



Hon. J.B. Hockey MP
Treasurer

Senator the Hon. Mathias Cormann
Minister for Finance

Tuesday, 22 October 2013

COALITION COMMENCES NATIONAL COMMISSION OF AUDIT

The Coalition Government today announces the commencement of the National Commission of Audit. The Commission is an essential step in addressing Labor's record of waste and mismanagement.

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.

Over coming months the Commission may hold public and private hearings, receive submissions from stakeholders including the public, and directly liaise with Government Departments. All Departments of the Government have been asked to fully cooperate with the Commission.

The Commission of Audit will provide an initial report to the Government before the end of January 2014 with the final report forming part of the 2014-15 Budget process.

The full terms of reference for the Commission are attached.

The Government has appointed **Mr Tony Shepherd AO** to chair the Commission.

Mr Shepherd is eminently qualified to undertake this task. Mr Shepherd has been President of the Business Council of Australia since late 2011 and has been chairman of listed company Transfield Services since 2005.

The other Commissioners and their backgrounds are as follows:

Dr Peter Boxall AO is currently chairman of the NSW Independent Pricing and Regulatory Tribunal (IPART), after a distinguished career in the Federal Public Service. He was the Secretary of the Department of Resources Energy and Tourism, the Department of Employment and Workplace Relations, and before that the Department of Finance and Administration.

Mr Tony Cole AO is a former Treasury Secretary. He has previously been Deputy Secretary to the Department of Prime Minister and Cabinet and Alternate Executive Director to the

World Bank. He is National Practice Leader of William M. Mercer's Investment Consulting practice, and Chairman of the Melbourne Institute Economic Forums.

Mr Robert Fisher AM is a former Director-General of the Western Australian Departments of Industrial and Regional Development, of Trade and of Family and Children's Services. He was also the Executive Director of the Western Australian Department of State Development and the Agent-General for Western Australia in London.

The Hon. Amanda Vanstone served as a Minister in the Howard Government from 1996 until 2007, including seven and a half years as a cabinet minister. Her Ministerial career included responsibility for key service delivery portfolios of Families and Community Services, Immigration and Multicultural Affairs, Employment and Justice and Customs.

The Commission's Secretariat will be headed up by **Mr Peter Crone**, who will work with officials from the Department of Finance and The Treasury in the day to day administration of the Commission. Mr Crone is currently the Chief Economist and Director of Policy at the Business Council of Australia and has served as an adviser for both State and Federal Governments.

The Coalition Government looks forward to working with the Commissioners and the Secretariat over coming months.

[ENDS]

National Commission of Audit

Terms of Reference

CONTEXT

- It is almost 20 years since there has been a thorough review of the scope, efficiency and functions of the Commonwealth government. During this time the size of the Commonwealth government has expanded significantly, as has the remit of some of its activities.
- It is also essential that the Commonwealth government live within its means and begin to pay down debt.
- It is therefore timely that there should be another full-scale review of the activities of the Commonwealth government to:
 - ensure taxpayers are receiving value-for-money from each dollar spent;
 - eliminate wasteful spending;
 - identify areas of unnecessary duplication between the activities of the Commonwealth and other levels of government;
 - identify areas or programs where Commonwealth involvement is inappropriate, no longer needed, or blurs lines of accountability; and
 - improve the overall efficiency and effectiveness with which government services and policy advice are delivered.
- Accordingly, the Commission of Audit ('the Commission') has a broad remit to examine the scope for efficiency and productivity improvements across all areas of Commonwealth expenditure, and to make recommendations to achieve savings sufficient to deliver a surplus of 1 per cent of GDP prior to 2023-24.
- 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.
- The Commission should also be guided in its work by the principles 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.

SCOPE

Phase 1

Scope of government

- The Commission is asked to assess the current split of roles and responsibilities between and within the Commonwealth government and State and Territory governments, including areas of duplication.
- In relation to activities performed by the Commonwealth, the Commission is asked to identify:
 - whether there remains a compelling case for the activity to continue to be undertaken; and
 - if so, whether there is a strong case for continued direct involvement of government, or whether the activity could be undertaken more efficiently by the private sector, the not-for-profit sector, the States, or local government.
- The Commission may consider and comment upon the current architecture of Commonwealth-State relations. The Commission's views on this issue will help to inform the Government's forthcoming White Paper on the Reform of the Federation.

Efficiency and effectiveness of government expenditure

- The Commission is asked to report on efficiencies and savings to improve the effectiveness of, and value-for-money from, all Commonwealth expenditure across the forward estimates and in the medium term, including:
 - options for greater efficiencies in the Australian Government, such as:
 - : increasing contestability of services;
 - : adoption of new technologies in service delivery and within government;
 - : consolidation of agencies and boards;
 - : rationalising the service delivery footprint to ensure better, more productive and efficient services for stakeholders;
 - : flattening organisational structures and streamlining lines of responsibility and accountability;
 - : consolidating government support functions into a single agency; and
 - : privatisation of Commonwealth assets.
 - potential improvements to productivity, service quality, and value for money across the public sector, including better delivery of services to the regions; and
 - anything that is reasonably necessary or desirable to improve the efficiency and effectiveness of government generally.

- The Commission is asked to review and report on:
 - options to manage expenditure growth, including through reviewing existing policy settings, programs and discretionary spending (such as grants);
 - savings and appropriate price signals – such as the use of co-payments, user-charging or incentive payments – where such signals will help to ensure optimal targeting of programs and expenditure (including to those most in need), while addressing the rising cost of social and other spending;
 - mechanisms that allow for the periodic evaluation of the effectiveness of all areas of expenditure in meeting their announced objectives; and
 - other savings or matters that the Commission considers should be brought to the Government’s attention.

State of the Commonwealth’s finances and medium-term risks to the integrity of the budget position

- The Commission is asked to assess the financial position of the Commonwealth, including the state of the balance sheet, including all assets and liabilities, and Commonwealth risk expenditures.
- The Commission is asked to review and report on the long-term sustainability of the budget position, identifying key policy areas where trends in expenses and revenue pose risks to the structural integrity of the budget.
- Where possible, the Commission should identify options to address any such budget risks in the medium to long term, including by introducing appropriate incentives to encourage self-provision of services by individuals over time.

Adequacy of existing budget controls and disciplines

- The Commission is asked to assess the adequacy of current budgetary practices and rules (including specified timeframes and targets) in promoting efficient and effective government, disciplined expenditure, long-term fiscal sustainability and budget transparency.

Phase 2

Commonwealth infrastructure

- The Commission is asked to review and report on the extent, condition and adequacy of Commonwealth sector infrastructure and, if found to be deficient, factors that may have contributed to the current situation and possible remedies.

Public sector performance and accountability

- The Commission is asked to:
 - identify options for continuous assessment of programs, agencies and performance;

- identify options for strengthening Commonwealth budgeting arrangements by:
 - : increasing independent and credible scrutiny;
 - : examining the role of the Parliamentary Budget Office, the Australian National Audit Office and the Intergenerational Report; and
 - : reviewing the way risk expenditures are accounted for.
- report on a methodology for developing and implementing financial performance targets for Commonwealth departments and agencies (having regard to international experience and Australian best-practice, including by government business enterprises);
- review and report on the effectiveness of existing performance metrics and options for greater transparency and accountability through improved public reporting;
- identify options for a clearer delineation of responsibilities for policy and service delivery; and
- identify other savings or matters that the Commission considers should be brought to the Government’s attention.

Reporting

- The Commission will report to the Prime Minister, Treasurer and Minister for Finance with:
 - the first phase due by the end of January 2014; and
 - the second phase due by no later than the end of March 2014.