

Chapter 1

Introduction

Referral

1.1 On 11 December 2013 the Senate established a Select Committee into the Abbott Government's Commission of Audit to inquire into and report on the following matters by 13 May 2014:

- (a) the nature and extent of any cuts or changes to government expenditure recommended by the Commission;
- (b) the effect of any proposed cuts or changes on the provision of services, programs or benefits by the Government;
- (c) the effect of any proposed cuts or changes on the ability of the public service to provide advice to government;
- (d) the effect of any proposed changes to the current split of roles and responsibilities between the Commonwealth Government and state and territory governments on the current levels of government expenditure, taxation and service delivery;
- (e) the potential impact of any proposed revenue measures on the Budget and on taxpayers, including access to services like health and education;
- (f) the potential impact of any proposed cuts or changes to government expenditure or service provision on employment and the economy;
- (g) the consistency of the Commission's recommendations with the Government's commitments on spending on health, medical research, education, and defence spending;
- (h) the potential impact of any proposed cuts or changes on the structural budget balance over the forward estimates and the next 10 years;
- (i) the potential impact that any proposed changes to Commonwealth budgeting arrangements might have in undermining public confidence in the provision of Commonwealth government accounts;
- (j) the potential effects of any proposed cuts or changes on the Government's medium- to long-term fiscal position, such as reducing future productivity, reducing the tax base and government revenues, or increasing future demand for government programs or support;
- (k) whether the Commission's terms of reference are appropriate, and, in particular, whether consideration ought be given to alternative means of:
 - (i) improving the efficiency and effectiveness of government expenditure,

- (ii) improving the state of the Commonwealth's finances and addressing medium-term risks to the integrity of the budget position,
 - (iii) improving the fairness and efficiency of revenue raising, including that businesses cover the full cost of their activities, and that individuals with greater capacity contribute more to government revenue,
 - (iv) funding infrastructure and enhancing Australia's human, economic and natural capital, or
 - (v) improving the public service; and
- (l) any other matters the committee considers relevant.

Background to the National Commission of Audit

1.2 On 22 October 2013, the National Commission of Audit (commission) was announced by the Treasurer, the Hon Joe Hockey MP, and the Minister for Finance, Senator the Hon Mathias Cormann.¹

Terms of reference

1.3 The commission was established as an independent body to review and report on the performance, functions and roles of the Commonwealth government.

1.4 The 22 October 2013 Media Release notes:

The Commission of Audit was a key election commitment of the Coalition. It will assess the role and scope of Government, as well as ensuring taxpayers' money is spent wisely and in an efficient manner.

The Commission's work will feed into the Government's work on the division of responsibilities between Local, State and Federal Governments.²

Commissioners and secretariat

1.5 The government appointed Mr Tony Shepherd AO as chair of the commission. The other commissioners are: Dr Peter Boxall AO; Mr Tony Cole AO; Mr Robert Fisher AM; and The Hon Amanda Vanstone.³

1.6 Mr Peter Crone has been appointed as the head of the commission's secretariat. Mr Crone is on a leave of absence from his position as the Chief Economist and Director of Policy at the Business Council of Australia (BCA). The commission secretariat is staffed by officials seconded from the Department of Finance, The Treasury and the Department of Prime Minister and Cabinet who carry out the day to day administration of the commission.

1 The Hon Joe Hockey MP and Senator the Hon Mathias Cormann, Media Release, 'Coalition Commences National Commission of Audit', 22 October 2013.

2 The Hon Joe Hockey MP and Senator the Hon Mathias Cormann, Media Release, 'Coalition Commences National Commission of Audit', 22 October 2013.

3 Information from: www.ncoa.gov.au/faqs.html (accessed 17 December 2013).

Conduct of the audit

1.7 The terms of reference set out principles that should guide the commission's work, namely that:

- government should have respect for taxpayers in the care with which it spends every dollar of revenue;
- government should do for people what they cannot do, or cannot do efficiently, for themselves, but no more; and
- government should live within its means.

1.8 However, the commission's processes for the conduct of the audit have not been prescribed by the government.

1.9 In announcing the establishment of the commission, the Treasurer and Minister for Finance outlined options for the commission in carrying out its work:

Over coming months the Commission may hold public and private hearings, receive submissions from stakeholders including the public, and directly liaise with Government Departments.⁴

1.10 The commission's terms of reference also provide:

In carrying out its work, the Commission may wish to invite submissions, consult key stakeholders and seek information from persons or bodies, where this will assist its deliberations.⁵

1.11 At the public hearing on 15 January 2014, Mr Shepherd outlined the work of the commission to that point:

As chair of the commission, I wrote to each Premier and Chief Minister, federal department secretaries and agency heads, as well as a number of other key stakeholders, inviting submissions. We placed advertisements in national, metropolitan and regional newspapers in the week ending 8 November 2013 seeking submissions from stakeholders and the general public. I should note that we were very pleased to receive over 300 submissions, including a number that were received after the closing date...In addition, the other commissioners, the secretariat and I have met with a wide range of people.

Because of the tight timeframe, we have not sought to meet with everyone who provided a submission. That would have been, frankly, impractical in the time available. I have met with several premiers and most departmental secretaries, among others. These discussions, I have to say, in all cases, have been constructive.⁶

4 The Hon Joe Hockey MP and Senator the Hon Mathias Cormann, Media Release, 'Coalition Commences National Commission of Audit', 22 October 2013.

5 National Commission of Audit, Terms of Reference, p. 1, available at: www.ncoa.gov.au/ (accessed 20 January 2014).

6 *Proof Committee Hansard*, 15 January 2014, p. 2.

Timeframe

1.12 The commission's terms of reference state that the commission is to provide an initial report to government at the end of January 2014. The final report is due at the end of March 2014 and will form part of the 2014-15 Budget process.⁷

1.13 Mr Shepherd explained the areas covered in each report:

The commission is due to provide its phase 1 report to the Prime Minister, the Treasurer and the Minister for Finance by the end of January 2014. The key focus of this report is the financial position of the Commonwealth and the sustainability of the budget. In its second phase report, the Commission of Audit will examine and make recommendations on Commonwealth infrastructure and public sector performance and accountability. This final report is due by the end of March.⁸

1.14 On 21 January 2014, the Treasurer announced that the government had granted the commission a two week extension to provide its Phase 1 report.⁹

1.15 The government has indicated it does not intend to release the interim or final reports from the commission prior to the release of the 2014-15 Budget in May 2014.¹⁰ Mr Shepherd confirmed the decision to make the commission's reports public will be made by the government:

When I accepted this commission, I understood that this would be a report for government, to be used and assessed by government, and that they would make the decision if and when our report would be released.¹¹

Conduct of the inquiry

1.16 Details of the inquiry were placed on the committee's website. The committee also directly contacted a number of relevant organisations and individuals to notify them of the inquiry and invite submissions by 31 January 2014. Submissions received by the committee are listed at Appendix 1.

1.17 The committee held public hearings in Canberra on 15 January and 5 February 2014. A list of witnesses who gave evidence to the committee at these public hearings is provided at Appendix 2.

1.18 The Hansard transcripts of evidence may be accessed through the committee's website at: www.aph.gov.au/senate_coa.

7 See Information from: www.ncoa.gov.au/faqs.html (accessed 17 December 2013); The Hon Joe Hockey MP and Senator the Hon Mathias Cormann, Media Release, 'Coalition Commences National Commission of Audit', 22 October 2013.

8 Mr Tony Shepherd, *Proof Committee Hansard*, 15 January 2014, p. 2.

9 The Hon Joe Hockey MP, Media Release, 'Commission of Audit's Phase 1 reporting date', 21 January 2014, available at: <http://jbh.ministers.treasury.gov.au/media-release/001-2014/> (accessed 22 January 2014).

10 Joanna Heath and Mathew Dunckley, 'Get audit in the open, Hockey told', *Australian Financial Review*, 16 January 2014.

11 Mr Tony Shepherd, *Proof Committee Hansard*, 15 January 2014, p. 9.

1.19 The committee has decided to present an interim report focused largely on the processes put in place by the commission and its secretariat to gather and analyse information and to test the assumptions underlying the commission's work.

Acknowledgement

1.20 The committee thanks all those who made submissions and appeared at hearings. The committee also thanks the commissioners and the commission secretariat for making themselves available to appear at the public hearing at short notice and at a busy time, given the commission's reporting timeframe.

