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Report 446

Review of the Operations of the Parliamentary Budget Office

Joint Committee of Public Accounts and Audit

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Foreword

This is the first report of the Joint Committee of Public Accounts and Audit on the operations of the Parliamentary Budget Office (PBO). The inquiry is part of the committee's statutory oversight role, which has enabled us to review the progress of the PBO after only two years of operation. The PBO is also subject to external audit by the Australian National Audit Office, which reported on the administration of the PBO in June 2014.

On behalf of the committee I commend Mr Phil Bowen PSM FCPA, the inaugural Parliamentary Budget Officer, for his leadership of this important new parliamentary body especially during this crucial establishment phase. The PBO commenced operations in July 2012 and has quickly gained the confidence of parliamentarians as an independent non-partisan source of expertise on the budget cycle, fiscal policy and policy costings. It is a significant achievement to build a new organisation from scratch and prepare for the 2013 general election, which included the preparation of a post-election report – a new function added to the PBO's mandate in 2013. While the main work of the PBO has been policy costings, the PBO has also launched a research program and released several papers on national budget trends.

The committee's review has been an early opportunity to examine the framework and operations of the PBO and consider the recommendations of the Australian National Audit Office, the National Commission of Audit and international principles of best practice. The PBO is one of 10 such bodies in the OECD and 29 such institutions around the world, all with varying mandates, powers and resources. While there is valuable experience to be drawn from other countries the Commonwealth model must reflect the unique characteristics of our own political culture and parliamentary system.

The success of the Australian PBO is due in no small measure to a clear legislative mandate; the provision of adequate resources, qualified staff and the co-operation built up between the Parliamentary Budget Officer and Executive agencies. Importantly, the PBO operates in a secure environment under a legal obligation to protect sensitive information at the request of Executive agencies. This has helped

to build confidence between the Executive and the PBO, and enables a greater sharing of information under a non-binding Memorandum of Understanding.

To build on this success we have made eight recommendations that fall into two main categories – access to information and the PBO’s mandate. The changes we propose will bring greater legal certainty to the information sharing relationship and ensure the PBO has comprehensive, timely and free access to all relevant data. In addition, the publication of medium term projections by the PBO will bring a more detailed and longer term view of government spending into the public arena. Extending the post-election report analysis beyond the 4 years to a 10 year medium term will apply the same rigour to the main parliamentary parties.

The PBO is an important addition to our democratic arrangements and has already made a significant contribution to transparency and accountability in the country’s finances. The changes proposed in this report build on that success, and will strengthen the role of the PBO as a respected source of expert analysis on the sustainability of the nation’s finances.

Dr Andrew Southcott MP
Chair



Membership of the Committee

Chair Dr Andrew Southcott MP

Deputy Chair Mr Pat Conroy MP

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Terms of reference

On 17 July 2014, the Committee resolved to inquire into and report on the operations of the Parliamentary Budget Office (PBO), with specific regard to:

- PBO statutory information gathering powers and access to information, including the Contingency Reserve
- PBO reporting of Government progress against a new set of fiscal rules, as recommended by the National Commission of Audit
- PBO reporting against medium-term projections of fiscal outlook beyond the forward estimates
- best practice for independent fiscal institutions as identified by the International Monetary Fund
- PBO implementation of the recommendation from Australian National Audit Office Report No. 36 (2013-14), and
- the need for any legislative change.



List of abbreviations

AGA	Australian Government Actuary
ANAO	Australian National Audit Office
CBO	United States Congressional Budget Office
CPBO	Canadian Parliamentary Budget Officer
CEE	German Council of Economic Experts
CR	Contingency Reserve
IFIs	Independent Fiscal Institutions
IMF	International Monetary Fund
OBR	United Kingdom Office of Budget Responsibility
OECD	Organisation of Economic Co-operation and Development
PBO	Parliamentary Budget Office
MoU	Memorandum of Understanding between the Parliamentary Budget Officer and the Heads of Commonwealth Bodies in relation to the Provision of Information and Documents
NABO	Republic of Korea National Assembly Budget Office
NCA	National Commission of Audit



List of recommendations

4 Access to Information

Recommendation 1

The committee recommends that the Government ensures that Commonwealth agencies meet the timelines in response to a request from the Parliamentary Budget Officer as specified in the Memorandum of Understanding.

Recommendation 2

The committee recommends that the legal authority of the Parliamentary Budget Officer should be strengthened by specifying the information gathering powers of the Parliamentary Budget Officer in the *Parliamentary Service Act 1999*. The Government should bring forward amendments to the *Parliamentary Service Act 1999* to express the intention of Parliament that the Parliamentary Budget Officer is entitled to free and timely access to all relevant information held by Executive agencies required to perform his or her functions, except where it is unlawful to do so.

Recommendation 3

The committee recommends that the Government release details of the individual components of the Contingency Reserve to the Parliamentary Budget Officer, subject to any non-disclosure requirements considered necessary.

Recommendation 4

The committee recommends the Government require that where a Commonwealth agency outsources the preparation of budget estimates and costing of policy proposals to a third party, the terms of the contract should enable the agency or the third party to provide all the relevant data, including the underlying calculations, models and methodology, to the Parliamentary Budget Officer under the MoU without charge.

Recommendation 5

The committee recommends that the Government review Commonwealth statutes and remove legislative barriers to the release of information to the Parliamentary Budget Officer, including those identified in this report.

Recommendation 6

The committee recommends that where it is appropriate to retain an administrative discretion, the Government should consider making special provision for the release of data to the Parliamentary Budget Officer and, if necessary, any additional protection for the Commonwealth decision maker.

5 The Parliamentary Budget Officer's mandate

Recommendation 7

The committee recommends that the Parliamentary Budget Officer should prepare and publish medium term projections on an annual basis. The Government should bring forward the necessary amendment to section 64E of the *Parliamentary Service Act 1999* to include the annual preparation of medium term projections as a core function of the Parliamentary Budget Officer.

The Parliamentary Budget Officer should be consulted, and if required, the Government should provide additional resources to enable the Parliamentary Budget Officer to carry out the new function.

Recommendation 8

The committee recommends that the Government bring forward amendments to the *Parliamentary Service Act 1999*, to extend the analysis in the post-election report beyond the period of 4 years (current financial year and 3 year forward estimates) to include, where possible, 10 year medium term projections of the budget impact of the election commitments of the designated parliamentary parties.

The committee recommends that the Government consult the Parliamentary Budget Officer about the timing and detail of the information required on which to base the analysis.