

# Audit Reports Summaries

## Audit Report No. 20 1995-96

### Summary

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## Australian Customs Service

### DIESEL FUEL REBATE SCHEME

#### Efficiency Audit

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### Background

The last few years have seen significant change in Customs starting with the 1993 Review of the Australian Customs Service (RACS) and implementation of the subsequent Government decisions. These changes have involved key directional shifts in Customs approach in many important areas, including a refocussing of compliance activities away from checking past errors to concentrating on future compliance. One outcome of RACS was a short- to medium-term loss of expertise with over 400 staff leaving the agency in 1994-95 under a program of voluntary redundancies. The administration of the Diesel Fuel Rebate Scheme (DFRS) should be considered in the context of the recent ongoing reforms following RACS.

### The Diesel Fuel Rebate Scheme

The scheme provides rebates of excise or customs duty on diesel fuel purchased for specific off-road uses, mainly in mining, agriculture, fishing and forestry operations. Actual payments were \$1.25 billion in 1994-95 for about 213 000 claims from 110 000 claimants. The total cost of administering the scheme during 1994-95 was estimated at \$12 million.

The scheme in its current form commenced in 1982 when it replaced the exemption certificate scheme which originated in 1959.

### The Audit

The objective of the audit was to examine the efficiency and administrative effectiveness of the scheme in light of rapidly increasing expenditure and a history of administrative difficulties and deficiencies.

The audit revealed that there is scope for significant improvements in the efficiency, administrative effectiveness, accountability and equitable delivery of the scheme. The lack of clear objectives for the scheme, combined with its prospective nature, continues to make its administration by Customs extremely difficult. However, the ANAO is concerned that significant deficiencies identified in its May 1991 report on the scheme have not been remedied.

Overall, the audit concluded that the scheme has not been effectively managed and that there is scope to reduce significantly the cost of its administration. The ANAO considers that Customs needs to reassess its approach to delivering the scheme, adopt best practices

observed in other programs, increase its automation through more effective use of information technology and provide better public accountability on its performance.

Opportunities for financial savings and better client service have been identified. A number of recommendations have been made to assist Customs improve scheme administration including:

- improving the design and conduct of leakage assessment to determine levels of scheme abuse and the effectiveness of scheme controls;
- adopting a risk based approach to checking of claims;
- considering the scope for introduction of electronic claim lodgement and paperless retrieval of claimant information;
- matching staffing levels in line with the number of claims to be processed;
- enhancing the computerised claims processing system pending any replacement; and
- adopting national benchmarks for the acceptability of DFRS claims.

### **Customs' response**

Customs responded positively to all of the recommendations in the audit report. It initiated its Diesel Fuel Modernisation Project in late 1995, which aims to remedy administrative problems and shortcomings of the scheme by establishing it on a strong self assessment footing, backed by appropriate legislation and national risk management and compliance improvement strategies.

Customs advised this project would address the bulk of matters raised by the ANAO including:

- identifying and implementing a more cost effective and flexible means of data capture which recognises the diversity in business sophistication among claimants under the scheme;
- developing a comprehensive knowledge of the claimant population and industries;
- developing a risk management strategy which identifies high risk claimants and introduces a national, post-transaction audit program to target those claimants;
- developing various measures to improve voluntary compliance by claimants;
- legislative reform to underpin a self assessment regime; and
- appropriate organisational structures and staff development/training to complement the changes to the scheme's arrangements.