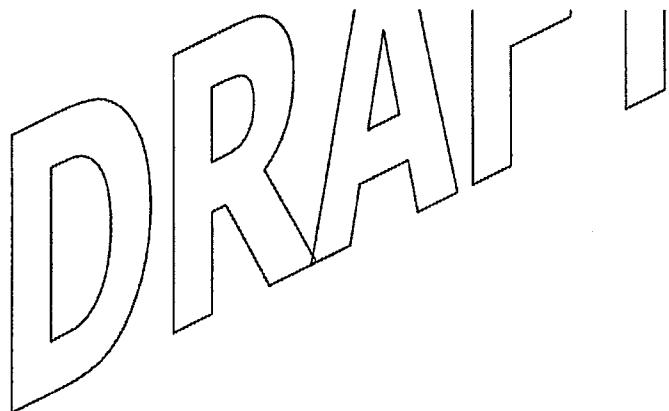


# **Department of the Attorney General**

## **Examination of District Court's Fee Model**

**25 June 2012**



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**Member of Deloitte Touche Tohmatsu Limited**

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# Contents

1	Executive Summary	1
1.1	Introduction	1
1.2	Context	1
1.3	Purpose and scope	1
1.4	Inherent Limitations	2
1.5	Work performed	2
1.6	Key findings	3
1.7	Overall	5
2	Observations, recommendations and action plans	6
2.1	Observations from examination of assumptions	6
2.2	Observations from examination of the spread sheet model	10
2.3	Observations from examination of outputs from the model	18
2.4	Compliance with Department of Treasury's guidelines	20

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# 1 Executive Summary

## 1.1 Introduction

Deloitte was appointed on 29 March 2012 by the Department of the Attorney General (DotAG) under the Common Use Arrangement 23706 for the examination of the District Court's "Cost Based" Fee Model.

## 1.2 Context

A pilot project was undertaken in the District Court to develop a model that could cost individual fees and could link fees to services performed by the District Court. Ideally, the formula should be evidence-based, rather than intuitively determined, and assumptions/factors impacting the formula recorded.

An examination of the model is required to confirm the:

1. drivers of cost and their relationship to the service provided, and
2. ability to forecast and predict adjustment to fees through application of escalation percentages.

## 1.3 Purpose and scope

The purpose of this engagement was to:

1. Examine the assumptions built into and applied in the model and to consider whether the:
  - Assumptions are appropriate
  - Formulas reflect the assumptions
  - Application of the formula is appropriate, accurate and complete
  - Assumptions and treatment of finance lease costs contained within the Public-Private Partnership (PPP) arrangements are appropriate.
2. Examine the spreadsheet model to consider whether:
  - It enables a clear definition of the scope and purpose of fees
  - It permits greater transparency
  - It reflects the total range of services provided, and allowed for, within the regulations
  - The worksheets/formulas are safeguarded against accidental change
  - User documentation is available, easy to understand and comprehensive.
3. Examine the outputs from the model to determine whether they:
  - Provide a detailed and materially accurate costing of services

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- Permit an assessment of the relationship between the fees charged and the cost of providing those services to be made
  - Have the ability to demonstrate the differences in the cost between a paper based and electronic lodgement process.
4. Determine whether the methodology used meets the Costing and Pricing of Government Services Guidelines
  5. Provide advice as to whether the model is applicable for implementation into other areas of Court and Tribunal Services
  6. Provide a report that details the above and any areas of change required and /or improvement possibilities.

#### Scope exclusions

The following were not part of the scope of the engagement:

- Providing an opinion as to whether a spreadsheet is the only and/or appropriate tool
- Detailed investigation of the other areas of Court and Tribunal Services
- Assessing whether the original time estimates contained in the model were accurate.

## 1.4 Inherent Limitations

Our services were:

- Purely of a consulting and advisory nature, and did not constitute an assurance engagement in accordance with Australian Standards for Assurance Engagements, nor represented any form of audit or review under Australian Standards on Auditing, consequently no assurance conclusion or audit opinion has been provided
- Based on the information provided by you. We have assumed that the information provided was true, correct and complete and not misleading.

Also, our work cannot be relied upon to disclose irregularities, including fraud, other illegal acts, which may exist, however, if such matters had come to our attention we would have informed you accordingly.

## 1.5 Work performed

The following approach was undertaken during the engagement:

- Discussions were held with the:
  - Manager – Strategic Business Services
  - Principal Finance and Resource Analyst – Strategic Business Development
  - Author of the spreadsheet model
- to obtain an understanding of the:
  - Assumptions made in developing the fee model
  - Structure in which the spreadsheet cells and formulas are interrelated

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- Controls in place to ensure that worksheets/formulas are safeguarded against accidental change or deletion.
- The spreadsheet model was obtained and considered with other information and supporting documentation to assess the appropriateness of assumptions, and whether the ‘Costing and Pricing of Government Services Guidelines’ have been appropriately adopted in the development of the model
- Analysis was performed to consider whether the spreadsheet model:
  - Enables a clear definition of the scope and purpose of fees
  - Permits transparency
  - Reflects the total range of services provided, and allowed for, within the regulations
  - User documentation is available, easy to understand and comprehensive.
- Analysis was performed to consider whether outputs from the model:
  - Provide a detailed, materially accurate costing of services
  - Permit an assessment of the relationship between the fees charged and the cost of providing those services
  - Have the ability to demonstrate the differences in the cost between a paper based and electronic lodgement process.

## 1.6 Key findings

The following is a summary of our findings, with reference to the Purpose and Scope of work detailed in section 1.3:

- 1.6.1 In relation to the assumptions, we observed that:
- 1.6.1.1. While they do not on their face appear to be inappropriate, not all the explanations are sufficient regarding the basis of their adoption
  - 1.6.1.2. Not all assumptions have been reflected in the calculations because of incomplete and/or incorrect formulas
  - 1.6.1.3. The interest expense component of finance lease repayments under the PPP arrangement has been excluded/backed-out in computing the total costs to ensure that fees are comparable between the different courts as the District Court currently resides in a building acquired under the PPP arrangement.

We consider that the reversal of the interest relating to the PPP arrangement in this manner is appropriate within the dual context of:

- Maintaining parity with the other courts where the PPP financial arrangement does not exist; and
- Complying with the “Costing and Pricing Government Services” guidelines where the actual interest cost is required to be removed in order to prevent double counting the cost of capital.

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The basis of the treatment for the PPP interest, however, has not been documented.

1.6.2. As alluded to above, related to the treatment of the PPP interest is how “Opportunity Cost of Capital” is calculated. The “Costing and Pricing Government Services” guidelines require an organisation wide approach in determining the net assets for the purpose of calculating the opportunity cost of capital. At present, the costing model only uses asset and liability values associated with the District Court’s building acquired under the PPP arrangement to compute opportunity cost. Based on an examination of the spreadsheet model, we observed that the model enables a clear definition of the scope and purpose of fees and also reflects the total range of services provided and allowed for within the regulations. However, the following exceptions were noted:

1.6.2.1. The model does not fully permit transparency as there are insufficient details or explanations for certain computation and some figures have been keyed-in directly. The instructions do not provide direction or guidance on the source (internal and/or external) of cost (and other) data to be used while updating the fee model each year

1.6.2.2. There is no mechanism to safeguard the worksheets and formulas against accidental change or deletion

1.6.2.3. The sheets requiring manual input to update the model are not separate from the computation and input cells also have not been clearly identified requiring manual input in some instances

1.6.2.4. Appropriate and consistent metric symbols have not been used to identify the nature of input required from the user (i.e. percentages, dollar or numeric count values, depending on the field.)

1.6.2.5. Whilst user instructions are available, the instructions are not comprehensive and have not been consolidated for easy identification in a separate work sheet. In some instances, instructions have been noted in comments inserted into cells and/or alongside of the table containing the computations

1.6.2.6. The instructions in the model do not provide directions on which assumptions and financial data require updating each year. Further, there are no references as to which computations are dependent on laws and regulations (e.g. FBT) so that changes can be effected in the model if required.

1.6.3. Based on an examination of the outputs from the model, we noted that:

1.6.3.1. When forecasting, an escalation rate is applied across all expenses. The structure of the model is not conducive to the prediction of costs because capital-related costs have been combined with overhead expenses. Overhead expenses have a different escalation driver to capital related costs

1.6.3.2. The basis of fee for ad hoc transcription services has not been clearly explained in the model. It appears that the “Costs Involved in Obtaining Approval” is based on a proportion (90%) of internal administration cost and the “Monitoring and Transcription”

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component is calculated based on an average of three-month contractor's invoice. The methodology and rationale behind this approach have not been documented

- 1.6.3.3. In terms of the difference between paper-based and electronic lodgement process, the model only differentiates costs based on time spent in providing the services. There has been no assessment of the weighting of costs that each service attracts, which may provide a more accurate costing profile
- 1.6.4. Based on our consideration of the "Costing and Pricing of Government Services Guidelines", we observed the following exceptions:
  - 1.6.4.1. The source of data, approach used to identify costs and the basis of making assumptions are not documented in sufficient detail
  - 1.6.4.2.
  - 1.6.4.3. The assumptions do not contain a reference to the time period considered for the costing exercise
  - 1.6.4.4. The model does not explicitly consider capital-related costs. These expenses have currently been grouped under overhead expenses
  - 1.6.4.5. While training costs have been considered in developing the model, time spent on administrative tasks such as training has not been captured. Similarly, unplanned absences such as sick leave, have not been factored in determining the rate of recovery per productive FTE hour
  - 1.6.4.6. Salary on costs forecasted by the model do not comply with the District Courts accounting manual
  - 1.6.4.7. The basis for deciding the performance centres for the allocation of "Corporate costs" and which related costs are relevant to the District Court has not been documented
  - 1.6.4.8. The model does not document in the assumptions:
    - That some services are costed at less than 100%
    - The extent of cost being recovered.

## 1.7 Overall

At a macro level, whilst the model functions as intended, it appears complex, deficient in instructions and not well structured. The model requires significant structural improvement, particularly around the physical layout of the inputs, computations and outputs.

Should deployment of the model to other areas of the Court and Tribunal Services be required, further modification of the model is necessary to adapt to the specific needs for those areas. However, in the present form, for reasons noted above, the model is not yet suitable for deployment to other areas of the Court and Tribunal Services.

Refer to **Section 2** of the report for detailed observations and recommendations.

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## 2 Observations, recommendations and action plans

### 2.1 Observations from examination of assumptions

Observation, Implication and Recommendation						Management Comment / Action Plan	
Observation			Management Comment				
Sheet	Table/Section	Details	Action	Responsible Officer	Accountable Officer	Target Date:	
Input – Overheads	• Corporate overheads • Court overheads	The basis for deciding whether a cost applies to the District Court has not been documented					
Input – Overheads	Judicial Pension Overhead Attribution – District Court	The basis for computing judicial pension at 40% of total judicial salaries has not been documented					
Input – Overheads	District Court Building Overheads	The basis of determining the allocation percentage attributable to District Court (Civil) has not been identified					

Observation, Implication and Recommendation			Management Comment / Action Plan
Sheet	Table/Section	Details	
Input - Assumptions Corporate	General Assumptions	Although the assumptions have been noted alongside the tables, the basis of making the assumptions has not been explained.	
2.1.2 Certain formulas contained within the model are incorrect and/or incomplete:			
Input - Assumptions Corporate	Additional standard costs for judicial staff	Cost computations and formulas are incomplete as some of the cells (e.g. telephone costs, registry, photocopier and printer replacement costs) are not linked	
Input - Assumptions Corporate	Salary on-costs	The computations relating to salary on costs are not consistent with the accounting manual	
Input - Assumptions Corporate	Additional standard costs for judicial staff	The gross-up factor used in the FBT computation is not current	
Input - Assumptions Corporate	Computation of cost of uniforms for Associates	Two "setups" have been incorrectly treated in deriving the replacement cost of uniform for Associates	
Input - Overheads	Overhead expenses	Escalation (of overhead expenses) The formulas in the sheet are not currently structured to escalate with increased overhead costs	

Observation / Implication and Recommendation		Management Comment / Action Plan
Input – Overheads	Corporate Overheads	The basis for deciding whether the overhead applied to the District Court has not been documented
Input – Court Positions	Supervision of Staff - Allocation of time	<p>The position ‘Deputy Listings Co-ordinator’ attracts an allocation of supervision cost. There appears to be a duplication of cost related to this position.</p> <p>Moreover, there is no instruction to check whether such duplications occur and, if so, to reverse such costs.</p>

- 2.1.3 The assumptions have not identified that certain expenses have been excluded from the model and that only expenses with material value have been adopted.
- With regard to the financial cost of the PPP arrangement, the interest expense has been backed-out from the calculation of total cost to achieve parity with the other areas of the Court and Tribunal Services where such an arrangement does not exist.
- We consider that the reversal of the interest relating to the PPP arrangement in this manner is appropriate within the dual context of:
- Maintaining parity with the other courts where the PPP financial arrangement does not exist; and
  - Complying with the “Costing and Pricing Government Services” guidelines where the actual interest cost is required to be removed in order to prevent double counting the cost of capital.
- As alluded to above, an interrelated concept to the treatment of the PPP interest is the manner in which the “Opportunity Cost of Capital” has been accounted. The “Costing and Pricing Government Services” guidelines require an organisation wide approach

Observation, Implication and Recommendation	Management Comment / Action Plan
<p>in deriving the net assets for the purpose of calculating the opportunity cost of capital.</p> <p>At present, the costing model computes net assets using the value of assets and liabilities associated with the District Court's building acquired under the PPP arrangement.</p> <p>For the purpose of determining opportunity cost of capital, the net assets of the whole of DotAG should be utilised. Under this approach (as prescribed by the guidelines), if the model were to be extended to the Supreme Court, which is part of DotAG, a similar cost of capital would be achieved as it would be based on net assets computed using all assets and liabilities from the same balance sheet.</p> <p>An allocation of the cost of capital between the different courts is then necessary (to prevent double counting) using the same principle of allocating indirect costs.</p> <p><b>Risk/Implication</b></p> <ul style="list-style-type: none"> <li>• In the absence of a detailed explanation of the rationale behind the assumptions, there is a possibility that the model may not be updated in a consistent manner in subsequent years and provides variable results from one year to the next</li> <li>• The cost profile of services is not accurate.</li> </ul> <p><b>Recommendations</b></p> <ol style="list-style-type: none"> <li>a. Comprehensive explanations should be provided of all assumptions and computations built into and applied in the model</li> <li>b. The incorrect formulas and missing linkages (between tables) identified above should be corrected in the model</li> <li>c. The assumptions should clearly state the rationale for inclusion or exclusion of expenses</li> <li>d. For the purpose of calculating the opportunity cost of capital, the net assets based on the balance sheet for the whole organisation should be used.</li> </ol>	

## 2.2 Observations from examination of the spread sheet model

Observation, Implication and Recommendation		Management Comment / Action Plan	
Observation		Management Comment	
2.2.1	<p>There are insufficient details or explanations for certain computations and some figures have been keyed-in directly. The instructions do not provide direction or guidance on the source (internal and/or external) of cost (and other) data to be used while updating the fee model each year:</p>	<p>Action</p> <p>Responsible Officer</p> <p>Accountable Officer</p>	
	<p>Sheet</p> <p>Table/Section</p> <p>Details</p>		
Input – Overheads	Judicial Pension Overhead Attribution – District Court	<p>The model identifies ‘Judicial Pension’ as the only expense met by another government agency and computes the expense as being 40% of the District Court’s judicial salaries. We are informed that the percentage is derived from the Court Administration Data collection Manual (Section 51.6).</p> <p>However, the percentage is a keyed-in figure in the model with no reference to the source of where the figure was obtained. Also, the source of the salary amount appearing under the heading ‘Salaries’ has not been identified</p>	<p>Target Date:</p>
Input – Overheads	District Court Building Overheads	<p>The allocation percentages are keyed-in numbers with no reference to the source of where the figures were obtained. Additionally, the data source for the “Total Budget/Forecast Expenditure” has not been identified</p>	

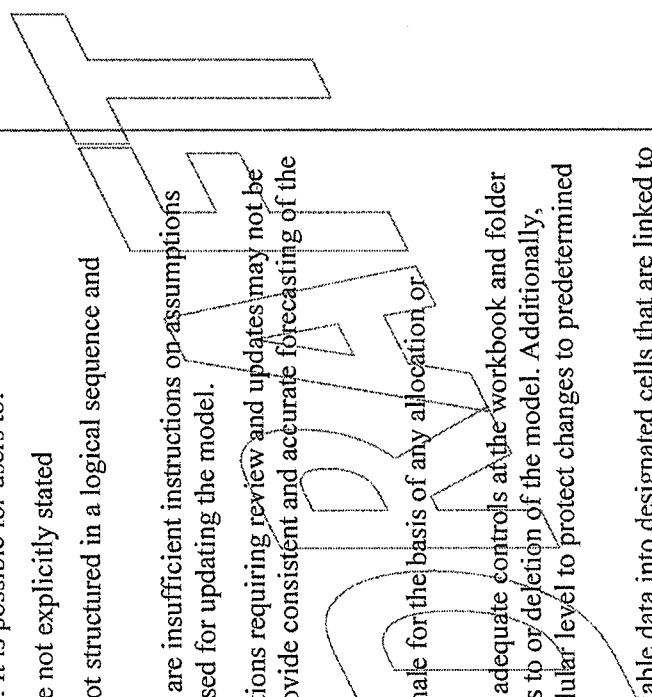
Observation, Implication and Recommendation			Management Commitment / Action Plan	
Input – Overheads	District Court Building Overheads	The interest expense in the table is a keyed-in figure with no reference to the source of where this figure was derived		
Transcript	Transcription	There is no reference of the structure and source of the data contained in the ‘Transcript’ sheet		
Input - Assumptions Corporate	General Assumptions	The source of the cost data and basis of the assumptions has not been identified		
Input - Court Data	Linking Fee to Process and Activity	The source of the activities and the method by which time was determined for each task has not been outlined		
Input - Court Positions	Supervision of Staff - Allocation of time	The method of determining the percentage of time spent on supervising a position has not been documented		
Input - Overheads	Opportunity Cost of Capital	The source of the Asset and Liability information for calculating the “Opportunity Cost of Capital” has not been provided		
Input - Corporate %	Corporate Overhead Percentile Cost Allocations	The source of the data in the table has not been indicated.		
				2008/09

Management Comment / Action Plan			
Sheet	Table/Section	Details	
Input - Overheads	Opportunity Cost of Capital	The cell containing the “Cost of Capital” percentage amount has not been identified as requiring user input	
Input - Overheads	Judicial Pension Overhead Attribution – District Court	The cells containing judicial salary and the percentage applied to compute judicial pension have not been identified as requiring user input	
Transcript	Transcription	The cells requiring numeric and/or dollar value inputs are not clearly indicated	
Input – Court Data	Over the counter lodgement	The time metric (e.g. hours, minutes, seconds) has not been identified	

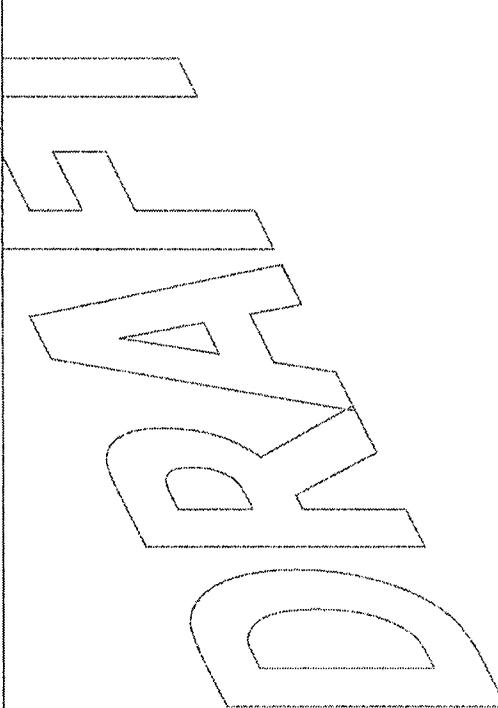
Observation, Implementation and Recommendation			Management Comment / Action Plan		
Summary	Summary lodgement at counter	As above			
Summary E-Lodgement	Summary E-Lodgement	As above.			
2.2.5	The instructions are not comprehensive and have not been consolidated for easy identification in a separate sheet. Instructions have been noted in comments inserted into cells and/or alongside the table containing the computations:				
Sheet	Table/Section	Details			
Input - Court Positions	Supervision of Staff - Allocation of time	The proportion (percentage) of supervision time for the Executive Manager is currently set outside the table with an instruction noted within the cell	A comment regarding the exclusion of the Court Security and Custody account code noted alongside the table		
Input - Overheads	District Court Building Overheads				
Input - Overheads	Court Overheads	The source of data ('Fixed Asset Register' and 'General Ledger Assets Report') have been noted alongside the table			
Input - Overheads	District Court Building Overheads	The headings contain various comments and instructions			

Observation, Implementation and Recommendation			Management Comment / Action Plan
Sheet	Table/Section	Details	
Input - Overheads	Corporate Overheads	The table contains various comments and instructions within the cells	
Transcript	Average number of transcription pages	The table contains instructions regarding the calculations for the number of minutes of transcription performed in each sitting	
Input – Court Salary Rates	Salary Rates	The table contains instructions regarding the calculations for the number of minutes of transcription performed in each sitting.	
2.2.6		The instructions do not inform users which assumptions and financial data require updating each year. Further, there are no instructions on which computations are referenced to laws and regulations so that changes can be effected in the model if required:	
Sheet	Table/Section	Details	
Input - Assumptions Corporate	General Assumptions	The source of information and whether to update the FTE numbers each year have not been clarified	
Input - Assumptions Corporate	General Assumptions	The approach of adopting only significant expenses to derive standard costs has not been explicitly documented in the instructions. It is possible that other expenses may become significant in subsequent year. Relevant instruction to users to check for other material expenses has not been captured	

Observation, Implication and Recommendation		Management Commitment / Action Plan	
Input - Assumptions Corporate	General Assumptions	The FBT data and associated computation have been hard-coded into a single cell. Users are not able to identify which aspect of the calculation (e.g. gross up rate) has to be updated with reference to current laws and regulations. Also, the requirement to review and make changes has not been identified	
Input - Courts Salary Rates	Salary rates	The remuneration Awards required for updating the pay scales have not been indicated	
Input - Overheads	Judicial Pension Overhead Attribution – District Court	The basis for computing judicial pension at 40% of judicial salaries and whether this percentage needs to be reviewed each year has not been indicated	
Input - Overheads	Opportunity Cost of Capital	The cell requiring input, "Cost of Capital Percentage", has not been identified requiring manual update.	
<b>Risk/Implication</b>			
<ul style="list-style-type: none"> <li>Users may not appropriately update the model if they do not have adequate guidance on the computations and source of data required to be applied in the model</li> <li>The spreadsheet or the entire workbook may be accidentally or intentionally deleted or altered</li> <li>The fields requiring manual input may not be updated by users. Users may accidentally edit fields containing formulas if they are not clearly distinguished from the areas</li> </ul>			

Observation, Implication and Recommendation	Management Comment / Action Plan
<p>requiring manual input</p> <ul style="list-style-type: none"> <li>Without guidance on the metric value, users may enter inappropriate data</li> <li>In the absence of comprehensive instruction, users may not adopt consistent source of data to update the cost and other variables. It is possible for users to:           <ul style="list-style-type: none"> <li>Misinterpret instructions if they are not explicitly stated</li> <li>Overlook instructions if they are not structured in a logical sequence and consolidated in a single location</li> <li>Apply personal judgement if there are insufficient instructions on assumptions and sources of information to be used for updating the model.</li> </ul> </li> <li>Without detailed instructions, the assumptions requiring review and updates may not be undertaken. Hence, the model may not provide consistent and accurate forecasting of the total costs.</li> </ul>	<p>Handwritten notes:</p>  <p><b>Recommendation</b></p> <ol style="list-style-type: none"> <li>Instruction should be explicit on the rationale for the basis of any allocation or distribution of costs</li> <li>Management should consider introducing adequate controls at the workbook and folder levels so as to prevent unauthorised access to or deletion of the model. Additionally, controls should be implemented at the cellular level to protect changes to predetermined formula</li> <li>User should only have access to enter variable data into designated cells that are linked to formulas. The model should provide outputs to the user without the need to modify or hard-coding into the cell containing the formula</li> <li>The cellular fields requiring manual input should be clearly identified and segregated from the computation and output</li> <li>The input instruction should identify the metric of the input value (e.g. percentage, dollar,</li> </ol>

Observation, Implication and Recommendation hours, minutes etc.)	Management Comment / Action Plan
f. Instruction should be comprehensive, concise, in logical sequence, consolidated in a single location	
g. Instruction should provide specific guidance on the source of information and data for updating costs and other variables	
h. The assumptions and data that require review and update annually should be identified in the instructions.	



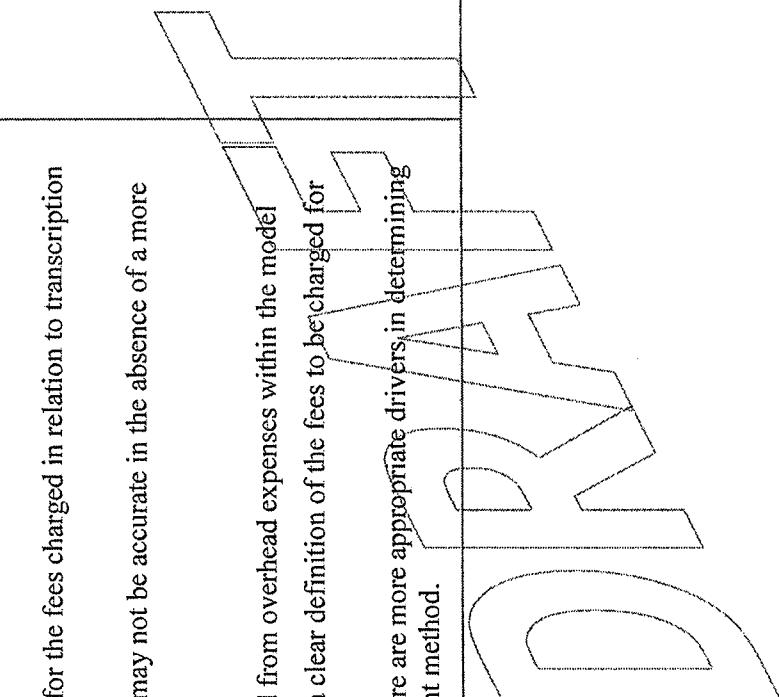
## 2.3 Observations from examination of outputs from the model

Observation	Observation, Implication and Recommendation	Management Comment
<p><b>2.3.1</b> Capital-related costs are not segregated in the model but have been combined with overhead expenses. For forecasting of cost of services the model structure is not appropriate because the same escalation rates would not be applicable for both of these categories of expense. Overhead expenses, for example, may be more appropriate to be escalated using the Consumer Price Index, whereas, capital-related costs are based on the relevant interest rate.</p> <p><b>2.3.2</b> The basis for the fee charged for ad hoc transcription services has not been clearly explained in the model. It is not explicit from the ‘Transcript’ sheet as to what portion of internal costs and contractor cost is recovered each time transcription services are provided. It appears that the “Costs Involved in Obtaining Approval” is based on a proportion (90%) of internal administration cost (\$86) and the “Monitoring and Transcription” component is calculated based on an average of three-month of contractor’s invoice. The fee for transcription services is then the sum of obtaining approval and the provision of the service.</p> <p>The methodology and rationale behind this approach have not been captured and documented.</p> <p><b>2.3.3</b> The model differentiates costs between the paper-based and electronic lodgement processes based on the time spent in providing the services. For example there is no assessment of the weighting of costs that each service attracts. Notionally, the electronic lodgement process has a costing profile oriented towards information technology-related infrastructures reflecting the automated nature of the service.</p>	<p>Action</p> <p>Target Date:</p> <p>Responsible Officer</p> <p>Accountable Officer</p>	

### Risk/Implication

- The predictive ability of the model is impaired because the model combines capital-related expense with overhead expense. Each cost category has its own unique cost escalation

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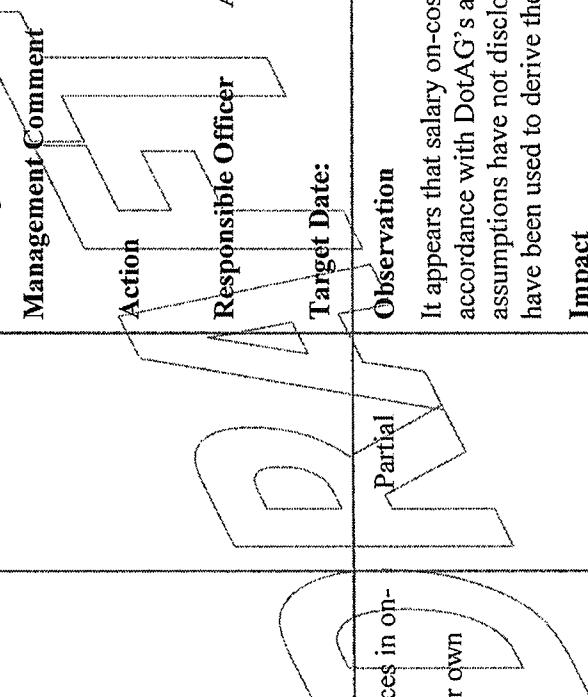
	Observation, Implication and Recommendation	Management Commitment / Action Plan
driver	<ul style="list-style-type: none"> <li>• The model does not provide a clear basis for the fees charged in relation to transcription services</li> <li>• The cost profile of the electronic method may not be accurate in the absence of a more rigorous costing assessment.</li> </ul> <p><b>Recommendations</b></p> <ol style="list-style-type: none"> <li>a. Capital-related costs should be segregated from overhead expenses within the model</li> <li>b. The model should be updated to provide a clear definition of the fees to be charged for transcription services</li> <li>c. Management should consider whether there are more appropriate drivers in determining the cost profile of the electronic lodgement method.</li> </ol>	

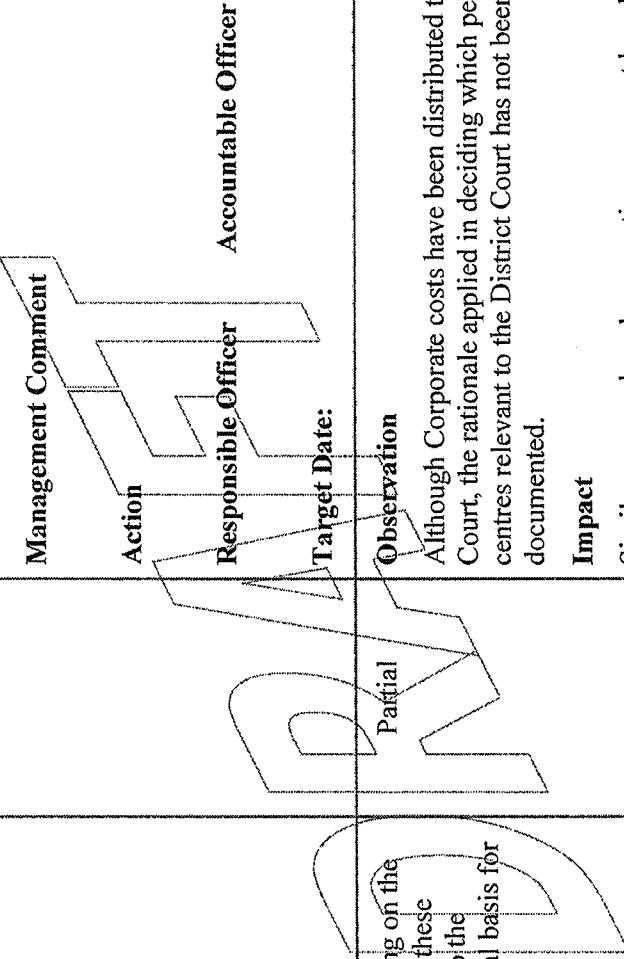
## 2.4 Department of Treasury's 'Costing and Pricing Government Services' guidelines

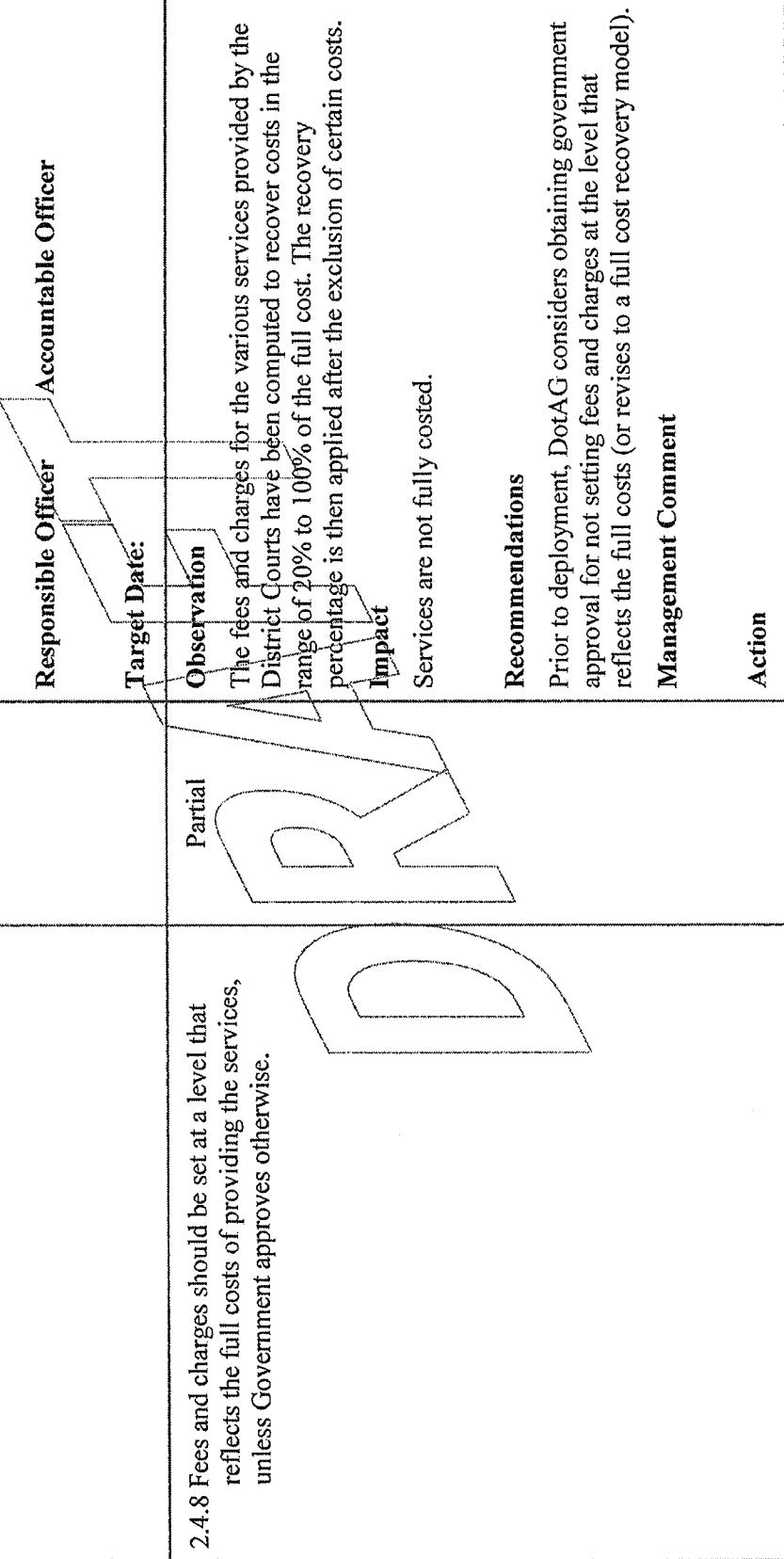
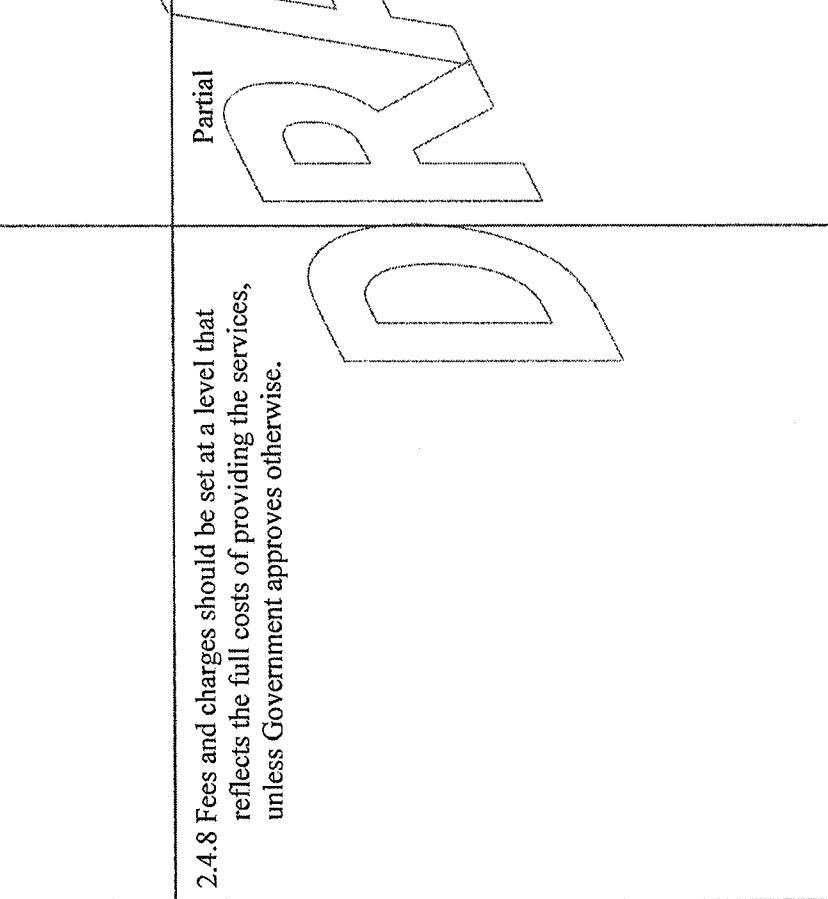
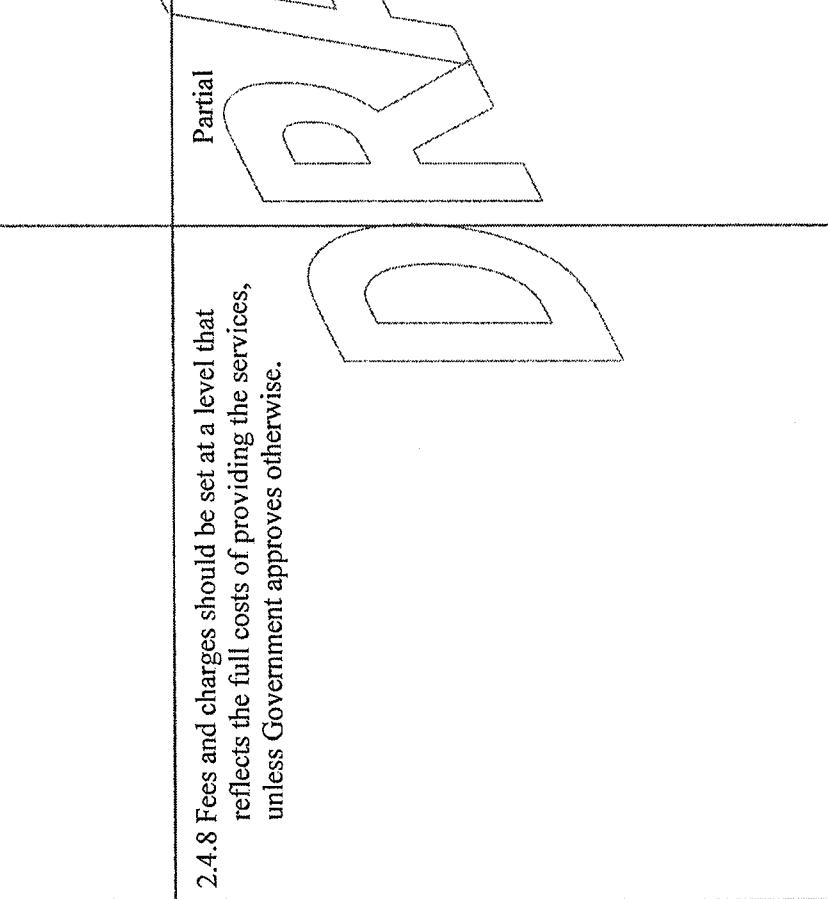
Based on our consideration of the "Costing and Pricing of Government Services Guidelines", we observed the following exceptions:

Elements	Compliance	Comments
2.4.1 All costs must be verifiable, i.e. capable of being confirmed independently and adequately documented.	No	<p><b>Observation</b> The source of data and the approach used to identify relevant costs, and the basis of making assumptions have not been documented in sufficient detail.</p> <p><b>Impact</b> The costing of services is not transparent. Similar approach and assumptions may not be applied consistently when the model is reviewed/updated.</p> <p><b>Recommendation</b> All assumptions and source of cost data should be in greater detail to enable users update the model in a consistent manner.</p> <p><b>Management Comment</b></p>
Action	Responsible Officer	Accountable Officer
		Target Date:

Elements	Compliance	Comments	
2.4.3 Costing exercises should make explicit any assumption as to whether service delivery is ongoing or for a discrete period.	No	<p><b>Observation</b></p> <p>The assumptions do not contain a reference to the period of time considered for the costing exercise.</p> <p><b>Impact</b></p> <p>The period of time for which costs relate to cannot be determined.</p> <p><b>Recommendation</b></p> <p>The period of time for which costs and other information have been sourced should be explicitly disclosed.</p> <p><b>Management Comment</b></p> <p><b>Action</b></p>	<p><b>Responsible Officer</b></p> <p>Accountable Officer</p> <p><b>Target Date:</b></p>
2.4.5 Some staff time may be spent on overheads (for example administrative tasks or training). Systems for the allocation of staff costs should be capable of distributing these costs amongst services as appropriate.	Partial	<p><b>Observation</b></p> <p>The time spent on administrative tasks (e.g. training) and unplanned absences (e.g. sick leave) has not been factored into the baseline assumption for productive hours.</p> <p><b>Impact</b></p> <p>An inappropriate recovery rate (per hour) may be applied in</p>	

Elements	Compliance	Comments
<p><b>Recommendation</b></p> <p>Management should consider factoring in the time taken for administrative tasks and sick leave when determining the available productive hours.</p>  <p><b>Management Comment</b></p> <p><b>Responsible Officer</b></p> <p><b>Accountable Officer</b></p> <p><b>Action</b></p> <p><b>Target Date:</b></p> <p><b>Observation</b></p> <p>It appears that salary on-costs have not been calculated in accordance with DotAG's accounting manual. Also, the assumptions have not disclosed that only material expenses have been used to derive the standard costs.</p> <p><b>Impact</b></p> <ul style="list-style-type: none"> <li>• Salary on-costs forecasted are not consistent with internal policy</li> <li>• Similar approach and assumptions may not be adopted when the model is reviewed/updated in subsequent years.</li> </ul> <p><b>Recommendations</b></p>		
<p>2.4.6 Because there can be significant differences in on-costs between types of employees it is recommended that agencies develop their own models for estimating staffing on-costs.</p>		

Elements	Compliance	Comments
	<p>a. The computations of salary on-costs should be reviewed and modified as appropriate to comply with internal policy</p> <p>b. All assumptions and the source of cost data should be in greater detail to enable users to update the model in a consistent manner.</p>  <p><b>Management Comment</b></p> <p>Action</p> <p>Responsible Officer</p> <p>Accountable Officer</p> <p>Target Date:</p> <p>Observation</p>	<p><b>2.4.7</b> Consistent with the objective of reporting on the full cost of services, wherever possible these 'Corporate' costs should be allocated to the relevant service where there is a rational basis for doing so.</p> <p><b>Impact</b></p> <p>Similar approach and assumptions may not be adopted when the model is reviewed/updated in subsequent years.</p> <p><b>Recommendations</b></p> <p>All assumptions and the source of cost data should be in greater detail to enable users to update the model in a consistent manner.</p>

Elements	Compliance	Comments
		<b>Management Comment</b> 
		<b>Action</b> 
2.4.8 Fees and charges should be set at a level that reflects the full costs of providing the services, unless Government approves otherwise.		<p><b>Observation</b> The fees and charges for the various services provided by the District Courts have been computed to recover costs in the range of 20% to 100% of the full cost. The recovery percentage is then applied after the exclusion of certain costs.</p> <p><b>Impact</b> Services are not fully costed.</p> <p><b>Recommendations</b> Prior to deployment, DotAG considers obtaining government approval for not setting fees and charges at the level that reflects the full costs (or revises to a full cost recovery model).</p> <p><b>Management Comment</b></p> <p><b>Action</b></p> 

Elements	Compliance	Comments

