



JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

PO Box 6021, Parliament House, Canberra ACT 2600 | Phone: (02) 6277 4615 | Fax: (02) 6277 2220 | Email: jcpaa@aph.gov.au | www.aph.gov.au/jcpaa

STATEMENT BY THE JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT ON THE 2014–15 DRAFT ESTIMATES FOR THE AUSTRALIAN NATIONAL AUDIT OFFICE AND THE PARLIAMENTARY BUDGET OFFICE

As the committee responsible for parliamentary oversight of the Parliamentary Budget Office and the Australian National Audit Office, the Joint Committee of Public Accounts and Audit is required by legislation to consider the draft budget estimates for each office, with the Chair making recommendations to both Houses of Parliament. Therefore, on Budget day each year the Committee makes a statement on whether, in its opinion, these offices have been given sufficient funding to carry out their respective mandates.

In support of this process, both the PBO and the ANAO are empowered through their respective legislation to disclose their draft budget estimates to the JCPAA, which the Committee then considers in making any representations to Government and the two Houses.

Parliamentary Budget Office

In accordance with the *Parliamentary Service Act 1999*, the Committee received a copy of the PBO's draft budget estimates in February 2014 and subsequently received an update from the Parliamentary Budget Officer identifying revisions to his estimates.

The PBO has had a small level of additional savings allocated to it due to an increase in the annual efficiency dividend, reducing its appropriation over the Budget and forward estimates by \$162,000. The PBO's total revenue from Government will be \$7.263 million in 2014-15.

As a small agency, the PBO has developed an efficient operating model through necessity. The Committee will be interested in the outcome of the ANAO review into the operations of the PBO due to be released in June. The Parliamentary Budget Officer has advised the JCPAA that the cumulative impact of the base level efficiency dividend will present management challenges to the PBO in the future.

Notwithstanding this, the Committee endorses the proposed budget for the Parliamentary Budget Office in 2014–15.

Australian National Audit Office

In accordance with the *Public Accounts and Audit Committee Act 1951* and the *Auditor-General Act 1997*, the Committee received a copy of the Australian National Audit Office draft budget estimates in January 2014 and has subsequently received updates from the Auditor-General identifying revisions to his estimates.

The Committee has been advised that, in today's Budget, an increase in the efficiency dividend from 2.25% to 2.5% will be applied over the next three financial years. This will result in a further \$1.67 million reduction to the ANAO's annual appropriation over the budget and forward estimates.

The Audit Office's total revenue from Government is \$73.412 million in 2014-15.

The Auditor-General has advised that the outlook over the forward estimates highlights a range of pressures as he seeks to maintain appropriately resourced financial statement and performance audit programs.

The increase in the efficiency dividend and other pressures noted in the ANAO's budget submission are expected to lead to a reduction in the ANAO's performance audit program in the forward years. It is expected that the number of performance audits conducted will reduce from 49 to 48 in 2015-16 and then down to 47 in 2016-17 and subsequent years.

The Committee remains strongly concerned about the level of funding uncertainty for the forward years. Last year, the Auditor-General foreshadowed the need to reduce his work program in the forward years if new funding was not provided in this year's budget, and this situation has now unfortunately come to pass.

Nevertheless, noting the continuing tight fiscal environment, the Committee endorses the proposed Budget for the Audit Office in 2014-15 and recommends its passage.

The Auditor-General and his office should be commended for managing to maintain their performance audit program over the last few years despite budget reductions. The ANAO is unable to reduce its financial statement audit work because of its mandatory nature and the need to adhere to professional standards. Further, proportional funding increases are also required as new entities are created.

The Committee notes that the Government's Commission of Audit has identified the ANAO's work in auditing agency Key Performance Indicators as playing an important role in focusing agencies' attention on measuring and improving the effectiveness of programs. The funding of this area remains an area of concern for the Committee. The ANAO has moved past the point of "doing more with less", to actively reducing the amount of scrutiny it provides to Parliament and the Australian people. Any further increase in (or expansion of) duties should be adequately funded by the Government.

The Committee recommends that steps be taken in next year's Budget to place the Audit Office on a more financially sustainable footing to ensure that its essential work in scrutinising Government processes and expenditure is properly resourced,

and that funding be provided to ensure that there is no further reduction in the number of performance audits conducted.

Conclusion

In conclusion, the Committee remains concerned about the increasing pressures being placed on the PBO and the ANAO. Additional savings measures have been applied that further reduce the available funding, and are now at the point where they are having an effect on the scope of the ANAO's work program.

As independent authorities, the PBO and the ANAO need to be sufficiently funded to fulfil their legislative requirements and adequately support the Parliament.

The Committee appreciates the efforts of both the Parliamentary Budget Officer and the Auditor-General in maintaining strong working relationships across the Parliament, and particularly with this Committee. They have made themselves available for regular briefings and have been responsive to requests for information on a variety of topics. The Committee looks forward to continuing these productive relationships.

Dr Andrew Southcott MP
Committee Chair

13 May 2014