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Trade & Investment

Office of the Director General

DGTO12/267

Dr Abigail Groves
Inquiry Manager
Public Accounts Committee
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Dr Groves

Follow up of the Auditor-General's Performance Audits September 2010-February 2011

I refer to your letter of 26 June 2012 regarding the questions that I took on notice following my appearance before the Public Accounts Committee on 18 June 2012.

Please find attached my responses to these questions.

Yours sincerely

Mark I Paterson AO
Director General

19/7/12

Responses to Questions Taken on Notice

- 1. In your submission you say that by June 2011 the Department would be auditing 100 per cent of annual coal returns. Was this done and did it lead to a change in the amount of royalties collected?**

The Department is auditing all annual coal royalty returns.

All collieries are visited within two years of the last audited annual return, though it may occur earlier if the colliery meets one of the Department's risk assessment criteria. During the visit the Department will inspect all unaudited annual returns.

In the last two years, the Department has audited 110 annual coal returns, which resulted in refunds being made to two coal leaseholders totalling \$3.4 million and additional royalty payments to the State of \$0.8 million. Thus overall there was a net reduction in royalty payments of \$2.638 million.

- 2. What supporting evidence are leaseholders required to provide with their annual reports to your Department?**

Coal leaseholders are required to provide the following information with their annual royalty returns:

- A reconciliation of stock movements from extraction to sale by coal royalty type (ie open cut, underground and deep underground).
- Details of export sales by shipment, including bill of lading date, the name of the vessel, tonnes loaded and the value of the sale.
- Details of sales, purchases and trades between the collieries, including the quantity and value of transactions for the royalty period.
- A reconciliation of total disposals back to the colliery's sales ledgers.

- 3. Can you please provide the committee with key milestones about the roll out of the on-line royalty return system, which is planned for June 2013?**

The development of the on-line royalty return system has commenced.

The key milestones for the roll out of the on-line royalty return system are as follows:

User Acceptance Testing	30 November 2012
Trialling	28 February 2013
Roll out and Training	30 April 2013
Go Live	1 June 2013

- 4. Could you tell the Committee whether all the returns will be completed on-line in the 2013-14 financial year? In other words, will all leaseholders paying royalties be doing it on-line, from 1 July 2013?**

By 1 July 2013, it is expected that all leaseholders will be able to lodge their royalty returns on-line, though some small operators may prefer to lodge their returns manually.

- 5. What are the penalties for late or incorrect payment of royalties and do you currently have a compliance and enforcement policy in place?**

The *Mining Act 1992* provides for interest to be charged for late payments at a rate determined by the Minister. Currently, this rate is 150% of the Westpac unsecured personal overdraft rate, or 18.885% p.a.

It is also an offence under the *Mining Act 1992* to lodge a late return, make a late payment or to provide false or misleading information. Currently the *Mining Act 1992* only provides for penalties to be imposed by judgment of the NSW Supreme Court. The Department is developing a compliance and enforcement policy to enable the issuance of infringement notices and to pursue the matters through the courts.

- 6. Can you provide data on how many leaseholders have been penalised for late or incorrect payments?**

In the past two financial years the Department has imposed interest on 30 leaseholders, and recovered \$294,000.