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**TREASURER; MINISTER FOR COMMERCE;
SCIENCE & INNOVATION; HOUSING & WORKS**

Our ref: 30-05980
6878559

Mr Paul Grant
Clerk Assistant (Committees)
Legislative Council Committee Office
Parliament House
2 Harvest Terrace
PERTH WA 6000

Dear Mr Grant

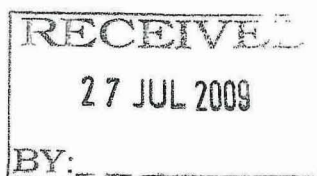
**STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS –
INQUIRY INTO PUBLIC SECTOR EXPENDITURE**

Thank you for your letter of 20 May 2009 and for the opportunity to respond to the 21st Report of the Standing Committee on Estimates and Financial Operations in relation to its *Inquiry into Public Sector Expenditure*.

In relation to Recommendations 1 and 2 of the Committee's report, I note that:

- the operational budget of The Library Board of Western Australia is funded through the Department of Culture and the Arts;
- the purpose of the 3% efficiency dividend is to encourage government agencies to be more cost-efficient in their service delivery – the source of funding for an agency's services is not considered relevant in the context of this objective; and
- there are a number of agencies across the general government sector that receive funding from sources other than Consolidated Account appropriations, including fees for service, grants, donations, etc. Were the Government to exclude these funding sources from calculation of the 3% efficiency dividend, and only apply the dividend to agencies' appropriation funding, the reduction in savings over the forward estimates period would be substantial (in the order of \$180 million).

For these reasons, the Government does not propose to make any further adjustments to agencies' budgets in relation to the 3% efficiency dividend.



In relation to Recommendation 3 of the Committee's report, I acknowledge that the Auditor General is an independent officer of Parliament and that Parliament has an oversight role in relation to the budget of the Office of the Auditor General (OAG). However, the *Auditor General Act 2006* is clear that this role is limited to making recommendations on the OAG's budget, with the final determination of that budget being made by the Government of the day.

More generally, it is considered that the OAG, like other agencies receiving public funding, should be required to maximise its efficiency and effectiveness, particularly in the current economic and fiscal environment. I also note that, notwithstanding implementation of the 3% efficiency dividend, the OAG's appropriation is budgeted to increase in 2009/10 and each subsequent year.

For these reasons, the Government does not support the Committee's recommendation to exempt the OAG from the efficiency dividend. Nonetheless, the Government is keen to ensure that the OAG is appropriately resourced to enable it to effectively carry out its important functions, and we will closely monitor its budget to ensure this outcome.

I trust that these comments are of assistance in explaining the Government's position.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Troy Buswell', with a long horizontal flourish extending to the right.

**TROY BUSWELL MLA
TREASURER; MINISTER FOR COMMERCE;
SCIENCE AND INNOVATION; HOUSING AND WORKS**

13 JUL 2009