

The Government's response to the recommendations from the cost recovery policy review report (as prepared by KPMG)

The Government made an election commitment to initiate an independent review of the cost recovery policy of Primary Industries and Regions South Australia (PIRSA) as applied to the fisheries and aquaculture sectors.

KPMG (an independent consultant) was engaged to undertake the review and consulted with all fisheries and aquaculture sector representatives and representatives from PIRSA.

The Terms of Reference for the independent review included the following:

1. Review PIRSA's fisheries and aquaculture cost recovery practices for consistency with the Australian Government Cost Recovery Guidelines and PIRSA's Cost Recovery Policy, taking into consideration the previous reviews;
2. Consider the recommendations of the Productivity Commission 2016;
3. Consult with PIRSA Fisheries and Aquaculture, SARDI, Biosecurity SA, Wildcatch Fisheries SA Inc. and the Aquaculture sector as a collective group, to inform the review;
4. Conduct one on one consultative meetings with individual fishing and aquaculture industry sectors, as requested by individual sectors;
5. Document and compare the cost recovery principles and approaches in other Australian fishing jurisdictions.

The KPMG final report was provided to PIRSA in November 2018 and included 11 recommendations. The Government accepts all recommendations which are set out in Table 1 below.

The report observed that PIRSA's management of both the fisheries and aquaculture sectors has significantly improved since 2015 in terms of increasing transparency and accountability as well as taking significant strides to reduce administrative burden, through the use of longer term cost recovery agreements between PIRSA and individual industry sectors.

The key themes raised by industry in the consultation process which fell outside the terms of reference of the review, as set out on page 42 and 43 of the KPMG final report will be considered in the next review of the Cost Recovery Program in 2020.

Recommendation		Action proposed by Government to implement recommendations	To be completed by
Cost recovery policy, process and programs			
1	The Cost Recovery Program document does not provide details as to the costing, timing and negotiation process that occurs every one/four years. To fully satisfy PIRSA Policy Principle 11, this needs to be outlined and specified.	The PIRSA Cost Recovery Program documentation will include an outline of the costing, timing and negotiation process to occur every one/four years (similar to the annual program timeline set out in page 12 of the KPMG report).	30 June 2019
2015 Review of PIRSA's Cost Recovery Policy and Practices in the Fisheries and Aquaculture industries			
2	PIRSA should continue with regular reviews of its Cost Recovery Practices including review against best practice costing and financial modelling standards. Cost Model reviews should be conducted concurrently with Policy and/or process reviews every 5 years.	PIRSA will continue to program regular reviews, as outlined in the Cost Recovery Policy, every 5 years or sooner if required. Any such reviews will be independent and conducted concurrently with policy and/or process reviews, including review against best practice costing and financial modelling standards.	Every 5 years. Next review is scheduled for 2020
3	PIRSA should develop an easy to follow costing framework (as shown in section 3.1.1), defining the costing process. PIRSA has taken action to ensure documentation of cost recovery policy, management programs and cost recovery programs are made publicly available. However, a costing framework provides greater context, information flow, and can be used to provide easy direction and accessibility to information through PIRSA's website.	PIRSA will make publicly available (on the PIRSA website) a simple costing framework document to provide stakeholders with a simplified description and overview of the whole cost recovery process. The document will implement these recommendations.	30 June 2019
4	PIRSA needs to continue to work towards having consistency in all fisheries and aquaculture cost recovery programs, and continue to work towards reducing administrative burden by implementing all industries on four-year agreements. Methods to achieve this may include the cycle and process of establishing agreements, governance arrangements,	PIRSA will continue the existing long-term cost recovery agreements, which are due for updating for the 2019/20 financial year. PIRSA will work towards implementing long-term agreements for all fishing and aquaculture sectors prior to 2019/20 and beyond. However, it is noted that long-term agreements may not be suitable for some sectors if major changes to management are underway or expected to occur. PIRSA will work with industry to develop a standard reporting framework which can be used to report annually on PIRSA's	30 June 2019 and ongoing

	reporting and incentives for driving efficiency.	performance against the agreed work program for the previous year. This annual reporting is to occur regardless of agreement length. PIRSA will work with industry to develop other methods to create consistency in all fisheries and aquaculture cost recovery programs to implement this recommendation.	
5	When a four year agreement is in place, PIRSA should create and document set criteria around if/when a review can occur/be called for (i.e. either industry request or PIRSA request as costs differ to amount being recovered due changes in circumstances).	For the sectors that have entered into longer-term cost recovery agreements, PIRSA will work with industry to develop and implement a set of criteria where a review can occur/be called for by either party.	Before June 2019, for all long term cost recovery agreements.
Comparison to Commonwealth Cost Recovery Guidelines			
6	PIRSA's Cost Recovery Policy and its underpinning documentation of processes should define the stakeholder engagement process in more detail.	PIRSA will update the PIRSA Cost Recovery Policy documentation to implement this recommendation.	30 April 2019
7	PIRSA's Cost Recovery Policy principles one (1) – “when to apply cost recovery” and three (3) – “ensuring that the costs are reflected in the pricing” partially address Commonwealth guidelines aligning expenses and revenues, however, PIRSA's Cost Recovery Policy should provide greater detail such as that contained in the Commonwealth Guidelines (e.g. to ensure it is “clear and easy to understand”).	PIRSA will update the PIRSA Cost Recovery Policy documentation to implement this recommendation	30 April 2019
8	PIRSA's Cost Recovery Policy principles eight (8) – relating to key questions through the cost recovery process - and ten (10) – relating to requirement to perform certain cost recovery tasks - partially deal with documentation and reporting requirements. To ensure consistency with Commonwealth Cost Recovery Guidelines, documentation	PIRSA will update the PIRSA Cost Recovery Policy documentation to implement this recommendation.	30 April 2019

	around risk assessment and Cost Recovery Implementation Statement ("CRIS") requirements should be included within the Cost Recovery Policy.		
Productivity Commission Report			
9	PIRSA should ensure that regular cost recovery review cycles (every 5 years) are structured to provide self-review, evaluation of outcomes and continuous improvement across all aspects of the cost recovery framework.	PIRSA will update the PIRSA Cost Recovery Policy documentation to implement this recommendation.	31 March 2019
Inter-jurisdictional consultation and industry feedback			
10	PIRSA should ensure cost recovery models are structured in a manner that allows sensitivity analysis of various costs recovered and activities. This may assist with assessing various models, communication and engagement with industry participants to explain the impacts various scenarios would have on Government or sector participants.	PIRSA will undertake a review of the Corporate cost recovery model prior to the next scheduled review (2020), in a manner that allows for sensitivity analysis of various cost recovered activities. PIRSA will meet annually with industry groups to present the annual PIRSA performance report (as discussed in response to recommendation 4 above) against the work plan for the year.	Before next review in 2020
11	In order to respond to industry PIRSA should establish a more robust, independent verification process encompassing all elements of the costing framework (policy, process, cost model, cost inputs and drivers). This should be utilised as a basis to strengthen review processes in future years.	The Government will establish an independent verification process to implement this recommendation.	30 June 2019