



10 September 2014

Senator the Hon Kate Lundy  
Committee Chair  
Senate Finance and Public Administration References Committee  
SG.60 Parliament House  
Canberra ACT 2600

Dear Senator Lundy

**Report on the Inquiry into Commonwealth Procurement Procedures**

I refer to the report tabled on the 17 July 2014 regarding the Finance and Public Administration References Committee's inquiry into Commonwealth Procurement Procedures. I welcome the Committee's report and recommendations.

The ANAO has maintained a focus on examining the expenditure of public money through procurement activities as part of our audit program. I would be pleased to contribute further in this area as recommended by the Committee and offer the following comment against the Committee's recommendations relating to the ANAO.

*Recommendation 8*

ANAO audits of procurement activity typically include consideration of the operation of the procurement framework as well as entity performance against the requirement of the framework. A key element of our procurement audits generally involves assessing how entities have determined value for money including consideration of the financial and non-financial costs and benefits. I anticipate that this would continue to be a focus of future procurement audits and overtime that such audits will provide insight into the operation of the revised Commonwealth Procurement Rules.

*Recommendation 13 and 15*

I would be pleased for the ANAO to consider including potential audits of procurement connected policies on future Audit Work Programs where these remain in operation. The Committee may be interested to know that the ANAO recently commenced an audit relating to Indigenous supplier involvement in Commonwealth procurement. Amongst other matters this audit will consider the role and operation of entity procurement units in promoting the Indigenous Opportunities Policy. Future potential audits of procurement connected policies would also be expected to include consideration of the operation of entity procurement units, as this is an area typically covered in procurement audits.

Yours sincerely

Ian McPhee