



## BUDGET DAY STATEMENT

6 October 2020

### Joint Committee of Public Accounts and Audit

#### **2020-21 Draft Estimates for the Australian National Audit Office and the Parliamentary Budget Office**

On behalf of the Joint Committee of Public Accounts and Audit, I present this statement on the draft budget estimates of the Australian National Audit Office—the ANAO—and the Parliamentary Budget Office—the PBO.

The Committee is required, under the *Public Accounts and Audit Committee Act 1951* and the *Parliamentary Service Act 1999*, to consider the draft budget estimates of the ANAO and the PBO, and make recommendations including to both Houses of Parliament regarding these estimates.

The respective Acts of the Auditor-General and the Parliamentary Budget Officer, as well as the Committee's own legislation, require each of those officers to provide all the information necessary for the Committee to consider their budget estimates.

With regard to the Parliamentary Budget Office, the Committee has been informed that the PBO has sought supplementation in the 2020-21 Budget.

The Committee understands that, since the COVID-19 pandemic, the PBO has focused its research on publications relevant to the current fiscal situation, reflecting a heightened level of interest in publications that inform the Parliament and the public about fiscal matters.

Accordingly, the PBO has sought temporary supplementation of \$3.1 million over four years, from the 2020-21 Budget, to maintain and expand its research publication program in light of COVID-19.

The Acting Parliamentary Budget Officer has advised the Committee that this supplementary funding would enable the PBO to maintain and expand its research program over the peak period associated with the next election and deliver additional research publications in other non-election years.

In the PBO's Budget Submission, the agency requested temporary supplementation for an additional team of five research staff available from the second half of 2020-21 to the end of 2023-24. The total budget impact of this would be \$3.1 million over four years, including \$0.4 million in 2020-21, and \$0.9 million per annum between 2021-22 and 2023-24.

The Committee acknowledges the benefit to the Parliament and public discourse of the PBO's research program. The Committee notes that the COVID-19 pandemic has had an impact on many departments and agencies across government, as well as the broader budgetary position, and therefore provides a qualified recommendation in support of the PBO's request for temporary supplementation.

With regard to the Australian National Audit Office, the ANAO has informed the Committee it is seeking supplementation in the 2020-21 Budget over the forward estimates.

The ANAO states that to restore its ability to deliver an appropriate number of performance audits, conduct mandatory financial statement audits, and meet increased costs associated with changes in work patterns due to COVID-19, supplementary budget funding of \$6.3 million in 2020-21 is needed. The ANAO has proposed that this would rise over the forward estimates to \$9.1 million by 2023-24.

The ANAO has advised that this additional funding would meet IT and data storage costs, improve cyber security measures and meet cost increases in financial statements audits. Further, the funding would assist in increasing the ANAO's internet bandwidth to support remote working arrangements due COVID-19, undertake controls testing for new COVID-19 measures in financial statement audits, and address quality control risks.

The JCPAA is aware that cost pressures have existed for some time, as evidenced by recent ANAO budget outcomes. According to the ANAO's Annual Reports, the agency's operating result in the most recent two financial years was a deficit of \$3.117 million in 2019-20 and a deficit of \$4.778 million in 2018-19, excluding depreciation and amortisation. The Committee also notes that previous budget statements in 2016-17, 2017-18 and 2018-19 advise that the ANAO was not seeking supplementation.

Between 2019-20 and 2023-24, the ANAO's Budget Submission indicated significant rises in depreciation from that in previous years. The ANAO has outlined that these increases predominantly arise from the fit-out of a new building and upgrades to the agency's IT asset base.

The ANAO has advised the Committee that performance audits in 2020-21 are projected to fall to 42, with further reductions over the forward estimates if supplementary funding is not provided. With the proposed supplementary funding, the ANAO advised the Committee it would return to meeting its annual target of 48 audits per annum by 2023-24. The Committee recognises that the ANAO has had a target of achieving 48 performance audits for several years and requires adequate funding to meet this objective.

Members are also cognisant of the current difficult budgetary environment and the unprecedented impact of the Coronavirus on departments and entities that the ANAO audits, as well as the broader budgetary position.

Acknowledging the difficult fiscal situation, the Committee provides a qualified recommendation in support of the Auditor-General's request for supplementation. The Committee recognises that the Government will determine its view on the Auditor-General's resourcing via the Budget and recommends that sufficient funding be provided to enable the ANAO to meet its KPIs over the forward estimates.

The Auditor-General is also seeking an exemption from the efficiency dividend, to not apply to ANAO appropriations from 2020-21 onwards.

The Committee's majority recommendation is that the ANAO not be exempt from the efficiency dividend. The Committee acknowledges the argument put by the Auditor-General that as an Officer of the Parliament he should not be subject to the efficiency dividend which provides funds to Executive Government for reallocation to other priorities, however the majority of the Committee is of the view that this measure continues to serve an important role in ensuring efficiencies are generated across a broad range of agencies.

Ultimately this is a matter for the government to determine further.

The Committee thanks the Auditor-General and the Acting Parliamentary Budget Officer for their work in support of the Parliament and the Committee.