

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
BUDGET ESTIMATES 2013-2014

Prime Minister and Cabinet Portfolio

Department/Agency: Australian National Audit Office

Outcome/Program: Performance Audit Services

Topic: Treasury Tax Reporting Procedures

Senator: Corman

Question reference number: 57

Type of question: Hansard – Page 29 - 30, Tuesday, 28 May 2013

Date set by the committee for the return of answer: 12 July 2013

Number of pages: 2

Question:

1. What I am interested in knowing [in relation to the largest tax expenditure] is to what extent you reviewed the methodology used by Treasury and the Tax Office to reach their conclusions and to what extent you reviewed whether the cost estimates that they came up with were reasonable.

Answer:

Q1. The objective of this audit was to assess the extent to which the Treasury and the ATO have improved the management of tax expenditure estimates by implementing the six recommendations in the 2008 ANAO audit and the three recommendations made by the JCPAA following its inquiry.¹

As noted in paragraph 1.22 of the 2013 ANAO report, when following up the recommendations from the 2008 audit and JCPAA inquiry, particular consideration was given to whether:

- steps have been taken to better integrate the consideration of outlays and tax expenditures in the annual Budget process, and Ministers advised accordingly;
- standards to govern the reporting of tax expenditures have been developed;
- a rigorous approach for conducting an ongoing prioritised review of tax expenditures has been developed and implemented²;
- arrangements are in place to identify all potential Commonwealth tax expenditures, including from outside of the Treasury portfolio;
- arrangements are in place to obtain relevant data from entities outside the Treasury portfolio;
- selected tax expenditure estimates prepared on a revenue gain basis have been quantified and published;

¹ Joint Committee of Public Accounts and Audit, Report 414, *Review of Auditor-General's Reports tabled between August 2007 and August 2008*, June 2009.

² The audit does not explicitly consider the ex ante evaluation of proposed tax expenditures.

- an approach to prioritise improvements to the reliability of published tax expenditure estimates has been developed; and
- a reliability assessment of tax expenditure estimates has been undertaken and published in the annual TES.

The audit team interviewed relevant staff in the Treasury and the ATO and examined files and documentation in both agencies relating to the preparation of the TES. This included examining all tax expenditure reviews undertaken by the Treasury in the relevant timeframe, and tax expenditure models on a sample basis.

The audit did not assess the accuracy of individual tax expenditures.