

Department of Finance

Response to Question on Notice

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

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

Performance audit (Auditor-General Report No.38 of 2018–2019) *Application of cost recovery principles*

GENERAL COMMENTS

Written questions from Ms Lucy Wicks MP, Chair and Mr Julian Hill MP.

SPECIFIC QUESTIONS ON NOTICE

Question 1 (Written Question on Notice from Ms Lucy Wicks MP, Chair)

1.a How will recommendation two be implemented by Department of Finance and by other Departments?

1.b How does the Department of Finance monitor the updating of other department's Cost Recovery Implementation Statements annually?

Response

In respect to Question 1.a, Finance is working closely with portfolio entities through the Charging Working Group to raise entities' awareness of the ANAO audit report and to promulgate Finance's response to the ANAO report. Finance also met with each of the entities subject to the audit to discuss implications of the report recommendations.

Finance:

- has added more information in the Budget Process Operational Rules on the Australian Government Charging Framework (AGCF) to assist entities understand their policy obligations;
- is using the biennial charging survey to advise entities of their obligation to update Cost Recovery Implementation Statements (CRISs). The biennial charging survey provides compliance data to portfolio entities, facilitating a greater understanding for entities of their degree of compliance with the AGCF; and
- is clarifying and enhancing whole-of-government charging guidance by combining the AGCF and the Australian Government Cost Recovery Guidelines (CRGs) into a consolidated document and will address issues identified by the ANAO as part of this process.

In respect to Question 1.b, a key feature of the Government's devolved financial framework is that accountable authorities and responsible Ministers are ultimately responsible for implementing and being compliant with policies of the Australian Government, including the requirements of the CRGs, which requires annual updates of CRISs. When entities consult with Finance on a CRIS, it advises the need for each CRIS to comply with the CRGs requirements, including updating it annually.

Question 2 (Written Question on Notice from, Mr Julian Hill MP)

In the context of Recommendation 2 of the Audit Report:

How does the Department of Finance intend on advising entities of their obligations to update their Cost Recovery Information Statements (what materials will they provide, what guidance, etc.), noting evidence from agencies?

Response

The most recent Budget Process Operational Rules issued by Finance include expanded information on the Australian Government Charging Framework (AGCF), which includes the Australian Government Cost Recovery Guidelines (CRGs). Paragraphs 40, 106, 118, 124 and 125 of the CRGs provides guidance to Commonwealth entities on requirements within the CRGs including obligations to update their Cost Recovery Implementation Statements (CRISs) on an annual basis.

A key feature of the Government's devolved financial framework is that accountable authorities and responsible Ministers are ultimately responsible for implementing and being compliant with policies of the Australian Government, including the requirements of the CRGs, which requires annual updates of CRISs.

Accountable authorities are required to comply with the requirements of the AGCF and CRGs. Sections 21 and 22 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) state that accountable authorities of all non-corporate Commonwealth entities and those corporate Commonwealth entities subject to the *Public Governance, Performance and Accountability (Charging for Regulatory Activities) Order 2017* must govern their entity (including the proper use and management of public resources) in a way that is not inconsistent with the policies of the Australian Government - the AGCF and the CRGs are policies of the Commonwealth. This is addition to their duties as outlined in section 15 to 19 of the PGPA Act.

Finance has used a number of different mechanisms to advise entities of their responsibilities and obligations in respect to the AGCF and CRGs, including:

- following the release of the ANAO performance audit on the '*Application of cost recovery principles*' Finance engaged with those entities subject to the audit to discuss the audit findings, recommendations, timeframes for implementation and Finance's approach to addressing those recommendations, including the regular update of CRISs;
- Finance also met collectively with all portfolios, to update them on a range of charging issues including the ANAO performance audit findings and implications for entities; and
- in addition, Finance used the biennial charging survey to provide compliance data to portfolio entities to improve entities understanding of their obligations and their degree of compliance with the AGCF, including the need to update their CRISs on an annual basis.

Finance is also clarifying and enhancing whole-of-government charging guidance by combining the AGCF and the CRGs into a consolidated document for use across government.

Question 3 (Written Question on Notice from, Mr Julian Hill MP)

- 3.a How is the review of the Cost Recovery Guidelines progressing?
- 3.b How will the Department of Finance refine the review of the Cost Recovery Guidelines to address the issues outlined in the audit?
- 3.c When does the Department of Finance anticipate this review being completed?

Response

In respect to Questions 3.a and 3.b, Finance is currently consulting with entities on the consolidation of the Australian Government Charging Framework and the Australian Government Cost Recovery Guidelines. Finance is holding focus groups with entities on various aspects of current charging guidance to inform enhancements to charging guidance and support tools for entities. Part of this consultation process will address issues outlined in the ANAO performance audit.

In respect to Question 3.c, Finance aims to have the consolidation of charging guidance completed by 30 June 2020.

Question 4 (Written Question on Notice from, Mr Julian Hill MP)

What are the types of the 'additional mechanisms' to improve compliance that are being explored?

Response

Accountable authorities and responsible Ministers are ultimately responsible for being compliant with the requirements of the Australian Government Charging Framework (AGCF) and the Australian Government Cost Recovery Guidelines.

The additional mechanisms that Finance is exploring to assist entities understand their responsibilities are:

- the biennial charging survey of government entities that identifies compliance issues for entities to address;
- the rolling five year Portfolio Charging Reviews to focus on-going work with entities to highlight and address compliance issues;
- information on the AGCF is provided to entities as part of the Budget Process Operational Rules documentation;
- using the Charging Working Group, attended by portfolio agencies, to reinforce entities requirements in complying with the AGCF.

Finance is also consolidating the AGCF, and will focus on enhancing guidance on entities' and Ministers' responsibilities to comply with the AGCF.

Question 5 (Written Question on Notice from, Mr Julian Hill MP)

How will the Department of Finance (or any other agency) enforce the updated rules?

Response

The Australian Government Charging Framework (which includes the Australian Government Cost Recovery Guidelines (CRGs)) is a policy of the Australian Government and must be applied by all non-corporate Commonwealth entities and nine corporate Commonwealth that are subject to the *Public Governance, Performance and Accountability (Charging for Regulatory Activities) Order 2017*.

A key feature of a devolved financial framework is that accountable authorities and responsible Ministers are ultimately responsible for implementing and being compliant with policies of the Australian Government, including the requirements of the CRGs.

Finance will continue to support and provide advice to entities on compliance matters. The accountable authority and the responsible Minister are responsible for implementing advice from Finance on the CRGs.

Question 6 (Written Question on Notice from, Mr Julian Hill MP)

The Australian National Audit Office suggested there is scope for benchmarking against like agencies to determine the efficient costs of regulatory activities. What opportunities for benchmarking have you identified?

Response

As part of the consolidation of the Australian Government charging guidance and support tools, Finance is consulting with entities and holding focus groups on ways to enhance current charging guidance. Part of this work will explore whether current guidance on benchmarking regulatory activities needs to be enhanced.

The Australian Government Charging Framework provides a structure for entities to develop fit-for-purpose cost models for their charging activities. As part of this process, it is the charging entities' responsibility to demonstrate efficient cost of their regulatory activities. Demonstrating efficient costs is an important factor in determining whether benchmarking against like agencies is possible.

The Australian Government Cost Recovery Guidelines provide advice to entities on how an entity could approach benchmarking regulatory activities. Entities are best placed to determine the most appropriate level of benchmarking for their individual regulatory activities.