1,520 contracts valued at \$338 million. The Corporation is not one of the CCEs prescribed as being required to comply with the CPRs.

Source: ANAO analysis of the Commonwealth Procurement Rules (CPRs).

## Number and value of contracts being reported

2.7 Over the ten years up to and including 2018–19, 651,951 parent contracts were reported on AusTender. There were also 94,155 amendments reported over this period. The total value reported was \$490.8 billion, comprising \$378.4 billion worth of parent contracts and \$112.4 billion in amendments.

2.8 More than 99 per cent of the number (98.7 per cent by value) reported on AusTender over the ten years analysed by the ANAO were reported by NCCEs.

2.9 Of the 25 CCEs prescribed to comply with the CPRs, 23 reported 6,348 contracts on AusTender over the ten year period of analysis, with an aggregate contract value reported of \$6.60 billion. No contracts were reported in that period by the Australian Institute of Marine Science or the National Portrait Gallery of Australia.<sup>14</sup> Among the 23 CCEs reported, five CCEs reported fewer than ten contracts over the period analysed by the ANAO.<sup>15</sup>

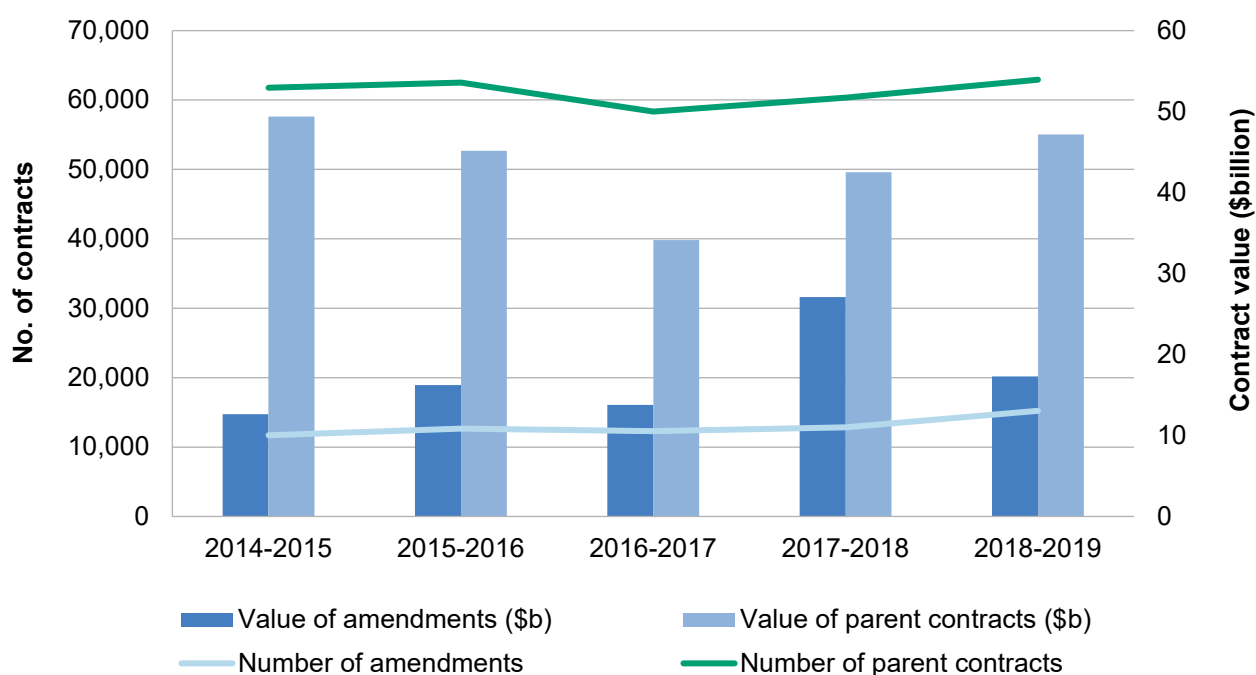
14 The National Portrait Gallery of Australia was prescribed with effect from 1 January 2018. The Australian Institute of Marine Science was prescribed for the full ten year period analysed by the ANAO.

15 They are: Australian National Maritime Museum, Export Finance and Insurance Corporation, National Gallery of Australia, Regional Investment Corporation and Sydney Harbour Federation Trust.

2.10 On an annual basis, as illustrated by Figure 2.1<sup>16</sup>:

- the number of parent contracts being reported has been stable for the last five years averaging 61,182 parent contracts reported annually. Over five financial years, there was a low of 58,337 parent contracts in 2016–17 and a high of 62,928 parent contracts reported in 2018–19;
- The number of amendments has not fallen below 11,600 in five years. The number of amendments reported was at the highest level yet in 2018–19; and
- the total contract value reported over the five years up to and including 2018–19 was \$305.3 billion, an average of \$61.1 billion per year. A feature of the reporting of contract notices has been considerable volatility in the value of amendments from year to year. The reported value of amendments was 20 per cent of the total value reported in 2014–15, increasing to nearly 27 per cent in 2018–19. The peak occurred in 2017–18, when the value of amendments reported was 39 per cent of the total contract value reported.

**Figure 2.1: Number and value of contracts reported: 2014–15 to 2018–19**



Note: Reliable data on amendments was not available for the first four years of the ten year period analysed by the ANAO.

Source: ANAO analysis of AusTender data.

2.11 As illustrated by Table 2.3, the average value of reported contracts and amendments has, in general, been increasing.

<sup>16</sup> In 2013–14, Department of Finance introduced capabilities within AusTender to report amendments. Prior to this, it is not possible to distinguish (from the data) amendments from parents. Finance indicated to the ANAO that 2013–14 was a transitional period and so the ANAO focused on data for the period of 2014–15 to 2018–19.



**Table 2.3: Average contract value for parent contracts and amendments**

Financial publish year	Average value (\$000's)
2009–2010	469
2010–2011	393
2011–2012	459
2012–2013	530
2013–2014	650
2014–2015	844
2015–2016	816
2016–2017	678
2017–2018	950
2018–2019	825

Source: ANAO analysis of AusTender data.

2.12 As the value of contract amendments varies considerably from year to year, further analysis has been undertaken of amendments. Given AusTender did not have functionalities to report amendments before 2012–13, the ANAO's analysis of amendments involved six years of data (from 2013–14 to 2018–19). Over this period:

- from a population of 365,301 parent contracts, there were a total of 37,611 (10 per cent) with at least one amendment, which will be referred to as 'amended contracts' for the remainder of this analysis; and
- in total, there were 72,411 amendments published. While the majority of contracts that were amended were amended once, almost one-third of contracts that have been amended were amended on more than on occasion (see Table 2.4).<sup>17</sup>

**Table 2.4: Breakdown of amendment volume to amended contracts**

Number of Amendments per parent contract	Percentage of amended contracts (%)
1	68
2	19
3	7
4	3
5	1
6–9	2
10 or more	1

Source: ANAO analysis of AusTender data.

17 In relation to reporting of amendments, the ANAO through Report No. 48 2014–15 Limited Tender Procurement identified '*variations or extensions to existing contracts had also been misreported as new contract notices on AusTender.*'

## **Amendments to contracts within 12 months of the parent contract being reported**

2.13 Over the six years analysed, less than nine per cent of amended contracts were reported as being amended within twelve months of being published. The proportion of parent contracts amended within 12 months in 2018–19 was the lowest of the six years analysed, at 6.2 per cent.<sup>18</sup>

## **Extending contract end dates**

2.14 As amendments to contract end dates overwrite the original end date in AusTender, it was not possible for the ANAO to use the dataset obtained for this information report to analyse the extent to which contract end dates have been amended.

## **Increasing contract values**

2.15 AusTender data identifies both the value of the parent contract and the value of any subsequent amendments above the required threshold (refer to Table 2.1).

2.16 The use of limited tender is restricted by a set of conditions for contracts above certain thresholds (see Table 2.1). From 2013–2014 to 2018–2019, less than two per cent of amended contracts had their value amended from below the relevant threshold to above the threshold. Where such amendments occurred, they were significantly more common for non-construction services procurements undertaken by NCCs (compared with construction services procurements and non-construction procurements undertaken by CCEs).

2.17 Where an amendment to increase the value of a contract has been reported on AusTender, the extent of the increase has often been significant. For example, and as illustrated by Figure 2.2, 41.8 per cent of amended parent contracts had their value increase by more than 100 per cent, including 19.9 per cent of amended contracts where the value increased by 200 per cent or more.

2.18 In determining whether the value of the procurement is above the relevant threshold, the CPRs require entities to estimate the maximum expected value including options, extensions, renewals or other mechanisms that may be executed over the life of the contract. This is different from the methodology used to determine the reported value for AusTender purposes where Finance guidance requires that an entity report the total value of the contract (including GST where applicable) and that the reported value not take into account any options, extensions, renewals, or other mechanisms that may be exercised at a future date to increase the value of the contract.

2.19 Where an amendment is reported onto AusTender, the possible reasons for the amendment include:

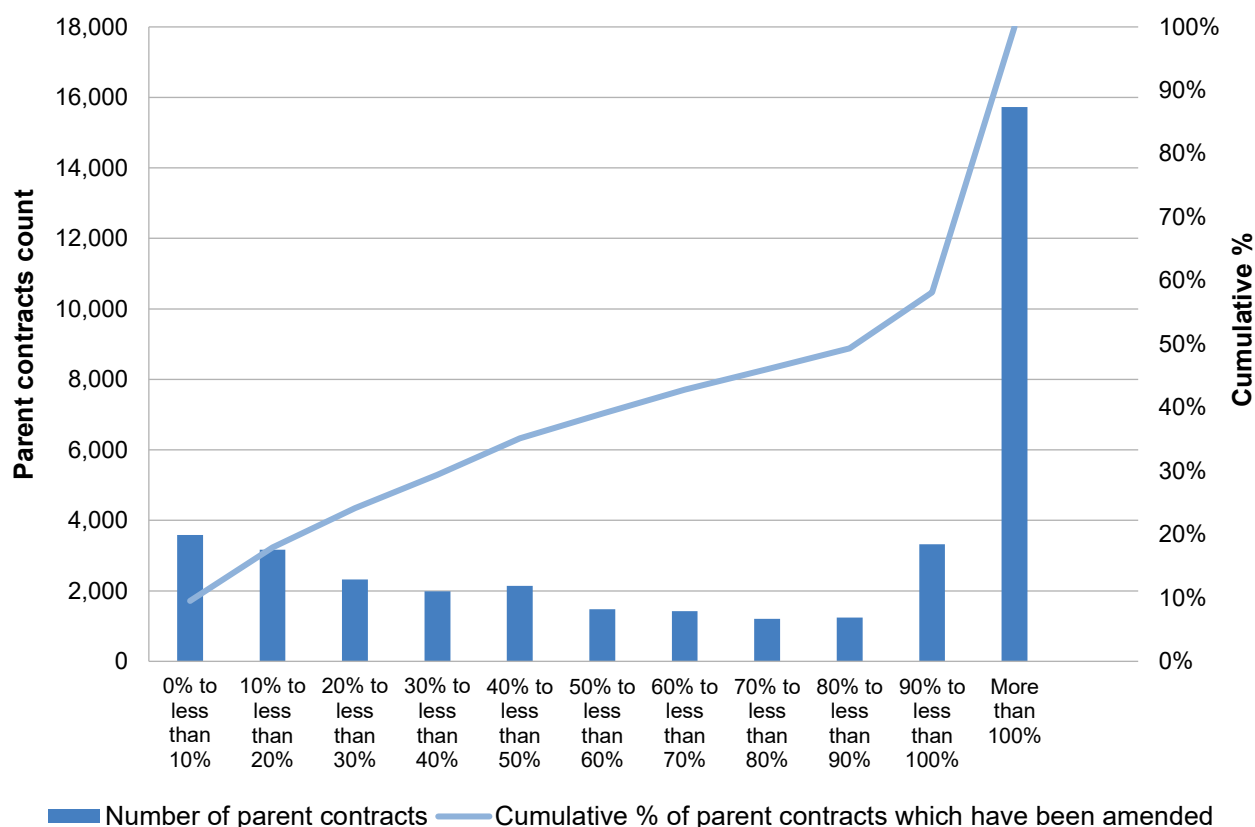
- exercise of options within the contracts;
- there was an increase in scope or an extended timeframe; and/or
- an increase in contract value.

2.20 The AusTender dataset does not capture specifically the reasons for amending a contract.

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18 Auditor-General Report No.19 of 2017–18 analysis of amendments was based on weekly exports of AusTender over 18 months. In comparison, this report uses data from a 10 years snapshot of AusTender. The difference in data granularity along with AusTender being a live dataset means that results from the two reports are not directly comparable.

**Figure 2.2: Range of value increase through amendments published**



Source: ANAO analysis of AusTender data.

2.21 Table 2.5 outlines the top 10 procurement categories with parent contracts that increased in value by more than 200 per cent.

**Table 2.5: Amended contracts with over 200 per cent increase in value by procurement category<sup>a</sup>**

Procurement category	Amended contract count
Management and Business Professionals and Administrative Services <sup>b</sup>	3,752
Engineering and Research and Technology Based Services	1,255
Commercial and Military and Private Vehicles and their Accessories and Components	592
Information Technology Broadcasting and Telecommunications	300
Building and Construction and Maintenance Services	251
Transportation and Storage and Mail Services	181
Education and Training Services	176

Procurement category	Amended contract count
Defence and Law Enforcement and Security and Safety Equipment and Supplies	135
Healthcare Services	118
Public Utilities and Public Sector Related Services	86

Note a: Two amendments were without parent contracts. They were not included the analysis.

Note b: There are 37 categories. The top 5 by volume are Temporary personnel services (1077 contracts), Legal services (951 contracts), Project management (521 contracts), Management advisory services (240 contracts) and Personnel recruitment (200 contracts).

Source: ANAO analysis of AusTender data.

2.22 It is not possible from AusTender reporting to identify the reasons for increases to contract values. This includes, for example, whether the increase relates to the same scope as originally contracted, an increased scope, a longer timeframe for delivery, or exercising an existing extension option in the contract.

## High value contracts

2.23 The ANAO analysis of the reported number and value of contracts suggests that the reporting entities may be awarding higher valued contracts. Consistent with this, a small number of high-value AusTender records represented the majority of total contract value reported as being awarded each year. Table 2.6 sets out the lowest number of high value records that makes up 80 per cent of total reported contract value.

**Table 2.6: Lowest number of high value records that makes up 80 per cent of contract value**

Financial publish year	Lowest number of high value records that makes up 80% value	All records count	% of records making up 80% value
2009–2010	1,729	80,431	2.1%
2010–2011	2,924	79,137	3.7%
2011–2012	2,162	81,641	2.6%
2012–2013	1,401	67,186	2.1%
2013–2014	1,224	67,054	1.8%
2014–2015	985	73,478	1.3%
2015–2016	1,149	75,188	1.5%
2016–2017	1,564	70,624	2.2%
2017–2018	1,011	73,217	1.4%
2018–2019	2,072	78,150	2.7%
<b>All</b>	<b>16,221</b>	<b>746,106</b>	<b>2.2%</b>

Source: ANAO analysis

2.24 Table 2.7 is a subset of Table 2.6 with the Department of Defence excluded. After excluding the contracts from the Department of Defence, there remains a small number of high value contracts contributing to the total procurement value.

**Table 2.7: Lowest number of high value records that makes up 80 per cent of contract value (excluding Department of Defence)**

Financial publish year	Lowest number of high value records that makes up 80% of value	All records count	% of records making up 80% value
2009–2010	1,257	45,203	2.8%
2010–2011	1,697	43,842	3.9%
2011–2012	1,719	43,187	4.0%
2012–2013	594	38,345	1.5%
2013–2014	1,003	36,810	2.7%
2014–2015	475	39,942	1.2%
2015–2016	496	41,311	1.2%
2016–2017	2,183	40,582	5.4%
2017–2018	2,065	44,256	4.7%
2018–2019	4,481	48,872	9.2%
<b>All</b>	<b>15,970</b>	<b>422,350</b>	<b>3.8%</b>

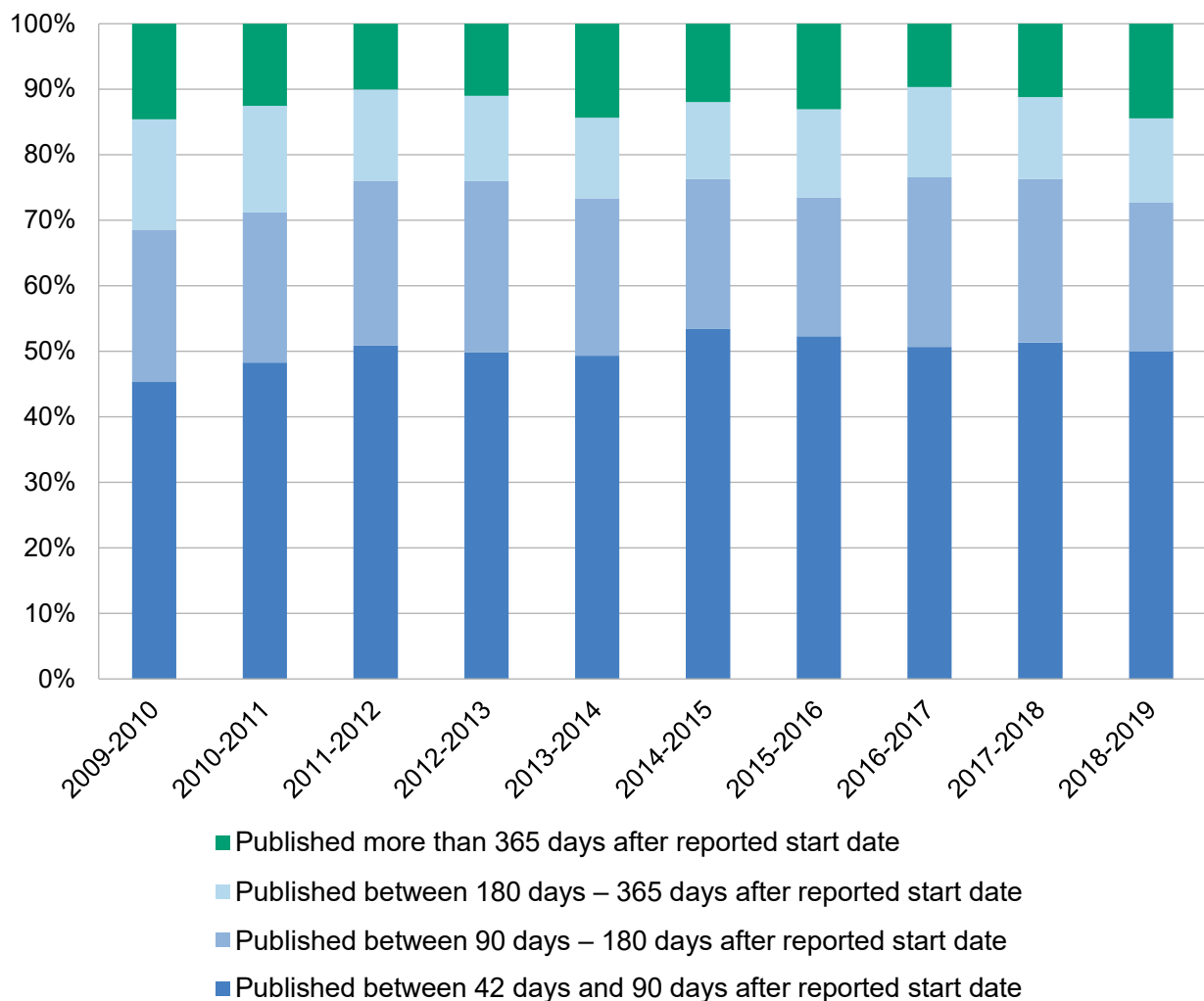
Source: ANAO analysis.

## Timeliness of reporting

2.25 The CPRs state that relevant entities must report contracts and amendments on AusTender within 42 days of entering into (or amending) a contract if they are valued at or above the reporting threshold.

2.26 Between 2009–10 and 2018–19 there were 140,336 instances (19 per cent) where a contract or amendment was published 42 days or more after the reported start date. For analysis, the ANAO considers these to be non-compliant contract notices. As illustrated by Figure 2.3, extended delays have not been uncommon.

**Figure 2.3: Non-compliant contract notices by financial year (2009–2010 to 2018–2019)**



Source: ANAO analysis of AusTender data.

2.27 Table 2.8 shows non-compliance with the 42 days publishing rule each year for the ten year period analysed by the ANAO. Compliance improved between 2009–10 and 2016–17, but deteriorated in 2017–18 and 2018–19.

**Table 2.8: Volume and percentage of contract notices published 42 days or more after the reported start date**

Financial publish year	Number of contract notices published more than 42 days or more after the start date	Proportion of contract notices published 42 days or more after the start date
2009–2010	21,951	27%
2010–2011	21,168	27%
2011–2012	18,974	23%
2012–2013	14,402	21%
2013–2014	10,184	15%

Financial publish year	Number of contract notices published more than 42 days or more after the start date	Proportion of contract notices published 42 days or more after the start date
2014–2015	10,393	14%
2015–2016	10,576	14%
2016–2017	8,904	13%
2017–2018	10,376	14%
2018–2019	13,408	17%

Source: ANAO analysis of AusTender data.

## 3. Use of competitive procurement processes

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3.1 The categories of procurement methods set out in the CPRs have varied over time. For the majority of the ten year period examined by the ANAO, the choices were:

- ‘open tender’, defined as involving publishing an open approach to market and inviting submissions. This includes multi-stage procurements, provided the first stage is an open approach to market and where a panel is established through an open approach and then individual procurements involve using this panel to select a provider;
- ‘prequalified tender’<sup>19</sup>, which involves publishing an approach to market inviting submissions from all potential suppliers on:
  - a shortlist of potential suppliers that responded to an initial open approach to market on AusTender;
  - a list of potential suppliers selected from a multi-use list established through an open approach to market; or
  - a list of all potential suppliers that have been granted a specific licence or comply with a legal requirement, where the licence or compliance with the legal requirement is essential to the conduct of the procurement; and
- ‘limited tender’, where one or more potential providers are approached to make a submission. Limited tender includes the category previously referred to as ‘direct source procurement’.

3.2 The analysis in this chapter shows reported use of these three procurement methods. Readers should apply some caution to interpreting the results given ANAO audit reports have identified errors by entities when reporting on the procurement method.<sup>20</sup> In addition, performance audits have also identified that a procurement approach that commences with an open approach to the market does not necessarily mean that the procurement process promoted effective competition.<sup>21</sup>

### Procurement method

3.3 Achieving value for money is the core rule of the CPRs. Generally, the more competitive the procurement process, the better placed an entity is to demonstrate that it has achieved value for money and so competition is a key element of the procurement framework.<sup>22</sup> Competition encourages respondents to submit more efficient, effective and economical proposals. It also ensures that the purchasing entity has access to comparative services and rates, placing it in an informed position when evaluating the responses. Over a period of ten years, 44 per cent by value

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19 From 1 January 2019, ‘prequalified tender’ is no longer reported as a separated category.

20 For example, Auditor-General Report 48 of 2014–15 examined a sample of 155 contract notices reported on AusTender as having been conducted via limited tender and identified that 45 (29 per cent) had been incorrectly reported.

21 For example: Auditor-General Report 45 of 2016–17; Auditor-General Report 23 of 2017–18; and Auditor-General Report 4 of 2018–19.

22 The CPRs state (at paragraph 5.1) state that ‘effective competition requires non-discrimination and the use of competitive procurement processes’.

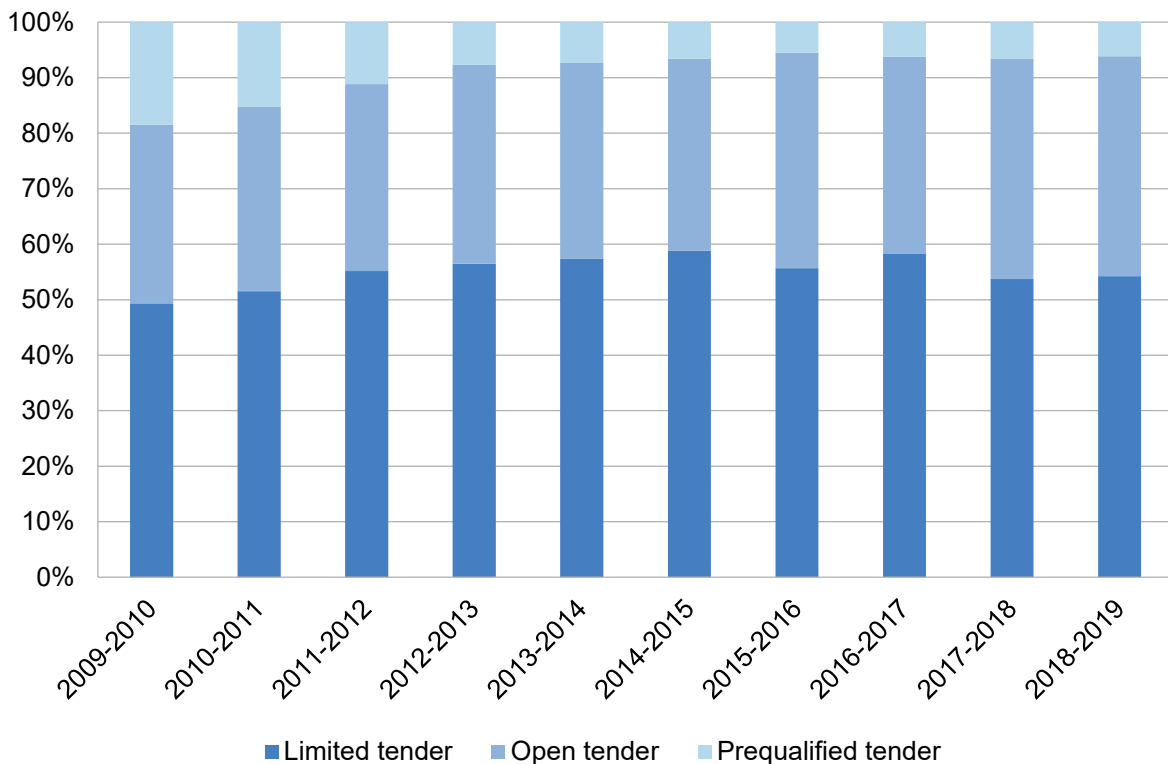


(37 per cent by count) of contract notices (parent contracts and amendments) with value above the relevant procurement threshold were reported as being let through limited tender.

3.4 Open tender and prequalified tender promote competition, whereas limited tender, as its name suggests, limits competition. While the CPRs emphasise the benefits of open and effective competition, limited tender is the most commonly used procurement approach. As illustrated by Figure 3.1:

- across the ten year period analysed, 55 per cent of parent contracts were reported as having resulted from a limited tender procurement method; and
- limited tender consistently represented the reported method for between 50 per cent and 55 per cent of parent contracts. This proportion was at its lowest in 2009–10 (at 49 per cent) and its highest in 2014–15 (at 59 per cent).

**Figure 3.1: Reported procurement method: 2009–10 to 2018–19**



Source: ANAO analysis of AusTender data.

### Extent to which higher value contracts have resulted from a competitive approach

3.5 As illustrated by Table 2.1 on page 15, different procurement thresholds are in place for identifying when Division 2 of the CPRs applies (which restricts the use of limiter tender approaches) depending on whether the procurement is for construction services and whether the entity is a NCCCE or prescribed CCE.

## Construction services contracts for all reporting entities

3.6 Entities are not required to identify in AusTender whether a contract relates to construction services. For the purposes of analysis, the ANAO considered contracts in three categories as relating to construction services<sup>23</sup> and the remainder as being non-construction services.

3.7 Table 3.1 illustrates the procurement approaches reported as having been used for construction services contracts. There were 35,217 construction services contracts worth \$43.5 billion reported across the ten years analysed by the ANAO. A significant proportion of those contracts (42.6 per cent by volume) were reported as having been let through a limited tender. By value, the limited tender construction services contracts were worth \$5.94 billion or 13.6 per cent of the total.

**Table 3.1: Procurement approach reported for construction services contracts**

Reported procurement approach	Number of contracts	Value of contracts (\$billion)
Open tender	13,288 (37.7%)	24.72 (56.8%)
Prequalified tender	6,919 (19.6%)	12.88 (29.6%)
Limited tender	15,010 (42.6%)	5.94 (13.6%)
<b>Total</b>	<b>35,217</b>	<b>43.54</b>

Source: ANAO analysis of AusTender data.

3.8 The significant majority (99.3 per cent by volume) of construction services contracts reported as having resulted from a limited tender procurement were valued below the \$7.5 million threshold. A small number (98 or 0.7 per cent of the total number) of contracts above the \$7.5 million threshold comprised the majority by value of all construction services contracts reported as having resulted from a limited tender procurement (54.5 per cent). This indicates the use of competitive approaches for construction services contracts increases as the value of the contract increases:

- by number, 42.6 per cent of construction services contracts with a reported value below \$7.5 million were let through a limited tender compared with 17.4 per cent of contracts with a value above the \$7.5 million threshold; and
- by value, 26.2 per cent of construction services contracts with a reported value below \$7.5 million were let through a limited tender compared with 9.7 per cent of contracts with a value above the \$7.5 million threshold.

## Corporate Commonwealth entities non-construction services contracts

3.9 Table 3.2 illustrates the procurement approaches reported as having been used by prescribed CCEs. There were 4,926 non-construction services contracts worth \$4.15 billion reported across the period analysed by the ANAO. A significant proportion of those contracts (49.8 per cent)

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23 The three categories were: 'Building and Construction and Maintenance Services'; Building and Construction Machinery and Accessories'; and 'Structures and Building and Construction and Manufacturing Components and Supplies'.

were reported as having been let through a limited tender. By value, the majority (57.6 per cent) of these contracts were reported as having resulted from an open tender approach.

**Table 3.2: Procurement approach reported by prescribed CCEs for non-construction services**

Reported procurement approach	Number of contracts	Value of contracts (\$million)
Open tender	2,368 (43.1%)	3,330.3 (57.6%)
Prequalified tender	385 (7.0%)	601.4 (10.4%)
Limited tender	2,735 (49.8%)	1,847.3 (32.0%)
<b>Total</b>	<b>5,488</b>	<b>5,779</b>

Source: ANAO analysis of AusTender data.

3.10 Specific to non-construction services contract notices, of the 23 prescribed CCEs that had reported on AusTender<sup>24</sup>, there were three that did not report any contracts having been let through a limited tender approach.

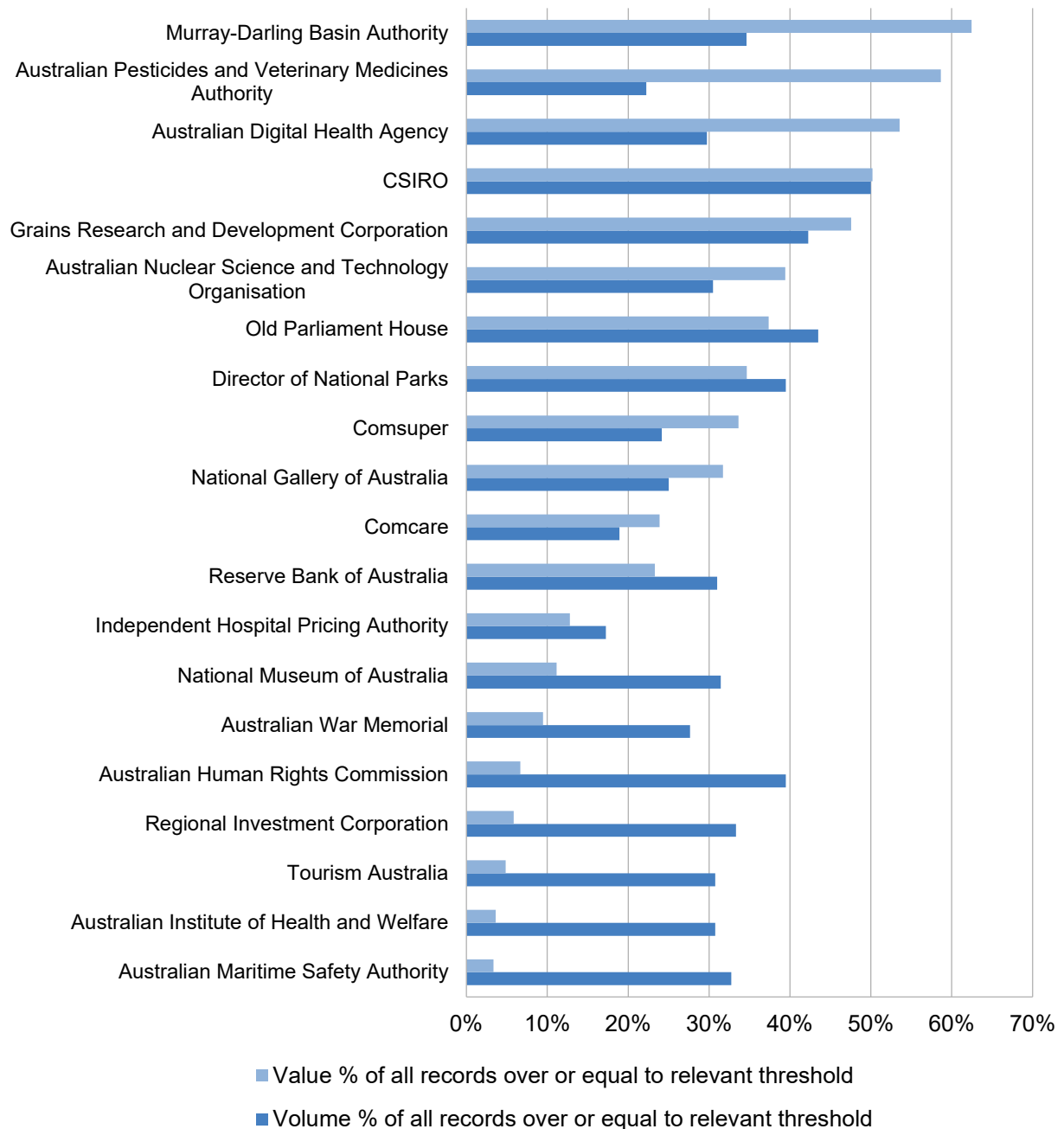
3.11 As illustrated by Table 2.1 on page 15, five of the 25 prescribed CCEs have a reporting threshold of \$80,000, and the remaining 20 have a reporting threshold of \$400,000 for non-construction services contracts. In this respect:

- 15 of the prescribed CCEs reported a total of 2,618 non-construction services contracts with a value below \$80,000, which did not need to be reported; and
- the five entities identified in the CPRs as having a reporting threshold of \$80,000 reported 674 non-construction services contracts with a value of \$80,000 or higher. There were a further 15 prescribed CCEs that reported a total of 761 non-construction services contracts with a value between \$80,000 and the reporting threshold of \$400,000 specified for them in the CPRs. Those 761 contracts did not need to be reported.

3.12 As illustrated by Figure 3.2, the extent to which prescribed CCEs have reported using limited tenders for non-construction services contracts valued above the relevant threshold in the CPRs has varied considerably.

24 See paragraph 2.4.

**Figure 3.2: Extent to which prescribed CCEs have reported using limited tender for non-construction services contracts with a value at or above relevant threshold**



Source: ANAO analysis of AusTender data.

### **Non-corporate Commonwealth entities non-construction services contracts**

3.13 Over the ten years analysed by the ANAO, NCCEs reported 626,202 non-construction services contracts valued at \$405.5 billion.

3.14 Limited tender was the most commonly reported procurement method for NCCEs non-construction services contracts with a reported value under the \$80,000 procurement threshold.

Specifically, 62 per cent of contracts representing 58 per cent of the NCCEs non-construction services contract values were reported as resulting from a limited tender.

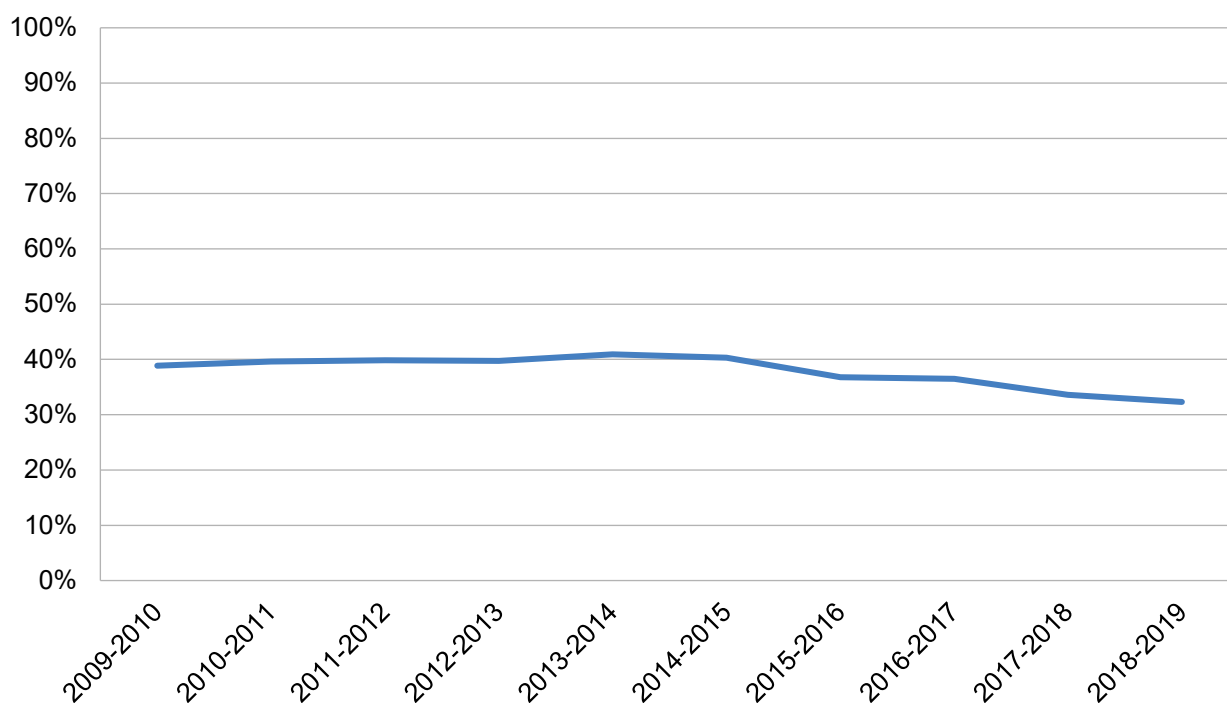
3.15 It was less common for NCCEs non-construction services contracts above the procurement threshold to be reported as having resulted from a limited tender. The percentages nevertheless remained relatively high at 37 per cent and 47 per cent.

3.16 NCCEs report higher use of limited tender approaches to non-construction services procurement compared to the use of limited tender for prescribed CCEs to non-construction services procurement, and for all entities construction services procurement.

3.17 There has been significant variability across NCCEs as to the extent to which they have reported using limited tender procurement approaches. Figure 3.3 includes, by value, the ten NCCEs that reported the greatest use of limited tender for parent contracts and amendments above the \$80,000 threshold and illustrates the extent to which a limited tender approach was reported as being used each year by those entities.

3.18 As illustrated by Figure 3.3, there has been a decline in what proportion of non-construction contracts reported by NCCEs each year have resulted from limited tenders.

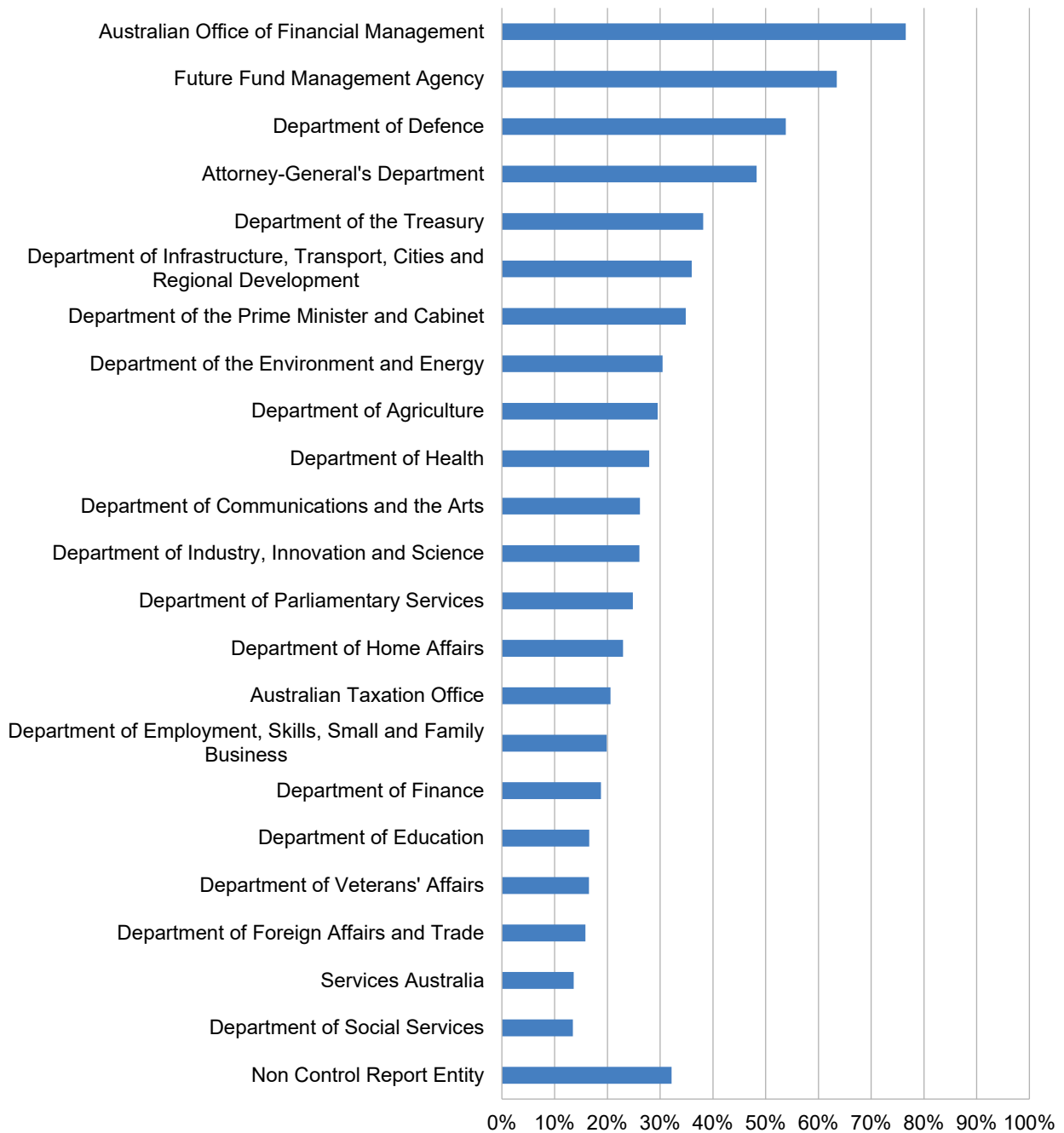
**Figure 3.3: Proportion of the use of limited tender records at or above \$80,000 by NCCCE for non-construction contracts**



Source: ANAO analysis of AusTender data.

3.19 As illustrated by Figure 3.4, there has been considerable variation in the extent to which NCCEs have reported using limited tenders over the ten year period analysed.

**Figure 3.4: Proportional use of limited tender by value for non-construction contracts at or above \$80,000 for NCCE control report entities**



Source: ANAO analysis of AusTender data.

### Recorded reasons for not employing competitive approaches for higher value contracts

3.20 From 1 July 2018, reporting entities are required to record in AusTender the justification for undertaking a procurement through limited tender that has an estimated value above the relevant procurement threshold. To date, there has been a high level of compliance with this requirement.

Specifically, 99.1 per cent of contract notices with a value above \$80,000 (99.9 per cent by value) have an exemption or condition recorded.<sup>25</sup>

3.21 For Table 3.3 and Table 3.4, the ANAO analysis of exemption conditions and exemptions is based on parent contracts as this best reflects the initial procurement method of a contract.

3.22 Table 3.3 shows the total count of parent contracts and their total value against the limited tender conditions as stated in section 10 of the CPRs.

**Table 3.3: Parent contract value and count of Limited Tender Conditions for financial year 2018–2019**

Limited Tender Condition (as stated in Section 10 of the CPRs)	Parent contract value (\$000's)	Parent contract count
10.3.e. Additional deliveries by original supplier intended as replacement parts, extensions, or continuation for existing goods or services for compatibility.	2,585,799	1,462
10.3.d.iii. Supply by particular business: due to an absence of competition for technical reasons.	2,066,579	1,544
10.3.a.i. No submissions or value for money submissions received.	471,016	297
10.3.d.ii. Supply by particular business: with no reasonable alternative or substitute: to protect exclusive rights or proprietary information.	183,417	316
10.3.b. Extreme urgency or events unforeseen.	95,001	131
10.3.g. Prototype intended for limited trial or developed at the entity's request for a research, experiment, study, or original development contract.	91,395	63
10.3.a.iii. No tenderers satisfied conditions for participation.	48,351	76
10.3.c. Advantageous conditions arising only in the very short term, not routine procurements.	41,490	48
10.3.f. In a commodity market.	32,810	27
10.3.d.i. Supply by a particular business: for works of art.	25,291	45
Estimated value was under the procurement threshold.	17,294	63
Valued below the construction threshold.	10,411	27
10.3.a.ii. No submissions met minimum content and format requirements.	7,083	22
10.3.h. Awarded to the winner of a design contest independently judged and run consistent with the CPRs.	2,260	7

Source: ANAO analysis of AusTender data.

<sup>25</sup> Given mandatory reporting of justification was introduced in 1<sup>st</sup> July 2018, only AusTender data for the financial year 2018–2019 has been analysed.

3.23 If a limited tender condition is not provided for a limited tender contract at or above the relevant procurement threshold an exemption needs to be provided. Table 3.4 shows the total parent contracts value and their count against the Paragraph 2.6 and Appendix A exemptions. The significant majority (95 per cent) of the exemptions claimed under paragraph 2.6 of the CPRs were reported by the Department of Defence.

**Table 3.4: Parent contract value and count of Paragraph 2.6 and Appendix A exemptions for financial year 2018–2019**

Total Limited Tender Exemption (as stated in Paragraph 2.6 and Appendix A of the CPRs)	Parent contract value (\$000's)	Parent contract count
CPR Paragraph 2.6: The CPRs do not apply to the extent that an official applies measures determined by their Accountable Authority to be necessary for the maintenance or restoration of international peace and security, to protect human health, for the protection of essential security interests, or to protect national treasures of artistic, historic or archaeological value	5,016,588	909
App A: 1. Leasing of immovable property or any associated rights.	2,789,020	413
App A: 2. From another Commonwealth, state, territory or local government entity.	1,149,978	670
App A: 6. Research and development services (but not inputs).	337,843	428
App A: 16. SME with at least 50 percent Indigenous ownership.	227,186	406
App A: 13. By, or on behalf of select Defence intelligence agencies.	128,889	179
App A: 5. Direct purpose of providing foreign assistance.	97,010	61
App A: 12. Government advertising services.	82,774	50
App A: 7. Expert or neutral person (including counsel or barristers).	60,283	176
App A: 8. Procuring outside Australian territory for consumption outside Australian territory.	58,244	82
App A: 9. Fiscal agency, depository and other associated services.	41,636	10
App A: 14. Contracts for labour hire.	38,692	163
Archived from 1 January 2019 — Appendix A: 10. procurement of motor vehicles.	6,732	27
App A: 3. Funded by international grants, loans or other assistance.	4,690	15
App A: 11. Blood plasma products or plasma fractionation services.	4,102	14



Total Limited Tender Exemption (as stated in Paragraph 2.6 and Appendix A of the CPRs)	Parent contract value (\$000's)	Parent contract count
App A: 15. From a business that primarily exists to provide the services of persons with a disability.	2,834	13
App A: 4. Funded by grants and sponsorship payments from non-Commonwealth entities.	300	2
App A: 10. By the Future Fund Management Agency, for the purposes of managing and investing the assets of the Future Fund.	198	1

Source: ANAO analysis.

## 4. Procurement panels

4.1 Procurement panels are a tool for the procurement of goods or services regularly acquired by entities. Panels are established through procurement processes, where typically a number of suppliers are appointed through a contract or deed of standing offer. Panels are usually established at a point in time, and once established, a panel must be refreshable for other suppliers to join. Where panel arrangement was established by open tender, then purchases made from it are also reported as being made by open tender, even when not all suppliers represented on the panel are invited to respond to the particular procurement opportunity.

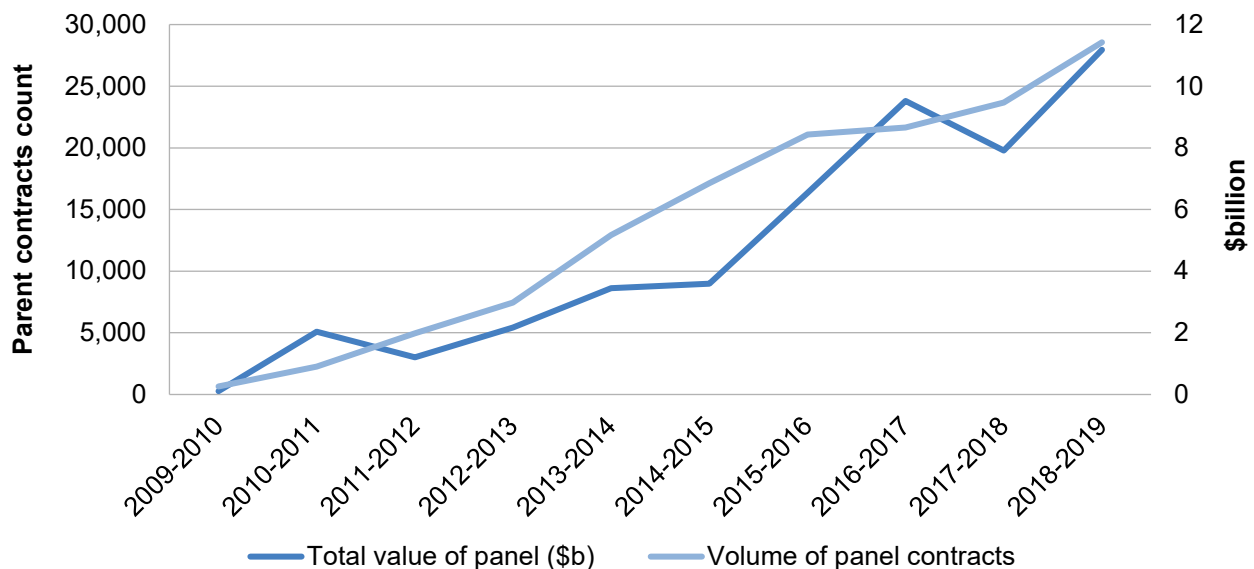
4.2 Entities in addition to the one that established a panel are able to use the panel where the initial request documentation and the contract permit this. Where the entity using the panel is not an AusTender reporting entity (see paragraphs 2.2 to 2.6), the contract entered into through the panel arrangement will not be reflected in AusTender data and so is not able to be reflected in the ANAO’s analysis. Analysis of the use of panels is also dependent on entities identifying in AusTender that the procurement came from accessing a panel and linking the reported contract notices to the panel that was accessed.<sup>26</sup>

### Use of panels

4.3 As illustrated by Figure 4.1, the number and value of panel contracts reported each year increased significantly over the last ten years. Finance advised the ANAO in February 2020 that:

The Panel Arrangement flag was introduced in 2014–15 and was applied to new and existing panels in anticipation of the release of Dynamic Sourcing for Panels. This is why there is significant growth in the number of contracts linked to the Panel flag over the ten year period.

**Figure 4.1: Number and value of panel’s contracts reported: 2009–10 to 2018–19**

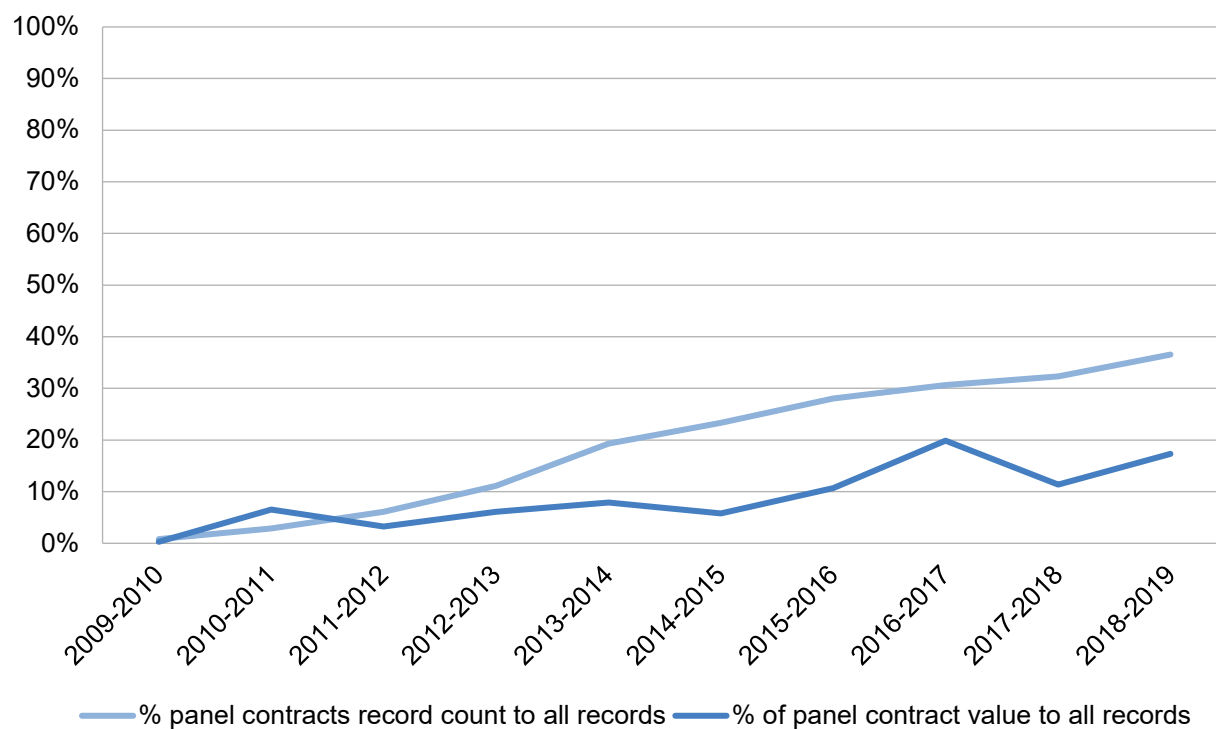


Source: ANAO analysis of AusTender data.

26 For analysis, the ANAO relied on Entities’ completion of the field “Panel Arrangement” (Yes/No flag) within AusTender.

4.4 Figure 4.2 illustrates that the use of panels has also grown in relative terms. In 2018–19, more than 36 per cent of reported contracts, involving over 17 per cent of reported contract values, were identified as having drawn from a panel.

**Figure 4.2: Proportion of records with a panel arrangement identified**



Source: ANAO analysis of AusTender data.

## Concentration of suppliers

4.5 The first information report identified that the large majority of panels examined had a relatively small proportion of suppliers that were awarded the majority of contract value. This situation was similarly evident from the ANAO's expanded and updated analysis as part of this second information report. For example, for eight of the top ten panels<sup>27</sup> by total value over the ten years analysed, less than one third of the suppliers represented on the panel were awarded at or over 80 per cent of the panel's total value.

<sup>27</sup> Panels analysed were those with at least 5 suppliers awarded contracts over the period of 2009–2010 to 2018–2019

**Table 4.1: Proportion of suppliers awarded at or over 80% of panel's total value for top 10 panels by value (2009–2010 to 2018–2019)**

SON ID	SON Title	Total value awarded to the panel (\$000's)	Number of suppliers making up at or over 80% of panel's total value	Percentage of suppliers awarded at or over 80% of panel's total value
SON867801	ICT Contractor Services Panel	4,280,088	214	17.0%
SON48590	Capability Acquisition and Sustainment Support Services (CASSS) Panel	2,382,456	476	15.8%
SON661641	Information and Communication Technology (ICT) Services Commercial Off...	1,587,931	41	28.2%
SON2501421	Information and Communication Technology Services Panel	1,289,150	89	25.6%
SON2917812	Recruitment and Related Services Panel	1,112,300	74	18.0%
SON433899	Applications Managed Services Partner Arrangement	1,059,327	6	50.0%
SON3422137	AMEP/SEE 2017–20	1,013,082	23	33.3%
SON1700081	127074 Consultancy and Business Services under a Standing Offer Panel...	958,880	178	13.3%
SON3374038	Outsource Labour for Service Delivery Panel	824,393	6	66.7%
SON3280319	ICT Professional Services — Treasury Portfolio	785,231	137	12.1%

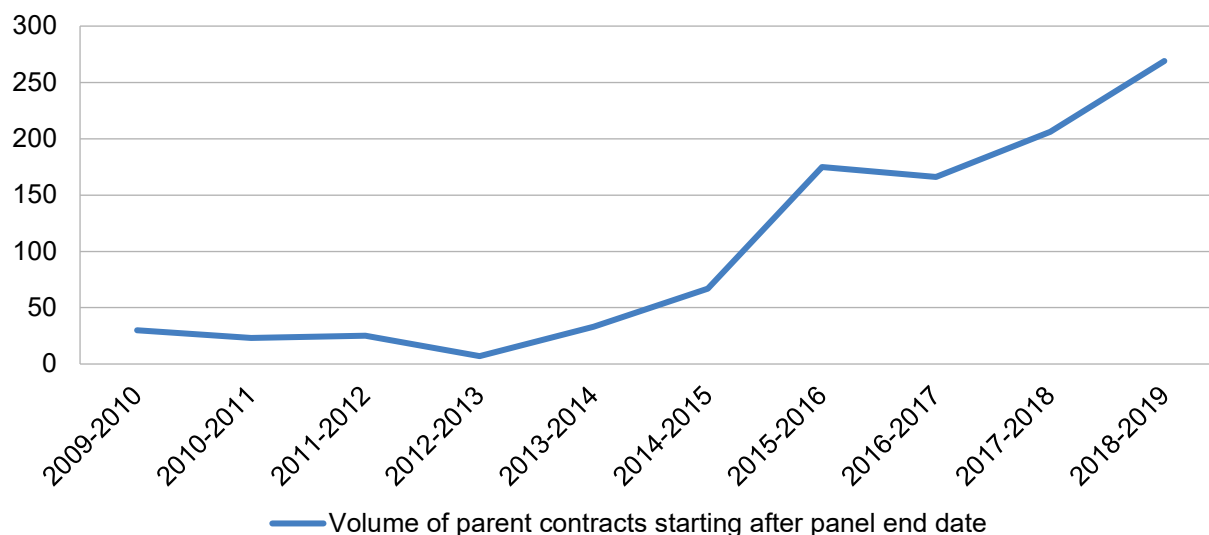
Source: ANAO analysis of AusTender data.

## Panel end dates

4.6 Panels have a set period of operation. For this reason, deeds of standing offer are to include a clear end date. This should be reflected in the specification in AusTender of a Standing Notice Offer (SON) end date.

4.7 Analysis of AusTender data (see Figure 4.4) identified the existence of parent contracts under panel arrangements that have been published with contract start dates after the published end date of the panel. There were more than 1,000 such instances out of 113,345 across the ten years analysed by the ANAO. As illustrated by Figure 4.4, there has been a significant increase in the incidence of this occurring in recent years, with 269 in 2018–19 alone.

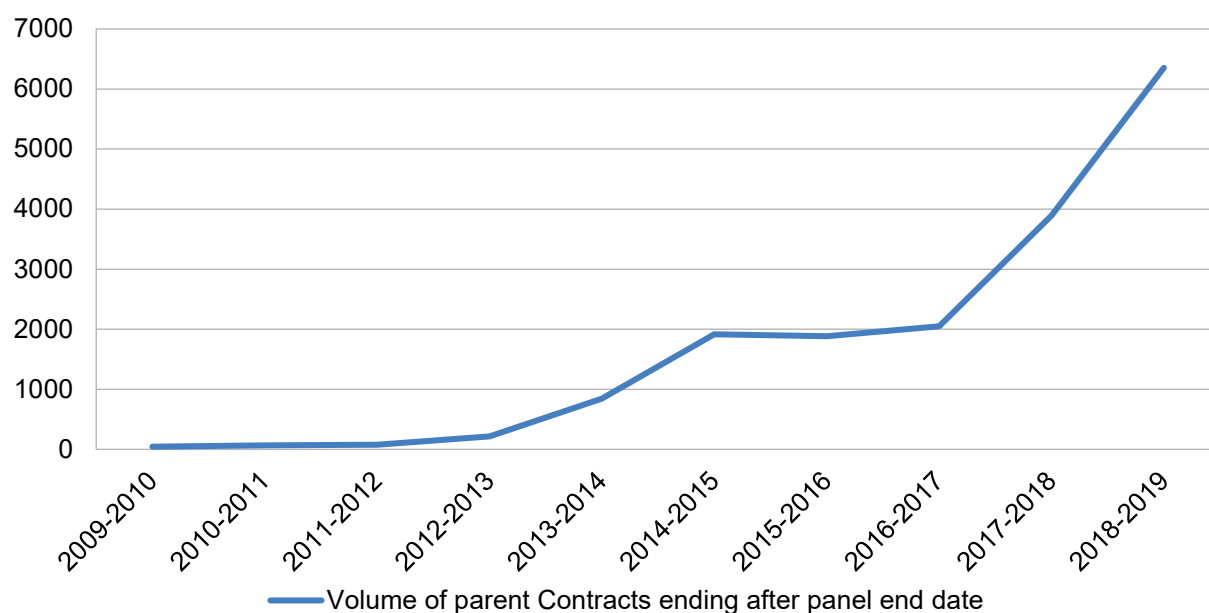
**Figure 4.3: Parent contracts under panel arrangements with start date after the panel's end date**



Source: ANAO analysis of AusTender data.

4.8 Reporting in AusTender has also included more than 17,000 contracts where the contract was reported as having an end date after the panel's end date. Such instances have also increased significantly in recent years, as illustrated by Figure 4.5.

**Figure 4.4: Parent contracts under panel arrangements with end date after the panel's end date**



Source: ANAO analysis of AusTender data.

4.9 Table 4.2 shows that it has been common for the contracted start date to be a significant period of time after the reported end date for the panel.

**Table 4.2: Distribution of differences (days) for parent contracts started after its panel’s end date.**

Days	Parent contract count
0–30 days	305
30–90 days	165
90–365 days	370
365 days or longer	161 <sup>a</sup>

Note a: There was a parent contract with a start date in May 2018 registered to a panel that ended in Oct 2011. This is a difference of 2400 days.

Source: ANAO analysis of AusTender data.

## 5. What is being procured, from whom

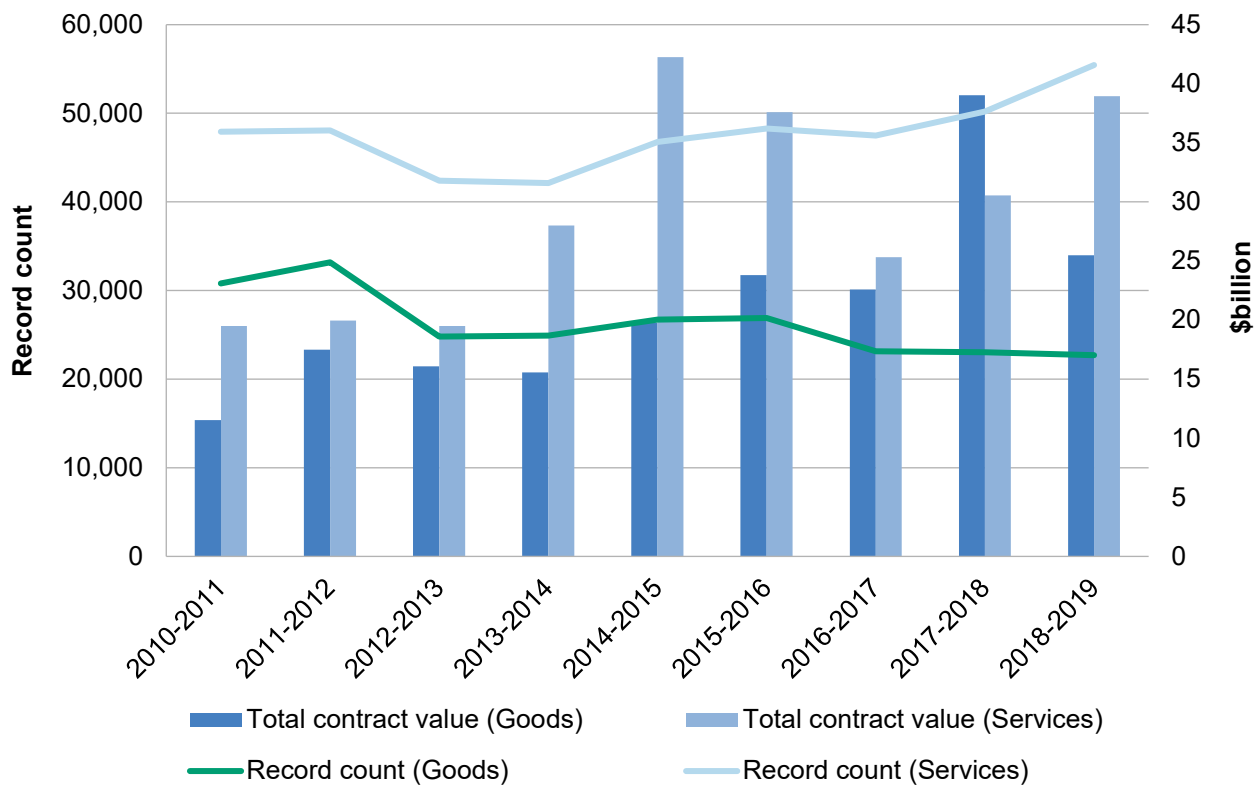
5.1 Finance advised the ANAO that the AusTender system was designed and built to perform a gazettal function which means that it has a simple data structure, with a limited number of fields. Finance further advised the ANAO that there are no linkages to agency financial management information systems, beyond providing the capacity to upload data into the simple data structure. These circumstances affect the extent to which AusTender data can be used to analyse the types of goods and/or services being contracted, and the suppliers being contracted with.

5.2 Entities reporting contracts on AusTender use a subset of the United Nations Standard Products and Services Code (UNSPSC) to categorise the entry so as to identify the primary purpose of the contract. The ANAO used nine years of data (from 2010–2011 to 2018–2019) for analysis. This was because Finance’s code set of UNSPSCs could only be sufficiently mapped to AusTender data going back to 2010–2011.

### Extent to which purchases are of ‘goods’ or ‘services’

5.3 Based on the procurement contract category, the majority of contracts (58 per cent by number and 64 per cent by value) have been for services rather than goods. Figure 5.1 shows the breakdown over the nine years of analysis. The total contract value for services was higher than that of goods in each year except for 2017–18.

**Figure 5.1: Total contract notices value and record count by ‘goods’ and ‘services’ and financial publish year**



Source: ANAO analysis of AusTender data.

5.4 On average over nine years, the value of services contracts (\$29.1 billion per financial year) was significantly greater (36.7 per cent) than that of goods contracts (\$21.3 billion per financial year).

## Major procurement categories

5.5 A small number of procurement categories represent a significant proportion of total reported contract values. Of the 54 categories, one (Commercial and Military and Private Vehicles and their Accessories and Components) represents nearly one quarter of all reported contract values. As illustrated by Table 5.1, five categories represent more than two thirds of the total reported contract value.

**Table 5.1: Top five procurement categories by contract value (2010–2011 to 2018–2019)**

Procurement category	Contract value (\$000's)	% of total contract value
Commercial and Military and Private Vehicles and their Accessories and Components	109,148,170	24.1%
Management and Business Professionals and Administrative Services	84,936,047	18.7%
Engineering and Research and Technology Based Services	38,440,027	8.5%
Building and Construction and Maintenance Services	37,130,628	8.2%
Information Technology Broadcasting and Telecommunications	34,441,126	7.6%

Source: ANAO analysis of AusTender data.

5.6 Within those five categories, it has been common for a small number of suppliers to dominate. Table 5.2 presents the top five suppliers against each category.

**Table 5.2: Top 5 procurement categories and the largest suppliers: 2009–10 to 2018–19**

Procurement categories	Top 5 suppliers by contract value	Total contract value (\$000's)	% for procurement category
Commercial and Military and Private Vehicles and their Accessories and Components	FMS Account	16,783,207	14%
	Dmojsf Official Australian Account	12,970,769	11%
	Boeing Defence Australia Ltd	6,606,072	6%
	Australian Aerospace Ltd	5,677,386	5%
	Thales Australia	5,268,625	5%
Building and Construction and Maintenance Services	Lend Lease Building Pty Ltd	4,770,583	12%
	Transfield Services (Australia)	3,233,995	8%

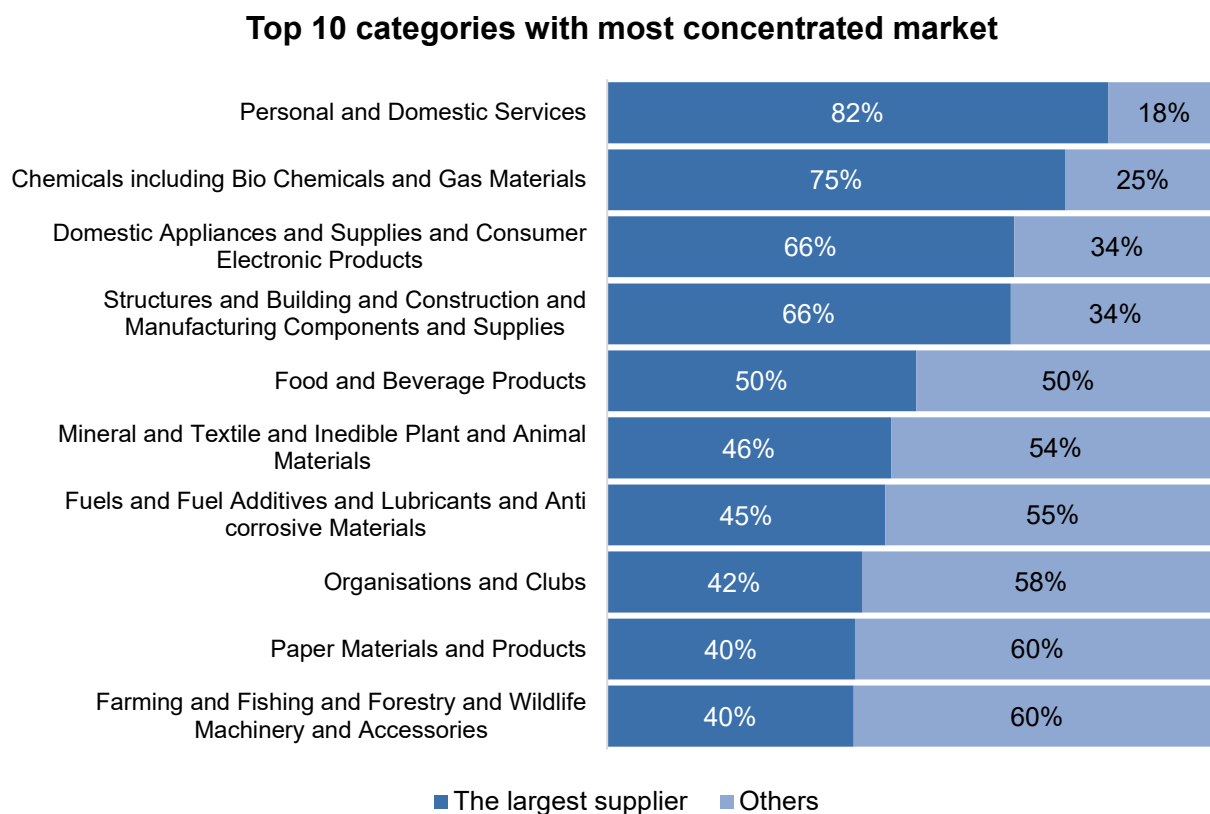


Procurement categories	Top 5 suppliers by contract value	Total contract value (\$000's)	% for procurement category
	Spotless Facility Services Pty Ltd	2,611,623	7%
	Laing O'Rourke Australia	2,575,801	6%
	John Holland Pty Ltd	2,474,772	6%
Management and Business Professionals and Administrative Services	DHA — Central Office	5,845,969	6%
	Transfield Services (Australia)	2,977,044	3%
	Serco Australia Pty Limited	2,553,800	3%
	Canberra Airport Pty Ltd	1,812,652	2%
	Manpower	1,580,941	2%
Engineering and Research and Technology Based Services	SAS Institute Australia	4,450,356	11%
	ASC Shipbuilding Pty Limited	2,263,527	6%
	IBM Australia Ltd	2,086,837	5%
	Boeing Defence Australia Ltd	1,487,632	4%
	Fujitsu Australia Limited	1,078,407	3%
Information Technology Broadcasting and Telecommunications	Telstra Corporation Limited	8,162,730	22%
	IBM Australia Ltd	2,170,163	6%
	Boeing Defence Australia Ltd	1,146,344	3%
	Lockheed Martin Australia Pty Ltd	1,100,900	3%
	Optus Networks Pty Ltd	1,037,432	3%

Source: ANAO analysis of AusTender data.

5.7 Contract value for a number of procurement categories has been concentrated with a small number of suppliers. From 2010–2011 to 2018–2019, there were ten categories where one supplier was awarded more than 40 per cent of the total contract value (see Figure 5.2).

**Figure 5.2: Procurement categories where one supplier represented more than 40% of contract value**



Source: ANAO analysis of AusTender data.

5.8 Table 5.3 shows the categories and their top associated supplier by total contract value from 2009–2010 to 2018–2019. The total number of suppliers with at least one AusTender contract are also included. There are instances where one supplier has the majority of the total contract value in a procurement category with multiple suppliers.<sup>28</sup>

**Table 5.3: Procurement categories where one supplier occupied more than 40% of contract value and their associated count of suppliers**

Procurement category	Top supplier name	Market share <sup>a</sup>	Total value of procurement category (\$000's)	Number of suppliers awarded at least one contract in the last 10 years
Personal and Domestic Services	Mondial Assist Imprest A/C #1	81.7%	48,960	20
Chemicals including Bio Chemicals and Gas Materials	Thales Australia	74.8%	1,509,252	199

28 In the United Kingdom, it has been reported that the collapse of one major suppliers and problems with some large contracts have led to questions over whether government is too reliant on a small number of major suppliers. Source: Gowling WLG and Institute for Government, *Government Procurement – the scale and nature of contracting in the UK*, December 2018, page 14.

Procurement category	Top supplier name	Market share <sup>a</sup>	Total value of procurement category (\$000's)	Number of suppliers awarded at least one contract in the last 10 years
Domestic Appliances and Supplies and Consumer Electronic Products	Supreme Foodservice Fze	66.4%	278,383	563
Structures and Building and Construction and Manufacturing Components and Supplies	Plenary Living (Leap 2) Pty Ltd	65.8%	6,358,351	1,699
Food and Beverage Products	Prepack Ltd	50.4%	675,373	303
Mineral and Textile and Inedible Plant and Animal Materials	Serco Sodexho Defence Services	46.3%	169,673	292
Fuels and Fuel Additives and Lubricants and Anti corrosive Materials	Caltex Australia Petroleum Pty Ltd	45.4%	5,752,495	380
Organisations and Clubs	Cardno Emerging Markets (Australia) Pty Ltd	41.5%	258,270	523
Paper Materials and Products	Staples Australia Pty Ltd	40.4%	441,487	351
Farming and Fishing and Forestry and Wildlife Machinery and Accessories	William Adams Pty Ltd	40.2%	12,824	98

Note a: Proportion of contract value procured with the largest supplier as a proportion of all contract value in a procurement category from 2010–2011 to 2018–2019.

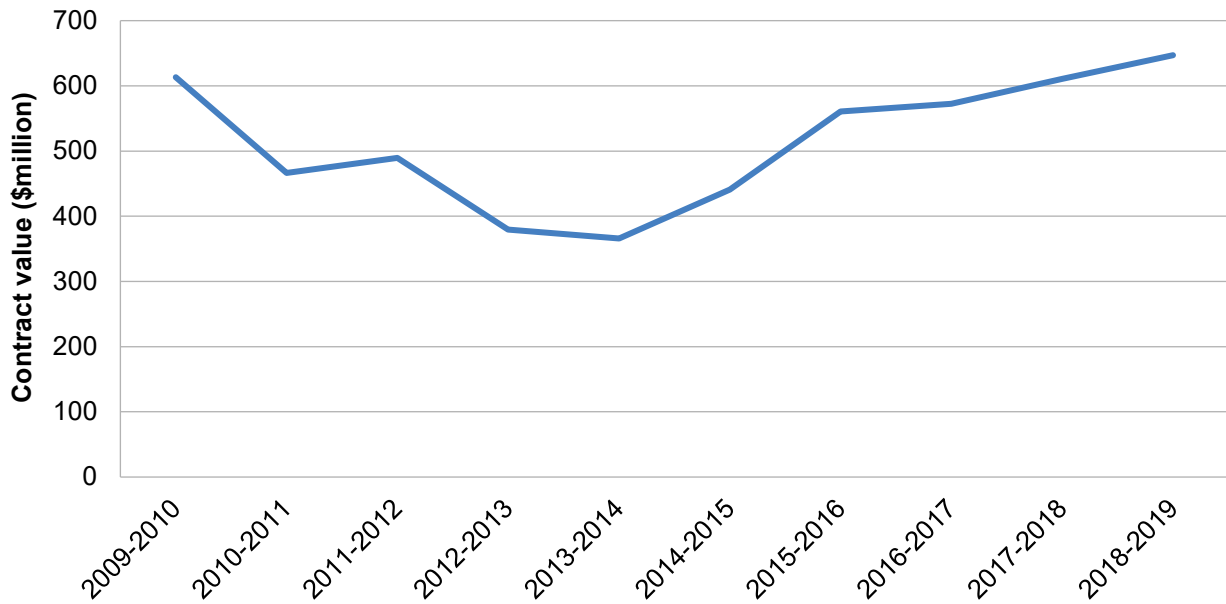
Source: ANAO analysis.

## Consultancies

5.9 Contracts and amendments relating to consultancies are required to be identified on AusTender via the use of a 'Consultancy Flag' field, together with the supporting reason for the consultancy.

5.10 As illustrated by Figure 5.3, the nominal contract value under the 'consultancy' code reported on AusTender in 2018–19 is broadly at the same level as 2009–10. It initially declined to reach its lowest in 2013–14 when \$365.9 million in consultancy contracts were reported. It has grown each year over the last five years. Consultancy contracts reported in 2018–19 totalled \$647.0 million.

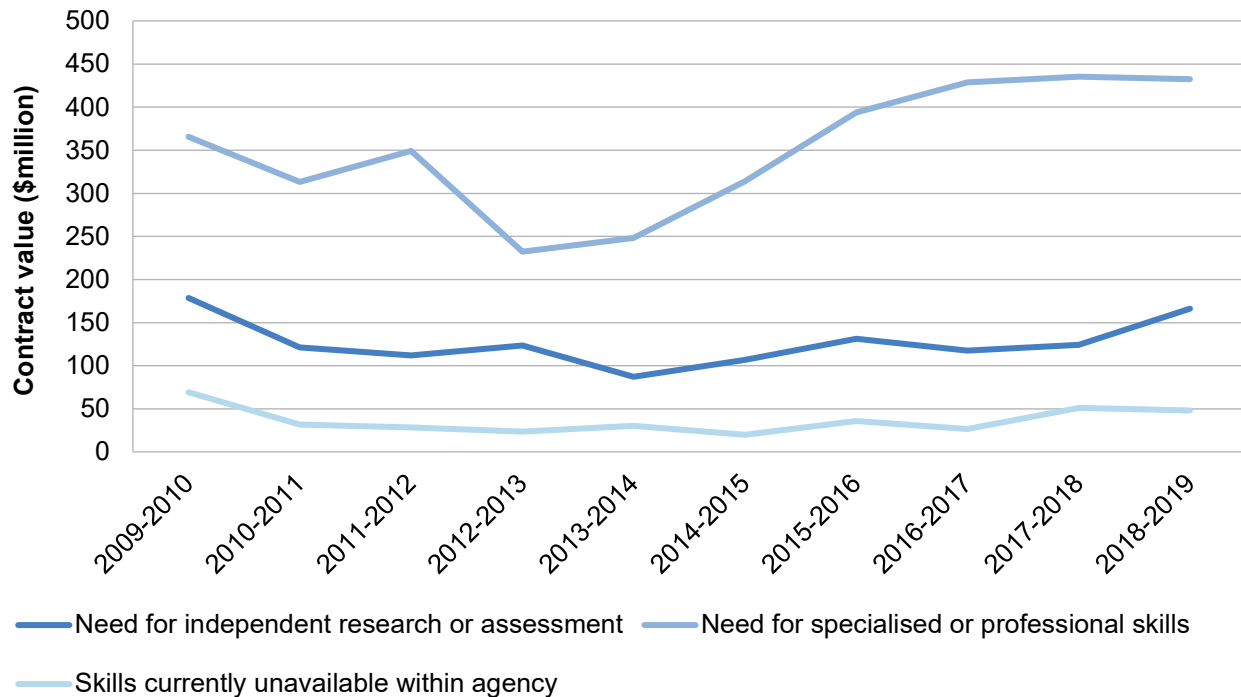
**Figure 5.3: Total contract value by ‘consultancy code’ and financial publish year**



Source: ANAO analysis of AusTender data.

5.11 Among all contracts awarded under consultancy category, the ‘need for specialised or professional skills’ has consistently been the reason reported as relating to the majority of the total contract value each year over the last ten years (see Figure 5.4).

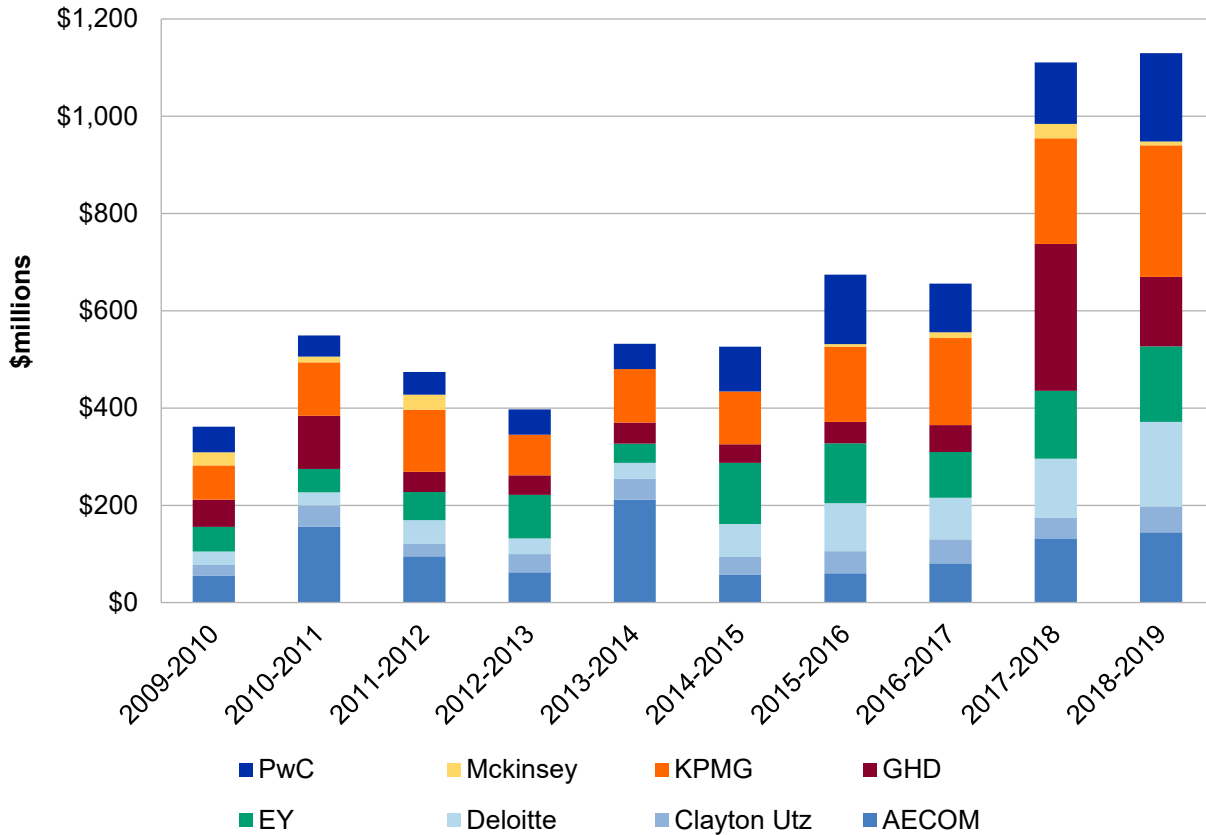
**Figure 5.4: Total contract value by consultancy reasons and financial publish year**



Source: ANAO analysis of AusTender data.

5.12 The ANAO identified<sup>29</sup> eight non-Australian Government entities<sup>30</sup> that have been reported as significant providers of consultancy services. This analysis includes all contracts with those suppliers, irrespective of whether they have been flagged as a consultancy contract. Figure 5.5 illustrates the total reported value of contracts with these providers over the last ten years, as well as the proportion of the total that was reported for each provider.

**Figure 5.5: Contracts value by significant consultancy services providers: 2009–2010 to 2018–2019 irrespective of consultancies classification**



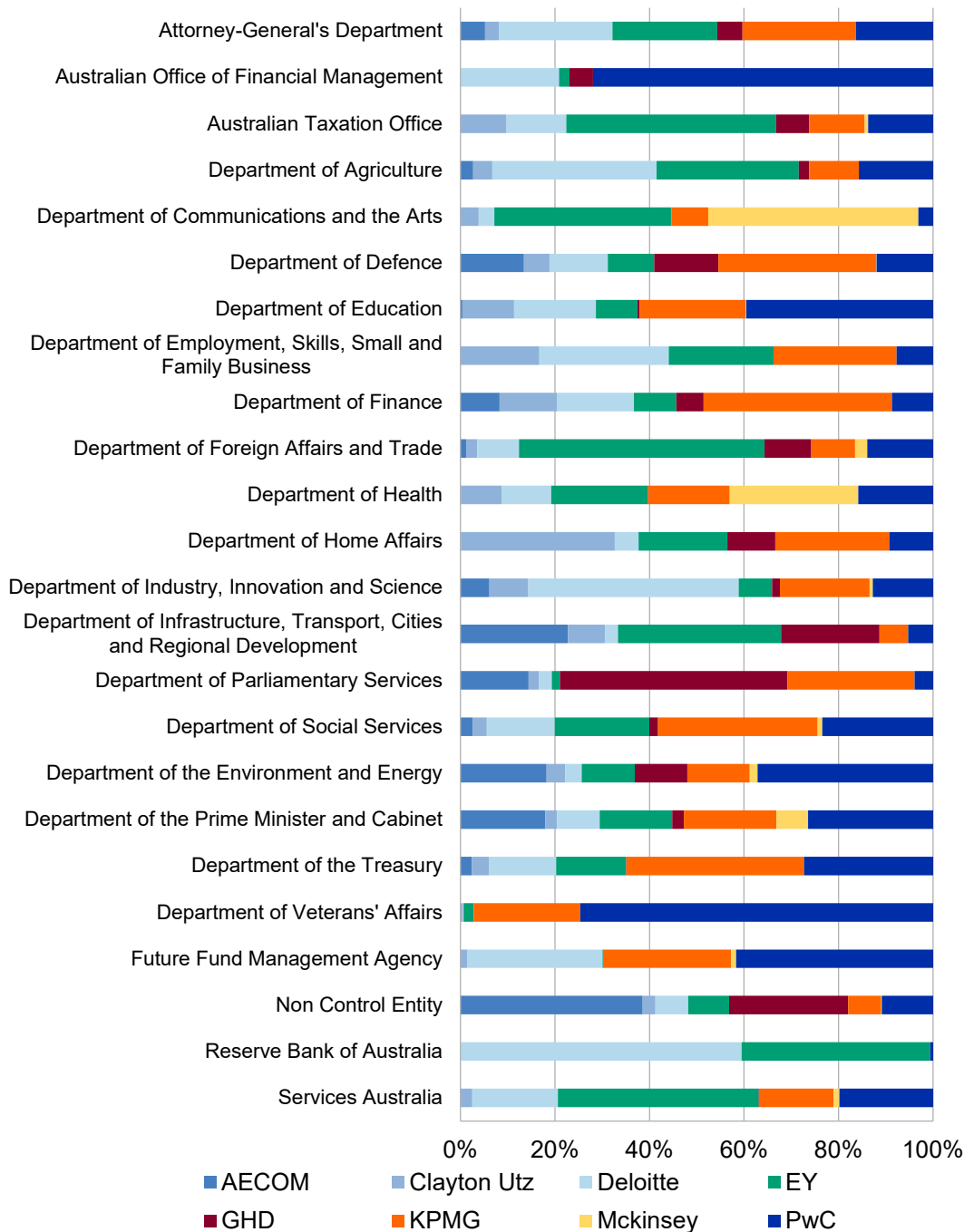
Source: ANAO analysis of AusTender data.

5.13 Figure 5.6 illustrates, for control report entities on AusTender, the extent to which they have reported awarding contracts to each of those eight providers.

29 There are difficulties with this type of analysis due to related entities using more than one name and/or multiple Australian Business Numbers (ABNs).

30 Some Australian Government entities, such as the Australian Government Solicitor and the Commonwealth Scientific and Industrial Research Organisation, have also been reported as suppliers of consultancy services.

**Figure 5.6: Proportion of contract value by entity: 2009–2010 to 2018–2019<sup>a</sup>**



Note a: Analysis is a proportion based on total contract value reported against eight selected suppliers.  
 Source: ANAO analysis of AusTender data.

Grant Hehir  
 Auditor-General

Canberra ACT  
 11 March 2020