



THIRTY-EIGHTH PARLIAMENT

REPORT 18
STANDING COMMITTEE ON ESTIMATES AND
FINANCIAL OPERATIONS
BUDGET OF THE OFFICE OF THE AUDITOR
GENERAL

Presented by Hon Giz Watson MLC (Chair)

May 2009

STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

Date first appointed:

30 June 2005

Terms of Reference:

The following is an extract from Schedule 1 of the Legislative Council Standing Orders:

“2. Standing Committee on Estimates and Financial Operations

- 2.1 *An Estimates and Financial Operations Committee* is established.
- 2.2 The Committee consists of 5 Members, 3 of whom shall be non-government Members.
- 2.3 The functions of the Committee are to consider and report on -
- (a) the estimates of expenditure laid before the Council each year;
 - (b) any matter relating to the financial administration of the State;
 - (c) any bill or other matter relating to the foregoing functions referred by the House;
 - (d) to consult regularly with the Auditor General and any person holding an office of a like character.”

Members as at the time of this inquiry:

Hon Giz Watson MLC (Chair)

Hon Sheila Mills MLC

Hon Ken Travers MLC (Deputy Chair)

Hon Helen Morton MLC

Hon Brian Ellis MLC

Staff as at the time of this inquiry:

Lisa Peterson, Advisory Officer (General)

Renae Jewell, Committee Clerk

Address:

Parliament House, Perth WA 6000, Telephone (08) 9222 7222

lcco@parliament.wa.gov.au

Website: <http://www.parliament.wa.gov.au>

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Government Response

This Report is subject to Standing Order 337:

After tabling, the Clerk shall send a copy of a report recommending action by, or seeking a response from, the Government to the responsible Minister. The Leader of the Government or the Minister (if a Member of the Council) shall report the Government's response within 4 months.

The four-month period commences on the date of tabling.

REPORT OF THE STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

IN RELATION TO THE

BUDGET OF THE OFFICE OF THE AUDITOR GENERAL

- 1.1 The *Auditor General Act 2006* provides that a Joint Standing Committee on Audit (**Joint Committee**) be established comprising of an equal number of members appointed by each House.¹
- 1.2 The Estimates and Financial Operations Committee (**Committee**) notes that the Joint Committee has yet to be established, however, it is proposed that Members from the Committee be appointed to the Joint Committee.²
- 1.3 One of the functions of the proposed Joint Committee is to make recommendations to the Treasurer in relation to the budget of the Office of the Auditor General (**OAG**) for a financial year.³
- 1.4 In the absence of the Joint Committee and in order to fulfil that function, the Committee resolved to provide the Auditor General with an opportunity to make a submission on the budget of the OAG for the 2009-10 financial year, with a view to the Committee making a recommendation to the Legislative Council and/or the Treasurer on the budget of the OAG.
- 1.5 Mr Colin Murphy, Auditor General, appeared before the Committee at a private hearing on 9 April 2009.
- 1.6 The Auditor General advised the Committee that the OAG provided a 2009-10 budget submission to the Treasurer on 9 January 2009 addressing the impact of a three per cent efficiency dividend on the OAG.
- 1.7 The Committee recognises that the OAG will be facing a number of additional audit challenges in the coming financial year including: increased risk factors associated with the efficiency dividend in public sector agencies; the Royalties for Regions Policy; the Commonwealth Government Stimulus Package; System Control

¹ Section 43, *Auditor General Act 2006*.

² Hon Eric Ripper MLA, Treasurer, Western Australia, Legislative Assembly, *Parliamentary Debates (Hansard)*, 21 March 2007, p476b.

³ Section 44, *Auditor General Act 2006*.

Weaknesses identified by the OAG; the introduction of new agencies; and the Global Financial Crisis.⁴

- 1.8 The Auditor General has advised that these challenges will affect the OAG's resources and ability to meet desired outcomes. The imposition of a three percent efficiency dividend would significantly restrict the OAG's capacity to meet these challenges.⁵
- 1.9 The proposed efficiency dividend for the OAG is 2009-10 is \$501,000. The Auditor General advised the Committee that achieving this saving will require a reduced level of audit activity and reporting to Parliament.

*The office has done a review and, really, in our opinion, we cannot achieve savings of that magnitude without adjusting audit programs.*⁶

- 1.10 The Auditor General submitted to the Committee that preliminary advice received was that the 2009-10 appropriation, after adjustment for CPI but offset by the three per cent efficiency dividend will result in an appropriation decrease to \$17.281 million from \$17.925 million appropriated for 2008-09.⁷
- 1.11 The Committee notes that the effect of a Budget reduction of the OAG will be a decrease in the number of audits and performance examinations undertaken by the OAG.
- 1.12 The Committee recognises the need for all bodies receiving public funding to seek to maximise their efficiency and effectiveness.
- 1.13 The Auditor General has stated that the OAG is committed to efficiency and economy in the use of public funds and continues to pursue initiatives that will reduce the cost of public sector audit.⁸ The Committee notes that the OAG has achieved a 1.5 per cent efficiency saving in their budget for the 2008-09 financial year.

*Although we have not reduced audit programs to meet this dividend, we are continually seeking efficiencies and economies in an effort to achieve savings in all aspects of this Office operations.*⁹

- 1.14 The Auditor General has an important role in assisting Parliament to oversee the performance of executive government, through the provision of independent and

⁴ Private submission from the Auditor General, 9 April 2009.

⁵ Private submission from the Auditor General, 9 April 2009.

⁶ Mr Colin Murphy, Auditor General, Office of the Auditor General, *Transcript of Evidence*, 9 April 2009, p3.

⁷ Private submission from the Auditor General, 9 April 2009.

⁸ Letter from Colin Murphy, Auditor General, 30 January 2009.

⁹ Private submission from the Auditor General, 9 April 2009.

accurate information on the performance and financial management of public sector agencies and bodies. The Committee is of the view that this role should not be hindered in any way.

- 1.15 The Committee recommends that it is in the public interest that the budget of the OAG be maintained at least at the 2008-09 level to ensure accountability of Government agencies to the Parliament and the people of Western Australia.
- 1.16 The Committee looks forward to the establishment of the Joint Committee, which will continue to ensure that the OAG is operating as efficiently as possible in the future.
- 1.17 To ensure that the Treasurer was aware of the Committee's view in a timely manner the Committee wrote to the Treasurer on 23 April 2009. The letter is attached at **Appendix 1**.

Recommendation 1: The Committee recommends that the budget of the Office of the Auditor General be maintained at least at the 2008-09 level.



Hon Giz Watson MLC
Chair

Date: 7 May 2009

APPENDIX 1

LETTER TO THE TREASURER



STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

Hon T R Buswell, MLA
Treasurer
21st Floor, Governor Stirling Tower
197 St George's Terrace
Perth WA 6000

23 April 2009

Dear Treasurer

Budget of the Office of the Auditor General

The Estimates and Financial Operations Committee (**Committee**) writes to you to make a recommendation on the budget of the Office of the Auditor General (**OAG**). The Committee does this in the absence of the Joint Standing Committee on Audit, which has yet to be established.

The Committee recognises the need for all bodies receiving public funding to seek to maximise their efficiency and effectiveness. The Committee understands that the three per cent efficiency dividend will be applied to the budget of the OAG for 2009-10, resulting in a decrease in the appropriation for the OAG from 2008-09.

The Committee recognises that the OAG will be facing a number of additional audit challenges in the coming financial year including, increased risk factors associated with the efficiency dividend in public sector agencies, the Royalties for Regions Policy, the Commonwealth Government Stimulus Package, System Control Weaknesses identified by the OAG, the introduction of new agencies and the Global Financial Crisis.

The Auditor General has advised that these challenges will affect the OAG's resources and ability to meet desired outcomes. The imposition of a three percent efficiency dividend would significantly restrict the OAG's capacity to meet these challenges.

The Auditor General has an important role in assisting Parliament to oversee the performance of executive government, through the provision of independent and accurate information on the performance and financial management of public sector agencies and bodies. The Committee understands that the effect of a budget reduction for the OAG will be a decrease in the number of audits and performance examinations undertaken by the Office.


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PARLIAMENT HOUSE PERTH WESTERN AUSTRALIA 6000
TELEPHONE: +61 8 9222 7222 FACSIMILE: HOUSE +61 8 9222 7809 COMMITTEES +61 8 9222 7805
EMAIL (GENERAL OFFICE): council@parliament.wa.gov.au

The Committee recommends that it is in the public interest that the budget of the OAG be maintained at at least the 2008-09 level to ensure accountability of Government agencies to the Parliament and the people of Western Australia.

The Committee intends to report along these lines to the Legislative Council in the near future.

Yours sincerely



Hon Giz Watson MLC
Chair

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