

Second Public Sector Performance Report 2010

Report 12 – November 2010

This is the second Public Sector Performance Report for 2010. It contains the results of two audits.

The price is right? Setting fees and charges for government services

Background

Western Australian Government fees and charges are expected to raise some \$1.66 billion from the sale of goods and services in 2010-11. Government's general approach is to set fees and charges to recover costs unless there is a policy imperative to under recover such as to increase equity.

To achieve cost recovery, agencies need to first establish the scope of the services provided by the fee and then cost the services to a reasonable level of accuracy. Costing the services is not always a simple exercise and agencies endeavour to balance the administrative effort involved against the revenue raised by each fee. However, such an approach needs to be reconciled with Government and the public's expectation that fee calculations are materially accurate.

This audit reports on whether six agencies had good processes in place to cost their services and set related fees and charges appropriately. It also reviews central government oversight of fee setting across the public sector.

What the audit found...

All of the agencies had weaknesses in their approach to setting fees and charges. Weaknesses included failing to clearly define the scope and purpose of fees, poor documentation of the methodologies and assumptions used in costing models, and lack of detailed costing of services for some fees and charges.

The Department of Treasury and Finance's guidance and oversight of fee setting practice, while generally sound, can be improved in some areas.

Specifically we found:

- The scope and purpose of Department of Fisheries' recreational fishing fee has not been clearly established so it is unclear what services this fee covers.
- The Department of Transport over recovered costs for two of the fees we examined by between 48 and 114 per cent in the last two years. The dollar value of the over recovery for these fees totalled approximately \$895 000.
- While the Department of Education and the Department of Fisheries could not provide accurate estimates of the level of cost recovery they were achieving for the fees we examined, they estimate that they are under recovering costs.
- The Departments of Transport, Fisheries and Education need to improve their policies on fee setting to meet good practice. The Rottnest Island Authority needs to consolidate existing models and documentation into a detailed policy and procedure manual. Policies are required to clearly document an agency's approach to costing and fee setting.
- All agencies review their fees annually but the rigour of this review varies.
- The Department of Treasury and Finance significantly revised and improved their costing and pricing guidelines for agencies in 2007. Further changes aimed to improve the reliability of information agencies provide on their fees to their Minister and the Department are expected to be released in 2011.



Office of the Auditor General Western Australia

Royalties for Regions – Local Government Spending

Background

The Western Australian Government in December 2008 launched the Royalties for Regions program. An amount equal to 25 per cent of forecast Western Australian royalty income is credited to the Royalties for Regions fund each financial year. The amount standing to the credit of the fund at any time is capped at \$1 billion. The program distributes funds to regional Western Australia for investment in projects, infrastructure and community services through three funds: Country Local Government Fund (CLGF); Regional Community Services Fund; and the Regional Infrastructure and Headworks Fund.

This audit focused on the CLGF component of the Royalties for Regions program. The CLGF provides money to 110 regional local governments, to regional groupings of councils, and to the Department of Local Government for capacity building within the sector.

The objective of this audit was to determine whether local governments had spent their 2008-09 CLGF funds in accordance with the funding guidelines and whether appropriate accountability arrangements were in place to monitor funds paid to local governments. Twenty regional local governments were reviewed during the audit.

What the audit found...

The 2008-09 CLGF guidelines were deficient in some areas. They did not require local governments to lodge regular financial and progress reports, and lacked clarity to ensure local governments understood how the money could be used. Most of the local governments we sampled had spent some of their CLGF funds on non-allowable items within approved projects. The guidelines also did not require local governments to maintain accounting records that separately identified how CLGF funds were spent. As a result, some may have difficulty providing an audited final acquittal of 2008-09 CLGF expenditure. RDL has addressed these issues in the 2010-11 CLGF guidelines.