



# Australian Government

## Department of Finance

### EXECUTIVE MINUTE

on

#### JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

#### REPORT No. 481

#### *Efficiency and Effectiveness: Inquiry into Auditor-General's Reports 25, 29, 38, 42, 44, 45, and 51*

*(2018-19)*

#### **General comments**

It is the responsibility of accountable authorities of non-corporate Commonwealth entities and selected corporate Commonwealth entities subject to the Australian Government Charging Framework, to manage their entity consistent with Government policies. Finance manages the Government's policy on government charging via a stewardship model, providing education and support to entities regarding both policy requirements and best practice for around 800 charging activities.

#### ***Recommendation No: 3.***

4.70 *The Committee recommends that the Department of Finance review the Cost Recovery Guidelines to:*

- *provide clear advice to entities on what activities can be funded with cost-recovered monies; and*
- *prescribe that entities update risk ratings within six months of changes to charging guidelines being introduced, or biennially in the absence of changes to cost recovery practice.*

#### ***Summary of response: Agreed***

#### ***Supporting rationale:***

Finance is incorporating entity feedback and consolidating the Australian Government Cost Recovery Guidelines (RMG304) into the Australian Government Charging Framework (RMG302). The work is to be completed in early 2021.

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Key changes to assist entities comply with the Government's policy and provide clear information for those being charged, will include:

- reduction of administrative effort for agencies and business through establishing a single policy document;
- expansion of definitions used within the policy;
- expansion of checklists to assist entities meet requirements and best practice;
- provision of enhanced information on activities and associated costs which can be cost recovered from industry by regulators;
- expansion of the application of indexation to charging arrangements to better support consistent and appropriate calculation of government charges so that they reflect increases or decreases in costs, ensuring that general taxpayers and those charged do not bear any more than they need to;
- clarification that best practice requires risk assessments to be undertaken each time a Cost Recovery Implementation Statement (CRIS) is updated, which is required at least annually;
- providing additional best practice benchmarking guidance; and
- guidance on providing and subsequently unwinding temporary fee relief, initially developed in response to the economic impacts of the COVID-19 pandemic.

Following the consolidation of the revised charging guidance, the Finance Minister will write as a matter of good practice to all portfolio Ministers advising of the consolidated and enhanced charging guidance, and in particular:

- to reinforce that a CRIS is required for all regulatory charging activities under the Australian Government Charging Framework to ensure that regulatory charging is accountable and transparent;
- note that risks to individuals, businesses and government in managing the charging arrangement are to be reassessed when financial or non-financial changes occur; and
- note that updated risk assessments may inform whether an entity requires additional policy and CRIS approvals for a charging arrangement.

Finance's biennial external charging survey will collect information regarding risk assessments by entities. The next survey is due to be undertaken in September 2021, collecting 2020-21 financial year data.



**Recommendation No: 4.**

4.71 *The Committee recommends that the Department of Finance facilitate a working group to encourage and support benchmarking activities by cost recovery entities. The working group should also examine methods to encourage information sharing in respect of benchmarking results for the purposes of cost recovery activities. The findings of the working group should be reported back to the Committee within 6 months.*

**Summary of response: Agreed**

**Supporting rationale:**

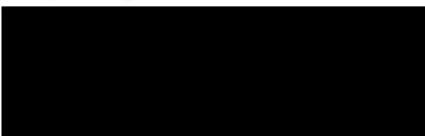
Finance consulted with all portfolios and has established a working group focused on encouraging and supporting entities in benchmarking regulatory (cost recovery) activities.

In November 2020, Finance undertook an interactive workshop for the benchmarking working group, with approximately 50 people from nearly all portfolios and a wide range of regulators attending either virtually or in person. Facilitated by experts on benchmarking, the workshop supported entities to understand how benchmarking can be used within a charging context and encouraged information sharing on benchmarking methods and practices.

The findings of the workshop are that Finance will continue to encourage entities to utilise benchmarking practices to aid both the development and ongoing improvement of their regulatory charging (cost recovery) activities through:

- enhancing guidance on how benchmarking can be used by entities through inclusion of best practice considerations as part of the consolidation of the Australian Government Cost Recovery Guidelines into the Australian Government Charging Framework;
- facilitating entities sharing regulatory charging (cost recovery) modelling data;
- regularly consulting with entities about education, support and advice that Finance can provide to support the development, implementation, maintenance and review of regulatory charging (cost recovery) activities, including benchmarking. This will include development and enhancement of tools and templates, to assist with preparing activity based costing models, Cost Recovery Implementation Statements, Charging Risk Assessments; and
- regular engagement with entities, to share best practice examples and information on developing, implementing and reviewing charging activities, including benchmarking practices.

*Signed by*



Rosemary Huxtable  
Secretary  
Department of Finance