



## BUDGET DAY STATEMENT

11 May 2021

### Joint Committee of Public Accounts and Audit

#### 2021-22 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.

With regard to the Parliamentary Budget Office, the Committee has been informed that the PBO has sought additional funding of \$3.6 million over four years in the 2021-22 Budget to allow it to maintain and expand its publicly available research.

The PBO states that additional funding over the 2021-22 to 2024-25 period would allow the continued production and publication of new material during the peak period of the six-nine months around an election.

It would also assist in improving the useability and accessibility of the PBO's website, assist in the hiring of a team of five staff to expand the PBO's work and allow the PBO to maintain its special appropriation. This is substantially similar to the PBO's \$3.1 million request last year, which the Government did not fund in the previous Budget.

The JCPAA recognises the important role that the PBO can play in shaping Parliament's, and the public's, understanding of our economic and fiscal environment. The Committee notes that the agency received \$5.3 million in the 2019-20 Budget to uplift its funding base, to meet demand and modelling costs.

The JCPAA supports the Parliamentary Budget Officer's request for additional funding over the forward estimates, acknowledging the continued difficult budgetary conditions arising from the COVID-19 pandemic.

With regard to the ANAO's 2021-22 budget estimates, the Auditor-General is seeking supplementation of \$8.8 million in 2021–22, rising to \$11.6 million by 2024–25 (\$41.4 million over four years) to address existing cost pressures and restore, by 2024-25, the ANAO's capacity to meet its longstanding target of delivering 48 performance audits annually.

The committee is advised that this will also assist in ensuring quality and auditing standards in financial statement auditing are met and maintained.

The ANAO states that supplementation is required to deliver an appropriate number of performance audits, conduct mandatory financial statement audits, and meet quality standards and IT and data storage security requirements.

The Committee notes that in recent years, the ANAO has delivered a reduced number of audits. In 2019-20, the ANAO delivered 42 audits, and in 2021-22 the Auditor-General forecasts delivering 40 audits, falling to 36 by 2024–25.

In the ANAO's 2019-20 Annual Report, the Auditor-General has outlined that this is due to several factors. These include insufficient resourcing, higher than average audit costs resulting from cost pressures including the need to train new staff due to high turnover, more complex audit issues, challenges from entity record keeping systems, and increased contract out costs for financial statements audit.

The JCPAA further notes that the ANAO has reported an operating deficit in recent years including a total operating deficit of \$3.117 million for the 2019–20 financial year, and a \$4.778 million operating deficit in 2018–19. It notes that this is inclusive of one-off costs for property.

The ANAO is also seeking funding of \$3.1 million in 2021–22 rising to \$8.9 million by 2025–26 (\$30.7 million over five years) to implement mandated performance statement audits following a recent pilot program. As part of the pilot, audits were completed on two entities: the Attorney General's Department and the Department of Veterans' Affairs.

These audits aim to drive improvements in the transparency and quality of entities' performance reporting and increase entities' accountability to the Parliament and public.

The ANAO submits that this pilot demonstrated benefits in improving the reliability, relevance and completeness of performance statements of the entities involved. The committee notes that developing a methodology and capability for performance statement audits has been a long running project over many Parliaments and supports the intent of such audits.

The Committee endorses the Auditor-General's request for supplementation to build the capability of the ANAO to return to a capacity to deliver 48 performance audits annually, by the end of the forward estimates. The committee considers that increased funding consistent with a return towards the historic target is important in the near-term, to commence that trajectory.

Further, the Committee considers that there are opportunities to provide for a more sustainable ongoing funding model to avoid regular returns to the Government and is examining this issue in its 10-year review of the Auditor General Act 1997. Finalisation of this report need not preclude a funding commitment in this Budget.

Members of the JCPAA acknowledge the difficult budgetary conditions due to COVID-19 in which this request is made, while understanding the importance and value of a robust audit function in achieving value for money for taxpayers and greater efficiency and effectiveness of government expenditure.

The Committee also endorses the Auditor-General's proposal to implement mandated performance statement audits in a staged approach and recommends that ongoing funding be provided to the ANAO to undertake this work.

I thank the Auditor-General and the Parliamentary Budget Officer for their work in support of the Parliament and the JCPAA.