



Senator Katy Gallagher

Shadow Minister for Finance
Shadow Minister for the Public Service
Manager of Opposition Business in the Senate
Senator for the Australian Capital Territory

Mr Grant Hehir
Auditor-General
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

25 October 2019

Dear Mr Hehir

Government spending on external contractors and consultants

The Australian Government is spending billions of dollars of tax payers' money every year on external contractors and consultants with very little transparency or accountability over how much is being spent each year and why.

As I have just explored at Supplementary Budget Estimates, the current system of reporting expenditure on external contractors and consultants across the Australian Public Service (APS) is opaque, unreliable and almost impossible to track.

Work already done by the ANAO and the Joint Committee on Public Accounts and Audit (JCPAA) uncovered two major issues with the reporting of this type of expenditure:

1. Failure to provide transparency in annual reports on consulting spend

The clear intention of PGPA Rule 17AG is that agencies disclose their spending on consulting services in annual reports.

Although this is intended to provide transparent reporting on the use of consulting services, the current definition for a "consultancy" provided by the Department of Finance appears to exclude significant amounts of work performed by consulting firms under contract to various APS departments and agencies.

Last Friday, the Australian Financial Review (AFR) uncovered that the Department of Defence appears to have spent \$1.5 billion on contracts which were categorised as some form of consulting service, but not classified as a consultancy for the purposes of PGPA Rule 17AG.

2. The inconsistent and unreliable nature of Austender as a reporting platform

While Austender provides some transparency in relation to individual contracts, the current configuration of Austender makes it incredibly difficult to get a clear picture of spending

patterns at an agency or whole of government level in any given year or indeed over the longer term.

In light of these continuing issues, I ask that you consider a further examination of these issues including:

- whether agencies are currently reporting the value of consultancy and contractors contracts correctly and transparently and in line with the intent of the PGPA Rule 17AG;
- the Department of Finance's approach to defining a consultancy contract and its impact on the way agencies disclose their spending on consulting services in annual reports;
- the usability of Austender as a reliable platform capable of providing usable data about spending on external contractors and consultants;

For your convenience I have attached a copy of the article published by the Australian Financial Review on the 25th October this year.

Please do not hesitate to contact me should you require further information regarding this matter.

Yours sincerely,

A handwritten signature in blue ink that reads "Katy Gallagher". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Senator Katy Gallagher

Shadow Minister for Finance and the Public Service

Senator for the ACT