

**Submission
No 23**

**EXAMINATION OF THE AUDITOR-GENERAL'S
PERFORMANCE AUDIT REPORTS DECEMBER 2014
- JUNE 2015**

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Position: Secretary
Date Received: 20 July 2016

IMPLEMENTATION OF RECOMMENDATIONS

Office of Finance and Services

Efficiency and effectiveness in tax collection: Office of State Revenue

	RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
1	OSR should clarify its definition of effectiveness so that the concept is not restricted by "doing more with the same resources or less".	Accepted	Complete	25 June 2016	Complete OSR's Value-for-Money (VfM) framework, defines effectiveness as "...the extent to which a service, process or project fulfils its intended purpose. It relates to the achievement of organisational goals and objectives". The reference to "doing more with the same resources or less" was only ever used as an example of effectiveness, however we acknowledge the example should have been cited under efficiency. We have refined examples for "effectiveness" during planned revisions to our VfM Framework.	Strategy and Business Performance
2	In order to better demonstrate OSR's overall effectiveness in collecting tax revenue, OSR should: a) work in collaboration with NSW Treasury and other expert bodies to progress tax gap	Accepted, part a) partially accepted	a) Feasibility study b) Derive stronger evidence base for setting compliance revenue targets and modelling resource levels from workshops and feasibility	30 June 2017	On Track OSR's management response to the original audit partially accepted part a): <i>'Not all revenue streams will warrant investment in tax gap estimation. OSR will formulate an approach, in conjunction with NSW Treasury, to determine</i>	Strategy & Business Performance

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<p>analysis by the end of 2016-17</p> <p>b) build a stronger evidence base for setting compliance revenue targets and modelling different resource levels to optimise tax revenue collection</p> <p>c) ensure that compliance revenue targets incorporate the analysis performed under paragraphs a) and b)</p>		<p>c) Develop compliance revenue targets where feasible (as defined in a) above) and using evidence base and model (developed in b) above)</p>		<p>where to allocate resources and effort to estimate tax gaps with the following guiding principles:</p> <ul style="list-style-type: none"> • <i>taxes generating the most revenue will be considered priorities for tax gap estimation. Lower annual revenues for some tax types could make it uneconomical to consider tax gap research</i> • <i>some tax designs have sufficient controls built into their design (e.g. poker machine taxes are controlled through an auditable network of licenced machines across the State) suggesting tax gap estimation will not be required for these types of taxes</i> • <i>some revenue streams may have drivers that are difficult to assess with sufficient reliability to warrant the effort.</i> <p><i>In conjunction with NSW Treasury we will assess the merits of pursuing tax gap assessment for each revenue stream separately and focus our efforts only on areas where it is agreed that a material improvement to revenue potential and compliance might result.'</i></p> <p>OSR has completed an extensive literature review of international, domestic and state level tax gap studies under the guidance of a Steering Committee, which includes NSW Treasury, two leading tax gap experts in Australia and the Director of Tax Gap, ATO, along with OSR executive leaders.</p>	

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					<p>A feasibility study is being undertaken and a series of workshops being held with the tax gap experts, ATO, NSW Treasury and OSR's business line managers in analytics, audit and state taxes.</p> <p>The outcome of the feasibility study and workshops will inform recommendation parts b) and c), setting compliance revenue targets and modelling different resource levels that will incorporate the work in part a).</p>	
3	<p>OSR should review its current suite of key performance indicators and performance measures to ensure that by 2016-17:</p> <p>a) KPIs clearly demonstrate the extent to which OSR is efficient and effective in optimising tax revenue</p> <p>b) KPIs are aligned to, and can more clearly demonstrate the achievement of, organisational objectives and goals as per OSR 2021</p> <p>c) there is a clearer hierarchy of KPIs and measures to ensure that achievement of lower-level performance measures</p>	Accepted	Commence reporting from 1 July 2016.	25 June 2016	<p>Complete</p> <p>OSR has conducted a comprehensive review of its performance measurement framework and reporting that will be effective from 1 July 2016. As a consequence, the key performance indicators and performance measures:</p> <p>a) Are reported in a newly developed dashboard, aligning measures to clearly demonstrate OSR's effectiveness, efficiency, quality and customer experience</p> <p>b) Are aligned to the track the achievement of OSR 2021 goals, focussing on our customer experience</p> <p>c) Have been reviewed and developed using a 'bottom-up' approach. This ensures there is a line of sight for individual measures that can be traced to their contribution to the highest level dashboard for OSR's performance, a clear hierarchy of performance measures</p>	Strategy and Business Performance

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<p>contribute to the achievement of higher level KPIs and organisation goals</p> <p>d) operational, business unit, branch and program plans each have measures to hold managers accountable for performance</p>				<p>d) Are incorporated into a revised planning framework and myPerformance (individual performance agreement) approach. The plans continue to include success measures and hold an individual position responsible for each initiative.</p> <p>Accountability is tracked using performance agreements. Newly defined Executive KPIs are incorporated into the online myPerformance to be used from 1 July 2016. Performance agreements hold Executives and Managers accountable for delivery of their plans.</p>	
<p>4 OSR should enhance its governance and accountability arrangements with the Office of Finance and Services through:</p> <p>a) a framework agreement with the Office of Finance and Services that formalises and clarifies expectations, roles and responsibilities of each party, including to ensuring efficiency and effectiveness in tax collection</p> <p>b) improving the quality of monthly OSR management reporting to OFS with key</p>	Accepted	Continue quarterly Secretary Performance meetings	25 June 2016	<p>Complete.</p> <p>In January 2016 a revised approach was developed for quarterly meetings and reporting from the Deputy Secretary, OSR to the Secretary, Department of Finance, Services and Innovation (DFSI).</p> <p>This was formalised and documented by the DFSI Office of the Secretary including a Terms of Reference, Agenda and process for these reports and meetings.</p> <p>The meeting reports and discusses:</p> <ul style="list-style-type: none"> • Key Performance Indicators – Strategic and operational metrics that demonstrate the performance of the business 	Executive

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performance indicators which demonstrate OSRs efficiency and effectiveness in tax collection.				<ul style="list-style-type: none"> • Corporate Plan delivery • Financial and Human Resource information • Highlights and emerging risks • Any other discussion points <p>The first meeting was held in February 2016 and meetings have continued quarterly since then.</p>	
5 OSR should publish more performance information publicly on its efficiency and effectiveness, such as in the Office of Finance and Service annual report or on its own website.	Accepted	Continue to publish an annual 'Year in Review' document on OSR's website.	31 August 2015	<p>Complete</p> <p>OSR takes evidence based performance transparency and accountability very seriously. Our organisational culture is at ease with transparency and proud of achieving good performance.</p> <p>OSR has published a '2014-15 Year in Review' document on its website and will continue to publish the 'Year in Review' by 31 August each year providing an overview of performance for the previous financial year focusing on efficiency and effectiveness.</p>	Strategy & Business Performance

