

MEDIA RELEASE

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Audit Commission ignores evidence

Four leading analysts – including Professor Bob Walker and Fred Argy – have concluded that there is little evidence that the welfare of Australians would be improved by the radical changes recommended by the Coalition Government’s National Commission of Audit. In some areas the proposed changes would cause serious damage.

The experts were speaking at a conference organised by Canberra think tank The Australia Institute. Their speeches are published today by the Institute (*What Should Governments Do? Auditing the National Commission of Audit*, Discussion Paper No. 8).

Professor Bob Walker, one of Australia’s leading accounting experts and chair of the NSW Council on the Cost of Government, said that a feature of the report is not just the *absence* of evidence to support its recommendations, it is a deliberate effort to *ignore* evidence which might be inconsistent with its assumptions and its recommendations.

He argued that the stance of the Audit Commission on many issues is quite extreme. It had, for example, overstated the benefits of contracting out of government services. “The ultimate effect of the Commission’s program is that we would move towards ‘virtual government’, in which the public sector simply funds certain activities provided by the private sector,” he said.

After dissecting the Audit Commission’s estimate that the Commonwealth has net liabilities of \$73 billion, Professor Walker concluded that other accountants could have produced a balance sheet which showed a significant *surplus* simply by using different approaches to liability recognition and asset valuation than those adopted by the Audit Commission.

Professor Walker noted that former NSW Premier Nick Greiner was happy to describe retrospectively his own Curran Commission of Audit as a ‘political stunt’. “One wonders whether the authors of the current exercise will be prepared to be as frank, if not now, then seven years hence,” he said.

Dr Deborah Mitchell, a social policy expert from the ANU, said that the projections of future welfare spending by the Audit Commission are greatly overstated.

“The Report’s projections on rising dependency ratios with demographic change present a scenario of doom and gloom. To prescribe long-run policy changes to areas such as health and social security on such a shaky basis is at best irresponsible and at worst scare-mongering.”

She also criticised the Audit Commission’s assumption that the public sector in Australia performs poorly compared to the private sector. “In many areas Australian public services are often held to be examples of best practice by many supra-national bodies”, she said.

Professor Fred Argy, former Director of EPAC, said that the report itself has not demonstrated that there are currently major inefficiencies in the delivery of government services. “The case for smaller government is nowhere cohesively and systematically argued,” he said.

“The Audit Commission’s recommendations would leave many people in the lowest income quintile worse off in the name of economic reform, and many ‘genuinely needy’ people would be denied a share in the benefits of reform. I find this system of values very hard to stomach.”

“If the Commission is so concerned about government accountability, shouldn’t it have recommended targeting of employment, real incomes and social and quality of life indicators, which are after all the ultimate ends of government intervention? Fiscal targets are only one of several *means* to these ultimate economic welfare ends. I think the Commission shows a lack of perspective.”

Commenting on the Audit Commission’s recommendation that the Commonwealth adopt accrual accounting, Professor Walker observed: “After about seven years of experience with the application of accrual accounting to general government agencies in the public sector, we have learned that public sector accounting can be as creative as anything seen from entrepreneurial private sector corporations in the 1980s.”

Australia Institute Executive Director, Dr Clive Hamilton, told the conference that the Audit Commission misunderstood the role of the public sector, and wanted to turn citizens into consumers. He argued that the Commission’s recommendations are based on an unreasoning fear of government, which he dubbed ‘misotely’. “This fear of government is unwarranted and subversive of civic communities. Unfortunately, it seems to be shared by the Coalition,” he said.

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