

Efficiency and Effectiveness Review of Cost Recovered Processes

Department of Agriculture

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Executive Summary



Background and Scope of the Review

Context and Scope of the Review

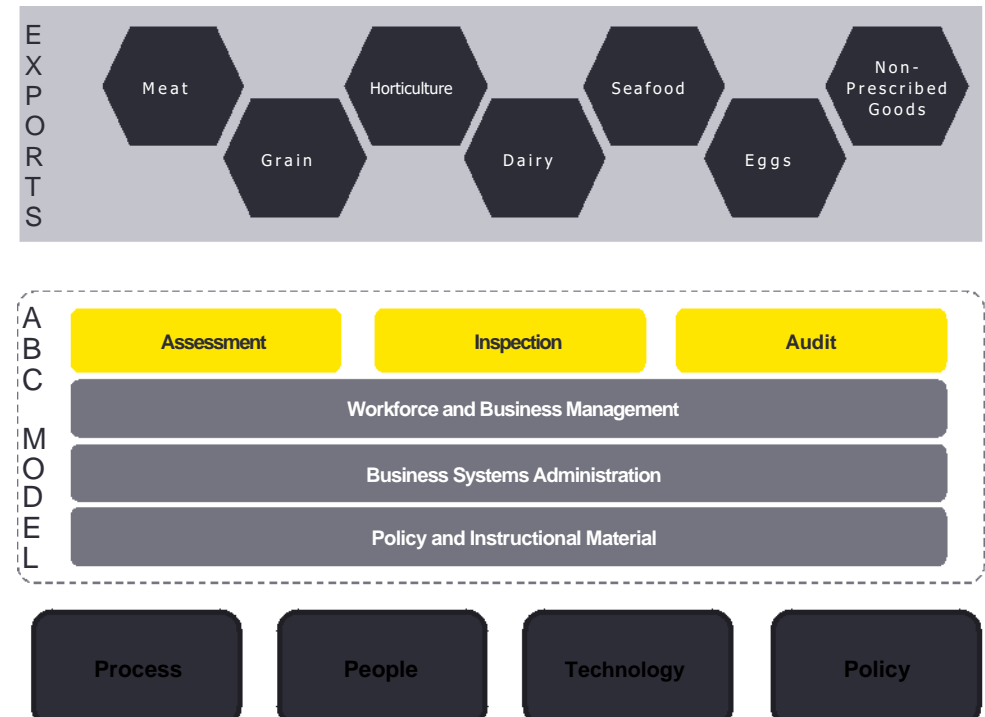
The Department of Agriculture (DA, or “the Department”) engaged EY in October 2019 to perform a review of its processes and activities that are cost recovered in the Export Plant and Food sectors. The objective was to provide a view on the efficiency and effectiveness of cost recovered processes and provide leading practice recommendations where relevant. Refer to Appendix A for the Terms of Reference.

For the purpose of this engagement, efficiency and effectiveness have been defined as follows:

- ▶ **Efficiency:** the minimal usage of resources to deliver the best and most effective results with minimised wastage and duplication.
- ▶ **Effectiveness:** the successful achievement of goals and objectives.

As shown in the adjacent table the review focussed on seven export industries and six activities from the Department’s activity-based cost model (ABC model). In reviewing the efficiency and effectiveness of these activities, the processes, people, technology and policies within each area were considered.

This report should be read in conjunction with the Benchmarking Framework report provided by EY to develop a broader understanding of the efficiency and effectiveness of the Department’s processes and its opportunities to move towards leading practice in other organisations.



Approach to the Review

First, EY's approach involved developing an understanding of the Department's current state which included:

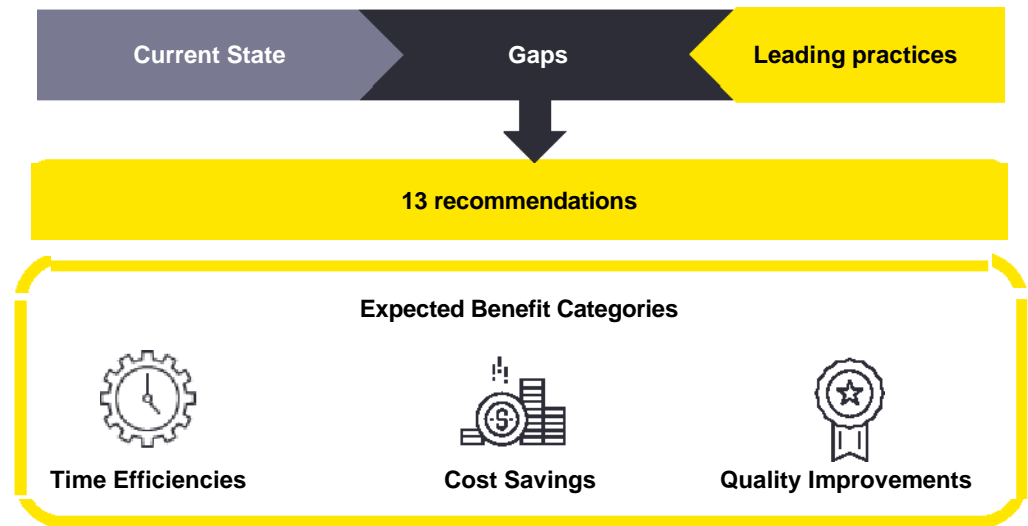
- ▶ Conducting desktop reviews of internal Department documentation, including process maps, procedures and other reviews previously performed (including the recent ANAO review);
- ▶ Interviewing internal Department stakeholders across various branches, divisions and levels;
- ▶ Interviewing external Industry stakeholders, including members of the Industry consultative committees (ICCs) and some people/firms that they represent; and
- ▶ Reviewing the feedback received through an EY email address available on the Department's website.

From this information EY was able to identify key themes, which were then benchmarked against leading practice to identify gaps in the Department's current cost recovery activities versus leading practice.

The identified gaps were then filtered and prioritised to identify 13 keys areas for improvement with recommendations provided to address each area.

The recommendations focus on time efficiencies, costs savings, and quality improvements.

This report provides the findings of this review, and an outline of leading practices as well as corresponding recommendations.

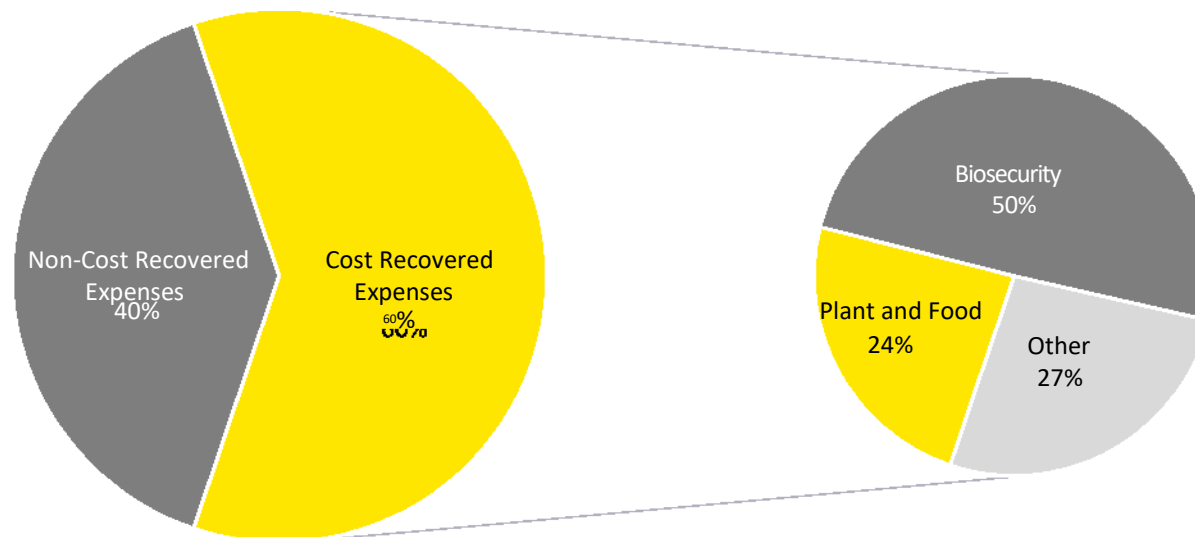


Background: Cost Recovery of Export Plant and Food

The Department of Agriculture oversees an export food and plant market equating to \$50b¹, representing 3% of the Australian GDP². With significant overseas markets importing a range of commodities, including China, Japan, and the EU, the Department seeks to maintain a balance of compliance and service delivery. Consequently, efficiency and effectiveness in operation is crucial.

As part of the Australian government's Charging Framework (see Appendix D and the Cost Recovery Policy), the Department of Agriculture maintains a cost recovery framework, which it implements across the organisation's activities (see the Department's Cost Recovery Implementation Statement (CRIS)). In 2018-19, 60% of all Departmental expenses (or \$410m) were cost recovered, of which Plant and Food accounted for 23% of cost recovered expenses³.

Proportion of Cost Recovered Expenses 2018-19³



NB: All figures are extracted from publicly available reports and/or are provided by the Department of Agriculture. EY does not take responsibility for the accuracy and completeness of these figures.

¹ 2018-19 value of plant and food exports (i.e. excluding live animal exports).

² Approximation: ABARES, Agricultural commodities 2019

³ As provided by the Department of Agriculture to EY.

Our Views

The Department of Agriculture (DA, or “the Department”) engaged EY to consider its processes and activities that are cost recovered in the Export Plant and Food sectors. The objective was to provide a view on the efficiency and effectiveness of cost recovered processes and provide leading practice recommendations where relevant.

In conducting this review, EY engaged a number of Department and industry stakeholders, and performed a review of the activities and practices in question. As a general observation arising from our interviews and interactions with DA staff, DA staff appear to be committed and passionate people who work diligently to achieve DA’s objectives and achieve positive outcomes for Industry. They have demonstrated an extraordinary level of adaptability and resilience in their efforts, however, these efforts are often constrained by systems and workforce practices and approaches which restrict their ability to provide services in a manner fully consistent with the expectations of Industry. Consequently, it has been found there is an opportunity for improvement with respect to the efficiency and effectiveness of the reviewed activities in the Export Plant and Food sectors.

Based on the work performed, in our view:

- ▶ The Department of Agriculture has an opportunity to improve the effectiveness of its process and operations. The Department indicated that it continually achieves its objectives, meets Industry demands, and has supported the quality of Australian export markets. Internal department stakeholders have indicated they are meeting objectives, as required, and external stakeholders have indicated they are somewhat satisfied with the services provided by the Department. Whilst overarching export market and legislative objectives are often met, there is an opportunity for the Department to enhance its effectiveness in meeting not only its strategic and legislative objectives, but also its operational and daily roles and responsibilities to maximise stakeholder satisfaction.
- ▶ The Department of Agriculture could improve the efficiency of its processes and operations with respect to meeting Departmental objectives and Industry demands. Given the limited resources available in some areas, (for instance, a lack of up-to-date digital resources), it has not been able to deliver the greatest value using the least resources possible. A degree of duplication has been identified across Department divisions and groups, as well as gaps in technology, skills diversity, low-level processes, communication channels, and instructional material. However, there are numerous opportunities available to enhance efficiency towards leading practice.

Principally, there is an opportunity to improve the efficiency and effectiveness of the Department’s activities in 13 identified ways:

1. Implement the benchmarking and performance measurement framework as part of this project;
2. Map and analyse the relevant roles, responsibilities and accountabilities to ensure their alignment and clarity between groups within the Department;
3. Dedicate one relationship manager per Industry and update communication channels through the introduction of an online self-service portal;
4. Review current reporting and communication channels to enhance the level of transparency between internal and external stakeholders;
5. Review the volume, relevance, and accessibility of policy and instructional material and ensure these are widely communicated to stakeholders;

6. Undertake a review of the risk-tolerance and perform an evaluation of risk-attitude to activities and clients;
7. Perform an evaluation of workforce and workload planning and coordination activities and implement streamlined planning tools to assist this;
8. Consider the application of productivity dividends to cost recovered activities;
9. Explore the maintenance of skeleton staff to operate outside of normal business hours;
10. Review the responsibilities and communication channels of each division and group to minimise siloes within the Department;
11. Map currently manual processes and standardise and streamline these;
12. Revisit the Biosecurity Operations Division (BOD) strategy and explore further harmonisation, and review the existing authorised officer (AO) model with a view to considering its broader application with respect to contestability of services; and
13. Fully implement a long-term digital strategy.

The overall gaps, as well as corresponding recommendations and leading practices, are provided here in order of ease of achievability. A priority matrix, which illustrates the potential value against the complexity and cost impact of each recommendation, and an indicative recommendation implementation timeline, are also provided.

We acknowledge the implementation of the below recommendations will require an investment of resources, effort, and funding, and will take some time to fully implement. A strategic long-term plan and adequate investment will be required to maximise the Department of Agriculture's efficiency and effectiveness in its Export Plant and Food activities.

Leading Practice and Recommendations

Despite the Department’s ability to achieve its objectives with limited resources, opportunities for improvement have been identified. The below recommendations are prioritised in order of ease of implementation as well as value delivered and are further illustrated in the subsequent priority matrix. The expected benefits of time savings, cost savings, and quality improvement are also highlighted.

No.	Identified Gap	Leading Practice	Recommendation	Expected Benefits		
1	There is little performance measurement within and between groups.	Performance measurement is made on a quantitative and qualitative basis and compares the organisation’s performance to averages and leading practices across comparable departments, organisations, markets, and countries with respect to the relevant activity or commodity.	It is recommended the Department implement the benchmarking framework designed by EY. Please refer to the complementary report on the Benchmarking Framework .	Time	Cost	Quality
2	There is a misalignment and degree of ambiguity of roles, responsibilities, and accountabilities between stakeholders and groups within the Department. A lack of ownership across responsibilities often occurs across groups and divisions.	The roles and responsibilities of individuals as well as divisions and groups are aligned and well-scoped to drive clarity of objectives, healthy regulatory boundaries , and encourage appropriate and effective decision-making . This will ensure risk and opportunity is adopted by those with the more appropriate skills and experience, and those best-placed to integrate the resulting efficiencies and effectiveness opportunities across the organisation. This is performed through direct, active, and consistent communication and re-evaluation of roles and responsibilities at a divisional and group level.	It is recommended the Department maps the roles, responsibilities, and decision-making jurisdiction . This is to be performed across the Department and compared for duplication, unnecessary crossovers, compliance, and workload comparison . Once performed, a redefinition and realignment may be performed.	Time	Cost	Quality

3	There is no clear single point of contact per export market industry in the Department.	The Department maintains a central point of contact which is accessed via digital options such as mobile apps and webforms as well as email and phone. Contact and communication is managed through a digitised workflow. Additionally, each Industry has a minimum one relationship manager (per size and complexity of commodity and Industry) who is the key point of contact for external stakeholders and is accountable for the timely turnaround of knowledge and services, as required.	It is recommended the Department dedicate, at minimum, one relationship manager to each Industry in the export market who would be the key point of contact for high-level matters. Communication channels may be updated by introducing a single/self-service portal with webforms, online chat bots, online FAQ tools, and contact phone numbers for specific matters . The department should consider this being summarised clearly online, for instance, a single communication line for exported grain.	Time	Cost		Quality
4	Transparency is inconsistent between internal stakeholders as well as between the Department and external stakeholders, either being insufficient or excessive.	Transparency to internal and external stakeholders on financial and non-financial information (for instance, for processes and activities undertaken internally) is clear and understandable , as well as timely . Information and insights provided are balanced to enable understandability and minimise confusion.	It is recommended the Department reviews current reporting and communication channels and refining them to enhance understandability and clarity. It is important to determine who prepares reports (formal and informal, regular and ad hoc), how they are prepared , and who the intended audience is to identify inefficiencies.	Time	Cost		Quality
5	Procedures and instructional material are numerous, outdated, and inapplicable or irrelevant to the audience. Many stakeholders are unaware of the existence of some instructional material.	Instructional material is aligned with both current business, market, and stakeholder (both internal and external) requirements as well as legislation and policy. Material is digitally documented , kept in an accessible and yet secure repository, and reviewed and updated continually and at regular time intervals, and be relevant and applicable to the organisation and its strategic objectives.	It is recommended the Department reviews policies and instructional material. The most critical policies may be prioritised for review as policies and instructional material are consolidated, updated, and reworded for future stakeholder use. These, ideally, are to be digitised for ease of update and accessibility purposes. It is also recommended the Department communicate widely to its stakeholders how to access and utilise the policies and instructional material.	Time	Cost		Quality

6	Processes and procedures are noted as being overly compliance driven and “checklist” in nature, reducing agility.	Processes and procedures, whilst remaining legislatively compliant, will drive efficiency and effectiveness by having a foundation on a risk profile framework . Such a framework will ensure internal activities and stakeholder focus are driven by risk and the pareto principle, rather than a “checklist” approach. This will ensure attention is paid to areas where risk is best minimised, and benefits are best maximised, e.g. with respect to markets, clients.	It is recommended the Department perform an evaluation of activities and clients with respect to their risks . These may be categorised and measured for their risks and benefits, and hence policy may be realigned to fit this. The risk framework should be designed as a reference point for the Department to enable decision-making.	Time	Cost		Quality
7	Workforce and workload planning and coordination, driven by organisational siloes, are inconsistent and misaligned across the organisation.	Enabled by technology and digital solutions workforce coordination for internal and external activities such as inspections, audits, and client relationship management, is planned in a consistent manner across divisions and groups, with relevant decision criteria consistently applied , including expertise, experience, time and availability, and location. This is performed in consultation with relevant internal and external stakeholders.	It is recommended the Department performs an evaluation of workforce and workload planning as it is currently implemented across the Department. The implementation of digital and streamlined workload planning tools will enable the Department to improve current planning activities to enable consistent and efficient planning criteria and methods across the Department.	Time	Cost		Quality
8	Productivity dividends are not applied to cost recovered activities, only to general appropriation funded activities, creating a mixed set of incentives in the Department around productivity and efficiency.	A consistent application of productivity dividends is enforced across all activities, including those which deliver the greatest value to Industry and other stakeholders. Indexation is appropriately applied in cost and productivity models to ensure real value of funding is maintained over time.	It is recommended the Department consider applying productivity dividends across cost recovered activities. It is expected this would encourage productivity and efficiency, and in turn deliver a return on investment which may be reinvested into the digital strategy of Recommendation 13 and/or applied to cost recovered activities to reduce their cost to Industry. It is recommended this be a part of a broader consideration of indexation arrangements, including how inflation is applied and incorporated into the model.	Time	Cost		Quality

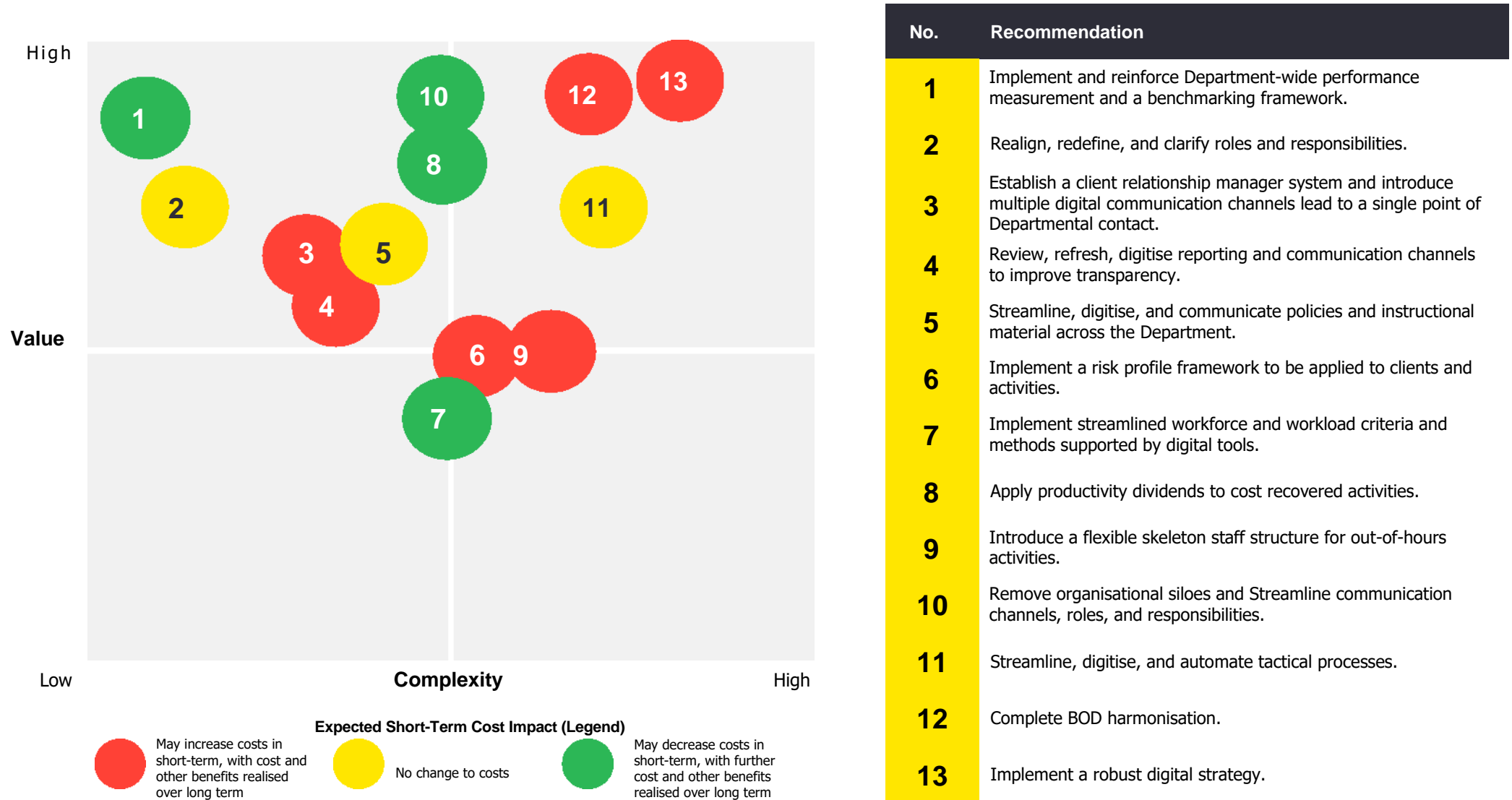
9	The Department's operating timeframe is incongruous with Industry's "24/7" operation, rendering immediate resource access difficult.	A flexible skeleton workstream is maintained to enable a timely response rate to out-of-hours requests from Industry. An open communication channel focussed on forecasting and planning ensures risk is controlled and issues are responded to effectively.	It is recommended the Department explore the maintenance of skeleton staff to operate outside of ordinary business hours and discuss this approach with key stakeholders, including the Industry Consultative Committees (ICC) given recent commentary on this (see Appendix C).	Time	Cost	Quality
10	The Department operates in siloes despite communication channels being noted by stakeholders as "fairly" open between internal stakeholders.	The organisation is streamlined in its processes and communication channels to minimise siloes and increase and share the efficiency and effectiveness of its strategy and regulatory duties across groups . Export commodity programs are empowered to manage the complexity of their commodity (including market demands, policy changes, and biosecurity challenges), whilst integrating efficiencies, learnings, and opportunities from each other.	It is recommended the Department considers: <ul style="list-style-type: none"> ▶ Formally reviewing the roles and responsibilities of each division and group to establish which team is Responsible, Accountable, Consulted, and Informed for each significant activity, and what activities need to be Continued, Started, and Stopped for each division and group; ▶ Clarifying channels of communication between internal stakeholders; ▶ Officially communicating these clarifications and definitions across the Department's divisions; and ▶ Ensuring they are aligned to the Department's values and strategy. 	Time	Cost	Quality
11	Processes across groups and divisions continue to be manual and paper-based.	Processes are digitised and automated where appropriate, such as automated document reading (some of which is currently being explored by the Department) and are structured in such a way as to empower people to make decisions and problem solve effectively, timely, and where appropriate. Business administration is hence minimised as necessary, which the core focus of the organisation meeting strategic objectives.	It is recommended the Department maps the daily business processes across the Department as they are performed today rather than how they should be performed. Then they could be compared and evaluated to identify duplication, repetition, and the usage of paper and other manual forms of activity. Once this is complete, processes may be strategically redesigned through standardisation and streamlining , subsequently enabling the Department to improve the processes using digital and other tools .	Time	Cost	Quality

12	The harmonisation of assessment, inspection, and audit activities in the Biosecurity Operations Division (BOD) is incomplete.	BOD activities are streamlined where processes and activities are standard and not unique to the commodity or Industry. In line with Point 6, activity allocation is driven by risk profile to maximise value delivered. In line with Point 7, BOD resources are allocated as appropriate with minimised duplication and unnecessary travel. The third-party Authorised Officers (AO) model is streamlined to maximise efficiencies, with other services available for contestability.	It is recommended the Department revisit the BOD establishment strategy and assess the effectiveness of the strategy's implementation. Gaps and inefficiencies should be addressed. Repeated activities, duplication, and low-risk/high-workload activities should be targeted. It is recommended the Department reviews the existing AO model with a view to considering its broader application as part of a process to explore further contestability of services.	Time	Cost	Quality
13	The current digital strategy of the organisation has not been adequately and fully implemented, and hence minimal expected benefits have been realised.	<p>A robust and agile digital strategy is invested in and implemented in full. This strategy empowers people to achieve objectives, minimises manual and duplicated activities, and maintains a focus on:</p> <ul style="list-style-type: none"> a. Data of a high quality which is accessible, accurate, and updated in real-time; b. An integrated system and network which provides traceability through digitised end-to-end workflows and hence high-quality data; c. Analytics and insights reporting through dashboards and visualisations, which is accessible, understandable, and updated in real-time. 	<p>It is recommended the Department considers implementing and driving a digital strategy for the long term (three to six years) with continuous innovation and agility at the core of this. This would be initiated through a digital transformation program which drives:</p> <ul style="list-style-type: none"> ▶ The up-to-date and accessible repository of data as a single source of truth, supported by a robust taxonomy; ▶ The enablement of real-time insights reporting and dashboard analytics which provide: <ul style="list-style-type: none"> ○ Process traceability for audits, inspections and assessments; ○ Market profiling and risk assessments; ○ Client profiling, risk assessments, and history; ○ Cost/benefit insights and analysis of internal and external activities; ○ Streamlined workforce planning and coordination (Recommendation 7); and ○ The integration of an audit management tool (which is currently under development 	Time	Cost	Quality

			<p style="text-align: right;">following demands and expected for completion in early 2020).</p> <ul style="list-style-type: none"> ▶ Integration through digital workflows, which ensure efficiencies in data entry (the manual component of which is minimised and not the core responsibility of FTEs), web portal access by internal and external stakeholders, in combination with robust security of information. <p>It is expected that, over time, this strategy will significantly reduce costs. It will require an upfront investment.</p> <p>It is recommended the Department of Agriculture develop a business case for Government's consideration seeking investment funding to implement, to its fullest extent, a renewed digital and information technology strategy. This upfront investment would be in exchange for a commitment to future efficiencies.</p>			
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Priority Matrix for Recommendations

The below priority matrix provides a visual representation of the priority of implementation of the recommendations. The recommendations are plotted according to a scale of complexity involved, and value delivered. Given potential cost implications, the recommendations are also colour-coded to reflect short-term cost implications, according to the below legend. Note, reduced costs may have the impact of reducing required cost recoveries from Industry.



Recommendation Timeline

The below provides an indicative timeline of the implementation of the recommendations. This is indicative in nature only.

Implementation of Recommendations				
Rec. No.:	1-3 months	4-6 months	7-12 months	12-18 months
1	Implement and reinforce Department-wide performance measurement and a benchmarking framework.			
2	Realign, redefine, and clarify roles and responsibilities.			
3	Establish a client relationship manager system and introduce multiple digital communication channels lead to a single point of Departmental contact.			
4	Review, refresh, digitise reporting and communication channels to improve transparency.			
5	Streamline, digitise, and communicate policies and instructional material across the Department.			
6	Implement a risk profile framework to be applied to clients and activities.			
7	Implement streamlined workforce and workload criteria and methods supported by digital tools.			
8	Apply productivity dividends to cost recovered activities.			
9	Introduce a flexible skeleton staff structure for out-of-hours activities.			
10	Remove organisational siloes and Streamline communication channels, roles, and responsibilities.			
11	Streamline, digitise, and automate tactical processes.			
12	Complete BOD harmonisation.			
13	Implement a robust digital strategy.			

Observations and Commentary



Internal Department Review

Internal Current State Observations

Observations of the current state of the Department's processes, as per internal stakeholder commentary and other research, are summarised below as per the Department's CRIS ABC model activities. Common themes were identified in the observations and commentary collected and reviewed. An exhaustive elaboration of these observations is given in Appendix B.



Workforce and Business Planning

- ▶ Divisions and groups maintain a collegial and helpful relationship with each other. Department stakeholders have indicated a high degree of adaptability and versatility given the limited resources available to them and have even improved resources usage over time.
- ▶ Siloed operations are apparent and noted by both internal and external stakeholders.
- ▶ Department stakeholders are continually “fire-fighting” and managing crises due to resource constraints, which also inhibit process and activity improvements. The use of manual and paper-based processes as a part of daily operations results in things taking longer to process. Teams appear to be more reactive than proactive when dealing with emerging issues, as a result.
- ▶ Due to resource constraints, workforce and workload planning are inconsistent across divisions and groups and most groups indicated that this is performed manually, (e.g. in spreadsheets). Whilst some teams allocate human resources in spreadsheet models using tailored parameters, others adopt an ad hoc approach.
- ▶ There is a misalignment and ambiguity regarding the scope and boundaries of roles and responsibilities between divisions and groups. There is an observed overlap in activities across divisions and groups resulting in duplication of processes. Department stakeholders have also noted a gap between control of activities versus accountability for activities.
- ▶ While relationships between divisions and groups were confirmed to be strong in most cases, it has been noted that, at times, stakeholders do not have clarity around the activities performed in other divisions/groups that impact their daily operations. They also noted they are unable to access adequate insights reporting. This is often the result of systems which do not facilitate an easy way to share information.

Business Systems

Administration

- ▶ Technology and systems appear to be outdated and non-enabling for the organisation. Processes are very manual in nature and paper work is still a significant part of numerous processes across the Department. It is noted that some paperwork is driven by importing country demands, for instance, the requirement to submit a paper certificate to an importing country.
- ▶ Divisions and groups have had to adapt to existing technology and innovate using existing resources to their best ability. They are often skilled at navigating the constraints imposed by the current systems, thereby being efficient in operating within an inefficient system environment. However, the extent of time required to perform tasks is still longer than what would be with more fit for purposes systems.
- ▶ An intricate network of systems exists, which do not interface with each other effectively. Systems across the network often exist in isolation with little to no integration with other systems. Hence, little to no digital workflow exists, and there is a missed opportunity to readily extract insights.
- ▶ The Manual of Importing Country Requirements (MICoR) system was particularly noted as a system with very manual processes. As a result of this, updating MICoR has been proven to be laborious, and so is not updated as frequently as required.
- ▶ While there is a new digital strategy currently under development and some investment has been made to improve current systems, including with the move to Next Export Documentation System (NEXDOC) from EXDOC, additional significant investment is required.

Policy and Instructional

Material



- ▶ A digital and central repository of process maps exists within the organisation. This repository consists of numerous process maps detailing operations and their relationships to other processes and operations. The maps are not developed in a consistent manner, with some maps missing helpful process map components; however, they depict general activities adequately at an operational level. The Department should confirm whether this repository is available to all Department stakeholders and whether it is effective in achieving its objective of educating stakeholders.
- ▶ With regards to instructional materials, in some cases this consists of hundreds of documents which are outdated and not always relevant to current requirements. In other cases, the knowledge and experience that certain employees possess has not been documented, making it challenging to know what to do in their absence and posing a risk to the business.
- ▶ Mostly, Department stakeholders did not indicate knowledge of a central repository of process maps or other instructional material relevant to them. It is clear that potentially useful instructional material may not have been effectively communicated to Department stakeholders.
- ▶ Internal policies have been identified by internal stakeholders as having limited flexibility at times in adapting to the complexity of certain commodities and their markets.

Assessments, Inspections, Audit

- ▶ The assessments, inspections, and audit activities occur mainly in the centralised Biosecurity Operations Division (BOD). Those activities also continue to operate in small pockets across the organisation due to complexities associated with certain commodities (mainly for audits). As a result, there is a combination of centralised and decentralised activities.
- ▶ Activities are often seen to be driven by compliance without a lens for risk level, which can lead to layers of process seen to be unnecessary and thus inefficient. For instance, audits have been noted by staff as being conducted on low-risk clients within a year.
- ▶ Currently no tool exists for audit workforce planning or historical audit tracking, planning and coordination. It is noted that a relevant audit tool is currently under development by BOD to address current constraints and gaps.
- ▶ A great deal of agility is expected within these activities given the nature of the commodity markets, however this is not always seen as possible. While stakeholders who undertake assessments, inspections, and audit have indicated a degree of adaptability and expertise, they continue to encounter challenges in meeting their objectives. The main obstacles are the lack of audit management tools, an operating model which adheres to a nine to five work schedules, and the manual nature of the current processes (e.g. hand-written inspection logbooks).

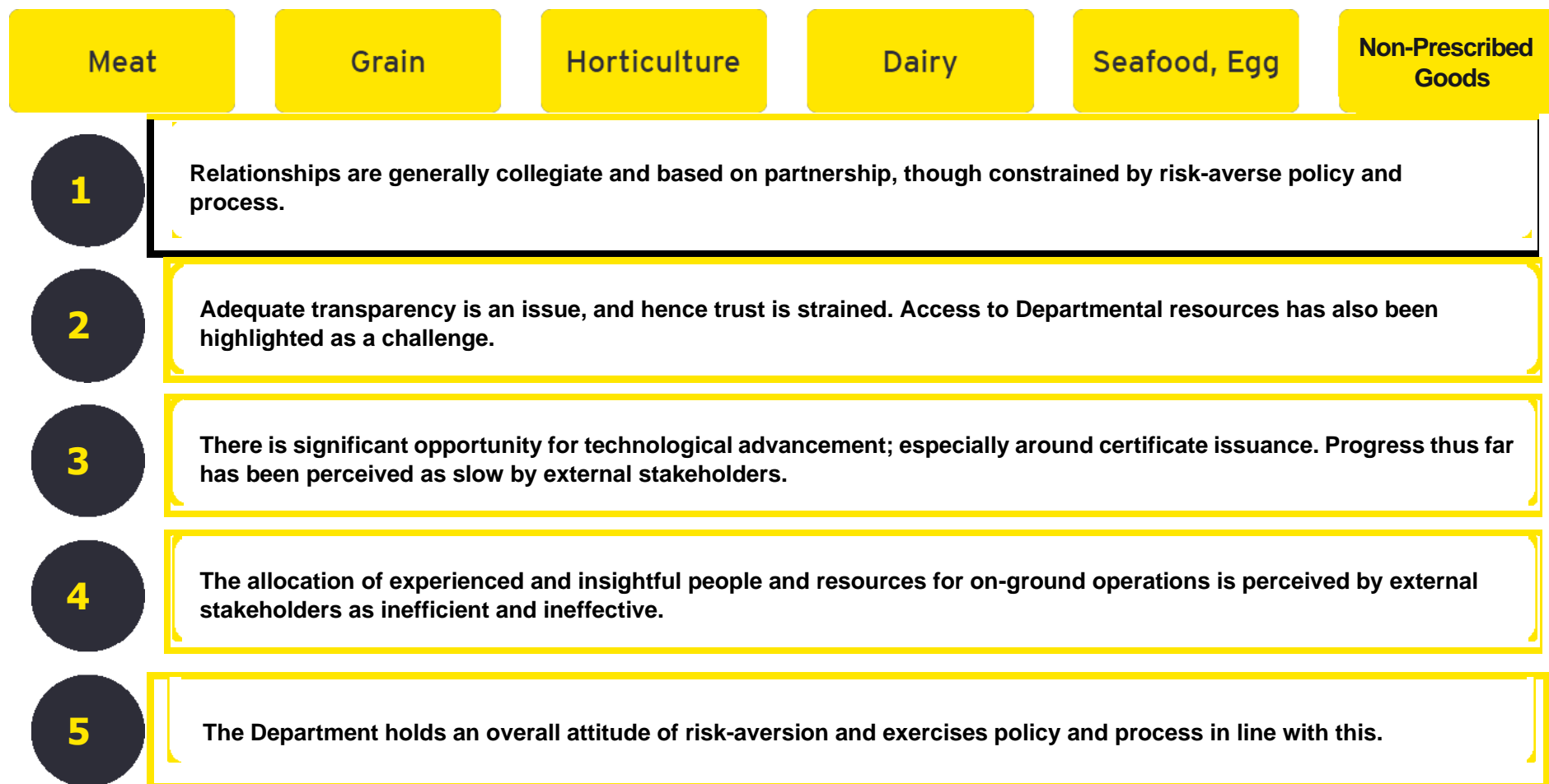
Other

- ▶ There is minimal performance reporting or tracking across the Department. While some investigation into this has been performed in the past, no comprehensive performance tracking or reporting has been implemented or conducted across the Department. This is, in part, due to a lack of overall system capability in producing relevant and timely reporting.

Industry and General Public Commentary

Industry Consultative Committee (ICC) Commentary - Overview

Our consultations with the various ICCs focussed on a range of themes and activities, details of which may be found in Appendix C of this report. There was an overarching theme identified regarding the role and identity of the Department of Agriculture as a service provider versus a regulator, the impact on services and costs, and their impact on efficiency and effectiveness. A summary of the ICC commentary and feedback is given below. Detailed ICC feedback is provided in Appendix C.



Industry Consultative Committee (ICC) Commentary

Identified Theme:	Meat	Grain	Horticulture
Relationships	<ul style="list-style-type: none"> ▶ The Department has been noted as being responsive to requests. There is an overreliance on certain resources when responsibility could be rescoped and reassigned. ▶ Department identity: are they a regulator or service deliverer? 	<ul style="list-style-type: none"> ▶ The ICC commented there is a lack of trust in the Department and its services. This is due to confusion and a lack of understanding on current processes and frameworks as well as reported financial figures. Additionally, there has been a history of error in figures provided to the ICC. 	<ul style="list-style-type: none"> ▶ The Department has been noted as being helpful, especially in technical areas. However, there are challenges in accessing Department resources and it is difficult to reach the Department for communication and engagement, likely due to a lack of Departmental capacity.
Technology	<ul style="list-style-type: none"> ▶ There is some focus on technological improvement, however, progress is slow, and Industry incurs the depreciation cost without any of the realised benefits. Past proposed technological improvements have not been achieved. 	<ul style="list-style-type: none"> ▶ It is recognised that technology and enhanced systems can play a significant role in driving the provision of meaningful information. ▶ Adoption of new technological advancements is slow. 	<ul style="list-style-type: none"> ▶ DA is in a position to digitise non-protocol and low-risk documentation, which would release resources. ▶ Given commentary on service delivery, it has been noted there is an opportunity for improved digital query management.
Service Delivery	<ul style="list-style-type: none"> ▶ There is frustration at lack of transparency of the budget and cost drivers; not timely, convoluted. ▶ There is an option to explore contestability of services in the current market. Audit, etc: question of resource allocation and effectiveness vs cost. ▶ There is an observed siloing of people, and hence a lack of clarity on activities conducted and what is paid for. ▶ There is an increased risk-aversion and compliance-focus in recent times. ▶ There is scope for common recognition between state and federal inspection systems. ▶ Productivity dividends are not applied to cost recovered activities, and there is a growing questioning as to why that is the case? 	<ul style="list-style-type: none"> ▶ There is inefficient use of staff due to a policy whereby, despite the Industry recently moving to a mostly authorised officer (AO) model for inspection services, department inspectors are kept on standby. The Industry needs to bear these costs despite not needing the services of these inspectors most of the time. ▶ The Department is working on technology and systems; however, this is only one part of a reform process. It is noted processes must be reviewed to remove manual components. ▶ The third-party AO model presents opportunities, but there is a need to explore how to provide AO services more efficiently. 	<ul style="list-style-type: none"> ▶ DA and its services lack a commercial focus. ▶ Service delivery suffers due to inconsistent and manual processes not adapted to current requirements. ▶ Given the Industry operates on a 24 hour, seven-day basis, providing services outside of standard business hours is challenging. Given the reactive nature of services, there is an opportunity for communication and integration of exporter supply and demand plans with Department operations. ▶ Overall transparency is an overall barrier, namely around understanding what drives costs in each activity area.

Identified Theme:	Dairy	Seafood, Egg	Non-Prescribed Goods
Relationships	<ul style="list-style-type: none"> ▶ While some stakeholders have indicated a collegial relationship, others have indicated a lack of effective responsiveness by and accessibility to the Department. ▶ There are numerous gateways to go through for information retrieval; otherwise, DA have been noted as knowledgeable. 	<ul style="list-style-type: none"> ▶ It was noted the ICC relationship with the Department is strong and collegial; however, exporters (particularly smaller and newer ones) do not easily form such a relationship with DA and turn to the ICC for help. 	<ul style="list-style-type: none"> ▶ There was minimal commentary on the relationship with the Department, with focus being on service delivery, technology, and costs (see Appendix C).
Technology	<ul style="list-style-type: none"> ▶ The benefits of technology have never been fully realised or come into fruition. ▶ “We are reliant on the MICoR site, yet this is not updated regularly.” ▶ There is a low level of confidence in systems, which results in increased human consultation. 	<ul style="list-style-type: none"> ▶ Systems have improved vastly over the past five years. ▶ In contrast, it has been commented technological improvement is slow and requires further streamlining. 	<ul style="list-style-type: none"> ▶ Technology has been noted as being “out-of-date”, however, this is not a significant concern. ▶ Technology and digital solutions may be able to speed up opportunities for trade at a reasonable level.
Service Delivery	<ul style="list-style-type: none"> ▶ There is a level of duplication across state and federal processes, with comments regarding potential harmonisation between the two being made. ▶ A lack of transparency of “head office” and “back office” costs has been flagged. ▶ Processes and overall service delivery has been marked as slow, long, and lacking in precision and accuracy. ▶ Given the Industry operates on a 24 hour, seven-day basis, attracting services outside of standard business hours is challenging. 	<ul style="list-style-type: none"> ▶ Service delivery has been noted as of a consistently high quality. ▶ There is a notable focus on biosecurity and drought relief by the Department. ▶ A lack of transparency on “head office” costs and the costs of other activities, e.g. market access activities. ▶ Scheduling is often inflexible, particularly for weekends, it has been noted. 	<ul style="list-style-type: none"> ▶ Technical people are helpful but are restricted because of resource constraints. ▶ Further, it has been commented policy restricts processes, which in turn restricts “how Industry trades”. ▶ The Department tends to be reactive than proactive. ▶ The relationship between risk tolerance and the level of regulation applied has been commented as being questionable.

Industry Clients and General Public Feedback

The public were invited to provide written feedback regarding the efficiency and effectiveness of the Department's processes and activities. Whilst some feedback focusses on the level of costs and the cost recovery framework itself, which is out of scope for this review, much of the feedback focusses on observed activities, processes, and services. A sample summary of comments received is given below.

Costs are always increasing, and they increase too much, especially given the current operating environment: drought, successful exports.

If the export markets are performing well and revenue is increasing, why is are businesses being penalised through increased DA fees and levies?

The Department must review how to be more efficient.

We need to better use technology and eliminate duplicated jobs.

Processes for registration are long, expensive, inefficient, duplicated, and inconsistent.

I spend a lot of time conducting administration for the Department, and it slows business.

Costs are increasing because of manual processes, although there is an opportunity to digitise and automate.

Numerous audits per year are conducted at a high cost to Industry.

Cost increases in bulk are difficult to manage.

There's no support for start-up businesses and innovation.

The Department's processes are stifling industry growth.

We support fees for amendments of documents.

Appendices



Appendix A - Terms of Reference

The following terms of reference were agreed with the Department:

SERVICES

The Service Provider must provide the following Services:

- a) an independent review of the costs of export certification activities that are cost recovered through the Food and Plant Export Cost Recovery Implementation Statements (CRIS).
- b) A report including findings and recommendations of the areas included within the scope.
- c) A benchmarking framework.

Scope:

The review will not cover the Live Animal or Biosecurity CRIS.

For those arrangements and activities in scope, the reviewer will:

- ▶ Engage with industry representatives to seek views on the efficiency and effectiveness of the department's delivery of the food and plant export certification regulatory function.
- ▶ Investigate key cost drivers and consider alternative ways of delivering the key regulatory functions in a more cost-effective manner.
 - It is expected that the focus will be on Assessment, Inspections, Audit, Program Management and Administration and Corporate.
- ▶ Assess possible inefficiencies reported or discovered and recommend approaches to increase the efficiency and effectiveness of the regulatory functions, including the role of technology.
- ▶ Develop a benchmarking framework based on comparable public and/or private sector regulatory activities.

The review will be cognisant of other relevant reviews, analysis and policies including, but not limited to:

- ▶ Importing country requirements
- ▶ The Australian Government Cost Recovery Guidelines
- ▶ Government's policy to achieve and maintain full cost recovery of export certification activity delivered by the department
- ▶ The department's broader policy and regulatory obligations
- ▶ Relevant analysis and costings of cost recovery arrangements done by the department.
- ▶ ANAO and industry commissioned reports undertaken since 2015

Appendix B - Current State Observations by Department Stakeholders (Internal)

Internal Current State Observations - Detail

Commentary and observations made by the Department of Agriculture’s internal stakeholders in interviews are given below. Note, these comments and observations have been summarised for this report and have been categorised as per the Department’s Activity Based Cost (ABC) model.

Assessments, Inspections, Audit*
It has been noted inadequate notifications are, at times, given to customers for audits to be performed. As a result of this, audits are failed by customers due to a lack of preparation, resulting in repeat audits being conducted per customer and a decrease in audit efficiency.
Numerous groups have been noted as a demand-driven. With interactions taking place within short timeframes and demand varying across Australian states and other geographic locations, the agility of these groups has been noted as vital. This is also noted given the distribution of skills and experience across the geographic locations.
The majority of the assessments, inspections, and audit activities lie within the jurisdiction of the Biosecurity Operations Division (BOD). However, some audit activities are undertaken by other groups, reflecting a level of decentralisation of such activities.
There is a notable degree of error in Industry requests, which are not mitigated or minimised by current systems and processes. This creates an additional workload early in the assessment process which pushes delivery times.
There is a perception maintained by internal stakeholders that there is an increased expectation for faster delivery of assessments, including outside of business hours. However, it is noted the expected delivery timeframes are not achievable given the assessment frameworks operated within.
Audit activities are noted as not risk-driven or –focussed with respect to customers. As a result, there is a noted disproportionate amount of time spent on auditing low-risk customers versus high-risk customers. This has been acknowledged this and a movement towards “risk-based auditing” has been indicated for the near future.
It has been reported various staff who conduct inspections and assessments operate on the premises of customers as though a part of the customers’ production operation. However, it has been noted the inspectors/assessors work with the customer and maintain complete independence.
Business System Administration*
It is acknowledged systems are out-of-date and inadequately interfaced, with opportunity for upgrades and transformation available. Harnessing the opportunity, however, has been noted as a challenge due to insufficient financial resources for required investments to be made. A future strategy is currently under proposal to address this.
Data quality and analytics have been noted as lacking in availability, flexibility, timeliness, and clarity. Data structure, organisation, and reporting is not consistently value-adding. Whilst some systems provide some insights, such as the Product Hygiene Index System, there has been a communicated desire for enhanced data analytics and insights. This has been highlighted as a long-term priority by a number of groups across the Department.

<p>It was noted that a number of currently deployed systems are somewhat outdated and slow and are accepted and managed by groups across the Department as such.</p>
<p>Technological improvements are often developed in a decentralised manner, that is, within individual groups who take initiative to do so. It is noted groups across the Department are seeking to develop their analytics and diagnostics capabilities, particularly given current technology does not enable traceability along the supply chain; however, this is a long-term plan.</p>
<p>Systems for numerous activities within the division are lacking technological tools which may enable an increase in efficiency and effectiveness. While stakeholders undertake the effort to “work around” technological constraints, this is noted as challenging given the nature and volume of activities undertaken.</p>
<p>While the Department have made some progress in upgrading existing or implementing new systems, there have been a degree of implementation and scoping issues; for example, one AR system was not effectively sending invoices to vendors; however, this issue was resolved once identified. Groups within the Department have noted an additional workload in correcting input errors made by customers given the nature and structure of the systems. Further, some attempted improvement efforts are not realised, for example, a database on diseases and pests was to be developed; however, this was abandoned due to its inherent complexity.</p>
<p>A degree of manual data collection has been reported. Stakeholders often collect notes by paper due to the unavailability of digital resources in remote areas, resulting in manual data entry work later in various processes.</p>
<p>Despite some lower level technological improvements being made by individual groups, it has been reported many activities and tasks are spreadsheet– based given systems across the network are out-of-date and limited in their capabilities, as well as lacking traceability and integration with other systems. For instance, for any single change in importing country requirements, three separate systems are to be updated separately and manually.</p>
<p>A further example: a particular group in the Department has reported its use of personalised systems with respect to workforce planning. The group has reported a degree of MS Excel and paper usage in tactical and BAU processes. The group, it is noted, is exploring opportunities to implement simple digital tools to reduce manual labour, such as the usage of Skype and video conferencing with stakeholders in remote locations.</p>
<p>Further, the Plant Export Management System (PEMS) has been noted as sufficiently meeting group requirements, particularly following recent enhancements to the system. However, analytics and reporting has been limited. It has been noted, consequently, an initiative of moving towards Microsoft Power BI for reporting is in place.</p>
<p>Given the nature of MICoR and the timeliness of its information, stakeholders are required to manually consolidate information across emails, spreadsheets, instructional material, and other sources of information for their activities.</p>
<p>There is no centralised or integrated digital auditing tool to manage the Audit workforce, manage workloads, and provide customer insights to commodity groups. This lacking tool results in the Audit team managing their workforce and workload through up to 12 different systems, MS Excel, and paperwork, and other commodity groups having little transparency on customers’ audit history. However, the BOD Audit team have indicated a new digital audit management tool is under development and is expected to be deployed in early 2020.</p>
<p>Current technology and policies have been reported as not enabling certain commodity groups to “keep up” with legislative and Industry demands.</p>

Internal supporting IT processes were found to be, at times, repetitive. For example, multiple forms were to be completed and submitted for asset acquisition for new staff, or replacement of existing assets, hence delaying the onboarding process.

It has been reported there is no centralised export standards system in use, resulting in groups managing workloads using standard email systems manually. Administrative and other work volumes are high, resulting in time and effort inefficiencies and a limited degree of error.

It has been reported many processes can be automated and digitised given they are manual. For instance, inspections are often done using paper forms, which are then scanned and emailed, only to be handled manually further into the process.

There is no centralised system or database of importing market requirements for non-prescribed goods. As a result, these requirements are not publicly accessible, hence resulting in a large number of respective queries from internal and external stakeholders.

While there are innovations such as intelligent automation of processes across other sectors of the Department, this has not yet taken place to full effectiveness within the Exports division, for example, automation of document processing. Intelligent automation in BOD Exports, however, has been indicated as a long-term goal.

With respect to auditor chargeable time, it has been noted original assumptions on how this time was used were incorrect, resulting in a degree of revenue leakage. Since identified, a timesheet system has been implemented to address this issue; however, parts of the timesheet process have been noted as manual.

Policy and Instructional Material*

Despite the complexities of the range of unique commodities such as non-prescribed goods, it has been reported there is "little flexibility" in managing the volatile and growing consumer demand of importing markets, particularly with respect to policies and procedures.

Given the comparatively volatile nature of certain commodity markets, other commodity activities are often deprioritised, resulting in instances of missed legislative deadlines by the latter.

It has been reported there is a degree of "reform work" and regulation review being conducted across groups.

Policy is crucial to Audit. However, it has been noted there is a lack of ownership, responsibility, or accountability over policies and their scale across audits of various commodities by impacted stakeholders. It has also been noted policies do not allow for flexibility in audits, particularly in light of the complex nature of differing commodities and customers, for example multi-commodity exporters. Therefore, there is some advocacy for clarity in policy and instructional material to minimise inefficiencies.

The Department maintains a central digital repository of process maps and documentation, with other tactical and BAU procedural and instructional material sitting within individual divisions/groups. While the taxonomy and the development of maps in the central repository (and links to other maps) has been reported as being inconsistent, the repository provides a centralised and accessible library of process instruction.

Some groups have reported that knowledge, regarding business interactions and BAU processes, is stored with the people of the team itself. No digital or physical repository of knowledge has been noted or indicated by these groups.

One group has reported that a large volume of instructional material (“over one thousand documents”) exists, which are outdated, over-complicated, duplicated, or not applicable to relevant activities and functions. Some material, it is noted, has not been reviewed for up to 15 years.

Groups have reported there is often one policy applied to a variety of commodities with no adjustment made for the respective complexities of the commodities. Stakeholders have commented on the “one size fits all” approach and the inherent challenge and additional workload in conforming to these.

Workforce and Business Management*

Workforce management operates in a decentralised manner, with each division and group performing its own planning, scheduling, and forecasting using its own personalised systems. The Biosecurity Operations Division (BOD) operates its function in a centralised manner, supporting the majority of the audit, assessment, and inspections functions of the Export program groups; hence, a combination of centralisation and decentralisation exists within the Exports section of the Department.

Groups under the Export banner are subject to the dynamic and changeable demands of importer markets. Since these are external drivers of business activities, the Department has had to operate in an adaptable and reactionary manner when needed, often slowing processes and deliverable timeframes.

A lack of transparency and reporting has been noted by a particular group in the Department. It has been noted there is a degree of ambiguity on some lower level activities conducted by other groups, due to a lack of available direct reporting on these activities. The financial impact of specific activities has also been noted as unclear.

As a result of the crisis-driven nature of some groups, expected deadlines are missed despite best efforts, impacting customer engagement and future expectations. With the group in question demanding increased attention from the division/group due to this, others have been noted as being “deprioritised”, hence also missing legislated deadlines. Therefore, there is an observed imbalance in prioritisation and planning.

Communication channels are open and fluid, particularly between internal divisions/groups. There is an opportunity for improved collaboration on external communications given the complexity of plant markets.

An open and collegiate relationship being reported across groups, although siloes are acknowledged as existing.

Given the numerous commodities and their inherent complexity, it has been noted there is a small number of resources within certain groups to manage these complexities and the resulting workloads.

Groups within the Department have reported corporate services are “slim”, hence are having to adopt responsibility for supporting functions such as HR and WH&S. This has added to mid- to high-level managerial responsibilities.

It has been reported audit, assessment, and inspection groups aim to coordinate and manage their workforce in an integrated manner. This integration requires stakeholders to have a breadth of knowledge and experience across commodities.

It has been noted the risk-focussed nature of groups across Exports results in an “overreach” of responsibilities. One particular group has reported providing risk-focussed advice to internal stakeholders across various groups, despite not being a responsibility delegated to them. This, however, is as a result of the level of policy and risk-management expertise within the group.

<p>It has been noted there is some misalignment between accountability and control of activities between stakeholders and groups. As a result, stakeholders are often expected to account for activities over which they may not have control or clarity.</p>
<p>It has been reported unplanned labour and overtime has become an issue of note across certain groups. Despite agreed workload hours with customers, overtime is a continual issue. Given this issue has been identified, Department groups have indicated to Industry representatives and customers this is to be addressed. Weekend availability has otherwise been reported as expected by customers.</p>
<p>It has been noted, given the volatile nature of certain commodities, that managing and coordinating resources in a quick and efficient manner can be a challenge, particularly given expectations and legislative timeframes.</p>
<p>It is noted there exists an imbalance of resources versus workload, with stakeholders tackling crises and other urgent activities in an ad-hoc manner. It is recognised efficiencies may hence be shared, but the siloed nature of the Department presents a challenge to this.</p>
<p>It is reported there is no workload manager or centralised workload management tool for groups across the Department. The workload is managed through general applications such as Microsoft Outlook and Excel, as well as other query channels including phones, paper mail, and face-to-face queries. This results in an increase in manual administrative efforts by groups.</p>
<p>Many groups across the Department have reported crisis management being a predominant focus.</p>
<p>A particular group has reported being an a highly dynamic and volatile area given the dynamic area of the exports market. As a result, it has been noted enabling a healthy rotation of a limited number of human resources between export areas is a challenge, as is maintaining a strategic focus.</p>
<p>Another particular group has indicated a method of continuous communication both top-down and with Export groups regarding workforce management in addition to using existing systems to plan and schedule their workforce. While using their own personalised workforce planning system, there has not been an indication of centralised planning and reporting.</p>
<p>Crisis-focussed groups have indicated their responsibilities can be better managed through process improvement and optimisation efforts (notably, at daily operational levels). However, limited resources and capacity has been noted as an obstacle to achieving this.</p>
<p>One particular group in the Department has indicated they believe there are no overall issues with workforce and business management as it is currently conducted; however, a general scarcity of human resources has been noted. While some efforts for operational improvement has been attempted, it has been noted the capacity for this is minimal, with attention being predominantly given to crisis management, followed by business-as-usual activities</p>
<p>Training and upskilling programs are inconsistent across groups. One group reported well-rounded training schedules for new recruits which include four-to 12-week programs with a mix of classroom and on-the-job learning. Another group, in contrast, reported programs with timelines of three-to-six months (including probation and billable work), which makes required stakeholder rotation difficult. However, the key challenge of prioritising training, particularly ongoing training, due to workloads has been noted.</p>

*As per Department of Agriculture Activity Base Cost Model

Appendix C - Industry Consultative Committee (ICC) Commentary

Industry Consultative Committee (ICC) Commentary – Detail

Service Delivery (General)

- ▶ It has been questioned why efficiency dividends are applied to appropriated budgets and not cost-recovered programs.
- ▶ Contestability of services has been indicated as an option for the improvement of services.
- ▶ There is an overarching question as to whether the Department of Agriculture is a regulator or service provider.
- ▶ The Department's change of stance from "service provider" to "regulator" is perceived as a "defensive measure".
- ▶ There is a silo of people in certain Department divisions and groups, and the cost-recovered activities of Department stakeholders are questionable.
- ▶ The prescriptive approach of the Department is a cost to Industry.
- ▶ The Department is often reactive rather than proactive in its processes.
- ▶ The Department lacks a commercial focus in its operations and services.
- ▶ There is a noted inconsistency of findings between reviewers.
- ▶ Synergies between the Exports and Imports sector are a possibility.
- ▶ Export certification process efficiencies proposed have not been achieved.
- ▶ It is recognised importer requirements have increased exponentially.
- ▶ Industry products are becoming safer and of a higher quality over time, however, compliance costs are not decreasing but are in fact increasing. Industry does not receive recognition for the quality of product.
- ▶ Productivity dividends are not applied to cost recovered activities. It is not understood why that is the case.
- ▶ There is scope for common recognition between state and federal inspection systems. There is a degree of duplication in this space.
- ▶ There were some centralisation activities in the Department of Agriculture's Melbourne office, which occurred over two to three years and started 18 months ago. The intention was to streamline processes and reduce costs, but these objectives were not achieved.
- ▶ There is an opportunity for improvement by including and collaborating on Industry seasonal planning and forecasting activities.
- ▶ The data the Department uses to forecast volumes in the CRIS are erroneous. This was flagged by ICC, however, the Department "continued to use their own data provider".
- ▶ The figures used by Department is conservative for the forecast and are inaccurate.
- ▶ The Department is inconsistent in its processes and is not accessible. For instance, different officers of the Department will provide interpretations and evaluations on the same produce which differ. This has created gaps in deliveries of consignments. Given the lack of accessibility to the Department, businesses have had to contact the ICC to connect with the Department for problem solving efforts.
- ▶ There are overlaps in activities, such as audits, with other parties. Hence, duplication of process occurs.

- ▶ Mobile bulk loading of commodities was identified as a method to potentially reduce costs. The Department approved this, and this identified issues in the process and raised questions as to whether there are further issues in the Department audit delivery services not yet identified.
- ▶ The Industry is receiving more requirements by importing countries. The Department has the option to “push back”, which the ICC collaborates with the Department on.
- ▶ Inefficient service delivery (40% of total) should be funded by the Department, not by Industry.
- ▶ There needs to be harmonisation of processes and systems at a national level.
- ▶ It is important to have economies of scale; however, it is imperative there not being a single model “which suits no one”.
- ▶ Accessing the Department is known to be challenging. Whilst members of the ICC are easily able to contact the Department, exporters and other businesses find this difficult and harness ICC relationships to connect with the Department as appropriate.
- ▶ China, it is understood, claims the Department is issuing too many manual certificates.
- ▶ A key consideration is whether to improve efficiency via efficiency dividends. This will incentivise program managers to be more efficient in their spending and provides a target to work towards rather than a prescription of conduct. Nothing like this exists, however.
- ▶ The Department is not able to efficiently and effectively employ people due to the inherent constraints of the employment frameworks and policies.
- ▶ There has been an inflation of the workforce in the Department since officers “are not qualified to do multiple areas of audits” (for instance). This results in multiple instances of an activity, such as audits, being conducted within a timeframe such as a year.
- ▶ There is often an entire group of inspectors who wait on-call “in case” they need to meet a service obligation. This is a cost.
- ▶ The provision of extra services is not available equally for everyone.
- ▶ Inefficiencies include: turnaround timeframes of audits; the number of people allocated to a single audit; “reckless spending” including the administrative costs of booking travel.
- ▶ It has been observed Department representatives act on a plant-by-plant basis, and a concern on the consistency of the application of regulation.
- ▶ Industry has moved to a more AO-focussed model with the goal of reducing costs, but the level of costs has not reduced sufficiently enough to offset the costs Grain now pays for the service separately to what they pay in the CRIS.
- ▶ A large proportion of AOs worth for the Department now, with very few working externally in some industries, which is “self-defeating”.
- ▶ Despite utilising (Industry) AOs for most inspections, the Department has a team of people on-call which have been trained and have the required infrastructure. This cost is incurred by Industry despite the lack of request or need for this. The Department claims it is as per policy.
- ▶ Issue of “rovers”, for example, food safety meat assessors (FSMA) who “rove” an area and assist veterinarians. There is, hence, is a question as to whether this is an efficient use of labour.
- ▶ There exists “pseudo-regulatory materials” which “support the administration of regulation” which creates an “intense workload”.
- ▶ A “one size fits all” policy structure is not effective in addressing the variety and complexity of products in the Horticulture Industry.
- ▶ Industry understands the Department is constrained by policy and regulation.
- ▶ Department staff with technical expertise are helpful; however, they are constrained by policy, particularly those intended to restrict resources. Policies and decisions are “protracted” and do not support or drive trade and competitiveness.

- ▶ Policy has created minimal issues for the Industry, with exporter demands presenting the greatest challenges.
- ▶ There is a misalignment of the Department of Agriculture's "nine to five" operating model versus the commercial reality of the horticulture Industry, which is "24/7".
- ▶ At times, there is a 10-day turnaround on calls and emails, which is inefficient.
- ▶ There is a need for flexibility in timelines given the dynamic nature of the Industry.
- ▶ Industry would pay for more services outside of business hours.
- ▶ Issue of contestability: most commercial parties are heavily audited by customers. Further example: Industry created its own animal welfare standard, and has been picked up by commercial organisations, and only recently recognised by the Department.
- ▶ The Department must offer the services ICC and Industry request. If more assistance is needed, then Industry may turn to the private sector.
- ▶ The Department is "incredibly risk averse," particularly in light of the Moss Review. The "pendulum has swung towards risk aversion and compliance".
- ▶ The Department does not take risk profiles into account. It has been observed the Department subsidises stakeholders who "do the wrong thing".
- ▶ Risk attitude, it is observed, is otherwise dictated by scientific observation.
- ▶ The Department's level of risk aversion depends on the commodity Industry, for instance, wool has a long shelf-life and a low probability of exposure to exotic diseases, and so risk aversion is lower.
- ▶ There is a desire to improve the program accountability and transparency as well as efficiency and effectiveness.
- ▶ Information is not sent in a timely manner and is often ambiguous. Vital insights are hidden in plain sight through a "smoke and mirrors" effect. ICC was shown budget allocations one year ago, however, still do not know what they are.
- ▶ Industry receives details on costs but finds them complex and difficult to understand. At times, the Department does not understand the figures and present figures with errors. This results in a lack of trust in the Department.
- ▶ There exists a level of frustration at the transparency of the budget, and the inherent difficulty in making informed decisions.
- ▶ Some ICCs and industries have not received financial reports in months.
- ▶ Industry requires transparency on "head office costs" as these have increased, however, this transparency has not been provided in the past. There is no clarity on the cost drivers.
- ▶ There is a consensus that there is no clarity on whether the Department is operating efficiently.

Relationships

- ▶ ICCs maintains an overall positive relationship with the Department.
- ▶ There is a lack of flexibility in accessing Department services. Activities must be pre-booked, which is inconvenient for weekend and after-hours activities, as well as crises.
- ▶ The expected level of experience or expertise in this commodity space is not always available. Officers are, at times, educated by Industry on-site for activities.
- ▶ There is an inefficient allocation of human resources to conduct work, and little transparency around this. Further, there is an “overreliance on certain people” which increases costs when the responsibility can be rescoped and realigned.
- ▶ Accessing the right resources from the Department can be challenging.
- ▶ There is an opportunity for better public communications on the Department’s activities on exports and related charges.
- ▶ Business representatives: The Department is responsive to request, and we have not experienced any major issues or disruptions.

Technology

- ▶ Technology and systems are substantially better than they were five years ago; however, there is still much progress to be made to be considered efficient and effective.
- ▶ The benefits of technology have not been fully realised. The slow rate of progress on technological improvements ensures the depreciation costs of these assets will be incurred without any of the benefits coming into fruition.
- ▶ The Department must invest in better systems and methods to provide understandable and clear information and insights.
- ▶ It is acknowledged the Department is working on systems; however, this is one part of the reform process, and so they must focus on minimising and removing manual parts of processes.
- ▶ Climate change is an issue and concern, and technology must be invested in to address this.
- ▶ MICoR is not up to date and hence unreliable.
- ▶ It is expected that, with technological advancement and the digitisation of processes, the price of services will reduce. It is expected the Department will look to do this.
- ▶ The government is leading a new electronic phytosanitary certification (E-Phyto) process, but this is progressing slowly.

**Appendix D - Relevant components of the Commonwealth's
Cost Recovery Guidelines as they apply to the
Department of Agriculture**

Relevant components of the Commonwealth's Cost Recovery Guidelines as they apply to the Department of Agriculture:

Agencies should set charges to recover all the costs of products or services where it is efficient to do so, with partial Cost Recovery to apply only where new arrangements are phased in, where there are government endorsed community service obligations, or for explicit government policy purposes.

[Cost recovery should not be applied where it is not cost effective, where it is inconsistent with government policy objectives or where it would unduly stifle competition or Industry innovation.]

Any charges should reflect the costs of providing the product or service and should generally be imposed on a fee-for-service basis or, where efficient, as a levy.

Agencies should ensure that all Cost Recovery arrangements have clear legal authority for the imposition of charges.

Costs that are not directly related or integral to the provision of products or services (e.g. some policy and parliamentary servicing functions) should not be recovered. Agencies that undertake regulatory activities should generally include administration costs when determining appropriate charges.

Where possible Cost Recovery should be undertaken on an activity (or activity group) basis rather than across the agency as a whole.

Products and services funded through the budget process form an agency's 'basic information product set' and should not be cost recovered. Commercial, additional and incremental products and services that are not funded through the budget process fall outside of an agency's 'basic product set' and may be appropriate to cost recover.

Portfolio Ministers should determine the most appropriate consultative mechanisms for their agencies' Cost Recovery arrangements, where relevant.

Cost Recovery arrangements will be considered significant ('significant CR arrangements') depending on both the amount of revenue and the impact on stakeholders. A 'significant CR arrangement' is one where:

- ▶ an agency's total Cost Recovery receipts equal \$5 million or more per annum – in this case every Cost recovery arrangement within the agency is considered, prima facie, to be significant, regardless of individual activity totals; or
- ▶ an agency's Cost Recovery receipts are below \$5 million per annum, but stakeholders are likely to be materially affected by the Cost Recovery initiative; or
- ▶ Ministers have determined the activity to be significant on a case-by-case basis.

All agencies with significant Cost Recovery arrangements will need to prepare Cost Recovery Impact Statements (CRIS) when:

- ▶ reviews consistent with the Australian Government’s review schedule for existing cost recovery arrangements are undertaken; or
- ▶ new cost recovery arrangements are proposed; or
- ▶ material amendments are made to existing arrangements (a general rule-of-thumb is that price changes greater than the Consumer Price Index would be considered material. However, in making a decision about materiality, agencies should also consider the likely impact on stakeholders); or
- ▶ periodic reviews of cost recovery arrangements are undertaken.

The secretary must certify that the CRIS complies with the Cost Recovery policy and provide a copy to the Department of Finance and Administration. Agencies must include a summary of the CRIS in their portfolio budget submissions and statements.

Agencies with significant Cost Recovery arrangements should ensure that they undertake appropriate stakeholder consultation, including with relevant departments.

Agencies are to review all significant Cost Recovery arrangements periodically, but no less frequently than every five years

Agencies will need to separately identify all Cost Recovery revenues in notes to financial statements – to be published in portfolio budget statements and annual reports consistent with the Finance Minister’s Orders.

Portfolio Ministers are responsible for ensuring that the Cost recovery arrangements of agencies within their portfolios comply with the policy and will report on implementation and compliance in portfolio budget submissions.

Where a Government entity considers that a significant cost recovery arrangement that is new, materially amended or which has been reviewed, should be exempted from the Cost Recovery policy, either wholly or partly, relevant Ministers must obtain the agreement of the Minister for Finance and Administration.

Release Notice

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