

**SUBMISSION –
COMMENT ON THE DRAFT REPORT ON COST RECOVERY IN
COMMONWEALTH AGENCIES**

- The Department of Finance and Administration (Finance) supports the overall thrust of the recommendations contained in the Draft Report.
- Finance supports the proposed Cost Recovery Guidelines but suggests that these guidelines should not be prescriptive but rather provide a framework for agencies to develop their cost recovery arrangements.
 - The Financial Management and Accountability Act (FMA) and the Commonwealth Authorities and Companies Act (CAC) devolved a degree of responsibility to the chief executives of Commonwealth agencies for managing their own affairs, including the application of cost recovery.
 - It is the responsibility of chief executives rather than a central agency to prescribe how cost recovery should be done by that particular agency.
 - Finance does not see its role as providing the guidelines on cost recovery. To do so would be inconsistent with the provisions of the FMA and CAC acts.
- Finance agrees that a Cost Recovery Impact Statement (CRIS) should be an integral part of the guidelines and that the CRIS should be subject to a degree of independent scrutiny. However, Finance does not agree that it should be responsible for the assessment of the CRIS process.
 - Finance's view is that the Office of Regulation Review (ORR) should assess the CRIS process. The ORR currently has the responsibility for assessing Regulatory Impact Statements (RIS), which are similar to the proposed CRIS process.
- Finance has responsibility for Quality Assuring (QA) new policy proposals submitted by agencies. Where these proposals incorporate a cost recovery process, it would also be subject to the QA process. This QA could be extended to ensure that cost recovery proposals are developed within the guidelines and that the process includes tests for efficiency, effectiveness and significant benefits provided reasonably immediately.
- There is scope for efficiency gains by aligning the Cost Recovery Review process with the existing Pricing Review process, as both reviews involve the pricing of outputs.