



JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

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STATEMENT BY THE JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT ON THE 2013–14 DRAFT ESTIMATES FOR THE AUSTRALIAN NATIONAL AUDIT OFFICE AND THE PARLIAMENTARY BUDGET OFFICE

As the committee responsible for parliamentary oversight of the Parliamentary Budget Office and the Australian National Audit Office, the Joint Committee of Public Accounts and Audit is required by legislation to consider the draft budget estimates for each office, with the Chair making recommendations to both Houses of Parliament. Therefore, on Budget day each year the Committee makes a statement on whether, in its opinion, these offices have been given sufficient funding to carry out their respective mandates.

In support of this process, both the PBO and the ANAO are empowered through their respective legislation to disclose their draft budget estimates to the JCPAA, which the Committee then considers in making any representations to Government and the two Houses.

Parliamentary Budget Office

In accordance with the *Parliamentary Service Act 1999*, the Committee received a copy of the PBO's draft budget estimates and met with the Parliamentary Budget Officer in March to review the office's position. The Committee has subsequently received an update from the Parliamentary Budget Officer identifying revisions to his estimates.

The PBO has had a small level of additional savings allocated to it over the next two years. However, it did receive additional funding to increase its permanent staffing in response to a decision by Government to extend the PBO's mandate.

The PBO's total revenue from Government will be \$10.752 million in 2013–14. The Parliamentary Budget Officer has given assurances to the Committee that overall the budget approved for 2013-14 provides the necessary funding for the PBO to operate effectively and meet its legislated mandate.

On this basis, the Committee endorses the proposed budget for the Parliamentary Budget Office in 2013–14.

Australian National Audit Office

In accordance with the *Public Accounts and Audit Committee Act 1951* and the *Auditor-General Act 1997*, the Committee received a copy of the Australian National Audit Office draft budget estimates and met with the Auditor-General in February

to review these estimates. The Committee has subsequently received updates from the Auditor-General identifying revisions to his estimates.

The Auditor-General's funding proposals were made in the context of considerable cost pressures. To place the Audit Office on a more sustainable footing, the Auditor-General advised the Committee that he had sought modest supplementation in the 2013-14 Budget:

1. To fund the auditing of financial statements for newly created government entities, which is a statutory requirement of the Auditor-General; and
2. To fund the continuation of a pilot audit of agency Key Performance Indicators using new powers given to the Auditor-General in 2011 following a recommendation by this Committee.

The Committee has been advised that, in today's Budget:

1. The Audit Office will be receiving some \$0.7 million to cover additional financial statement workload in 2013-14. No additional funding has been provided for the forward years, but the Audit Office has been requested to develop a longer term funding arrangement for consideration by Government.
2. The Audit Office has not received the requested supplementation for its KPI initiatives – however, it has been given the opportunity to bring back the proposal in the 2014-15 Budget process.
3. Targeted savings measures will result in a small further reduction to the Audit Office's annual appropriation over the forward years.

The Audit Office's total revenue from Government is \$74.965 million in 2013-14.

The Auditor-General has advised that while this appropriation is not as much as was requested, with the help of prior surpluses, it is sufficient for him to discharge his statutory obligations and his work program for the year ahead. On this basis, and noting the tight fiscal environment, the Committee endorses the proposed Budget for the Audit Office in 2013-14 and recommends its passage.

However, the Committee is strongly concerned about the level of funding uncertainty for the forward years. As it stands, the Auditor-General has indicated that the Audit Office will need to reduce its work program in the forward years unless new funding is provided in next year's budget.

The Audit Office is unable to reduce its financial statement audit work because of its mandatory nature and the need to adhere to professional standards. Proportional funding increases need to be provided as new entities are created. It is highly unusual that in this Budget no funding has been set aside for the audit of new

entities in the out-years. This sets a concerning precedent for future budgets. The Committee notes the Government's request for the Auditor-General to develop options for longer term funding arrangements for new agency financial audits, and strongly encourages the results of this work to be seriously considered by Government.

The Committee will also closely monitor funding provided to implement a full audit work program for Key Performance Indicators in the 2014–15 Budget, informed by the outcomes of the Auditor-General's current pilot project. The Audit Office has indicated that a broader KPI audit framework will not be able to be funded from its existing resource base.

The Committee therefore recommends that steps be taken in next year's Budget to place the Audit Office on a more financially sustainable footing to ensure that its essential work in scrutinising Government processes and expenditure is properly resourced.

Conclusion

In conclusion, the Committee is concerned about the increasing pressures being placed on the PBO and the ANAO. Both agencies received only partial funding for their extended mandates. On top of this, additional savings measures have been applied that further reduce the available funding.

As independent authorities, the PBO and the ANAO need to be sufficiently funded to fulfil their legislative requirements and adequately support the Parliament. It is also incumbent on all members of parliament to support the independence of these statutory offices by ensuring that their work is not misrepresented in public forums.

The Committee appreciates the efforts of both the Parliamentary Budget Officer and the Auditor-General in maintaining strong working relationships across the Parliament, and particularly with this Committee. They have made themselves available for regular briefings and have been responsive to requests for information on a variety of topics. The Committee looks forward to continuing these productive relationships.

Robert Oakeshott MP
Committee Chair

14 May 2013