

# 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.