

**Senate Finance and Public Administration Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**BUDGET ESTIMATES 2014**

Prime Minister and Cabinet Portfolio

**Department/Agency: Australian National Audit Office**

**Outcome/Program:**

**Topic:** Impact of efficiency dividend

**Senator:** McKenzie

**Question reference number: 15**

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**Number of pages: 2**

**Question:**

**Senator McKENZIE:** Just going to Senator Wong's line of questioning earlier, and the impact of the efficiency dividend, could you also comment on the effect that the reduction of the overall number of Commonwealth bodies as a result of the new government will actually have on the ANAO's workload? And have you factored that into your forward plans? You have obviously made no reductions this year, but obviously you have had some plans going forward. Also, perhaps you could comment on the structural changes to the shape of government as a result of the change in government and the consequent impact on your work. A quick comment and then more detail on notice would be great.

**Mr McPhee:** In the past, for significant reductions or increases in the number of entities in the public sector, our budget has been adjusted, upwards and downwards. Symmetrically, we cannot argue with that; I think it is appropriate. So we will have discussions with the finance department and the public accounts committee about the consequences of the reductions in the number of bodies recently and the potential impact on that, and we will see where we come out.

**Answer:**

In respect of the financial statement audit program, the ANAO's funding has historically been adjusted upwards and downwards for significant changes in the entities comprising the Australian Government public sector. Where additional funding is required, the ANAO seeks supplementation through the usual Budget processes. The JCPAA has a legislated role to review the ANAO's annual budget estimates and make recommendations to both Houses of Parliament and the responsible Minister on the estimates before the Commonwealth budget is finalised.

While the ANAO expects to deliver the financial statement and performance audit programs for 2014-15, further analysis is being undertaken to determine the longer term impact from efficiency dividends and organisational changes within government. When considering the impact of entity reductions on ANAO resourcing, the following needs to be considered:

- **When the entity is to be abolished or sold.** In the year of cessation the ANAO will typically be required to undertake additional audit procedures for the close out audit of the entity.

Depending on the size of the entity and method of closure, this can also result in the entity scaling down operations over a number of years before ceasing operations.

- **Whether the entity closure represents a cessation of a particular program.** Where an entity ceases but the functions and programs are transferred to another commonwealth entity, the ANAO will still need to conduct audit procedures over those functions and programs. In these situations some audit effort will still be required and will be conducted at the entity where the functions have transferred. These changes can also result in a short term increase in workload while conducting additional audit procedures over the transfer of functions.

A broader financial statement program impact being considered by the office is the impact of additional audit responsibilities arising from a new accounting standard on budget reporting (AASB 1055), which first take effect for 2014-15 financial year. The ANAO is also considering implications on audit approaches resulting from other government decisions, including commonwealth entities increased use of shared service arrangements.

In the 2014-15 Budget process, the ANAO highlighted to the JCPAA that the sustainability of the current performance audit program remains challenging as resourcing available for these activities has been affected by a range of service wide efficiency measures. Further, the need to complete the financial statements program, which is mandated by statute, has implications for the resources devoted to the performance audit program. If resourcing becomes available from the financial statements program, there may be opportunities for the ANAO to reassess the extent of its performance audit program and related services.