



THE COMMONWEALTH PARLIAMENT
JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

**REPORT ON THE DRAFT BUDGET ESTIMATES
FOR THE
AUSTRALIAN NATIONAL AUDIT OFFICE
FOR 1999-2000**

May 1999

Report on the draft budget estimates for the Australian National Audit Office for 1999 -2000.

In accordance with the provisions of Section 53 of the *Auditor-General Act 1997*, the Joint Committee of Public Accounts and Audit has considered the draft budget estimates of the Australian National Audit Office for the 1999-2000 financial year.

The Committee is able to advise the Parliament that it is satisfied that the draft budget estimates submitted by the Auditor-General to the Committee on 24 March 1999 are sufficient to enable the Auditor-General to properly exercise his functions and powers under the Act, covering financial statements, performance audits, and audit services.

In his submission the Auditor-General noted that the ANAO's total cash budget appropriation in 1998-99 was \$53.8 million and that no Additional Estimates funding had been sought. 1998-9 budget allocations were used to fund strategically important projects such as restructuring, computer replacements and enhancements to the ANAO's Financial Management and Human Resource Management Systems.

The Auditor General told the Committee that there were a number of significant changes to the environment in which the 1999-2000 Budget and forward estimates were constructed, the most important of these being the implementation of an accrual budgeting framework for the Commonwealth to take effect with the 1999-2000 Budget. The ANAO has for some years been costing its products on an accrual basis and is well placed to move to an accrual based budget. The ANAO has also implemented, with effect from 1 July 1998, a new Financial Management Information System to support the revised financial management framework.

The implementation of accrual budgeting is accompanied by the introduction of an Outcomes and Outputs structure which will replace the existing program structures. The new framework places a particular focus on the outputs, or goods and services produced by agencies, and the links between them and the desired outcomes of Government activity. The ANAO's outputs are defined as follows:

1. Performance Audit Services
2. Information Support Services
3. Assurance Audit Services.

The key elements of ANAO's business as summarised in the Auditor-General's submission are:

- Running costs account for the significant majority of ANAO resources;
- Property operating expenses, covered by a Memorandum of Understanding with the Department of Finance, are included in running costs;
- under the accrual budgeting environment, the previous system of annual appropriations for agencies will be replaced by appropriations for Departmental items and appropriations for Administered items;
- for the ANAO, future appropriations will, for the most part relate to Departmental items. The Auditor-General's salary and allowances will continue to be funded by the special appropriation under the Auditor-General Act.

The total budget allocation being sought for 1999-2000 is \$53.6 million.

In terms of output groups, the Performance Audit Services Output Group estimates were for \$18.7 million, the Information Support Services Output Group estimates were for \$1.7 million and the Assurance Audit Services Output Group estimates were for \$26.6 million. Although the Auditor-General understands that carryovers will not form part of the budget parameters beyond 1999-2000, it is proposed, in line with existing practice, to maintain a strategic reserve fund which is needed to assist in the management of the ANAO's business.

The process by which the Joint Committee of Public Accounts and Audit has begun to fulfil its enhanced responsibilities under the ***Auditor-General Act***, and the ***Financial Management and Accountability Act*** has continued to evolve during this year. It is only by the experience of deliberating on matters like the appointment of the Independent Auditor, and the approval of ANAO's draft budget estimates, that the practical extent of the Committee's powers of scrutiny can be defined in a way which enhances the powers of the Parliament to keep government accountable.

Bob Charles MP
Chairman