

**Rural and Regional Affairs and Transport Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

Budget Estimates May 2017

**Department of Agriculture and Water Resources**

**Question Number:** 81

**Division:** Finance and Business Support Division

**Topic:** Use of Plutus Company for contract staff

**Proof Hansard Page:** 38 (25.05.2017)

**Senator STERLE asked:**

**Senator STERLE:** Would any of these labour hire contractors use that Plutus system—you know, the mob who have just got themselves in trouble?

**Mr Quinlivan:** Yes.

**Senator STERLE:** They do?

**Mr Quinlivan:** No, I meant you have the right company.

**Ms Canning:** We are looking at that at the moment. We are still confirming with the contractors. We are going back through the labour hire firms to confirm. As yet I do not have an answer.

**Senator STERLE:** Could you please take it on notice to let the committee know when you do find out?

**Ms Canning:** Yes.

**Answer:**

Yes, these labour hire agencies and contractors have used Plutus Payroll Australian Pty Ltd.

Thirteen agencies have confirmed that 33 contractors had payroll processed by Plutus Payroll Australia Pty Ltd.

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

**Department of Agriculture and Water Resources**

**Question Number:** 82

**Division:** Finance and Business Support Division

**Topic:** Indigenous contracted staff

**Proof Hansard Page:** 38 (25.05.2017)

**Senator MCCARTHY asked:**

**Senator McCARTHY:** Does it impact productivity of the department if staff employed via labour hire arrangements are unable to access the resources to do their job, or are you saying they have access to everything?

**Mr Smalley:** I am saying they have access to the systems that are relevant to their jobs.

**Senator McCARTHY:** How many of the 226 contracted staff are Indigenous?

**Mr Power:** I am afraid we do not have that information here. We could certainly look at that.

**Senator McCARTHY:** Would you be able to take that question on notice?

**Mr Power:** Absolutely.

**Answer:**

The contractor number of 226 is based on point in time data as at 31 March 2017.

The department is unable to identify the number of contracted staff provided under labour hire contracts that are indigenous. This information may be held by the labour hire firms if that information is provided by the individual.

As at April 2017, the department had 12 contracts with majority indigenous owned labour hire companies.

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

**Department of Agriculture and Water Resources**

**Question Number:** 83

**Division:** Finance and Business Support Division

**Topic:** Indigenous labour hire companies

**Proof Hansard Page:** 39 (25.05.2017)

**Senator McCARTHY asked:**

**Senator McCARTHY:** So the labour hire firms that you work with, how many companies do you interact with?

**Mr Power:** I am afraid we do not have—I would not know how many companies we have. It would be a broad variety.

**Ms Canning:** It is a couple of hundred. It is about 500 different suppliers.

**Senator McCARTHY:** Five hundred providers?

**Ms Canning:** Yes. At any one time that we use—there are a number of IT companies that we use for IT contractors. There is a range of suppliers available.

**Senator McCARTHY:** And how many of those would be Indigenous companies?

**Ms Canning:** Sorry, I could not tell you that, but we can find that out.

**Answer:**

Of the labour hire providers used by the department, 12 are Indigenous businesses.

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

**Department of Agriculture and Water Resources**

**Question Number:** 84

**Division:** Finance and Business Support Division

**Topic:** Names of indigenous labour hire firms

**Proof Hansard Page:** 55 (25.05.2017)

**Senator McCARTHY asked:**

**Senator McCARTHY:** Chair, I am trying to hear Mr Quinlivan. I cannot seem to hear him; there are a lot of conversations going on. I am sorry, Mr Quinlivan.

**Mr Quinlivan:** I will just go over that last bit again. We have 590 labour hire firms that are eligible for the provision of labour services, and of those 26 of those firms identify as Indigenous.

**Senator McCARTHY:** You mentioned Indigenous principles.

**Mr Quinlivan:** Yes.

**Senator McCARTHY:** What did you mean by that?

**Mr Quinlivan:** I was just getting to that. More generally in the area of procurements you probably are aware that Commonwealth agencies have targets for procurement from firms with Indigenous principles. Last year our target was five, which was our share of the whole-of-government target. We entered into 54 contracts. We were well ahead of the target, and in fact I know that was true for the Commonwealth as a whole. I think pretty much all agencies had contract numbers that were multiples of their target. This year our share of the whole-of-government target was 31, and we have entered into 58 contracts so far. Again, I am sure that is in line with the numbers for the whole of government.

**Senator McCARTHY:** Could I get the names of the 26?

**Mr Quinlivan:** We will take that on notice.

**Senator McCARTHY:** Also, of the 54?

**Mr Quinlivan:** I think they will be on our website, but we will give you all of the details you need.

**Senator McCARTHY:** And the 58?

**Mr Quinlivan:** Yes. We will give you everything we can in that area.

**Senator McCARTHY:** Thank you very much.

**Question Number:** 84 (continued)

**Answer:**

As per the October 2016 report to PM&C, the department entered into 54 contracts with 44 Indigenous suppliers (see **Attachment A**).

Currently, the department has entered into 79 contracts with 51 Indigenous suppliers (see **Attachment B**).

Of the total number of Indigenous suppliers used by the department (see Attachments A and B) 12 provide labour hire services (see **Attachment C**).

## FY2015-16 Indigenous suppliers list from Indigenous Procurement Policy register

Number	Indigenous Supplier
1	Habitat Recruiting Pty Ltd
2	Aak Puul Ngantam Ltd (Aurukun)
3	Affinity Constructions Australia Pty Ltd
4	Alinta Contracting Pty Ltd
5	AMA Projects Australia Pty Ltd
6	Anindilyakwa Land Council
7	Balkanu Cape York Development Corporation Pty Ltd (Hopevale)
8	Bama Cape York Services Ltd
9	Bawinanga Aboriginal Corporation (Djelk)
10	Carpentaria Land Council Aboriginal (Gangalidda/Garawa and Normanton)
11	Dambimangari Aboriginal Corporation
12	Dawul Wurr Aboriginal Corporation (Yirrganydji)
13	Deewin Kirim Aboriginal Corporation
14	Demed Association Inc (Adjumarllarl Ranger Group)
15	Department of Parks & Wildlife (WA) (Miriwing Gajerrong)
16	Dhimurru Aboriginal Corporation
17	Djunbunji Limited
18	First Grade Group Pty Ltd
19	Francine Wanginti Timaepatua c/-Black Point Ranger Station
20	Girringun Aboriginal Corporation
21	Gunggandji PBC Aboriginal Corporation (RNTCB)
22	Jabalbina Yalanji Aboriginal Corporation
23	Kimberley Land Council (Balangarra, Bardijawi, Gooniyandi, Karajarri, Kija, Ngurrara, Nyikina Mangala, Nyul Nyul, Paruku, Uunguu, Wungurr)
24	Kowanyama Aboriginal Shire Council
25	Larrakia Nation Aboriginal Corporation
26	Laynhapuy Homelands Aboriginal Corporation (Yirralka)
27	Mabunji Aboriginal Resource Association Inc (Li-anthawirriyara)
28	Mandubarra Aboriginal Land and Sea Incorporated
29	Mapoon Aboriginal Council
30	Marthakal Homelands & Resource Centre Aboriginal Corporation (Gumurr Marthakal)
31	Milingimbi and Outstations Progress Resource Association Inc (Crocodile Island)
32	Napranum Aboriginal Shire Council (Nanum Wungthim)
33	National Indigenous Pastoral (Gunbalanya and Merepah)
34	Northern Land Council (Bulgul, Garngi, Gurruwling, Kenbi, Malak Malak, Mardbalk, Mimal, South East Arafura, Timber Creek, Waanyi-Garawa, Wanga Djakimirr, Yugul Mangi)
35	Northern Peninsula Area Regional Council (Apudthama)
36	Porpuraaw Aboriginal Shire Council
37	Pricewaterhouse Coopers Indigenous Consulting
38	RUBIK3 Pty Ltd
39	SMI Group Pty Ltd
40	South Cape York Catchments Inc (Laura)
41	Thamarrurr Development Corporation Limited
42	Tiwi Land Council Inc
43	Yintjingga Aboriginal Corporation (Lama Lama)
44	Yuku Baja Muliku Landowners and Reserves LTD

## FY2016-17 Indigenous suppliers list from Indigenous Procurement Policy register

Number	Indigenous Supplier
1	Aak Puul Ngantam Ltd (Aurukun)
2	Affinity Constructions Australia Pty Ltd
3	Alinta Contracting Pty Ltd
4	AMA Projects Australia Pty Ltd
5	Anindilyakwa Land Council
6	Bacon Factory Pty Ltd
7	Balkanu Cape York Development Corporation Pty Ltd
8	Bama Cape York Services Ltd
9	Bawinanga Aboriginal Corporation (Djelk)
10	Bunuba Dawangarri Aboriginal Corporation
11	Carpentaria Land Council Aboriginal (Gangalidda/Garawa and Normanton)
12	Coolamon Advisory Pty Ltd as Trustee for Coolamon Advisors Unit Trust
13	Dambimangari Aboriginal Corporation
14	Dawul Wurr Aboriginal Corporation (Yirrganydji)
15	Deewin Kirim Aboriginal Corporation
16	Demed Association Inc (Adjumarllarl Ranger Group)
17	Dhimurru Aboriginal Corporation
18	Djunbunji Limited
19	First Grade Group Pty Ltd
20	First People Recruitment Solutions Pty Ltd
21	Francine Wanginti Timaepatua c/-Black Point Ranger Station
22	Girringun Aboriginal Corporation
23	Gumatj Air Land and Sea Company Pty Ltd
24	Gunggandji PBC Aboriginal Corporation (RNTCB)
25	Jabalbina Yalanji Aboriginal Corporation
26	Karlka Recruiting Group Pty Ltd
27	Kimberley Land Council (Balangarra, Bardijawi, Gooniyandi, Karajarri, Kija, Ngurrara, Nyikina Mangala, Nyul Nyul, Paruku, Unguu, Wunggurr)
28	Kowanyama Aboriginal Shire Council
29	Larrakia Nation Aboriginal Corporation
30	Laynhapuy Homelands Aboriginal Corporation (Yirralka)
31	Lockhart River Aboriginal Shire Council
32	Mabunji Aboriginal Resource Association Inc (Li-anthawirriyara)
33	Mandubarra Aboriginal Land and Sea Incorporated
34	Mapoon Aboriginal Council
35	Marthakal Homelands & Resource Centre Aboriginal Corporation (Gumurr Marthakal)
36	Milingimbi and Outstations Progress Resource Association Inc (Crocodile Island)
37	Napranum Aboriginal Shire Council (Nanum Wungthim)
38	National Indigenous Pastoral (Gunbalanya and Merepah)
39	Northern Land Council (Bulgul, Garngi, Gurruwling, Kenbi, Malak Malak, Mardbalk, Mimal, South East Arafura, Timber Creek, Waanyi-Garawa, Wanga Djakimirr, Yugul Mangi)
40	Northern Peninsula Area Regional Council (Apudthama)
41	Pormpuraaw Aboriginal Shire Council
42	Pricewaterhouse Coopers Indigenous Consulting
43	RTA Fujii & R Fujii
44	RUBIK3 Pty Ltd
45	SMI Group Pty Limited
46	South Cape York Catchments Inc (Laura)
47	Thamarrurr Development Corporation Limited
48	Tiwi Land Council Inc
49	Wellesley Island Land and Sea Economic Development Pty Ltd
50	Yintjingga Aboriginal Corporation (Lama Lama)
51	Yuku Baja Muliku Landowners and Reserves LTD

## Indigenous labour hire companies

	Supplier Name	ABN
1	LAYNHAPUY HOMELANDS ASSOCIATION INC.	86695642473
2	DEMED ASSOCIATION INC	76170642779
3	LOCKHART RIVER ABORIGINAL SHIRE COUNCIL	55631460952
4	GUMATJ AIR LAND AND SEA COMPANY PTY LTD	51126100703
5	DAMBIMANGARI ABORIGINAL CORPORATION	48508877524
6	JABALBINA YALANJI ABORIGINAL CORP RNTBC	79611886178
7	DAWUL WURU ABORIGINAL CORPORATION	62082171342
8	PRICEWATERHOUSECOOPERS INDIGENOUS	51165106712
9	MANDUBARRA ABORIGINAL LAND AND SEAL INC	53935593198
10	TTF COOLAMON ADVISORS UNIT TRUST	18904562875
11	WELLESLEY ISLAND LAND SEA ECO DEV P/L	34602718936
12	Department of Parks & Wildlife (WA) (Miriwing Gajerrong)	38052249024



**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

**Department of Agriculture and Water Resources**

**Question Number:** 85

**Division:** Finance and Business Support Division

**Topic:** Australian paper

**Proof Hansard Page:** 66 (25.05.2017)

**Senator CARR asked:**

**Senator KIM CARR:** What is the percentage of Australian made paper that the department is using? I was told in February, in the last answer I got from the Department of Finance, that the agriculture department was using 33 per cent Australian paper of the total usage. What is the current figure?

**Mr Quinlivan:** The people who had that information are long gone, but from memory the number is a few percentage points higher.

**Senator KIM CARR:** So, you will have to take that on notice?

**Mr Quinlivan:** We will have to take that on notice, yes. I know it has gone up a lot but not a huge amount.

**Ms Lauder:** I have that figure here. It is 44 per cent so far this financial year.

**Senator KIM CARR:** I am sorry?

**Ms Lauder:** It is up to 44 per cent so far this financial year, and that was to the end of March. There will be more accurate information.

**Answer:**

As at 30 April 2017, the year to date total usage of Australian made general use copy paper within the Department of Agriculture and Water Resources was 47 per cent.

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

**Department of Agriculture and Water Resources**

**Question Number:** 86

**Division:** Finance and Business Support Division

**Topic:** Increase in inspection services

**Proof Hansard Page:** 69-70 (25.05.2017)

**Senator CARR asked:**

**Senator KIM CARR:** There are matters that the Commonwealth does have responsibility for, but I will come to that in a moment, in terms of the meat inspection role. On the question, though, of health certificates, there was an exercise at a meatworks recently in New South Wales and we are told that the cost for health certificates had increased for New South Wales producers from \$12 to \$45 over the past 18 months. Would you be familiar with those types of increases in regulatory burdens?

**Mr Quinlivan:** If they are associated with an export certification service, that is a cost recovery service that we provide.

**Senator KIM CARR:** Yes.

**Mr Quinlivan:** I am not sure whether that particular one is.

**Senator KIM CARR:** Can you confirm whether or not that figure is accurate?

**Mr Quinlivan:** I would have to take that on notice.

**Senator KIM CARR:** I expect that. That is the figure that has been put to me at a recent visit to an abattoir in New South Wales. If you would not mind, I would ask you to confirm what the increase has been.

**Mr Quinlivan:** I can confirm that.

**Senator KIM CARR:** Has there been any increase in inspection services more generally? Is that the only increase?

**Mr Quinlivan:** We provide export certification services in accordance with the requirements of the importing country. The requirements of importing countries change from time to time. Again, I will have to take that on notice as to whether there have been any changes recently, but I think they do change, as I say, in response to the requirements of our export destinations.

**Question Number:** 86 (continued)

**Answer:**

The combined charge (fee and levy) for an export meat electronic certificate is \$49 and has not changed since 2009.

The department undertakes a remissions program to return surpluses from prior years to industry participants. This temporarily reduces the amount payable to the department under the relevant legislation and reduced the amount payable for export meat electronic certificate from \$49 to \$12 during the period 01 December 2015 – 30 September 2016.

Remissions are made in consultation with industry.

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

**Department of Agriculture and Water Resources**

**Question Number:** 87

**Division:** Finance and Business Support Division

**Topic:** Reducing the cost of the regulatory burden for Australian producers

**Proof Hansard Page:** 71 (25.05.2017)

**Senator CARR asked:**

**Senator KIM CARR:** Has there been any consideration within the department about reducing the cost of the regulatory burden for Australian producers?

**Mr Quinlivan:** As to whether these service should be cost recovered or not, that would be a policy matter for the government. As to whether the cost of the services is reasonable and the services themselves are provided in an efficient way, that matter I think is more or less continuously under review. There was a review undertaken I think last year of the efficiency of our services for both plant certification and meat certification. People in the industry had an opportunity to contribute to that review. I do not know whether that review has been made public. I am pretty sure it has been provided to the meat industry. They were certainly consulted.

**Senator KIM CARR:** Can you take that on notice?

**Mr Quinlivan:** Yes.

**Senator KIM CARR:** If a copy can be tabled, I would appreciate that.

**Mr Quinlivan:** Yes.

**Answer:**

In November 2015, the Minister for Agriculture announced an independent review to examine certification and inspection costs associated with meat exports. The review (**Attachment A**) conducted by PricewaterhouseCoopers, states that cost recovery for the Meat Export Arrangement is in line with Australian Government Cost Recovery Guidelines and the costs recovered through the arrangement are appropriate. A draft of the report was provided to industry for comment and the report subsequently finalised in February 2017. This report will be made publically available shortly and the recommendations will be used to inform future cost recovery arrangement activities.

**Question Number: 87 (continued)**

In addition to the independent review, the department commissioned ABARES to undertake a study of the impact of cost recovery charges on the competitiveness of Australian exports. The 2015 ABARES report, *Australia's cost recovery arrangements for export certification: implications for Australian Agriculture*, states that the cost of meat export certification is 0.79 per cent of the value of exports.

The department continues to work with industry to ensure meat export inspection and certification services align with business and importing country needs, while being efficient and cost effective.

*Department of  
Agriculture and  
Water Resources*

Meat Export  
Programme cost  
recovery  
arrangements  
independent review  
– Final Report

*Final Report*  
*February 2017*



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# Contents

- 1 Executive Summary ..... 4**
- 2 Background ..... 7**
- 3 Legitimacy of recovered costs ..... 7**
- 4 Appropriateness of the cost recovery model and prices ..... 10**
- 5 Attribution of departmental expenses ..... 15**
- 6 Defensibility, equity and consistency against Cost Recovery Guidelines ..... 17**

*Limitations*

Our work was limited to that described in this report. It was performed in accordance with PIN 23350 under the terms and conditions of the deed executive in relation to the Australian Customs and Border Protection Services Provider Panel 127074 between PricewaterhouseCoopers and the Department of Agriculture and Water Resources. It did not constitute an ‘audit’ or ‘review’ in accordance with the standards issued by the Auditing and Assurance Standards Board, and accordingly no such assurance under those standards will be provided in this report.





# 1 *Executive Summary*

## 1.1 *Introduction*

PwC has been engaged to conduct an independent review of the costs and expense base of the Meat export certification program of the Department of Agriculture and Water Resources (the Department or Agriculture). The activities that were reviewed included all service delivery activities associated with Meat export certification.

The Australian Government provides a diverse range of services, support and benefits to the Australian public to achieve its policy outcomes. These activities are funded from different revenue sources, including general taxation, sales of public assets, government investments, cost recovery and other revenue-raising measures. Cost recovery involves the Australian Government charging the non-government sector some or all of the efficient costs of a specific government activity. That activity may include the provision of goods, services or regulation, or a combination of them.

Cost recovery can promote equity, whereby the recipients of a government activity, rather than the general public, bear its costs. An effective arrangement can also influence demand for government activities, improve the efficiency, productivity and responsiveness of government activities and accountability for those activities. A robust and transparent cost recovery model can also increase cost consciousness for all stakeholders by raising awareness of how much a government activity costs.

## 1.2 *Scope of work performed*

In accordance with the terms of reference, the overarching scope of the review was to validate the cost recovery model and all costs (and therefore prices) to be applied for meat exports. In particular, the review was tasked to consider:

1. if the costs being recovered by the department are legitimately costs for industry (and not costs of government)
2. the appropriateness of the existing cost recovery model and price settings
3. how all departmental costs are attributed to the meat sector
4. whether the existing arrangement is defensible, equitable and consistent with Australian Government cost recovery guidelines

Where the review identified areas of potential concern, we have proposed recommendations to amend the department's existing cost models to resolve the identified issues. Whilst intrinsically linked to the effectiveness of a cost recovery allocation model, this report does not comment on implementation activities.

Review of the Cost Recovery Impact Statement (CRIS) cost recovery model, in particular its cost base, has been primarily premised on an assumption that the resourcing depicted in the Program Management and Administration cost pool has been set at an appropriate level based on required (or agreed with industry) service delivery levels. While PwC has assessed information within the CRIS cost recovery model for reasonableness, no audit or verification procedures on the underlying data or detailed assumptions has been undertaken.

## 1.3 *Review Approach*

Our approach to the review involved the following activities:

### *Industry concerns analysis*

- Meat industry consultative committee was convened to discuss the review process and provide initial commentary on concerns relating to the implemented cost recovery arrangement.
- Industry submissions supplied to Agriculture during the CRIS development were reviewed, as were additional submissions received during the review, with core issues identified and noted.

### *Cost allocation model analysis*

- The cost allocation model was analysed to understand the build-up of resourcing and the allocation of costs to this resourcing, and to test the underlying assumptions in modelling.
- Interviews were held with Agriculture Industry Support Branch personnel to gain further understanding of the underlying assumptions supporting modelling both for direct and indirect costs.

### *Understanding the level of resourcing in the cost allocation model*

- High level resourcing discussions were undertaken with Industry Support Branch personnel to understand the assumptions behind the per cost centre resourcing applied in the modelling.
- High level analysis of the resource base against historical resourcing was undertaken.

### *Analysing alternate approaches for cost allocation*

- Following detailed analysis of the cost allocation model and identification of issues, a range of discussions were had with Industry Support Branch personnel to gain greater understanding of the underlying activities, their cost drivers and potential alternatives for allocation methodology.
- An alternative allocation model was developed for scenario modelling, correcting errors and employing potential alternative methodologies. Updated prices developed as a result of this modelling were utilised in undertaking impact analysis.

### *Industry impact analysis*

- Review of historical volume data for Meat arrangement clients and scenario analysis of relative client impacts of alternate recovery splits, including re-pricing and previous over-recovery return options.

## **1.4 Overall observations**

The overall charging structure employed by Agriculture is strong, consistent with other export arrangements and with Agriculture's broad direction for export cost recovery arrangements. Utilisation of a mix of fees and levies provides for the ability to deliver an appropriate degree of equity across industry participants. Notwithstanding, our review has noted some errors in the model and a potentially over-simplified approach to pricing. However we note that overall the impact of these issues does not have a material impact on the total costs being recovered from industry.

The review identified an imbalance between revenue and expense for some activities that will potentially provide less equity for industry participants. Some modelling errors and a reliance on historically calculated prices and historical cost allocation methodology has resulted in some prices which are not representative of those activities which underpin them. Levy pricing changes do not mirror the return with the original over-recoveries to those who have contributed them. PwC acknowledge that the meat export model has been in place since 2011 and that through consultation with industry only relatively minor changes were made in 2015.

Overall the cost allocation modelling has relied on recovery against the expense base at a macro level, rather than analysing and repricing the range of fees and levies employed given current forecast activity levels. Whilst this approach (particularly maintaining historical prices) is not likely to significantly affect the "average" industry participant who utilises a relatively equal mix of all service lines, those at the margins with a more unique mix of activities have the potential to be impacted.

The recommendations made in this report will not impose significant additional effort on the Department on an ongoing basis. No additions to charge structure are recommended, with recommendations focussed on repricing and correction of modelling errors. There is some implementation effort required in amending the cost allocation model and prices in legislation and systems. The priority attached to implementing recommendations should take into account that the overall the meat cost recovery arrangement is stable and conforms to the cost recovery guidelines. However it is our view, that implementing the recommendations will have benefits for greater certainty of recovery and greater equity across industry participants. The vast majority of information to support recommended repricing has already been collected by Agriculture and is collated in the cost allocation model. Also, only minor calculation changes are required within the cost allocation model to fix errors and employ more accurate pricing.

A summary of our key observations and associated recommendations against each scope item is provided below. These observations and recommendations are considered in greater detail in later sections of this report, along with supporting analysis.

Scope item	Summary of Observations	Summary of Recommendations
Legitimacy of recovered costs	<ul style="list-style-type: none"> <li>The cost base, including direct and overhead costs, appropriately reflects Government’s requirement for 100% Cost Recovery for the modelled period. The overall cost base is broadly comparable to previous years based on equivalent service levels.</li> </ul>	
Appropriateness of the CRIS cost recovery model and price settings	<ul style="list-style-type: none"> <li>The review identified that the Meat cost allocation model is reasonably well structured to calculate the necessary detail of pricing to support the charge structure in place.</li> <li>Return of over-recoveries in the Program Management and Administration cost pool has not been directed to all charges which led to the over-recovery (primarily Throughput) in the first instance.</li> <li>Some errors were uncovered in the model including data entry and formula errors.</li> <li>While not materially different, the cost model provided for this review was not the version that was used to calculate the pricing contained within the CRIS.</li> </ul>	<ul style="list-style-type: none"> <li>Agriculture to implement a more formal quality assurance process including the “locking away” of models which have been utilised for cost recovery pricing used in the CRIS.</li> <li>The Department utilises discrete processes of re-pricing versus correction of historical over / under-recovery during future cost recovery arrangement review.</li> <li>The Department reprices Throughput and Certification (and potentially Registration) levies to more accurately return historical over-recoveries to those who contributed to them.</li> <li>The Department corrects errors in modelling and updates pricing for Audit, Inspection and Documentation fees (including overheads).</li> </ul>
How all departmental costs are attributed to the meat sector	<ul style="list-style-type: none"> <li>The model developed by the Department utilises an effective approach to build up the overall cost base for the Meat Export arrangement, including Overhead expenses, shared Cost Centre direct costs and 100% focussed Meat delivery cost centres. However greater certainty of recovery and alignment of expenses to those who create them can be achieved through amendments to the treatment of overhead expense.</li> </ul>	<ul style="list-style-type: none"> <li>Overhead expenses associated with the audit, inspection and documentation activity groups are attached to each of the respective fees which contain their direct costs. Greater certainty of recovery and closer allocation of costs to those who consume the services are achieved through this approach.</li> </ul>
Defensibility, equity and consistency against Cost Recovery Guidelines	<ul style="list-style-type: none"> <li>The review identified that the charging structure and general methodology currently used by the Department is broadly consistent with the Cost Recovery Guidelines and its own Cost Recovery policies. However, limited quality assurance in the application of the methodology in the cost model and a focus on cost recovery at the macro level has reduced the defensibility and equity of pricing at the individual fee level.</li> <li>Fees have not been repriced in a number of instances removing alignment of expenses to those clients driving them. Cost recovery guidelines require the “calculation” of fees, which has not occurred in all cases.</li> </ul>	<ul style="list-style-type: none"> <li>All prices should be recalculated at cost recovery review time (at least to test materiality of pricing shift). Whilst impacts on overall arrangement recovery of costs may be immaterial, the impact of not repricing at an individual client level can have significant impacts on their contributions and their equitable share.</li> </ul>

## 2 Background

Charging structures and cost recovery model design for the Meat arrangements were last reviewed in 2011. Charging structures implemented at that time have generally worked effectively to recover expense from the various elements of the industry base, however some prices developed at that time have delivered significant variance between expense and revenue for their associated activities.

- Significant increases in volumes of throughput and certificate activities have led to a significant increase in levy revenue over an expense base which has only moderately increased.
- Fee for service charges at the macro level have worked effectively, with revenue matching expense for the total of Audit, Inspection and the fee for service component of Documentation. However individual fees within these cost pools have shown significant variance between revenue and expense, some over-recovering and others under-recovering.

During 2014-15 the Department has reviewed all cost recovery arrangements including all export and import related arrangements. Significant focus points for review during this round were to:

- Work towards alignment of charging structures and underlying assumptions across arrangements
- Achieve efficiency through simplification of charging structures where appropriate.
- Attempt to resolve shortcomings / challenging aspects of previous models, including those discussed above for the Meat arrangement.

Following this review which included stakeholder engagement, amendments to cost inclusion have been implemented, minor amendments to the charging structure were made and some pricing adjustments undertaken. Significant changes include;

- Inclusion of Detained Goods, Organic certification and additional depreciation expenses in pricing
- Consideration of historical levy over-recoveries in pricing.

## 3 Legitimacy of recovered costs

Analysis of cost allocations has not identified any significant issues with the legitimacy of the nature of the direct costs attributed to the Meat Export programs as a whole. The majority of direct costs have been appropriately built up using a resourcing model, where efficient staff resourcing numbers have been allocated by broad activity and their associated supplier and corporate on-costs primarily allocated based on these staffing numbers (some costs are appropriately allocated as fixed costs, not influenced by variable staffing and these are allocated as a single fixed value for each cost centre concerned).

Analysis of corporate / indirect / overhead costs has not identified any significant issues with the build-up of these costs or their allocation to the overall Meat Export arrangements. The Department passes on only costs of activities which are appropriately recovered by industry and utilises appropriate drivers for representative distribution of these costs to those programs consuming their services.

However some errors in modelling have led to an overstatement of the overall cost base (based on forecast volumes) of approximately \$2.5 million (approximate impact calculated as difference between total recoverable costs per the CRIS of \$77.2m and Appendix B estimate of \$74.4m.), however this does not impact on the nature of the costs, only their quantum. It is also important to note, that the overstatement in its own right will not necessarily lead to an over-recovery of that amount. As long as expenses move in line with the shift in activity, then revenue should match expense.

### 3.1 Assessment of 100% cost recovery

There appears to be some confusion amongst stakeholders about definition of 100% Cost Recovery. The Cost Recovery Guidelines define full cost recovery as: '*full cost recovery—involves charging the non-government sector all of the efficient costs of a specific government activity*'. When analysing alignment of the cost base with full cost recovery, PwC has separated analysis into two primary elements being recovered, direct costs and indirect (or overhead) costs.

In general, it is our view that the activities relating to overhead costs recovered by the Meat cost recovery arrangement are consistent with Governments requirement for 100% cost recovery and as such, are legitimate costs for industry, and that the cost allocation drivers are at an appropriate level of detail for

equitable distribution of these costs to the Meat cost recovery arrangement.

The Department's development of the cost base is presented in detail in modelling and the nature of the costs being included is transparent within the CRIS cost recovery model. However, due to the complexity of corporate cost allocation, a number of simple assumptions have been made within the CRIS cost recovery model to forecast future cost distribution of these activities.

### **3.2 Analysis of corporate costs**

Prior to undertaking the Meat Export cost recovery arrangement review, a separate and detailed review of corporate cost allocation methodology and processes was undertaken within the Department. For the purposes of the current meat export review we have assumed that the outcomes of this detailed review have been included in corporate cost pass through. To avoid duplication of activities the PwC review has therefore taken a high level approach to the analysis of the corporate costs passed on to the Meat cost recovery arrangements. Three main criteria were used:

- Are the activities which drive costs that are passed on to the Meat cost recovery arrangements appropriate activities for recovery from industry?
- Are the drivers utilised for allocation of these costs representative of the consumption of those corporate cost activities?
- Are the driver values utilised within the corporate cost allocation representative of the proportional consumption of those corporate cost activities when compared to other recipient programs?

The allocation structure and drivers utilised in the corporate cost allocation model for 2014-15 have been carried over into 2015-16. Within the CRIS cost recovery model the cost from 2014-15 have been used as the basis for calculating 2015-16 overhead costs. Analysis of 2014-15 allocations has been undertaken, as they represent the best proxy available for assessing underlying methodology employed in the CRIS model.

#### *Are costs legitimate costs for industry?*

The Department's corporate cost allocation methodology does not pass on all costs to all cost recovered arrangements and for some activities has an offset revenue against those corporate costs passed down to cost recovered arrangements. We have not identified any significant issues with the nature of the departmental corporate activities which are recovered from industry. They are consistent with Governments requirement for 100% cost recovery and as such, we conclude that they are appropriate.

#### *Are utilised drivers representative?*

PwC has not identified any significant issues with the corporate cost allocation drivers utilised to allocate overhead activity costs to the Meat Export cost recovered arrangements. In order of materiality, the drivers employed to attribute overhead expenses are FTE / Headcount, IT Assets, Workpoints, Activity units (e.g. invoicing activity) and management estimates. These drivers are appropriately utilised for the activities which they drive, as they relate to the way in which the activities are consumed by cost recovery arrangements. It is important to note that over 80% of corporate costs are driven to the Meat arrangement based broadly on the number of staff engaged, meaning that a reduction in operational staff will lead to an almost commensurate reduction in overhead costs (this relationship is important in discussion of pricing and subsequent certainty of recovery for fee for service activities, discussed later in this report).

#### *Are driver values representative of driver types?*

Use of previous year actuals as a proxy for calculation of future overhead costs is a practical approach given the complexity within the Department's current cost allocation systems. However, this approach relies on the correct application of driver values against driver types within the previous year's historical data used as a proxy for future costs. The Department's recent detailed corporate cost allocation review identified no material issues with cost allocation, validating the use of historical data as a proxy for future expense.

### **3.3 Analysis of Direct costs**

Allocation of direct cost to the Meat Arrangement takes two primary forms. Firstly those cost centres which are 100% allocated to the Meat arrangement and secondly those that are shared across other arrangements. Those allocated 100% to the Meat arrangement have been assessed and appear to be clearly and solely related to provision of services for the Meat program. The remainder have been assessed on the following basis.

- Are the activities which drive costs that are passed on to the Meat cost recovery arrangement appropriate activities for recovery from the Meat program?
- Are the drivers utilised for allocation of these costs representative of the consumption of those activities?
- Are the driver values utilised representative of the proportional consumption of those direct cost activities when compared to other recipient programs?

Analysis against each of these criteria has determined that the activities included are appropriate, the drivers utilised are appropriate and the use of historical driver values for future modelling is appropriate.

### ***3.4 Analysis of the quantum of total cost base / total resourcing***

Analysis of the overall cost base over time shows expense effectively following the increase in demand for services, demonstrating the effectiveness of the Departments cost allocation model. Increases in the Program Management and Administration cost pool expense over the past few years are primarily driven by the increase in demand for Inspection and Documentation services, where their overhead components have been recovered by the Program Management and Administration cost pool. Those cost centres supporting discrete Program Management and Administration activities (such as overall program management and market maintenance) have remained very stable over the last three years.

A detailed baseline or benchmark of service delivery (within the Program Management and Administration cost pool activities) against cost is not available for previous years, primarily due to a lack of detailed effort recording by staff in these cost centres. As the primary driver of expense in these cost centres is employee effort, without historical activity allocation, comparison of current service levels is difficult. The Department and Industry would benefit from an analysis of effort against a detailed activity list for the discrete activities within the cost pool. This would allow for more informed discussion on the nature of the activities and which can be influenced by industry behaviour, versus those which are essential for business delivery or to satisfy policy requirements.

With regards to the cost base developed within the Meat cost allocation model, a number of new expenses have been incorporated (some transferred into this arrangement, and some activities not previously cost recovered);

- Additional depreciation associated with an increased IT investment, including an Activity Based Costing implementation and effort recording system.
- Incorporation of Organic and Meat Quota expenses (not an increased expense to industry overall, but a shift across arrangements to align with commodities).
- Inclusion of detained consignment expenses. Inclusion of these expenses is considered in line with 100% cost recovery of expenses directly associated with industry activity.

Analysis of the Meat cost allocation model and discussion with the Department has identified errors in data entry and formula errors which result in an overstatement of the overall cost base. Based on the resourcing model supplied by the Department, correction of these errors would result in a reduction in the cost base (approximately \$1 million in the Audit stream associated with Area Technical Managers (ATM's), and \$0.55 million in the Documentation stream, assuming that the Departments "serviceable capacity" assumptions are correct). Detail of these issues is explored further in the cost model and pricing section of this report.

It is also worth noting that the cost base does not include Overtime expense incurred in service delivery, particularly for on plant inspection by Food Safety Meat Assessor's (FSMA) and Veterinary Officers. Overtime expenses were significant in 2014-15, amounting to \$4.8 million. Where overtime is incurred in the future, it will be an additional expense over that represented in the CRIS and cost allocation model (ie. would be expected as an additional expense on top of the forecast cost base represented in the model and CRIS).

## 4 *Appropriateness of the cost recovery model and prices*

The cost allocation model supplied by Agriculture for the purposes of this review does not align with expenditure and pricing represented in the published CRIS. The Department has advised that the model supplied is the correct version, however concedes that the model was not locked down following population of the CRIS. There is a difference of approximately \$1 million between the Audit versus Program Management and Administration cost pools. This difference equates to approximately 1.3% of total costs to be recovered.

Subject to the foregoing qualification Agriculture has implemented a charge structure which has the potential to deliver a practical level of equity across industry participants whilst remaining efficient to deliver. However pricing against this structure has not been comprehensively modelled for impact in its implementation, potentially affecting equity, defensibility of the model and discrete prices, and also certainty of recovery.

Analysis of the appropriateness of the model and prices has been split into two components for each cost pool, firstly the appropriateness of the recovery mechanisms / discrete charge types used, and secondly the pricing and revenue generated by each of the recovery mechanisms.

PwC acknowledges the complexity in developing the cost recovery model, including the difficulty in attempting to cater for the huge range of commodities and business models within the various Meat industry sectors. In particular, the pricing of levies is a much more complex process than the pricing of fees, as the relationship between the expense and the recipient of services is not as traceable. However, as discussed below, there are a number of elements within the Meat cost allocation model which are recommended for review to more appropriately align prices with costs and clients and subsequently achieve greater equity.

**Recommendation 1**– Agriculture to implement a more formal quality assurance process including the “locking away” of models which have been utilised for cost recovery pricing used in the CRIS.

### 4.1 *Re-pricing versus correction of historical under / over recoveries*

Whilst “remitting” against legislated prices provides the Department some additional flexibility in amending prices, it requires a greater degree of scrutiny and application of due process, particularly when incorporating correction of historical over/under recoveries. It is acknowledged that the Department and industry dedicated significant effort to consideration of updated pricing across levies within the Program Management and Administration cost pool, however on the information presented, it appears that the considerations were based on an over simplified approach. In addition an incorrect methodology has been employed in calculation of the contributors to historical over-recoveries in the levies within this cost pool.

The Department in conjunction with industry has implemented changes to levy prices in a single pass, rather than separately considering repricing for future recovery versus return of historical over-recovery. The discrete implications of this approach are discussed below in pricing section 4.3.

PwC’s recommended process for new price calculation for the Program Management and Administration cost pool charges is represented below (this approach takes into account both the changes in overall Program Management and Administration cost base, and the correction of historical over recovery);

1. Forecast the overall new cost base (including efficient resourcing and forecast activity levels).
2. Determine the revenue contribution of fixed minor charging components (to arrive at the recoverable base for Registration, Throughput and Certificate charges).



3. Determine the required distribution of recovery across leviable charge categories (eg. How much of the expense will be attributed to each of the Registration, Throughput and Certificate charge pools).
4. Determine forecast volumes for each discrete charge category.
5. Calculate new prices based on the new cost base and targeted revenue distribution.
6. Determine the overall over/under recovery for each of the leviable charge categories and the period over which they will be distributed (eg. 2 year correction, 4 year correction).
7. Adjust step 5 prices based on corrections from step 7.

A similar approach is recommended where correcting fee for service historical over / under recoveries.

**Recommendation 2** – Re-pricing as opposed to return against historical over / under-recoveries should be treated as discrete calculation steps, each with their own assumptions, to arrive at final price per discrete charge. Assumptions and complete calculations are recorded for future review.

## 4.2 *Balancing levy recovery within the arrangement*

Prior to 2011, Program Management and Administration expenses were primarily recovered via the Registration and Throughput charges. As an outcome of the 2011 review, the notion of a Certificate levy was introduced through inclusion of a notional \$4 million from the Program Management and Administration cost pool against the Certificate fee. The \$49 fee calculated at that time was therefore based on a \$16 fee component and what in essence was a \$33 levy component.

The benefit of introducing the notion of a Certificate levy was to spread the Program Management and Administration cost pool more completely and equitably over the range of industry participants utilising and benefiting from operation of the Meat Export program. Whilst the Throughput charge allows for a variable contribution proportionate to the size of a business, it does not apply to all businesses, for example non abattoir exporters. The advantage of including a Certificate levy within the leviable charges is that it provides a means of applying a variable charge proportionate to the size of a business to those businesses which do not receive the Throughput charge or contribute minimally to it. In doing so, greater equity is achieved across a broader client base.

Two key points stem from the above discussion, which are explored further in pricing discussions;

- Allocation of \$4 million from the Program Management and Administration cost pool to the Certificate charge was a notional allocation to arrive at a price at that time, and bears no direct relationship to the delivery of certificate services.
- Significantly reducing the Certificate charge contribution will reduce the ability to equitably distribute the Program Management and Administration cost pool across participants.

## 4.3 *Program Management and Administration cost pool allocation to discrete charges*

### *Structure*

The Department, in conjunction with industry, has maintained a strong recovery mechanism structure for recovery of the Program Management and Administration cost pool. The enhanced Registration, Throughput and Certificate levy structure allows for the opportunity to achieve reasonable equity across the range of business models and commodity types, from low throughput/high certificate volume participants to high throughput/low certificate volume participants.

Representation of the Certificate levy as a separate charge is an improvement of the new levy structure employed (previously a component of the Program Management and Administration cost pool was recovered via the certificate fee, however this has now been more appropriately represented as a separate levy).

### *Pricing*

As discussed previously, the approach to pricing levies has the potential for less equitable recovery contribution and does not adequately return over-recoveries to those who have contributed to them. PwC makes the following observations;

- Overall, levy prices are too high due to inclusion of Audit, Inspection and Documentation overheads (highly variable activity reduces certainty of recovery, and inclusion of fee for service overheads in the levy cost pool separates the expense from those who incur it).
- Pricing calculations have not separated re-pricing versus return of historical over-recoveries.
- Throughput levies have generally been over-priced and the Certificate levy under-priced in comparison to historical % share and when compared to other export arrangements.

#### *Return of over-recovery*

The table below shows the % distribution of revenue across the leviable charge categories from the previous model in 2011 to the current cost recovery model. The first and last columns represent budgeted splits, whilst the three middle years represent actual revenue splits. (note: Certificate fee for service revenue is included in these calculations. Whilst this revenue does not contribute to recovery of the Program Management and Administration expense base, it has been included to avoid confusion due to potential change in treatment of underlying expenses between fees and levies over the period analysed).

<b>Charge type</b>	<b>2011 model</b>	<b>12-13</b>	<b>13-14</b>	<b>14-15</b>	<b>New Model</b>
<b>Registration</b>	20.2%	16.7%	14.7%	14.7%	19.1%
<b>Certificate</b>	33.7%	36.5%	37.1%	37.7%	25.7%
<b>Throughput</b>	46.1%	46.8%	48.2%	47.6%	55.2%

Comparisons above demonstrate that both the Certificate and Throughput charges have largely maintained their relative contributions to the Program Management and Administration cost pool. This is despite overall revenue increasing by more than \$8 million in 14-15 over the \$19 million forecast in the 2011 model.

The calculations undertaken by the Department to calculate recovery against expense suggest that the vast majority of over-recovery was created by the Certificate charge, however these calculations relied on a static allocation of the notional \$4 million to the Certificate charge in the 2011 model. As revenue has increased over time, so has the expense base associated with the Program Management and Administration cost pool. However in calculations, the Department has not recognised the notional nature of the \$4 million allocation to the Certificate charge, and adjusted the expense base for each of the contributing charges. Ultimately, each of the charges (with the exception of the fee for service component of the Certificate charge) are contributing to a total Program Management and Administration cost pool. Given the very nature of the charges as Levies, they are not associated with a discrete cost base. The Departmental calculations in representing the certificate levy expense as a fixed expense place greater expense burden on the Registration and Throughput charges, which has masked the increased overall contribution of the Throughput charge in particular.

A more appropriate method of determining the relative contribution to the over-recovery is to distribute the increased expense base across each of the charge categories based on the original contribution splits used to calculate the pricing (as this is equivalent to the split used to create the prices which have driven the revenue). Comparing revenue to the correctly distributed expense base for each charge demonstrates that both the Certificate and Throughput charges have contributed equally to the over-recovery (almost exactly \$6.8 million each over the past 3 years based on this methodology). Analysis of the volume of activity over time also supports this finding. Certificate volumes have almost doubled since modelling in 2011, and Throughput volumes overall have almost double (Sheep have doubled and Cattle increased by 75%).

While Agriculture suggests that the majority of clients will not be significantly affected by redistribution between Certificates and Throughput charges, clients who only contribute to Throughput charges or use very few Certificates, will be potentially disadvantaged. For example abattoirs who do not export in their own right will have contributed to the overall over-recovery, but will not receive any return against that over contribution. Conversely, non-abattoir exporters will receive return above their over-contribution. It should be noted that the overall cost recovery impact is likely to be immaterial.

**Recommendation 3** – In relation to recommendation 2 above, Agriculture more appropriately distribute return of over-recovery to both the Certificate and Throughput levies (with PwC analysis suggesting an equal \$ allocation to each group of charges, with each Throughput charge being reduced accordingly). Specific assumptions for each discrete calculation should be documented.

#### **4.4 Audit cost pool allocation to discrete charges**

The implemented Audit pricing structure is strong, however a lack of repricing has not addressed the historical misalignments of expenses to those who create the need for them, and expense against revenue.

##### Structure

- 1) The Audit cost pool is appropriately recovered via separate quarter hour fees for Food Safety Audit (FSA) and ATM Veterinary Audit. The different competency required and subsequent variable cost base justifies the use of separate fees. In addition, the different fees more closely link expense to those who drive it.

##### Pricing

Fees have not been re-priced in the cost allocation model and therefore do not adequately represent the expenses incurred for each against the forecast volume of activity. PwC notes that FSA Audit fees were not discretely priced in the 2011 cost model, and that this audit activity has utilised the quarter hour FSMA inspection fee priced at that time. This inspection price does not recognise the reduced serviceable capacity related to Audit in comparison to Inspection (for increased travel time and non-chargeable activity, as contained in the resource development worksheet of the model, but not utilised for pricing).

Activity volume for ATM's is overstated in the model (30 hours for post audit effort compared to a revised figure supplied by Agriculture of 2.5 hours). As a result the cost base for ATM's is overstated by approximately \$1 million (recalculation of the demand driven model for this change alone, results in a price change of approximately \$4.50)

Activity volume for FSA auditors appears overstated. The 14-15 financial year only recorded 10,000 quarter hour units, and the 15-16 financial year only approximately 17,000. Based on this the 42,000 forecast units in the allocation model appears significantly overstated, although it is noted that this will only have a minor impact on properly calculated pricing if expense moves downward with required service levels. Given the apparently over-stated activity volume, reductions in expense will need to be sought to avoid significant under-recovery as has occurred for the past few years. Expenses would be reduced by \$1 million based on a suggested more reasonable 20,000 quarter hour units.

Confusing signals are provided by the various data analysed in relation to overall Audit expenses and prices. The cost allocation model forecasts a 1.1 million over-recovery, whilst the CRIS suggests a more minor \$0.3million over-recovery due to a significantly larger expense base recorded in the CRIS. Given the apparent overstatement of activity volume already apparent in the cost allocation model, it is difficult to understand what would drive the additional \$0.8 million allocated against Audit expense in the CRIS.

Repricing the ATM fee utilising Agriculture's efficient delivery of service calculation and reduction in Audit effort suggests an updated price of \$78, however review of revenue against expense over the past three years shows revenue matching expense over that period for the ATM Audit activity. This suggests that either the activity has been operating inefficiently in comparison to the efficient service delivery calculation in the model, or that the non-chargeable element of service provision has been understated, or that the base for charging is broadening to capture more of the service time in charging. More analysis is required by Agriculture to explain the mixed signals supplied by each of these components.

**Recommendation 4** – Both Audit fees are reviewed and repriced, particularly to reduce the gap between the two and provide a true price for FSA and ATM audits. Variance in expense between the cost recovery model and the CRIS be investigated and the correct expense utilised in re-pricing. More thorough analysis employed to determine appropriate serviceable capacity figures for both categories of Auditor, and / or charging opportunities explored in greater detail.

PwC re-pricing based on a reduced ATM audit effort and inclusive of overheads suggests a \$46 FSA Audit fee and an \$88 ATM Audit fee, however the ultimate pricing may differ dependent on the outcomes of the analysis detailed in the recommendation above, particularly the serviceable capacity calculation assumptions and assumed charging ability. What is clear is that the currently priced FSMA Audit fee is far below its required level, which explains it's under recovery in the past three years.

## 4.5 Inspection cost pool allocation to discrete charges

Inspection charges are generally well structured, however errors in modelling and a lack of repricing of all inspection fees has led to fees which are not representative of their expense or activity base.

### Structure

- 1) Fees within the inspection cost pool are appropriately structured, allowing for pricing to differentiate the varying usage of service by unique business models. However PwC believes that simplification is appropriate through removal of the FSMA – Additional charge, particularly if Agriculture allocates Inspection overheads alongside direct costs within the fees.

**Recommendation 5** – Agriculture consider removal of the FSMA-Additional charge along with repricing (including overheads) as the additional expense would no longer be required and also does not represent the true cost of service delivery.

### Pricing

Only some inspection fees have been considered when repricing. Veterinary inspection has shown an over-recovery for the last three years, suggesting all Veterinary Officer pricing should be reviewed. In addition, the Meat cost allocation model allows for calculation of efficient costs, which should be utilised for repricing.

Incorrect revenue activity volume was utilised in modelling for both FSMA and veterinary officer quarter hour calculations. Planned volume data was utilised for unplanned activity and vice versa, leading to an overstatement of revenue by \$1.7 million.

Agriculture has confirmed that from an expense point of view, there is no difference between the costs of providing Annual FSMA's versus FSMA – Additional personnel. From a cost recovery guidelines point of view there appears to be no justification in charging increased fees to those choosing to use additional servicing as they do not create additional expense. Incorporation of FSMA overheads into their fees will negate the previous need to recover those overhead expenses not recovered through the Program Management and Administration pool.

Activity volumes for unplanned servicing include overtime charging activity, whilst the expense base against which prices are set is not inclusive of this activity. This misalignment in its own right will lead to under-priced fees. Activity volume for unplanned overtime should be removed from pricing calculations, where the expense has also been removed. Any re-pricing should take this into account. Limitations of volume data supplied with the cost allocation model, did not allow estimation of the pricing impact of the misalignment.

PwC notes that Agriculture's approach to pricing FSMA and Veterinary monthly inspection and planned quarter hour charges does not incorporate any allowance for reallocation of resources, where they are not utilised to their full capacity.

**Recommendation 6** – Agriculture re-price Inspection fees to incorporate overhead expenses and volume data corrections for planned versus unplanned activity. PwC recommends differentiation of the cost base for annual/planned servicing versus unplanned servicing (based on assumptions regarding increased travel and reduced serviceable capacity for unplanned services) as part of the repricing. Appendix B represents an alternate repricing with assumptions included.

## 4.6 Documentation cost pool allocation to discrete charges

The Documentation charging structure employed is strong, however errors in activity volume modelling and a failure to recognise a likely reduction in volume of activity have resulted in unrepresentative prices and overall expense

### Structure

- 1) The documentation cost pool is appropriately recovered via the three fees (electronic, manual and replacement fees).

### Pricing

The calculation to price the Certificate fee utilised appropriate methodology, however the volume data utilised was most likely overstated resulting in a corresponding overstatement of manual fee and Certificate levy revenue.

- Manual certificate volumes were overstated by approximately 9,000 units due to incorrect inclusion of Halal manual certificates, which are now delivered electronically. This results in an overestimate of revenue by approximately \$0.9 million per annum.
- Certificate volumes have not been reduced for a predicted downturn in activity levels. Certificate volumes over the past three years have moved broadly in line with Throughput volumes (analysis shows them being more responsive than Throughput). Whilst Throughput volumes have been modelled as significantly decreasing, no commensurate reduction in Certificate volumes has been estimated. Major throughput categories of Sheep and Cattle have been reduced by approximately 22%, suggesting that Certificate volumes should be reduced by approximately 25%. Whilst fee for service pricing would not be significantly impacted (as expense should relatively reduce with activity reduction), the impact on the associated levy (which utilises the same volume forecast) would be approximately \$0.5 million per annum. The fee would also be slightly under-priced, as not all expense will reduce with the reduction in activity.

**Recommendation 7**– Electronic Certificate fee is re-priced to accurately reflect the expense base and forecast activity. PwC modelling (if including overheads) suggests that all potential corrections combined will result in a Certificate fee of approximately \$14 (\$9 excluding Overheads) v's currently priced \$3

## 5 Attribution of departmental expenses

The Meat cost allocation model presented builds costs up into four primary cost pools for overall management of expense against Revenue and grouping of like charge types, including Program Management and Administration, Audit, Inspection and Documentation.

The eighteen cost centres directly contributing to the arrangement are correctly aligned to their cost pools for recovery against their associated activities. However PwC believes that there is merit in maintaining overhead costs alongside direct costs within the Audit, Inspection and Documentation cost pools.

## 5.1 Development of the detailed resource base

Of the eighteen contributing cost centres, there are two primary types. Firstly, those services which support the program delivery as a whole including overall program management and market maintenance activities. Secondly those services which can be built up based on efficient service delivery according to forecast activity levels (ie Audit, Inspection and Documentation) and which are directly attributable to specific activities and clients. The eighteen cost centres are allocated to cost pools based on Agriculture's 'Functional Cost model' (seventeen cost activities allocated to four cost functions). Of the eighteen cost centres, 10 are allocated to Program Management and Administration, 2 to Audit, 2 to inspection and 4 to Documentation cost pools.

Each of the eighteen cost centres are listed in the table below with their allocation driver, total expense and FTE. Expense and FTE are corrected for errors in the model. Does not include additional expenses for Detained consignments, Organics and Depreciation (all allocated to Program Mgt & Admin).

Cost pool	Cost Centre	Alloc driver	expense	FTE
Prog Mgt & Admin	124104 - Meat Exports	100% Meat	\$4,634,448	22.4
Prog Mgt & Admin	124524 - Food Service Delivery Admin	FTE effort	\$3,305,282	19.0
Prog Mgt & Admin	124107 - Field Operations Managers	FTE effort	\$631,000	3.0
Prog Mgt & Admin	123928 - Strategic Initiatives Unit	FTE effort	\$361,089	1.8
Prog Mgt & Admin	123374 - Export Estab Registration	No. of Estab's	\$355,022	2.2
Prog Mgt & Admin	124301 - AS Meat NPG Org Export Ops	FTE effort	\$288,261	1.4
Prog Mgt & Admin	124105 - Certification Integrity	FTE effort	\$236,905	1.0
Prog Mgt & Admin	123988 - Exports Business Admin Unit	FTE effort	\$200,118	1.3
Prog Mgt & Admin	124530 - Field Training and Development	FTE effort	\$135,031	0.0
Prog Mgt & Admin	124135 - Overseas Audit	FTE effort	\$69,172	0.0
Audit	124109 - Area Technical Manager Svcs	100% Meat	\$3,543,763	12.0
Audit	123930 - Food Audit Services	Audit Vol's	\$1,901,242	12.1
Inspection	124525 - Food Safety Meat Assess Svcs	100% Meat	\$31,092,433	235.0
Inspection	124526 - On-plant Veterinary Services	100% Meat	\$24,992,214	127.9
Documentation	123987 - Food Documentation Services	Cert Vol's	\$1,708,590	13.7
Documentation	247157 - Meat, Eggs and Quota – Meat	Cert Vol's	\$733,429	2.9
Documentation	123375 - Export System Services	Cert Vol's	\$544,197	3.2
Documentation	124103 - Audit Management System	Cert Vol's	\$533,076	3.0

For the 10 cost centres related to Program Management and Administration, FTE are based on historical FTE, with adjustments made for any known changes in required resourcing. These cost centres are unique in that their activity is primarily driven by the Department rather than industry demand and they are usually not associated with specific industry clients. Expenses are allocated against the forecast FTE servicing.

The remaining 8 cost centres are driven almost solely by industry demand and can therefore be built up based on forecast demand. These are developed using application of efficient serviceable capacity against discrete activities built up on forecast volume, frequency and intensity of associated activities.

Full Time Equivalent (FTE), supplier and overhead costs are then applied against the efficient FTE where appropriate or as fixed costs where they are not influenced by FTE. This was done for each of the eighteen primary contributing cost centres (activity groups) who contribute directly to Meat Export arrangements.

The Department's methodology to build up the cost base is considered reasonable. The methodology utilised includes the socialisation of travel, client liaison and training and administration time into efficient resourcing levels. These efficient resources are then attributed fixed and variable supplier costs and fixed and variable overhead costs to each of the eighteen primary cost centres / activity groups. Detail within the

developed cost base and adequate representation of the assumptions utilised to build it up, provides an informed baseline position against which future outcomes can be compared, and assumptions challenged.

## 5.2 Allocation of overhead costs

Following allocation of each of the eighteen cost centres to their relevant cost pools, the Meat cost allocation model redistributes true corporate overhead expenses for the Audit, Inspection and Documentation cost centres, which are all allocated to the Program Management and Administration cost pool.

A total of \$6.4 million is transferred away from Audit, Inspection and Documentation cost centres to be recovered by the Program Management and Administration cost pool charges. Historically this was done to increase certainty of recovery where a significant portion of Program Management and Administration cost pool was recovered by fixed charges, however this is no longer the case, as the majority of recovery within the Program Management and Administration cost pool is revenue driven by the highly variable Throughput and Certificate levies.

Overhead expenses would be more appropriately distributed along with each of the associated direct costs, resulting in greater certainty of recovery and closer alignment of expense to those industry participants who drive them. The following methodology details the primary reasoning for the modification of methodology.

- The significant majority of the overhead expenses in question are driven on FTE or closely associated FTE drivers such as Headcount, workpoints and IT assets. The FTE base on which these are distributed is significant, and therefore changes in FTE will have an almost equivalent shift in overhead expense, as the majority of the balance is picked up by other Departmental cost centres.
- Both the Department and Industry agree that production reached a peak during the past 12 months or so and will most likely see a decline over coming years (as represented in reduced volume of activity for Throughput activity volumes). Any resultant reduction in Audit, Inspection and Documentation FTE as a result of reduced volumes will be more closely modelled by the linkage of direct costs with overhead costs.
- Actuals expenses in the finance system have overhead costs attributed alongside their associated direct costs for recovery. Aligning methodologies between the two is appropriate.
- Including overhead costs within the audit, inspection and documentation cost pools will more appropriately recover these costs from those industry participants who drive them rather than socialising them across all participants within Program Management and Administration.
- Removing these overhead costs from the Program Management and Administration cost pool will reduce the volatility of recovery for these expenses.

All else being equal, prices within the fee for service recovery pools will increase and those in the leviable recovery pools will decrease with the move of overhead costs discussed above.

Greater certainty of recovery is expected due to the lower variability in activity volumes within these fee for service streams in comparison to the Program Management and Administration volumes.

**Recommendation 8** – All overhead expenses directly associated with the Audit, Inspection and Documentation activity groups should be aligned with their respective cost centres, cost pools and discrete activities contained within (rather than separated and allocated to Program Management and Administration).

## 6 Defensibility, equity and consistency against Cost Recovery Guidelines

It is acknowledged that industry was engaged during the review process and it appears that as a whole industry was broadly comfortable with the distribution of the expense base across charge elements. However on the cost allocation model reviewed, it appears that a range of information on which decisions were made

(as discussed within this report) was incorrect. As a result, defensibility of the model and prices is reduced, and will ultimately affect the equity of the implemented pricing across industry participants.

PwC believes that the reviewed cost allocation model has significant opportunity for strengthening to ensure that it increases levels of both defensibility and equity of the arrangements in place. The opportunity for a closer alignment of expenses with activity data and industry clients, and more equitable distribution of leviable revenue across charging mechanisms, represent the major opportunities for improvement. Strengthening the model will also improve the defensibility of the model as an ongoing arrangement management tool, providing for greater transparency and cost consciousness.

## 6.1 Defensibility and Equity

Three target areas are identified for increased equity and defensibility of the arrangement.

- 1) Correction of the approach for update of levies, including correct application of historical over-recoveries to those who have contributed to them.
- 2) Correction of all identified data entry and calculation errors.
- 3) Repricing of all fees to account for error amendment and to align prices to the current operating environment.

## 6.2 Consistency with the Cost Recovery Guidelines

The review found that the underlying methodology of charging structures and methodology for calculation of prices are broadly consistent with the Cost Recovery Guidelines. Creation of the Certificate levy has achieved greater alignment of the charging structure to the Cost Recovery Guidelines. However application of the methodology in modelling has been over-simplified (eg. method of over-recovery return and lack of repricing for many charges) and in conjunction with errors in modelling, has led to various pricing elements being less aligned to the cost recovery guidelines than previous pricing. The significant effort of model design, charging structure refinement and data collation has been completed. A small amount of additional effort and quality assurance will provide significant benefits in equity, defensibility and alignment to cost recovery guidelines.

**Alignment of costs to activities** - Section 73 of the Cost Recovery Guidelines discusses accurate alignment of costs to outputs and business processes. In the decision to maintain historical prices for some fees and levies, the Department has reduced the alignment of costs to discrete activities and business process. Section 78 of the CRG's discusses that "the level to which the activity is broken down for costing purposes should be proportional to its complexity, materiality and sensitivity". PwC agrees that the level to which activities are broken down and priced adequately deals with the complexity, materiality and sensitivity of the underlying activities across all cost pools, however not amending historical prices for some elements has undermined the benefits of segregating the activities and applying unique fees. Section 94 of the Cost Recovery Guidelines discusses "the potential for cross-subsidisation among levy payers may increase if a levy rate does not bear a reasonable relationship to the cost driver of the activity". Significantly shifting the contribution of the Certification versus Throughput charges increases the potential for cross-subsidisation and inequity.

**Managing arrangements** – Significant loading of the Program Management and Administration recovery to volume based charges, particularly the Throughput and Certificate charges (with their demonstrated variability), makes year on year management of revenue against expense more difficult (section 37 of the Cost Recovery Guidelines). Shifting revenue recovery of the fee for service overheads to the less variable fees to which they are associated will more appropriately support ongoing arrangement management and also greater equity, as these expenses will be more closely associated with those who create them.

### Consistency with Agriculture's Departmental Cost Recovery Policy -

Implementation of the Meat cost recovery arrangement is broadly consistent with the Department's cost recovery policy, however alignment has potential for improvement. Recommendations within this review are supported by the following policy elements ;

- Section 12 discusses triggers for arrangement review, and in particular "In its simplest form, the review involves updating volumes and creating new prices". Reliance on historical pricing does not support this element of the policy.



- Section 12 also discusses, "Even where the overall financial position of the arrangement remains stable, the mix of cost and revenue across charging mechanisms may shift considerably, weakening the nexus between costs and the activities delivered". Reliance on historical pricing has not adequately dealt with the shift which has occurred in the Meat program for some charges.
- Section 6.3 discusses over-recoveries including "The distribution of over-recovered funds is to be undertaken, as far as possible, in a timely manner and on the basis that is as equitable as possible to those groups and individuals within the industry who contributed to the surplus position". The review has identified that the distribution may not have been as "equitable as possible" in particular to individuals within the industry.

**Recommendation 9**– All prices should be recalculated at cost recovery review time (at least to test materiality of pricing shift). Whilst impacts on overall arrangement recovery of costs may be immaterial, the impact of not repricing at an individual client level can have significant impacts on their contributions and their equitable share.

## Appendix A – Pricing corrected for identified errors

The following table represents an updated pricing structure based on correction of modelling errors and re-pricing where it had not occurred. It should be noted that this is the estimated impact if all the specified parameters are changed. Overall potential impact is estimated to be in region of 0.5% to 2.0%.

2015-16								
Function	Recoverable Exp	Charge Item	Unit of Charge	Volume	Leg Price	New Price	Collections	Balance
Program Management and	18,168,889	Meat Export License	Annual	291	500.00	500.00	145,500	-1,263,710
		Abattoirs	Monthly	1,092	840.00	588.00	642,096	
		Casings	Monthly	96	840.00	588.00	56,448	
		Storage & Transportation	Monthly	1,488	840.00	840.00	1,249,920	
		Poultry	Monthly	336	1,250.00	1,250.00	420,000	
		Further Processing	Monthly	720	1,250.00	1,250.00	900,000	
		Independent Boning rooms	Monthly	192	1,250.00	875.00	168,000	
		Organic Certifying Organisation	Annual	1	7,500.00	7,500.00	7,500	
		Through Put - Full Unit	Animal	6,000,000	0.70	0.70	4,200,000	
		Through Put - Pig	Animal	3,780,000	0.24	0.24	907,200	
		Through Put - Sheep/Goat/Lamb	Animal	24,000,000	0.18	0.18	4,320,000	
		Through Put - Deer/Game Deer	Animal	3,000	0.14	0.14	420	
		Through Put - Emu/Ostrich	Animal	2,100	0.10	0.10	210	
		Through Put - Calf	Animal	240,000	0.07	0.07	16,800	
		Through Put - Kangaroo/Wild Boar	Animal	960,000	0.05	0.05	48,000	
		Through Put - Rabbit/Possum/Hare	Animal	-	0.02	0.02	-	
		Through Put - Tripe/RTE	Animal	-	0.02	0.02	-	
		T1 - Through Put - Full Unit	Animal	240,000	0.70	0.35	84,000	
		T1 - Through Put - Sheep/Goat/Lamb	Animal	3,600,000	0.18	0.09	324,000	
		T1 - Through Put - Calf	Animal	60,000	0.07	0.04	2,400	
		T1 - Through Put - Kangaroo/Wild Boar	Animal	108,000	0.05	0.03	3,240	
Registration Application	Application	46	600.00	600.00	27,600			
Electronic Certificates	Document	187,880	46.00	18.00	3,381,845			
Audit	1,603,414 2,136,646	Audit	Qtr Hr	41,891	30.00	38.28	1,603,414	-
		Veterinary Audit	Qtr Hr	27,438	108.00	77.87	2,136,646	-
Inspection	28,903,237    22,490,946	FSMA - Annual	Monthly	1,304	9,790.75	9,790.75	12,767,138	-
		FSMA - Additional	Monthly	773	11,843.25	11,843.25	9,154,832	-
		FSMA - Qtr Hr Planned	Qtr Hr	176,021	30.00	23.29	4,099,346	-
		FSMA - Qtr Hr Unplanned	Qtr Hr	96,064	30.00	30.00	2,881,920	-
		OPV - Annual	Monthly	1,113	15,199.50	15,199.50	16,912,180	-
		OPV - Qtr Hr Planned	Qtr Hr	119,521	39.00	32.99	3,942,404	-
Documentation	2,035,067	OPV - Qtr Hr Unplanned	Qtr Hr	41,958	39.00	39.00	1,636,362	-
		Electronic Certificates	Document	187,880	3.00	6.28	1,179,267	-
		Manual Certificates	Document	6,023	100.00	100.00	602,300	-
		Replacement Certificates	Document	507	500.00	500.00	253,500	-
<b>Total</b>	<b>75,338,199</b>						<b>74,074,488</b>	<b>-1,263,710</b>

Pink cells represent amended expense and expense split for price calculation.

Yellow cells represented amended volumes.

Green cells represent amended prices (note: only the certificate price was targeted in the Program Management and Administration pool. Only qtr hour planned prices were targeted in the inspection pool. Only the electronic certificate price was targeted in the documentation pool).

Source: Department of Agriculture CRIS cost allocation model (with errors amended and prices calculated).

## Appendix B – Potential alternate pricing approach

The following table represents a potential alternative pricing structure based on PwC’s recommended changes.

2015-16		Function	Recoverable Exp	Charge Item	Unit of Charge	Volume	Leg Price	New Price	Collections	Balance
		Program Mgt and Admin	\$ 145,500	Meat Export License	Annual	291	500.00	\$ 500	145,500	
	25%		\$ 2,974,931.95	Abattoirs	Monthly	1,092	840.00	\$ 657	717,444	\$ 2,496
				Casings	Monthly	96	840.00	\$ 657	63,072	
		\$ 12,080,328		Storage & Transportation	Monthly	1,488	840.00	\$ 657	977,616	
				Poultry	Monthly	336	1,250.00	\$ 977	328,272	
				Further Processing	Monthly	720	1,250.00	\$ 977	703,440	
				Independent Boning rooms	Monthly	192	1,250.00	\$ 977	187,584	
			\$ 7,500	Organic Certifying Organisation	Annual	1	7,500.00	\$ 7,500	7,500	
	40%		\$ 4,759,891	Through Put - Full Unit	Animal	6,000,000	0.70	\$ 0.27	1,620,000	\$ (734,467)
				Through Put - Pig	Animal	3,780,000	0.24	\$ 0.10	378,000	
				Through Put - Sheep/Goat/Lamb	Animal	24,000,000	0.18	\$ 0.07	1,680,000	
				Through Put - Deer/Game Deer	Animal	3,000	0.14	\$ 0.06	180	
				Through Put - Emu/Ostrich	Animal	2,100	0.10	\$ 0.04	84	
				Through Put - Calf	Animal	240,000	0.07	\$ 0.03	7,200	
				Through Put - Kangaroo/Wild Boar	Animal	960,000	0.05	\$ 0.02	19,200	
				Through Put - Rabbit/Possum/Hare	Animal	-	0.02	\$ 0.01	-	
				Through Put - Tripe/RTE	Animal	-	0.02	\$ 0.01	-	
				T1 - Through Put - Full Unit	Animal	240,000	0.70	\$ 0.27	64,800	
				T1 - Through Put - Sheep/Goat/Lamb	Animal	3,600,000	0.18	\$ 0.07	252,000	
				T1 - Through Put - Calf	Animal	60,000	0.07	\$ 0.03	1,800	
				T1 - Through Put - Kangaroo/Wild Boar	Animal	108,000	0.05	\$ 0.02	2,160	
			\$ 27,600	Registration Application	Application	46	600.00	\$ 600	27,600	
	35%		\$ 4,164,904.73	Electronic Certificates	Document	187,880	46.00	\$ 18.00	3,381,845	\$ (783,060)
		Audit	979,934	Audit	Qtr Hr	20,946	30.00	47.00	984,439	8,644
		\$ 3,390,295	2,410,360	Veterinary Audit	Qtr Hr	27,438	108.00	88.00	2,414,500	
		Inspection	27,925,272.13	FSMA - Annual	Monthly	1,304	9,790.75	11,613.85	15,144,456	-
		\$ 56,084,647		FSMA - Additional	Monthly	773	11,843.25	11,613.85	8,977,503	
		\$ 28,734,162		FSMA - Qtr Hr Planned	Qtr Hr	176,021	30.00	21.61	3,803,313	
		\$ 2,358,272	3,167,161	FSMA - Qtr Hr Unplanned	Qtr Hr	96,064	30.00	32.97	3,167,161	
		\$ 23,195,232	22,812,395	OPV - Annual	Monthly	1,113	15,199.50	17,087.36	19,012,768	-
		\$ 1,796,982		OPV - Qtr Hr Planned	Qtr Hr	119,521	39.00	31.79	3,799,627	
			2,179,818	OPV - Qtr Hr Unplanned	Qtr Hr	41,958	39.00	51.95	2,179,818	
		Documentation	2,861,621	Electronic Certificates	Document	187,880	3.00	10.70	2,010,319	4,498
				Manual Certificates	Document	6,023	100.00	100.00	602,300	
				Replacement Certificates	Document	507	500.00	500.00	253,500	
		<b>Total</b>	<b>74,416,890</b>						<b>72,915,000</b>	<b>-1,501,890</b>

Blue cells represent a targeted distribution of expense over the three primary recovery charge types.

Pink cells represent amended expense and expense split for price calculation.

Yellow cells represent amended volumes.

Green cells represent amended prices.

Source: Department of Agriculture CRIS cost allocation model (with PwC alternate pricing approach)

### Appendix C – Cost centre contribution to the overall cost base

The table below represents the build-up of each of the contributing cost centres to the overall cost base for Meat. It does not include the departmental “inclusions” for Depreciation, Detained goods or Organics, as these are applied directly to the Program Management and Administration cost pool.

Cost Centre	124301 - AS Meat NPG Organics Export Ops	124104 - Meat Exports	124107 - Field Operations Managers	124135 - Overseas	124530 - Field Training and Development	123988 - Exports Business Admin Unit	124105 - Certification Integrity	123928 - Strategic Initiatives Unit	123374 - Export Establishment Registration	124524 - Food Service Delivery Admin
<b>Total FTE/ ASL</b>	<b>1.4</b>	<b>22.4</b>	<b>3.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.3</b>	<b>1.0</b>	<b>1.8</b>	<b>2.2</b>	<b>19.0</b>
Wages (FTE)	\$ 150,156	\$ 2,023,084	\$ 368,183	\$ -	\$ -	\$ 98,813	\$ 126,789	\$ 189,364	\$ 190,586	\$ 1,867,842
Superannuation (FTE)	\$ 34,391	\$ 340,869	\$ 75,569	\$ -	\$ -	\$ 20,159	\$ 20,188	\$ 35,993	\$ 32,840	\$ 369,934
Training and Development (FTE)	\$ 356	\$ 14,843	\$ 522	\$ -	\$ 29,983	\$ 11	\$ -	\$ -	\$ 401	\$ 6,042
IT Equipment and Services (FTE)	\$ 7,575	\$ 94,659	\$ 5,655	\$ -	\$ 5,927	\$ 5,060	\$ 5,682	\$ 4,318	\$ 7,815	\$ 114,064
Stores and Consumables (FTE)	\$ 299	\$ 6,447	\$ 780	\$ -	\$ 6,600	\$ 5,299	\$ 143	\$ 433	\$ 5,143	\$ 24,253
Telecoms Equipment and Svcs (FTE)	\$ 1,791	\$ 38,057	\$ 4,340	\$ -	\$ -	\$ 2,120	\$ 1,598	\$ 2,865	\$ 5,658	\$ 30,807
Program Services (FTE)	\$ -	\$ 185,725	\$ 14,257	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Services (FTE)	\$ 69,622	\$ 1,320,728	\$ 55,120	\$ -	\$ 336	\$ 62,735	\$ 47,240	\$ 57,453	\$ 100,525	\$ 603,179
Analytical Testing (Fixed)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Travel Expenses (Fixed)	\$ 17,512	\$ 32,033	\$ 57,843	\$ 59,739	\$ 80,310	\$ -	\$ 29,847	\$ 46,475	\$ 2,348	\$ 158,696
Vehicle Expenses (Fixed)	\$ -	\$ 83	\$ 24,020	\$ -	\$ -	\$ -	\$ -	\$ 15,027	\$ -	\$ 35,895
Contractors and Consultants (Fixed)	\$ -	\$ 4,327	\$ 541	\$ 4,170	\$ 8,933	\$ -	\$ -	\$ -	\$ -	\$ 307
Miscellaneous Expenses (Fixed)	\$ -	\$ 74,794	\$ 1,182	\$ 5,084	\$ 2,938	\$ -	\$ 594	\$ 703	\$ -	\$ 1,571
Property Maintenance (Fixed)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Finance Expenses (Fixed)	\$ 199	\$ 378,632	\$ 8,363	\$ 178	\$ 2	\$ 117	\$ 108	\$ 172	\$ 251	\$ 1,921
Executive Management (Fixed)	\$ 6,359	\$ 120,167	\$ 14,625	\$ -	\$ -	\$ 5,804	\$ 4,716	\$ 8,287	\$ 9,455	\$ 90,770
<b>Total Cost</b>	<b>\$ 288,261</b>	<b>\$ 4,634,448</b>	<b>\$ 631,000</b>	<b>\$ 69,172</b>	<b>\$ 135,031</b>	<b>\$ 200,118</b>	<b>\$ 236,905</b>	<b>\$ 361,089</b>	<b>\$ 355,022</b>	<b>\$ 3,305,282</b>
Cost Centre	123930 - Food Audit Services	124109 - Area Technical Manager Services	124525 - On-plant Food Safety Meat Assess Svcs	124526 - On-plant Veterinary Services	123987 - Food Documentatio n Services	123375 - Export System Services	124103 - Audit Management System	247157 - Meat, Eggs and Quota - Meat		
<b>Total FTE/ ASL</b>	<b>12.1</b>	<b>12.0</b>	<b>235.0</b>	<b>127.9</b>	<b>13.7</b>	<b>3.2</b>	<b>3.0</b>	<b>2.9</b>		
Wages (FTE)	\$ 997,339	\$ 1,733,944	\$ 19,853,625	\$ 15,605,472	\$ 925,503	\$ 283,111	\$ 204,585	\$ 236,247		
Superannuation (FTE)	\$ 189,472	\$ 307,163	\$ 3,307,035	\$ 2,631,763	\$ 180,957	\$ 45,389	\$ 35,075	\$ 45,942		
Training and Development (FTE)	\$ 10,954	\$ 13,792	\$ 122,998	\$ 123,269	\$ 4,432	\$ 3,437	\$ 5,375	\$ 641		
IT Equipment and Services (FTE)	\$ 57,758	\$ 64,226	\$ 44,990	\$ 416,047	\$ 48,542	\$ 14,696	\$ 126,933	\$ 16,086		
Stores and Consumables (FTE)	\$ 10,879	\$ 5,262	\$ 190,964	\$ 158,657	\$ 52,141	\$ 7,776	\$ 485	\$ 726		
Telecoms Equipment and Svcs (FTE)	\$ 23,968	\$ 22,550	\$ 323,154	\$ 230,175	\$ 21,767	\$ 6,105	\$ 5,435	\$ 20,446		
Program Services (FTE)	\$ -	\$ 200,035	\$ 278,728	\$ -	\$ -	\$ -	\$ -	\$ -		
Corporate Services (FTE)	\$ 397,196	\$ 419,081	\$ 3,422,060	\$ 3,200,289	\$ 347,379	\$ 164,551	\$ 139,439	\$ 192,331		
Analytical Testing (Fixed)	\$ 129	\$ 30	\$ 69,048	\$ 23,709	\$ -	\$ -	\$ -	\$ -		
Travel Expenses (Fixed)	\$ 139,817	\$ 413,182	\$ 2,231,932	\$ 1,796,982	\$ 22,974	\$ 2,904	\$ 1,599	\$ 9,250		
Vehicle Expenses (Fixed)	\$ 3,160	\$ 220,943	\$ 126,339	\$ -	\$ -	\$ -	\$ -	\$ -		
Contractors and Consultants (Fixed)	\$ 84	\$ 1,263	\$ 90	\$ -	\$ -	\$ -	\$ -	\$ 71,591		
Miscellaneous Expenses (Fixed)	\$ 5,265	\$ 11,654	\$ 47,878	\$ 11,660	\$ 701	\$ 783	\$ -	\$ -		
Property Maintenance (Fixed)	\$ 132	\$ -	\$ -	\$ 3,749	\$ -	\$ -	\$ -	\$ -		
Finance Expenses (Fixed)	\$ 972	\$ 74,870	\$ 92,643	\$ 187,583	\$ 557	\$ 86	\$ 109	\$ 58,042		
Executive Management (Fixed)	\$ 64,117	\$ 55,769	\$ 980,949	\$ 602,860	\$ 103,638	\$ 15,359	\$ 14,040	\$ 82,126		
<b>Total Cost</b>	<b>\$ 1,901,242</b>	<b>\$ 3,543,763</b>	<b>\$ 31,092,433</b>	<b>\$ 24,992,214</b>	<b>\$ 1,708,590</b>	<b>\$ 544,197</b>	<b>\$ 533,076</b>	<b>\$ 733,429</b>		

Source: Department of Agriculture CRIS cost allocation model

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

**Department of Agriculture and Water Resources**

**Question Number:** 88

**Division:** Finance and Business Support Division

**Topic:** Departmental Functions

**Proof Hansard Page:** Written

**Senator STERLE asked:**

In relation to expenditure on any departmental functions or official receptions etc since 1 October 2016, can the following please be provided:

- List of functions;
- List of attendees;
- Function venue;
- Itemised list of costs (GST **inclusive**);
- Details of any food served;
- Details of any wines or champagnes served including brand and vintage; and
- Details of any entertainment provided.

**Answer:**

For the period 1 October 2016 to 30 April 2017, the department held 34 functions or official receptions. The expenditure approved for these functions was \$55,224 (including GST). Attachment A details the function, list of attendees, the venue, and the itemised costs of all events.

The details of food served, details of wine or champagnes including brand and vintage, and details of entertainment have not been provided as collection of this information would require an unreasonable diversion of resources.

**DEPARTMENTAL OFFICIAL HOSPITALITY FUNCTIONS HELD BETWEEN 1 OCTOBER 2016 AND 30 APRIL 2017**

<b>Date</b>	<b>Function</b>	<b>Venue</b>	<b>Attendees</b>	<b>Meal Component (inc. GST) \$</b>	<b>Alcohol Component (inc. GST) \$</b>	<b>Non-official hospitality portion (eg. Venue hire) (inc. GST) \$</b>	<b>Total Cost (inc. GST) \$</b>
4 October 2016	Working lunch with the Chilean Agricultural and Livestock Service	Civico, Centro Cultural de La Monda	3 departmental officials  9 external parties	700	0	0	700
19 October 2016	National Resource Management Futures Discussion Group	Stamford Plaza, Sydney Airport, NSW	4 departmental officials  9 external parties	705	0	500	1,205
3-4 November 2016	Agriculture Senior Officials Committee Meeting	Pullman King George Square Hotel, Brisbane, QLD	2 departmental officials  9 external parties	1,300	900	3,000	5,200
4 November 2016	National Resource Management Futures Discussion Group	Park Royal Melbourne Airport, VIC	3 departmental officials  5 external parties	1,035	0	0	1,035
7 November 2016	People's Republic of China Food Safety Working Group Delegation Visit	V Noodle Sushi Bar, Melbourne, VIC	1 departmental officials  5 external parties	69	0	0	69

<b>Date</b>	<b>Function</b>	<b>Venue</b>	<b>Attendees</b>	<b>Meal Component (inc. GST) \$</b>	<b>Alcohol Component (inc. GST) \$</b>	<b>Non-official hospitality portion (eg. Venue hire) (inc. GST) \$</b>	<b>Total Cost (inc. GST) \$</b>
8 November 2016	Chinese delegation dinner	Flowerdrum, Melbourne, VIC	6 departmental officials 5 external parties	1,512	648	0	2,160
16 November 2016	Official dinner for 5th Indonesia-Australia Partnership on Food Security in Red Meat and Cattle Sector meeting	Sentinel Bar and Grill, Perth, WA	4 departmental officials 27 external parties	2,590	1,110	0	3,700
22 November 2016	Vietnam Australia Agriculture Forum Australia hosted lunch	Quan An Non Restaurant, Hanoi, Vietnam	7 departmental officials 22 external parties	1,000	500	0	1,500
23 November 2016	Chinese Delegation from the South to North Water Diversion Project Commission	Courgette Restaurant, Canberra, ACT	4 departmental officials 15 external parties	1,190	268	0	1,458
25 November 2016	China tripe audit official dinner	Marigold Restaurant, Sydney, NSW	5 departmental officials 6 external parties	754	152	0	906

<b>Date</b>	<b>Function</b>	<b>Venue</b>	<b>Attendees</b>	<b>Meal Component (inc. GST) \$</b>	<b>Alcohol Component (inc. GST) \$</b>	<b>Non-official hospitality portion (eg. Venue hire) (inc. GST) \$</b>	<b>Total Cost (inc. GST) \$</b>
29 November 2016	Electronic certification dinner	Opera Bar, Sydney, NSW	3 departmental officials 6 external parties	495	270	0	765
29 November 2016	Solomon Islands biosecurity development program	Heritage Hotel, Honiara, Solomon Islands	2 departmental officials 10 external parties	614	216	0	830
29 November 2016	Australia and New Zealand bottom fishing dialogue	Mezzalira Restaurant, Canberra, ACT	2 departmental officials 8 external parties	600	200	0	800
6 December 2016	Dinner - North Australia Biosecurity Framework Reference Group	Salt House Restaurant, Cairns, Queensland	6 departmental officials 9 external parties	1,200	0	0	1,200
14 December 2016	Solomon Islands biosecurity development program	Mendana Hotel, Honiara, Solomon Islands	4 departmental officials 9 external parties	676	234	0	910
16 December 2016	ePhyto industry awareness session	Chamber of Commerce, Colombo, Sri Lanka	2 departmental officials 23 external parties	300	0	1,200	1,500



<b>Date</b>	<b>Function</b>	<b>Venue</b>	<b>Attendees</b>	<b>Meal Component (inc. GST) \$</b>	<b>Alcohol Component (inc. GST) \$</b>	<b>Non-official hospitality portion (eg. Venue hire) (inc. GST) \$</b>	<b>Total Cost (inc. GST) \$</b>
23 January 2017	Dinner for Chilean delegation	Courgette Restaurant, Canberra, ACT	2 departmental officials 10 external parties	1,400	600	0	2,000
13 February 2017	Rural R&D for profit programme expert assessment panel dinner	Bicicletta Restaurant, Canberra, ACT	2 departmental officials 8 external parties	803	0	0	803
15 February 2017	National Biosecurity Committee dinner	The Boathouse, Moonee Ponds, Victoria	21 committee members	1,260	0	0	1,260
20 February 2017	Inspector-General of Biosecurity dinner with New Zealand biosecurity and scientific representatives	Wellington, New Zealand	2 departmental officials 8 external parties	900	300	0	1,200
22 February 2017	Inspector-General of Biosecurity lunch with New Zealand biosecurity and scientific representatives	Mikano, Auckland, New Zealand	2 departmental officials 8 external parties	294	0	0	294

Date	Function	Venue	Attendees	Meal Component (inc. GST) \$	Alcohol Component (inc. GST) \$	Non-official hospitality portion (eg. Venue hire) (inc. GST) \$	Total Cost (inc. GST) \$
28 February 2017	ePhyto planning discussions with senior officials of the Plant Protection Department (Vietnam)	Sheraton Hotel, Hanoi, Vietnam	1 departmental officials 8 external parties	500	0	0	500
8 March 2017	Breakfast for Australian biosecurity award winners and official guests	Crown Plaza Hotel and Waldorf Apartment Hotel	19 external parties	540	0	0	540
14 March 2017	Risk analysis workshop dinner	Parlour Wine Room, Canberra	10 departmental officials 7 external parties	1,350	360	0	1,710
14-24 March 2017	Chinese delegation - germplasm centre audits	Various	4 external parties	6,050	0	0	6,050
15 March 2017	2017 Australia-United States plant health bilateral meeting - dinner	Andre's Cucina, Adelaide, South Australia	7 departmental officials 6 external parties	1,300	800	0	2,100
16 March 2017	Japan-Australia Beef Talks field trip lunch	Wine Bank on View, Victoria	3 departmental officials 5 external parties	250	120	1700	2,070

<b>Date</b>	<b>Function</b>	<b>Venue</b>	<b>Attendees</b>	<b>Meal Component (inc. GST) \$</b>	<b>Alcohol Component (inc. GST) \$</b>	<b>Non-official hospitality portion (eg. Venue hire) (inc. GST) \$</b>	<b>Total Cost (inc. GST) \$</b>
21 March 2017	European Union fisheries delegation dinner	Courgette Restaurant, Canberra, ACT	4 departmental officials 4 external parties	880	250	0	1,130
27 March 2017	Dinner for the control tools and technologies for established pest animals and weeds competitive grant programme assessment panel	Blu Ginger Canberra	4 departmental officials 4 external parties	784	50	0	834
2 April 2017	Host the Animal Health Quadrilateral meeting	Captain Cook Cruises, Sydney, NSW	4 departmental officials 9 external parties	750	469	1,830	3,049
4 April 2017	Host the Animal Health Quadrilateral meeting	Waterfront, Sydney, NSW	9 departmental officials 11 external parties	3,146	*	0	3,146
6 April 2017	ePhyto Industry Awareness Session and Business Dinner	Sheraton Samoa / Koko Banana Samoa	15 departmental officials 50 external parties	4,000	0	0	4,000

<b>Date</b>	<b>Function</b>	<b>Venue</b>	<b>Attendees</b>	<b>Meal Component (inc. GST) \$</b>	<b>Alcohol Component (inc. GST) \$</b>	<b>Non-official hospitality portion (eg. Venue hire) (inc. GST) \$</b>	<b>Total Cost (inc. GST) \$</b>
26 April 2017	Pre-BSOG Meeting	Mezzalira Restaurant, ACT	2 departmental officials 4 external parties	400	200	0	600

\* Includes meals and beverage package. Collection of alcohol component would require an unreasonable diversion of resources.

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

**Department of Agriculture and Water Resources**

**Question Number:** 89

**Division:** Finance and Business Support Division

**Topic:** Plants and Gardens

**Proof Hansard page:** Written

**Senator STERLE asked:**

- a. What was the total cost (GST **inclusive**) of acquiring and maintaining indoor plants for all departmental premises in calendar year 2016?
- b. What was the total cost (GST **inclusive**) of external gardens and landscaping for all departmental premises in calendar year 2016?
- c. What was the total cost (GST **inclusive**) of acquiring and maintaining indoor plants for ministerial offices in calendar year 2016? Please provide separate figures for each Minister's office in the portfolio, covering ministerial offices both at Parliament House and elsewhere.

**Answer:**

Please see the response to Question on Notice number 63 from the Additional Estimates round of February 2017.

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

**Department of Agriculture and Water Resources**

**Question Number:** 90

**Division:** Finance and Business Support Division

**Topic:** Subscriptions

**Proof Hansard Page:** Written

**Senator STERLE asked:**

1. What was the total cost (GST inclusive) of subscriptions to print and online news services, newspapers, magazines, journals and periodicals etc in calendar year 2016 for the Department?
  - a. Please provide a complete list of each service to which the Department subscribed.
2. What was the total cost (GST inclusive) of subscriptions to print and online news services, newspapers, magazines, journals and periodicals etc in calendar year 2016 for Ministers in the portfolio?
  - a. Please provide a complete list of each service to which ministerial offices subscribed.

**Answer:**

Please see the response to Question on Notice number 64 from the Additional Estimates round of February 2017.

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

**Department of Agriculture and Water Resources**

**Question Number:** 91

**Division:** Finance and Business Support Division

**Topic:** Gifts

**Proof Hansard Page:** Written

**Senator STERLE asked:**

1. What was the total cost (GST **inclusive**) of all gifts purchased for use by departmental officials in **calendar year 2016**?
2. Can an itemised list of gifts and costs thereof (GST **inclusive**) please be provided?
3. Who was the recipient of each gift?
4. For what purpose was each gift given?
5. What was the total cost (GST **inclusive**) of all gifts purchased for use by Ministers in the portfolio in calendar year 2016?
6. Can an itemised list of gifts and costs thereof (GST **inclusive**) please be provided?
7. Which Minister gave each gift?
8. Who was the recipient of each gift?
9. For what purpose was each gift given?

**Answer:**

Please see the response to Question on Notice number 65 from the Additional Estimates round of February 2017.

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

**Department of Agriculture and Water Resources**

**Question Number:** 92

**Division:** Finance and Business Support Division

**Topic:** Water coolers

**Proof Hansard page:** Written

**Senator STERLE asked:**

1. What was the total cost (GST **inclusive**) of providing water coolers at departmental premises in calendar year 2016? Please provide a breakdown of costs for acquiring and maintaining/resupplying water coolers.
2. What was the total cost (GST **inclusive**) of providing water coolers to ministerial offices in calendar year 2016? Please provide a breakdown of costs for acquiring and maintaining/resupplying water coolers.

**Answer:**

Please see the response to Question of Notice 66 from the Additional Estimates, February 2017.



**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

**Department of Agriculture and Water Resources**

**Question Number:** 93

**Division:** Finance and Business Support Division

**Topic:** Snacks

**Proof Hansard Page:** Written

**Senator STERLE asked:**

1. What was the total cost (GST **inclusive**) of supplying fruit and other snacks at departmental premises in calendar year 2016?
2. What was the total cost (GST **inclusive**) of supplying fruit and other snacks to ministerial offices in calendar year 2016? Please provide a breakdown of the costs for each separate ministerial office, covering both offices at Parliament House and elsewhere.

**Answer:**

Please see the response to Question of Notice number 67 from the Additional Estimates round of February 2017.

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

**Department of Agriculture and Water Resources**

**Question Number:** 94

**Division:** Finance and Business Support Division

**Topic:** Coffee Machines

**Proof Hansard Page:** Written

**Senator STERLE asked:**

Can an itemised list of coffee machines at departmental premises please be provided including (i) make and model; (ii) purchase or lease cost; (iii) ongoing maintenance costs; (iv) ongoing cost of supplying coffee and other consumables?

**Answer:**

There are a number of coffee machines in departmental premises that have been purchased and maintained by social clubs or staff.

Coffee machines which have been purchased by the department are tabled below. The ongoing maintenance and consumable costs for these machines is also met by local social clubs or staff.

<b>Location</b>	<b>Make and model</b>	<b>Purchase costs (GST Inclusive)</b>
Fyshwick, ACT	Nespresso EN80BAE	\$199.00
Brisbane	Dripolator Brewmaster	\$402.44
Adelaide	Coffee Dripolator	\$535.39
Marcus Clarke St, ACT	Phillips Saeco - Intelia	\$800.00 (Estimate only)

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

**Department of Agriculture and Water Resources**

**Question Number:** 95

**Division:** Finance and Business Support Division

**Topic:** Stationery and paper

**Proof Hansard Page:** Written

**Senator STERLE asked:**

How much did the Department spend on stationery and office supplies (excluding paper) in calendar year 2016 (GST inclusive)?

How much did the Department spend on paper in calendar year 2016 (GST inclusive)?

What brand of paper does the Department use?

Is this paper Australian made?

If no, why doesn't the Department buy Australian made paper?

**Answer:**

Please see the response to Question on Notice number 69 from the Additional Estimates round of February 2017.

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

**Department of Agriculture and Water Resources**

**Question Number:** 96

**Division:** Finance and Business Support Division

**Topic:** Executive Office Upgrades

**Proof Hansard Page:** Written

**Senator STERLE asked:**

Have the furniture, fixtures or fittings of the Secretary's office, or the offices of any Deputy Secretaries, been upgraded since 1 October 2016? If so, can an itemised list of costs please be provided (GST **inclusive**)?

**Answer:**

Yes. The office of the secretary and the four deputy secretaries have had automatic block out blinds installed in this time. These offices were the last in the building to be fitted with block out blinds. The total cost for these was \$39 514 (GST inclusive).

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

**Department of Agriculture and Water Resources**

**Question Number:** 97

**Division:** Finance and Business Support Division

**Topic:** Facilities Upgrades

**Proof Hansard Page:** Written


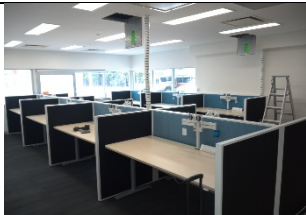

**Senator STERLE asked:**


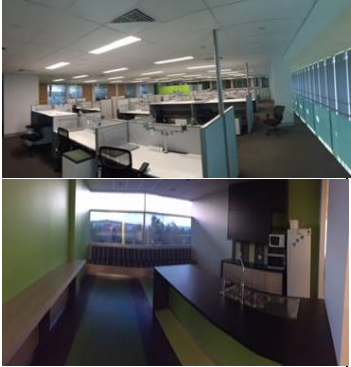


Have the facilities of any of the Department's premises been upgraded since 1 October 2016, for example, staff room refurbishments, kitchen refurbishments, bathroom refurbishments, the purchase of any new furniture, fridges, coffee machines, or any other equipment including kitchen equipment and utensils?

- a. If so, can a detailed description of the relevant facilities upgrade please be provided together with an itemised list of costs (GST inclusive)?

Can any photographs of the upgraded facilities please be provided?



**Answer:**

Location	Detailed Description of Upgrades	Cost - GST inclusive	Photos Yes/No
Darwin NT Pedersen Road	Laboratory shelving.	\$5 236.00	
Darwin NT Pedersen Road	Window blinds and tint.	\$2 822.00	Not available
Darwin NT Pedersen Road	Fitout of an existing unused goods inspection area to office accommodation.	\$33 055.00	
Sydney International Airport NSW	Supply and install hand dryers in main office toilets.	\$10 820.00	

Adelaide Regional Office	Purchase of 2 new fridges.	\$1 199.00	
Brisbane Regional Office	Completion of upgrade to existing leased premises on Level 2, including new workstations, furniture, breakout, meeting and training facilities, ICT and security infrastructure.	\$1 598 470.00	
Canberra ACT London Circuit	Purchase of new fridge freezer unit.	\$1 390.00	Not available
Canberra ACT 18 Marcus Clarke	Construct general and computer training room facilities including the provision of joinery, loose furniture, audio visual and ICT equipment.	\$352 000.00	
Canberra ACT 18 Marcus Clarke St	A range of activities have been undertaken to increase the number of work points in the building.	\$314 000.00	

<p>Badu, Mabuiag, Moa, Yam Torres Strait</p>	<p>Office and Furniture Upgrades.</p>	<p>\$43 000.00</p>	
<p>Dauan, Torres Strait</p>	<p>Install New Demountable Building and furniture.</p>	<p>\$61 486.00</p>	
<p>44 Mort St Braddon</p>	<p>Supply and install 10 bike racks.</p>	<p>\$2 270.00</p>	
<p>44 Mort St Braddon</p>	<p>Heater installed in amenity facilities.</p>	<p>\$4 517.00</p>	



44 Mort St Braddon	Purchased 4 fridges, 2 dishwashers, 4 microwaves, 2 toasters and 2 sandwich press for newly leased premises.	\$8 987.00	
18 Marcus Clarke	Multiple ZIP unit replacements.	\$58 149.00	No photo available
18 Marcus Clarke	Blinds for west facing offices.	\$61 088.00	No photo available
Broken Hill NSW 20 Pinnacles Rd	Internal painting and carpeting of all office areas.	\$14 235.00	

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

**Department of Agriculture and Water Resources**

**Question Number:** 98

**Division:** Finance and Business Support Division

**Topic:** Flights

**Proof Hansard Page:** Written

**Senator STERLE asked:**

What was the Department's total expenditure on flights for departmental staff in calendar year 2016?

**Answer:**

Please see the response to Question on Notice number 72 from the Additional Estimates round of February 2017.

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

**Department of Agriculture and Water Resources**

**Question Number:** 99

**Division:** Finance and Business Support Division

**Topic:** Ground transport

**Proof Hansard Page:** Written

**Senator STERLE asked:**

What was the Department's total expenditure on the following categories of ground transport in calendar year 2016 (GST inclusive): (i) Taxi hire; (ii) Limousine hire; (iii) Private hire car; and (iv) Ridesharing services.

**Answer:**

Please see the response to Question on Notice number 73 from the Additional Estimates, February 2017.

**Rural and Regional Affairs and Transport Legislation Committee**

ANSWERS TO QUESTIONS ON NOTICE

Budget Estimates May 2017

**Department of Agriculture and Water Resources**

**Question Number:** 100

**Division:** Finance and Business Support Division

**Topic:** Credit cards

**Proof Hansard Page:** Written

**Senator BILYK asked:**

1. How many credit cards are currently on issue for staff in the Department and agencies within the portfolio? If possible, please provide a break-down of this information by APS/ SES level.
2. What was the value of the largest reported purchase on a credit card in calendar year 2016 and what was it for?
3. How much interest was paid on amounts outstanding from credit cards in calendar year 2016?
4. How much was paid in late fees on amounts outstanding from credit cards in calendar year 2016?
5. What was the largest amount outstanding on a single card at the end of a payment period in calendar year 2016 and what was the card holder's APS/ SES level?
6. How many credit cards were reported as lost or stolen in calendar year 2016 and what was the cost of their replacement?
7. How many credit card purchases were deemed to be illegitimate or contrary to agency policy in calendar year 2016?
  - a. What was the total value of those purchases?
  - b. How many purchases were asked to be repaid on that basis in calendar year 2016 and what was the total value thereof?
  - c. Were all those amounts actually repaid? If no, how many were not repaid, and what was the total value thereof?
8. What was the largest purchase that was deemed illegitimate or contrary to agency policy and asked to be repaid in calendar year 2016, and what was the cardholder's APS/ SES level?
  - a. What that amount actually repaid, in full? If no, what amount was left unpaid?

**Question Number: 100 (continued)**

9. Are any credit cards currently on issue in the Department or agencies within the portfolio connected to rewards schemes?
  - a. Do staff receive any personal benefit as a result of those reward schemes?
10. Can a copy of the Department's staff credit card policy please be provided?

**Answer:**

**Department of Agriculture and Water Resources**

1. 1789. 1691 cardholders are APS level and 98 are SES level.
2. \$16,065, for training expenses.
3. Nil.
4. Nil.
5. Nil.
6. 27 and nil.
7. 128.
  - a. \$6,218
  - b. 128 and \$6,218.
  - c. No. Sixteen transactions, totalling \$790.72, have not yet been repaid. However, the department has processes for recovery of all debts, and those processes are being followed in relation to these outstanding amounts.
8. \$1,059.40 and the cardholder was APS6.
  - a. Yes, amount was repaid in full.
9. No.
10. Yes, Accountable Authority Instruction (AAI) 5 - Commonwealth Credit Cards and Credit Vouchers.

**Australian Grape and Wine Authority**

1. 51.
2. \$11,906.25. A payment made to a venue for an American event.
3. None.
4. None.
5. None.

**Question Number: 100 (continued)**

6. 6. Cost nothing to replace.

7. 15.

a. \$2,711.00.

b. All of them so \$2,711.00.

c. Yes.

8. \$1,254.00

a. Yes.

9. No.

**Fisheries Research & Development Corporation**

For the period 2016, financial year ending 2017

1. 22 Noting: classification of APS and SES is not applicable to the Fisheries Research & Development Corporation (FRDC).

2. \$7,845 – Board Director and staff Air travel for board meeting and project related travel.

3. Nil.

4. Nil.

5. Nil – Credit card balance is paid by month end.

6. Nil.

7. 6 instances of accidental use of corporate card, staff disclosed immediately, and funds paid back in full. Total amount was less than \$1,000.

8. \$260 accidental use of corporate card and staff disclosed immediately, and funds paid back in full. Noting: classification of APS and SES is not applicable to FRDC.

9. No.

**Rural Industries Research and Development Corporation**

1. 4 SES and 7 APS.

2. \$3,945 70" TV for Boardroom.

3. Nil.

4. Nil.

5. Nil.

6. Nil.

7. None and Nil.

**Question Number: 100 (continued)**

8. None.
9. None and Nil.

**Australian Pesticides and Veterinary Medicines Authority**

1. 16. APS5x2, APS6x2, EL1x4, EL2x2, SES1x5, SES2x1.
2. To answer is an inefficient use of resources.
3. To answer is an inefficient use of resources.
4. Nil.
5. To answer is an inefficient use of resources.
6. Nil.
7. Nil.
8. Nil.
9. No.

**Grains Research and Development Corporation**

1. 36 as at 30 April 2017. Grains Research and Development Corporation (GRDC) does not classify staff by APS/SES Level.
2. \$4,624 (GST inclusive) 25/8/16 National GRDC regional panels (North, South and West) meeting function.
3. Nil.
4. Nil.
5. N/A.
6. None.
7. None.
8. None.
9. No.

**Cotton Research and Development Corporation**

1. In calendar year 2016 CRDC had on issue eight (8) corporate credit cards to employees of CRDC. CRDC is not an APS agency. All staff are classified as 'Other'.

<b>Classification</b>	<b>Credit Cards on issue 1/1/16 to 31/12/16</b>
APS 6	
EL 1	

EL 2	
SES	
Other	8
<b>Total</b>	<b>8</b>

2. The largest reported purchase on credit cards in calendar year 2016 was \$3,136.96. This was for the CRDC Board Intellectual Property Committee meeting at the Novotel Brisbane Airport on the 27th and 28th January 2016.
3. \$nil.
4. \$nil.
5. \$nil. All credit cards are cleared monthly by direct debit agreement with the bank.
6. None.
7. In the calendar year 2016, the total number of transactions that were deemed illegitimate or contrary to agency policy was 2 with a total value of \$64.38. These transactions were all repaid in full.

<b>For the period 1/1/16 to 31/12/16 contrary to policy purchases</b>			
	<b>Incurred</b>	<b>Refunded</b>	<b>Balance Due</b>
Number of transactions	2	2	Nil
Value of transactions	\$64.38	\$64.38	\$Nil

8. The largest transaction contrary to policy was \$50.00. APS classification is 'Other'. The amount was repaid in full.
9. CRDC's corporate credit cards are not linked to any reward schemes.

### **Australian Fisheries Management Authority**

1. Australian Fisheries Management Authority (AFMA) currently has 163 cards issued to staff.

<b>APS, EL and SES</b>	<b>Number of cards</b>
APS3	1
APS4	23
APS5	8
APS6	61
EL1	32
EL2	15
SES1	2



143

**Note:** A further 20 credit cards have been issued to other AFMA employees for work purposes. These employees are not categorised within the APSC work levels.

2. \$6,476.29 for one AFMA officer to be accommodated for 17 nights' at Heritage Park (Solomon Islands) as part of an operational deployment.
3. None
4. None
5. \$8,661.88. The cardholder was an EL1.
6. 7 cards were reported as lost or stolen in 2016. There were no costs incurred for replacement.
7. There were 20 instances of illegitimate credit card purchases.
  - a) \$2,004.75
  - b) All 20 purchases were asked to be repaid to the total value of \$2,004.75.
  - c) Yes, all amounts were repaid.
8. \$505.85 and APS6.
  - a) Yes, the amount was repaid in full.
  - b) No amount was left unpaid.
9. AFMA is not connected to a reward scheme.

**Murray-Darling Basin Authority**

1. There are 112 credit cards currently issued to the Murray–Darling Basin Authority (MDBA) staff. Breakdown by APS/SES level provided below:

APS Level	Number of cards issued
APS4	3
APS5	11
APS6	33
EL1	21
EL2	31
SES	12
CEO	1
<b>Total</b>	<b>112</b>

2. The largest reported credit card transaction in the calendar year 2016 was \$4,136 by the ICT area for purchase of mobile devices.
3. Nil

**Question Number: 100 (continued)**

4. Nil
5. Nil
6. Nil
7. Two unintentional purchases occurred during the calendar year 2016. Total value of the purchases was \$499.60. Two purchases were asked to be repaid to the total value of \$499.60. Yes, all amounts were actually repaid.
8. The largest purchase asked to be repaid in the calendar year 2016 was \$493.60 by an APS 6 level employee. The amount was repaid in full.
9. No credit card issued by the MDBA is connected to a rewards schemes.

## AAI 5 Commonwealth Credit Cards and Credit Vouchers

### Instructions – All officials

- Only the person issued with a Commonwealth credit card or credit voucher, or someone specifically authorised by that person, may use that credit card, credit card number or credit voucher.
- You may only use a Commonwealth credit card or card number to obtain cash, goods or services for the **Commonwealth entity**.
- You cannot use a Commonwealth credit card or card number for solely private expenditure.
- In deciding whether to use a Commonwealth credit card or credit voucher, you must consider whether it would be the most cost-effective **payment** option in the circumstances.
- Before using a Commonwealth credit card or credit voucher, you must ensure that the requirements in AAI - Approval and commitment of **relevant money**, have been met before entering into the **arrangement**.
- You must ensure that your use of a Commonwealth credit card or credit voucher is consistent with the approval given, including any conditions of the approval.
- You must ensure that any Commonwealth credit cards and credit vouchers issued to you are stored safely and securely.
- Officials must follow the requirements set out in the Corporate Credit Card Toolkit found on the Purchasing and Travel Portal.
- The Purchasing and Travel Portal details the application process for all prospective cardholders.
- Online eLearning can be found on [Learnhub](#).

### Instructions – Officials with a delegation to enter into borrowing agreements for Commonwealth credit cards and credit vouchers

- When entering into a borrowing agreement for the issue to, and use by, the **Commonwealth entity** of **credit cards** or **credit vouchers**, you must:
- have a valid **delegation** to enter into borrowing agreements;
- ensure that the requirements in AAI - Approval and commitment of relevant money have been met; and
- ensure that the **procurement** of the credit card and/or credit voucher services is in accordance with the **CPRs** (see [AAI - Procurement](#)).
- You must:
- comply with the directions in the delegation from the Finance Minister (under section 56) or any directions in the delegation from your accountable authority; and
- ensure that the borrowing agreement requires the money borrowed to be repaid within 90 days of the Commonwealth being notified of the amount borrowed.