



Australian Government
Department of Finance and Deregulation

Reference: RMS11/01835

Mr David Brunoro
Committee Secretary
Joint Committee of Public Accounts and Audit
House of Representatives
Parliament House
Canberra ACT 2600

A handwritten signature in black ink that reads 'David'.

Dear Mr Brunoro

Review of Auditor-General's Direct Source Procurement Audit

On Wednesday 2 March 2011, the Joint Committee of Public Accounts and Audit (JCPAA) held a public hearing into the Australian National Audit Office (ANAO) performance audit of direct source procurement (ANAO performance audit no. 11 of 2010/11).

One question was taken on notice by the Department of Finance and Deregulation (Finance) during the hearing regarding the impact of Australia's free trade agreements on procurement behaviour in the Australian Government market. The response to the question is attached.

Yours sincerely

John Grant
First Assistant Secretary
Procurement
Financial Management Group

13 April 2011

Response to Question on Notice – JCPAA public hearing 2 March 2011

Question - JCPAA Chair

I am interested in this relationship with free trade and particularly the US free trade agreement. Have there been any internal audits of change of purchasing as a consequence and, if so, can that be made available? For example for anything from \$80,000 to \$250,000 or anything over, have they made a difference, or is it really just a consequence of other free trade arrangements? Are we seeing domestic and international purchasing change — if so, how? Is there any feedback on that?

Response

Finance is not aware of any reviews that measure changes in procurement behaviour by agencies as a result of Australia's international agreements. However, agencies have broadly indicated that the threshold has contributed to a better alignment of the level of rigour and oversight of procurement processes to the size, risk and scope of the proposed purchase.

With regard to changes in domestic and international procurement suppliers to the agencies, the Australian Government's procurement practices were generally open to domestic and international competition prior to the introduction of the Australia – United States Free Trade Agreement (AUSFTA) in 2005. As such, the introduction of the AUSFTA has not affected access to the government market for small and medium enterprises (SME). In fact, of the total contracts reported on AusTender for 2009-10 (procurement contracts valued at more than \$10,000), the SME share was approximately 56 percent by volume and 32 percent by value, worth approximately \$13.8 billion.