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Joint Committee of Public Accounts and Audit

Answers to Questions on Notice

Inquiry into Commonwealth procurement: Inquiry into Auditor-General Reports 6, 15, 30, 42 (2021-22) and 5 (2022-23)

Department/Agency: Australian National Audit Office

Topic: Inquiry into Commonwealth procurement: Inquiry into Auditor-General Reports 6, 15, 30, 42 (2021-22) and 5 (2022-23)

Date of Hearing: 3 March 2023

Type of question: Hansard – Page 2

Date set by the committee for the return of answer: 24 March 2023

Number of pages: 3

Question:

CHAIR: That makes sense. As to the increase from \$352 million to \$888 million, if you presumed a consistent volume of work you'd expect a price increase over time naturally through CPI and so on. But on those figures would it be a reasonable conclusion that consultancies have grown faster than total procurement or CPI?

Ms Craswell: We didn't do an analysis of the value versus CPI.

Mr Hehir: You wouldn't use CPI. I think you would probably use the size of the public sector or a more nominal number. We can send you something on that if you'd like. My recollection is that it's not way out of kilter with what you would expect.

CHAIR: That was my intuition from looking at it, that it's a little bit faster than the growth you'd expect, but it's not massively overstated. Could you take on notice and give us any supplementary note on that in relation to consultancies? Just broadly, how might we think about the growth over 10 years? Secondly, the same sort of comparator on growth of use of the big four firms—

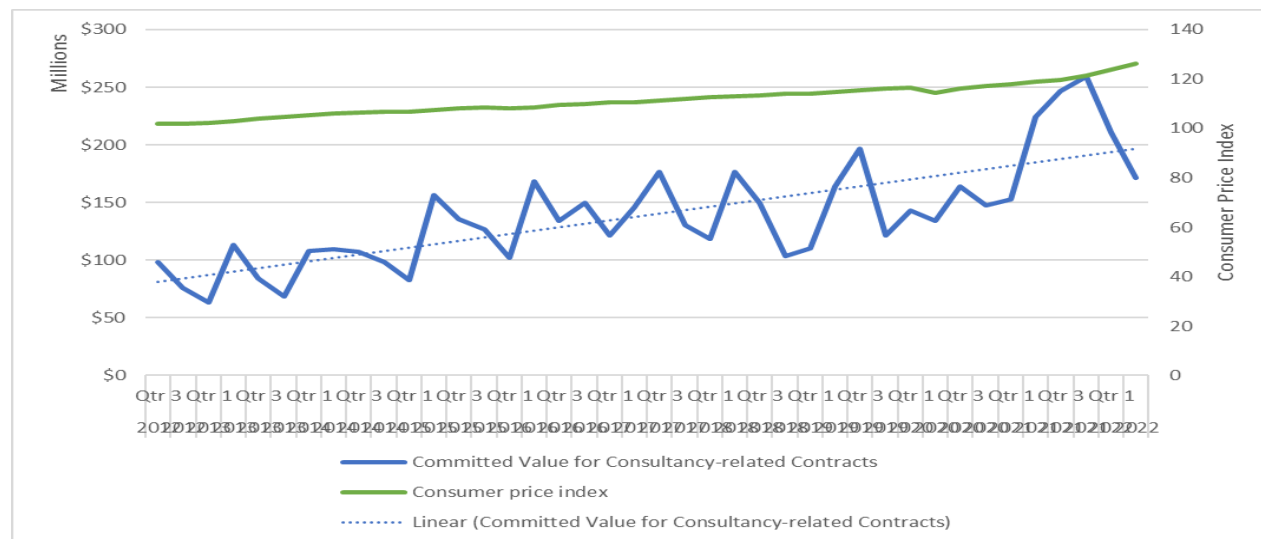
Mr Hehir: Yes

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ANAO Response:

1. Figure 1.1 indicates that the committed value of all consultancy-related contracts appears to have grown at a higher rate than the growth in the Consumer Price Index (CPI) from the third quarter 2012 to the second quarter 2022.¹

Figure 1.1: Total value of consultancy-related contracts against CPI, 2012–13 to 2021–22



Note: The trendline is a visual aid for comparison against CPI over time and is not meant to be interpreted as a statistical model of growth in committed value to procurements over time.

Source: ANAO analysis of AusTender contract notices started between 1 September 2012 and 1 June 2022 and had the Consultancy flag ‘Yes’, and the Consumer Price Index as reported by the ABS.

2. To understand the trend of growth in total committed value for consultancy-related procurements to the size of the public sector, a comparison was made between consultancy-related procurements, Whole-of-Government expenses², and Australian Government general government sector (GGS) expenses³. From Figure 1.2, the data indicates that the total committed value for consultancy-related procurements, Whole-of-Government expenses, and GGS expenses, have all grown over the ten-year period:

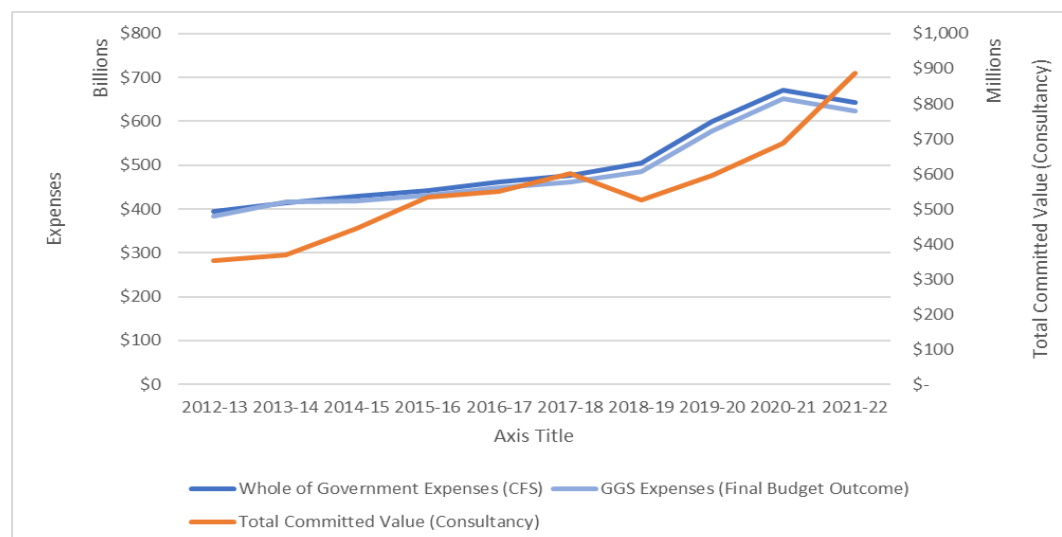
- a. Whole of Government expenses has increased from \$394 billion in 2012–13 to \$644 billion in 2021–22, this represents a growth of 63 per cent;
- b. GGS expenses has increased from \$383 billion in 2012–13 to \$623 billion in 2021–22, this represents a growth of 63 per cent; and
- c. Total committed value of consultancy-related contracts has increased from \$352 million in 2012–13 to \$888 million in 2021–22, this represents a growth of 152 per cent.

¹ The CPI data are sourced from the Reserve Bank of Australia and Australian Bureau of Statistics ([link](#)).

² Data are sourced from Commonwealth Consolidated Financial Statements, 2012 – 2022, retrieved via the link: <https://www.finance.gov.au/publications/commonwealth-consolidated-financial-statements>

³ Data are sourced from Final Budget Outcome 2021–22, p108, Table B.6, retrieved via the link https://archive.budget.gov.au/2021-22/fbo/download/fbo_2021-22.pdf

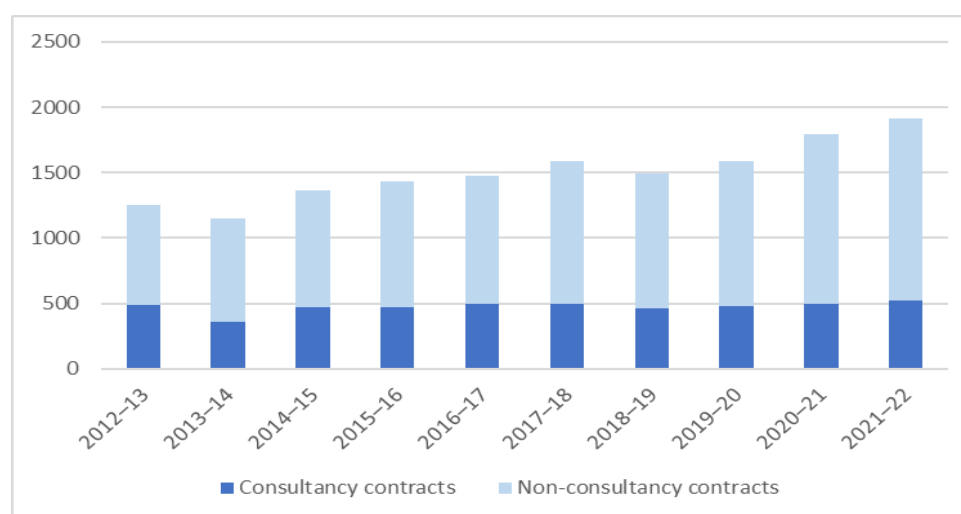
Figure 1.2: Total value of consultancy-related contracts, 2012-13 to 2021-22



Source: ANAO analysis of AusTender contract notices started between 1 July 2012 and 30 June 2022, Consolidated Financial Statements Total Expenses line item, and Australia Government GGS expenses.

3. Over the past 10 years, the total number of contracts (including both consultancy and non-consultancy contracts) across the ‘Big 4’ firms has increased from 1,249 in 2012-13 to 1,912 in 2021-22, representing an increase of 53 per cent (Figure 1.3). Consultancy-related contracts awarded to the ‘Big 4’ firms comprised 13 per cent of all consultancy-related contracts in 2021-22, compared to 10 per cent in 2012-13.⁴

Figure 1.3: Number of contracts awarded to ‘Big 4’ firms, 2012-13 to 2021-22



4. The total value committed to the ‘Big 4’ firms (including both consultancy and non-consultancy contracts) has also increased over the same period from \$238.7 million in 2012-13 to \$1.5 billion in 2021-22, representing an increase of 530 per cent (Figure 1.4). The value of consultancy-related contracts awarded to the ‘Big 4’ firms comprised 26 per cent of the total value of consultancy-related contracts awarded in 2021-22, compared to 20 per cent in 2012-13.

⁴ The Australian Business Register was used to determine the supplier names and Australian Business Numbers (ABN) associated with the ‘Big 4’ firms - Deloitte, KPMG, PricewaterhouseCoopers, and Ernst & Young. As these firms can have more than one names and/or ABNs, the ABNs identified through this approach may not be the full and accurate representation of the ‘Big 4’ firms’ ABNs. In total, 209 ABNs were identified to be associated with the ‘Big 4’ firms.

Figure 1.4: Total value of contracts awarded to 'Big 4' firms, 2012-13 to 2021-22

