



JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

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REPORT BY THE JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT ON THE 2011-12 DRAFT ESTIMATES FOR THE AUDIT OFFICE

Mr Speaker, the *Public Accounts and Audit Committee Act* requires the Committee to consider 'draft estimates for the Audit Office', with the Chair ultimately making a statement to the House on budget day on whether, in our opinion, the Auditor-General has been given sufficient funding to carry out his duties.

In support of this process, the Auditor-General is empowered under the Act to disclose their budget proposals to the Committee, which we then consider in making representations to Government as necessary. This process reflects both the Committee's status as the Parliament's audit committee, and the Auditor-General's status as an independent officer of the Parliament.

The Committee met with the Auditor-General in March to review the Audit Office's budget proposals for the coming financial year. The Auditor-General advised that, although facing a number of cost pressures, he is conscious of the overall pressures on the Government's budget and is not seeking additional budget supplementation at this time.

The Auditor-General advised that, in common with other agencies, the ANAO is facing increased employee and supplier costs. He again reiterated that the Audit Office has had to absorb the impact of recent changes to the Australian Auditing Standards which came into effect from 1 January 2010. Despite the support of the previous Committee, the ANAO were not successful in receiving additional supplementation in either the 2009-10 or 2010-11 Budgets to offset these costs. The Auditor-General advised the Committee that the ANAO is now managing significant additional costs in this regard.

The Auditor-General advised that further pressure could result from the possible implementation of the JCPAA's recommendation in *Report 419: Inquiry into the Auditor-General Act 1997*. The recommendations would require the Auditor-General to review the adequacy of agencies' performance indicators. This is not expected to affect the ANAO's 2011-12 Budget as the report still requires formal Government consideration. However, if implemented, in addition to initial set up costs, ongoing costs of between seven and ten percent of the cost of the financial statement audit program could be required. The Committee would expect the Auditor-General to seek additional budget supplementation to cover this extended mandate in 2012-13.

The Committee appreciates the efforts of the Auditor-General and his staff to establish a strong working relationship with the new Committee. They have made

themselves available to brief the Committee regularly and have been responsive to our requests for information on a variety of topics. The Committee looks forward to continuing a productive relationship with the Audit Office over the term of this Parliament.

The Committee recognises the important role the Auditor-General plays in scrutinising the Government and will continue to support that role. The Committee does not want to see the discretionary work of the Audit Office suffer due to future budget constraints and will endeavour to ensure the Office remains adequately resourced. This acknowledges the importance of the performance audit program and the contribution that the ANAO makes to better practice across-agencies.

The Audit Office's total revenue from Government is \$74.891 million in 2011-12. Mr Speaker, the Auditor-General has advised that his appropriation for the year ahead is sufficient for him to discharge his statutory obligations and planned audit work plan for 2011-12. He also advises that his office will be able to absorb the increase in the efficiency dividend over the next two years. Therefore, we endorse the budget proposed for the Audit Office for 2011-12.

I present a copy of my statement on behalf of the Joint Committee of Public Accounts and Audit.

Robert Oakeshott MP
Committee Chair

10 May 2011