

Joint Committee on Public Accounts and Audit

ANSWERS TO QUESTIONS ON NOTICE

HEALTH PORTFOLIO

Inquiry into Efficiency and Effectiveness: Inquiry into Auditor-General's Reports 25, 29, 38, 42, 44, 45 and 51 (2018-19)

Ref No: No 1

Topic: Cost recovery arrangements

Type of Question: Written

Chair: Ms Lucy Wicks MP

Question:

The report states 'each entity has scope to improve the transparency and accountability of its cost recovery arrangements, mainly through more current and/or comprehensive reporting of performance in cost recovery implementation statements'. In what ways will this add extra complexity to your department's current cost recovery arrangements?

Answer:

The Department of Health reports regularly on the Therapeutic Goods Administration's (TGA) financial and non-financial information in the TGA Cost Recovery Implementation Statement (CRIS). The CRIS has been improved over time to ensure transparency and accountability of the TGA's cost recovery arrangements including, since 2017, through the provision of information about the cost of undertaking fee-free services in the public good. This approach to ensuring the CRIS is compliant with the Cost Recovery Guidelines is not expected to add any additional complexity to the TGA's cost recovery arrangements.

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Inquiry into Efficiency and Effectiveness: Inquiry into Auditor-General's Reports 25, 29, 38, 42, 44, 45 and 51 (2018-19)

Ref No: No 2

Topic: Performance measures on cost recovery

Type of Question: Written

Chair: Ms Lucy Wicks MP

Question:

The report states that there is a scope for all three entities to implement performance measures for consultation on cost recovery – how will your department do this?

Answer:

The Department of Health will formally measure the cost recovery consultation process through the Therapeutic Goods Administration (TGA) annual stakeholder survey. The outcomes of this survey in relation to the cost recovery consultation process will be reported in the Cost Recovery Implementation Statement. The next TGA stakeholder survey is planned for mid-2020. In addition, the process is discussed at other TGA-industry forums such as the TGA-Industry Consultative Committee, which meets twice annually, as well as the large number of meetings that senior departmental officials have with individual peak industry bodies throughout the year.

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Inquiry into Efficiency and Effectiveness: Inquiry into Auditor-General's Reports 25, 29, 38, 42, 44, 45 and 51 (2018-19)

Ref No: No 3

Topic: Costing practices

Type of Question: Written

Chair: Ms Lucy Wicks MP

Question:

The report states that there is scope for all three entities to improve their costing practices. What are the additional costs that will be imposed to your department by improving costing practices?

Answer:

The Department of Health undertakes regular reviews to ensure the Therapeutic Goods Administration (TGA) cost recovery practices remain compliant with the Cost Recovery Guidelines. In light of the ANAO recommendations this will now include additional quality assurance processes and increased review frequency. One additional APS level staff member will be added to the TGA cost recovery team as a result.

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Inquiry into Efficiency and Effectiveness: Inquiry into Auditor-General's Reports 25, 29, 38, 42, 44, 45 and 51 (2018-19)

Ref No: No 4

Topic: Cost recovery implementation statements

Type of Question: Written

Chair: Ms Lucy Wicks MP

Question:

With regards to recommendation one, what needs to be done in your Department to ensure that cost recovery implementation statements are fully compliant with Cost Recovery guidelines?

Answer:

The Department of Health has updated the Therapeutic Goods Administration (TGA) Cost Recovery Implementation Statement (CRIS) to include five years of actual financial performance for 2014-15 to 2018-19 and forward estimates for 2019-20 to 2022-23. In addition the TGA has added the additional step of obtaining approval from the Minister of Health for updates to the CRIS.

The current CRIS, which was published on the TGA's website in June 2019, is fully compliant with Cost Recovery Guidelines.

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Inquiry into Efficiency and Effectiveness: Inquiry into Auditor-General's Reports 25, 29, 38, 42, 44, 45 and 51 (2018-19)

Ref No: No 5

Topic: Cost recovery arrangements

Type of Question: Written

Deputy Chair: Mr Julian Hill MP

Question:

The ANAO identified specific areas for further focus, including over recovery of costs, authority for fee-free services and the department's consultation strategy in the Cost Recovery Implementation Statement (CRIS)

a) Could you advise the committee on what progress has been made in these fields?

Answer:

- a) The Therapeutic Goods Administration (TGA) reviews its fees and charges regularly, at least annually, in consultation with industry and they are set at an appropriate level for the services provided. The current over recovery (ie. surplus) is mainly as a result of delayed expenditure in an upgrade to the TGA's IT systems. The Department of Health will be seeking Government authority to invest in the TGA's IT systems through the 2020-21 Budget process.
- b) Authority for fee-free services is a matter for Government.
- c) The Department's stakeholder consultation strategy on the TGA fees and charges is included in the TGA's Cost Recovery Implementation Statement, which was last updated and published in June 2019.

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Inquiry into Efficiency and Effectiveness: Inquiry into Auditor-General's Reports 25, 29, 38, 42, 44, 45 and 51 (2018-19)

Ref No: No 6

Topic: Cost recovery arrangements

Type of Question: Written

Deputy Chair: Mr Julian Hill MP

Question:

The ANAO recommends changes in relation to the cross-subsidisation of costs across industry sectors. What changes are you making in response to this recommendation?

Answer:

The cross-subsidisation of costs across industry sectors is as a result of some activities being over-recovered in particular sectors, while activities in other sectors are under-recovered. However, the Therapeutic Goods Administration (TGA) revenue resulting from underlying fees and charges remains mostly on budget. The TGA fees and charges are reviewed regularly, at least annually, to ensure they are aligned with revenue and costs as closely as possible for each sector. The TGA will continue to consult with industry on ways to decrease cross-subsidisation.

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**Inquiry into Efficiency and Effectiveness: Inquiry into Auditor-General's Reports 25, 29, 38,
42, 44, 45 and 51 (2018-19)**

Ref No: No 7

Topic: Cost recovery arrangements

Type of Question: Written

Deputy Chair: Mr Julian Hill MP

Question:

What is the status of any government decision on funding for fee-free services?

Answer:

This matter is for Government.