

AUDITOR-GENERAL'S REPORT

PERFORMANCE AUDIT

Follow-up of Performance Audit: Collecting Outstanding Fines and Penalties



The Legislative Assembly
Parliament House
SYDNEY NSW 2000

The Legislative Council
Parliament House
SYDNEY NSW 2000

In accordance with section 38E of the *Public Finance and Audit Act 1983*, I present a report titled **Follow-up of Performance Audit: Collecting Outstanding Fines and Penalties**.

R J Sendt
Auditor-General

Sydney
March 2005

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Foreword

Periodically we review the extent to which agencies have implemented the recommendations they accept from our earlier audits. This gives Parliament and the public an update on the extent of progress made.

In this follow-up audit, we examine changes following our April 2002 report on how well the State Debt Recovery Office (under the Office of State Revenue) was collecting outstanding fines and penalties.

Bob Sendt
Auditor-General

March 2005

Executive summary

Executive summary

The State Debt Recovery Office (SDRO) is responsible for collecting outstanding fines and debts owed to the NSW Government, local councils and some federal government agencies. Fines are referred to the SDRO for collection by agencies after they remain unpaid for a period of time. Sanctions are initiated by SDRO when an initial enforcement notice has been unsuccessful in recouping payment owed.

We conducted an audit of the collection of outstanding fines and penalties in 2002. At the time, we reported that the SDRO was dealing well with very high volumes and collecting substantial sums of money. However, a number of factors limited its effectiveness as a fine enforcement agency and affected its capacity to recover fines.

We found that about one in every three unpaid fines referred to the SDRO for action was successfully collected. In 2001, over \$460 million remained to be recovered, with the SDRO treating \$334 million as unlikely to be collected.

This report updates progress on implementing the recommendations from that report as at December 2004.

Audit opinion

The State Debt Recovery Office accepted most of the recommendations in our 2002 audit report, *Collecting Outstanding Fines and Penalties*, and has demonstrated initiative in addressing the issues raised.

Most of the recommendations have been implemented and all have been considered and addressed. Major changes include:

- addressing the backlog of historical fines
- strengthening enforcement
- improvements in data matching
- reporting performance and benchmarking
- clarifying strategic priorities.

The SDRO has been diligent and determined in collecting penalties owed to the public purse. Its preparedness to accept some short-term backlashes (negative publicity) in order to undertake a difficult but necessary task, and its governance of implementation action through its Audit Committee, provide an example of strong leadership on delicate issues of public administration.

The SDRO's challenge is now to maximise efficiencies gained by the incorporation of the Infringement Processing Bureau and align its processes with those of the Fine Enforcement Branch.

Our 2002 audit

Our 2002 audit examined SDRO's efficiency and effectiveness in recovering outstanding fines. The audit focused on key issues impacting the enforcement process such as:

- fine disputes and withdrawals
- people's capacity to pay fines
- access to and quality of information on the identification and location of people with outstanding fines
- application of sanctions for non-payment of fines
- use of enforcement data and performance information to maximise debt recovery.

2002 audit findings

Key findings

Key findings from the audit included:

- the recovery rate for unpaid fines recently received by SDRO was 32.7 per cent (with older unpaid fines much harder to recover)
- in 2000-01, SDRO's collection costs were 10.5 per cent of the value of fines collected
- four of the nine sanctions available to SDRO were being used to enforce payment
- twenty per cent of matters received by SDRO had to be manually checked to ensure enforcement action was taken against the correct person at the most recent address
- SDRO did not have adequate powers to take enforcement action in matters such as Commonwealth offences or against persons who live interstate or overseas
- the success of enforcement action was affected by the differing priorities and activities of stakeholder agencies
- there was limited public reporting of key performance outcomes.

Conflicting role

We noted that the SDRO was confronted with conflicting roles as both law enforcer and debt collector. As a law enforcement agency, it treated all matters equally; but as a debt collector, other approaches could be available to it to recover more outstanding dollars.

Inhibiting factors Our report noted that many of the factors which inhibited SDRO's ability to collect unpaid fines were beyond its control and would require either legislative change or a coordinated inter-agency response. We considered that until these problems were fixed, the credibility of the fine enforcement process, and people's willingness to pay outstanding fines, would continue to be undermined.

We made recommendations addressing measuring effectiveness, improving efficiency, and maximising recovery.

2004 follow-up audit

Status of recommendations The State Debt Recovery Office accepted most of the recommendations from our 2002 audit and have implemented many changes.

The following chapter summarises changes since the 2002 audit. A more detailed summary of the status of recommendations and changes since 2002 is provided in Appendix 2.

Response from the Office of State Revenue

Thank you for your letter of 27 January 2005 and the copy of the Auditor-General's Report on the Follow-up Audit of Collecting Outstanding Fines and Penalties at the State Debt Recovery Office (SDRO).

Firstly, I would like to thank you for your office's professional approach to this audit. The recommendations in the original audit have assisted the Office of State Revenue (OSR) in improving the performance of the collection of outstanding fines and penalties relating to the Fine Enforcement operations at the SDRO. You will be aware that the SDRO now comprises infringement processing and fine enforcement operations at the Infringement Processing Bureau (IPB) and the Fine Enforcement Branch (FEB).

Secondly, as there was extensive consultation between OSR staff and the Audit Office during this follow-up performance audit, I have no further submissions to make on the report.

Finally, I would like to add that OSR has accepted the challenges of maximising the efficiencies gained from the integration of the IPB and FEB into OSR.

Again, let me thank you for the professional manner in which the audit was undertaken. I look forward to the report being tabled in Parliament.

(signed)

*Peter Achterstraat
Executive Director and
Chief Commissioner of State Revenue*

What has happened since the 2002 audit?

Changes since the 2002 audit report

The State Debt Recovery Office has given attention to all accepted recommendations from the 2002 report. SDRO's actions in implementing our report recommendations are a good example for other agencies to consider.

Addressing the backlog

Our 2002 report stressed the importance of maximising revenues to the State. We made a number of recommendations related to removing factors that slow down or suspend the fine enforcement process. The SDRO responded by launching a campaign to boost collections.

History of the SDRO

The State Debt Recovery Office was created in response to public outcry over a debtor who was sent to gaol for failure to pay a fine and, while in prison, was beaten so severely he ended up in a coma for several months. Jamie Partlic was 18 years old at the time.

The Office was established in 1998 under the Attorney-General's Department. After several years under its control, the Department offered to transfer the SDRO to the Office of State Revenue (under NSW Treasury) on the grounds that fine recovery was not part of the Attorney-General's core business.

OSR agreed to the move, which roughly coincided with the tabling of our audit *Collecting Outstanding Fines and Penalties* in 2002. In it, we reported that as at June 2001, over \$460 million remained to be recovered but that SDRO was treating \$334 million as unlikely to be recovered.

SDRO's fine enforcement campaign

In an effort to reduce the backlog of approximately half a million historical fines it had inherited and in response to our report, the OSR launched a massive campaign in June 2002 to recoup outstanding fines.

In preparation for the campaign, SDRO spent six months cleansing its data to reduce potential errors in the enforcement notices to be sent out. The SDRO also shared its plan with the Treasurer, Minister Egan, noting that despite its best efforts, such a large campaign was bound to stir up some complaints from the public.

The Minister took this on board and issued several media releases indicating SDRO's plan to aggressively pursue outstanding fine defaulters. Predictably, some of the approximately 200,000 fine enforcement notices that were issued on 3 June 2002 contained errors. A number of these errors attracted media attention, with headlines such as "Rage over debt office form bungle" and "Carr chases dog: fine fiasco gets even more insane".

Despite the negative publicity, the agency stands by its decision to attack the backlog of historical debts. The campaign netted some \$48 million, and the agency has few regrets about the way it went about its campaign. "We would have liked to have had cleaner data, but we did the best we could, and we warned the public in advance. We gave them a way to complain to us if they felt they were issued an enforcement notice in error so that we could look into it," said an SDRO spokesman.

This is an example of the difficult and delicate challenges often faced in public administration. The agency took the view that taxpayer funds were at risk and was prepared to endure negative publicity to achieve its strategic objective of recovering the backlog of revenue. It demonstrated strong leadership in this matter.

Strengthening enforcement options

In 2002 we reported that four of nine available sanctions were being used and that a staged implementation of the other options was planned but behind schedule.

We recommended SDRO progress the implementation of sanctions not yet being used to ensure greater choice of enforcement strategies.

The SDRO has now implemented four additional types of sanctions:

- Garnishee Orders
- Charge on Lands
- Examination Notices and Summons
- Community Service Orders.

The agency advises that it has not issued any Warrants of Commitment for a breach of a Community Service Order. However, this is consistent with the objectives of the Fines Act 1996, which aims to ensure people are not gaoled for fine default.

Exhibit 2.1 Enforcement sanctions initiated

	2002-03		2003-04	
	Number	Value	Number	Value
Property seizure orders	28,100	\$52,700,000	31,000	\$60,100,000
Garnishee orders	12,200	\$23,700,000	12,400	\$24,800,000
Examination notices	10,100	\$14,700,000	19,900	\$23,600,000
Community service orders*	9	\$27,066	273	\$723,891
Charge on lands**	3	Not available	--	--
Total	50,412	\$91,127,066	63,573	\$109,223,891

*As of 5 January 2005, 221 CSOs have been issued during 2004-05. The gradual increase has been part of SDRO's stakeholder relationship management and consultation with the Department of Corrective Services.

**Charge on lands is rarely used as it hinders but does not prevent the sale of a property. SDRO does not know the value of COLs because they are manually registered with the Land Titles Office and SDRO's system does not record the status of COLs. In addition, if COLs are subsequently removed or paid, the Land Titles Office does not retain a record of their amount.

Source: State Debt Recovery Office

Improvements in data matching

In 2002, approximately 20 per cent of fines received by SDRO were not successfully data-matched (a process used to ensure enforcement notices are forwarded to the correct person and address). The agency advised that it had established a working party to review data matching criteria.

We recommended SDRO continue to refine its data-matching and search methodologies to improve the likelihood of identifying the correct defaulter.

SDRO currently requires three data matches before a sanction is imposed, i.e. three of the available four data fields in the RTA database must match the SDRO's (name, date of birth, address, and vehicle registration). Under this rule, the agency estimates that 50 per cent of all matters in this group cannot be sanctioned as the third match cannot be made.

However, there are a number of people the agency could reasonably assume are matches and therefore can sanction, such as those with minor typographical and other miscellaneous errors.

The agency has recently made a business case changing the three match requirement to 'two and a half' matches, meaning a match between first name, surname and date of birth plus a match from one of four additional data fields.

Use of the 'two-and-a-half match' rule should increase the number of RTA sanctions imposed. The agency also reports that its planned computer system upgrade will improve its ability to match data.

Reporting performance and benchmarking

Our 2002 report found that there was limited public reporting of SDRO's performance regarding fine enforcement and debt recovery. We recommended that the SDRO continue efforts to benchmark performance with other fine enforcement agencies.

Since the report, benchmarking activities have been undertaken but further work is needed to show performance results.

An inaugural conference was held in September 2004 between fine enforcement agencies in all states and territories (except the ACT) and New Zealand in Brisbane. Benchmarking was agreed in principle as an item for development between agencies. The agency advised that although some difficulties exist in comparisons between states as enforcement systems are different in each of the jurisdictions, common areas such as outstanding debt, sanction success, and recovery rates are to be explored.

Strategic priorities

Our 2002 report made several recommendations which the SDRO, while having considered, has declined to implement. Specifically, the organisation has declined to define itself as a debt collection agency. This means its primary emphasis is on law enforcement, not revenue collection. It has also declined to:

- Write off all historical fines (the agency considers many of them to be collectible with future improvements in its information technology)
- Target recovery efforts towards more easily recoverable debts
- Charge agencies for withdrawing fine referrals.

Role clarification

In 2002 we argued that the SDRO's primary focus was weighted on enforcement rather than recovery. As a law enforcement agency, all matters are treated the same and are not prioritised based on age, value of fine or client payment history. However, as a debt collection agency, SDRO would select the most effective enforcement strategy to reduce the risk of non-payment and provide increased revenue to the state.

We recommended that SDRO clarify its role to ensure an appropriate balance between its law enforcement and debt collection functions. At tabling, the agency reported this recommendation was 'under consideration'.

Since then, while recognising the duality of its statutory role SDRO has chosen to give greater priority to its law enforcement function. To highlight this priority, the agency clarified its policy objectives in the review of the *Fines Act 1996*, which was tabled in November 2002.

The agency may also seek a name change to remove the term 'debt' from its title. A business process improvement team is looking into renaming the organisation, which may require amendment to section 114 of the Fines Act. In the interim, as part of its integration with the Infringement Processing Bureau (IPB), the SDRO has defined its branches as the IPB and Fine Enforcement Branch (FEB), the latter emphasising the agency's stress on enforcement rather than debt recovery.

Monitoring the implementation of recommendations

Monitoring and reporting on implementation

Action arising from the performance audit was tracked by the OSR Audit Committee. The Committee meets six times per year to oversee activities of both internal and external audits. Discussion of the performance audit was a standing item. The Fine Enforcement Branch also tracked accepted recommendations through a table entitled 'Summary of Changes Since the 2002 Audit'.

Public reporting

Progress on the audit's recommendations was reported in OSR's 2001-02 and 2002-03 Annual Reports. The 2001-02 Annual Report noted that 'implementation of the recommendations has commenced and will progress during the next reporting year'; while the 2002-03 report noted specific improvements implemented as a result of audit recommendations.

Appendices

Appendix 1	About the audit
Audit objective	The objective of this follow-up performance audit was to determine whether or not the State Debt Recovery Office made progress in implementing accepted recommendations from our 2002 report, <i>Collecting Outstanding Fines and Penalties</i> .
Audit criteria	We judged changes in practice or performance based on whether or not: <ul style="list-style-type: none">• the SDRO assessed the impact of recommendations, determined a course of action, and implemented accepted recommendations• the implementation plan was monitored and progress reported (eg, through an Audit Committee or other mechanism)• the SDRO reported its progress in subsequent annual reports.
Audit scope and focus	We examined the extent to which the SDRO implemented the recommendations it accepted from our 2002 report; the impact and magnitude of any change; and if recommendations were not fully implemented, what action was taken to address the issue.
Audit approach	We obtained sufficient specific evidence to show what the SDRO did to progress accepted recommendations, and what changes occurred as a result of implementation. Findings were based on evidence collected through document analysis, SDRO's formal response to recommendations, and interviews with SDRO and OSR staff.
Cost of the audit	The estimated cost of this audit was \$51,100 including printing and overheads.
Acknowledgement	The Audit Office gratefully acknowledges the cooperation and assistance provided by representatives of the Office of State Revenue, State Debt Recovery Office, and Fine Enforcement Branch.
Audit team	Team leader for this performance audit was Rachel Hibbard. Direction and quality assurance was provided by Sean Crumlin.

Appendix 2 Status of the implementation of recommendations

Recommendation: That the State Debt Recovery Office -	Status	Changes in practice
1. Enhance SDRO's system for monitoring and reporting performance	Implemented Ongoing continual improvement	The SDRO was provided with a capital budget over 2003/04 and 2004/05 to redevelop the Integrated Fine Enforcement Management System. The project will roll out a more stable system that is able to produce inter-relational reporting in January 2005 with further enhancements scheduled in May/June 2005.
A. Expand performance measures to cover all corporate objectives	Implemented	Performance measures have been expanded and are included in the OSR Corporate reporting framework and OSR's Resources and Services Provisions (RSP) with Treasury. Key performance indicators include: <ul style="list-style-type: none"> • maximizing revenue collection to within 98 per cent of original budget, • containing the cost of collections, • maximizing the efficiency of fine enforcement processes which measures the closure rate of fines enforced and • the number of infringements finalised at IPB.
B. Develop performance targets for the cost efficiency and recovery rates	(Rejected)	Efficiency and recovery rates are now incorporated in key performance targets.
C. Increase the amount of performance information reported in the Annual Report of SDRO's parent agency	Implemented	The SDRO has increased the amount of performance information included in the OSR Annual Report. Previously, we found limited public reporting of SDRO's performance regarding fine enforcement and debt collection. The agency did not, for instance, report the number of matters received from referring agencies, matters moved to enforcement, time-to-pay arrangements in place, or gross recovery. The agency now reports on the number of infringement notices issued; amount of revenue collected; number of fines referred for enforcement; amount of fines collected; number of enforcement sanctions initiated; number of RTA sanctions initiated; and amount of write-offs in its annual report.

Recommendation: That the State Debt Recovery Office -	Status	Changes in practice
<p>D. Continue efforts to benchmark performance with other fine enforcement agencies</p>	<p>Ongoing Benchmarking activities have been undertaken but further work is needed to show performance results</p>	<p>An inaugural conference was held in September 2004 between fine enforcement agencies in all states and territories (except the ACT) and New Zealand in Brisbane. Benchmarking has been agreed in principle as an item for development between agencies. Some difficulties exist in comparisons between states as enforcement systems are different in each of the jurisdictions; however, common areas such as outstanding debt, sanction success and recovery rates will be explored.</p>
<p>E. Review the effectiveness of the time-to-pay scheme to ensure it meets corporate objectives</p>	<p>Implemented Review undertaken and cost efficiencies evaluated. Further improvements possible now that IPB is under SDRO control</p>	<p>This recommendation was originally directed at getting IPB, then under the control of NSW Police, to implement a time-to-pay (TTP) option. SDRO had no authority to enforce this; however, it did review its own TTP scheme with a view towards reducing costs by implementing bar codes instead of paper mail-in coupons.</p> <p>The review of the <i>Fines Act 1996</i> found that the objectives were met and supported the operation of the time to pay scheme.</p> <p>The TTP process has been improved to reduce expenses and there is now the ability to pay over the counter of any Australia Post office.</p> <p>Booklets have been replaced by an order with a bar code payment, reducing the costs to the clients in generating money orders or cheques and sending off payments.</p>
<p>Recommendation 2: Remove factors which slow down or suspend the fine enforcement process</p>		
<p>A. Progress the implementation of sanctions not yet being used, to ensure greater choice of enforcement strategies</p>	<p>Implemented A wider range of sanctions is now being used</p>	<p>Since the Audit was conducted the SDRO has implemented Garnishee Orders, Charge on Lands, Examination Notices and Summons and Community Service Orders.</p> <p>However, the SDRO has not issued a Warrant of Commitment for a breach of Community Service Order. This is consistent with the objectives of the <i>Fines Act 1996</i> which aims to ensure people are not gaoled for fine default.</p>

Recommendation: That the State Debt Recovery Office -	Status	Changes in practice
B. Continue to refine data-matching and search methodologies to improve the likelihood of identifying the correct defaulter	<p>Implemented / ongoing in terms of continual improvement</p> <p>Work has been done to refine data matching and search methodologies</p>	<p>More effective search processes have been introduced at earlier stages to increase the effectiveness of RTA sanctions. Use of the “two-and-a-half match” rule should serve to increase the number of RTA sanctions imposed.</p> <p>Continued improvement in data matching will be pursued through systems redevelopment.</p>
C. Amend NSW privacy legislation to improve SDRO’s access to information from other government agencies	<p>Not implemented - powers already in place</p> <p>Agencies may need to be better informed of these powers</p>	<p>Advice from Privacy NSW indicates SDRO already has considerable powers that are exempt from the Privacy and Protection of Personal Information Act (Privacy Act) and that no amendment is required.</p>
D. Remove legislative restrictions which prevent SDRO from taking enforcement action against all matters	<p>Change has occurred except in relation to interstate / international residents and Commonwealth fines, although there is no loss of revenue to the State in Commonwealth cases</p>	<p>SDRO was previously prohibited from applying sanctions in cases of Commonwealth offences; interstate or international residents; and bankrupt individuals. It was also assumed that privacy legislation prohibited SDRO from acquiring information needed to enforce fines.</p> <p>The bankruptcy issue was resolved by the High Court in February 2004 (<i>Mansfield v State of Victoria</i>), allowing infringements to be enforced against those who claim bankruptcy.</p> <p>A national conference has agreed that enforcing fines across state borders, which relies on the Commonwealth Service and Execution of Process Act to enforce process in another jurisdiction, should be addressed by the Standing Committee of Attorneys General.</p> <p>The SDRO also has reciprocal legislation within the Fines Act 1996 in enforcing fines against companies interstate. It used that power for the first time this financial year.</p> <p>Privacy issues have also been addressed:</p> <ul style="list-style-type: none"> • The NSW Privacy Commissioner indicated SDRO already has powers to obtain private information from other agencies • Section 117A of the Fines Amendment Act 2004 No 43 now allows SDRO to give private information to other agencies. <p>There is no loss to the state in the case of uncollected Commonwealth fines, as such revenues if collected are returned to the Commonwealth anyway.</p>

Recommendation: That the State Debt Recovery Office -	Status	Changes in practice
<p>E. Develop strategies to ensure the timely and efficient execution of property seizure orders</p>	<p>Implemented Protocols have been developed with Sheriff's Office to facilitate property seizure orders</p>	<p>Protocols have been developed between the Sheriff's Office and the SDRO, including regular meetings to discuss enforcement. OH&S issues have been raised about the volume of referrals the SDRO made to individual officers, and there is now an agreed maximum number of referrals.</p>
<p>F. Continue efforts to develop protocols to reduce the number of fines withdrawn by agencies after referral to SDRO</p>	<p>Ongoing Further work with agencies and IPB needed to manage the number of fines withdrawn</p>	<p>SDRO has no direct control over agencies' discretion to withdraw a fine. Another problem is that as the number of fines increases, so do withdrawals. Efforts to manage the number of fines withdrawn include:</p> <ul style="list-style-type: none"> • establishment of an interdepartmental working committee to improve data matching • a 2004 legislative amendment clarifying the reasons why SDRO will withdraw a fine and what rights agencies have to withdraw fines. <p>The legislative amendment has actually had the effect of increasing the number of fines withdrawn. SDRO will continue its efforts to manage the number of fines withdrawn. The agency will consider:</p> <ul style="list-style-type: none"> • monitoring withdrawal rates and advising agencies of their rates (some agencies are not aware how many fines they withdraw and therefore may be oblivious of the impact) • developing service level agreements with agencies for them to check their data before referring fines to FEB.

Recommendation: That the State Debt Recovery Office -	Status	Changes in practice
G. Introduce a fee for fine withdrawals	(Rejected)	<p>Discouraging withdrawal through the introduction of an application fee could cause clients further difficulties in getting their issues considered.</p> <p>If referring agencies incurred a cost for withdrawal, it would be in their interest to make the client proceed through the court or SDRO rather than withdraw the fine. This would be inequitable to the client.</p>
H. Examine opportunities to introduce time-to-pay provisions for infringement notices prior to referral to SDRO	Opportunities examined; initial proposal rejected by NSW Police, but changes possible now that IPB is under SDRO control	Opportunities were considered by the Infringement Processing Bureau under the NSW Police and rejected. Now that IPB is under SDRO control, the issue will be re-examined and opportunities for integration between the infringement processing and fine enforcement operations identified.
Recommendation 3: Resolve conflicting policy objectives		
A. Clarify SDRO's role to ensure an appropriate balance between its law enforcement and debt collection functions	Implemented While recognising the duality of its statutory role, SDRO has given greater priority to its law enforcement function	<p>The review of the <i>Fines Act 1996</i> (tabled November 2002) clarified policy objectives and a name change may be sought.</p> <p>A business process improvement team is now looking into renaming the organisation to remove the term 'debt'. This will require amendment to section 114 of the Fines Act.</p> <p>As part of its integration with the Infringement Processing Bureau (IPB), the SDRO has defined its branches as the IPB and Fine Enforcement Branch (FEB). The latter emphasises the agency's stress on enforcement rather than debt recovery.</p>
B. To the extent permitted by policy, develop a debt recovery strategy which maximises the collection of moneys due the State	Implemented / ongoing in terms of continual improvement The merger of FEB and IPB under the SDRO should allow OSR to coordinate their activities, thereby increasing both enforcement and collection efficiencies	<p>SDRO has increased revenue and rates recovered each year.</p> <p>The merger of the Infringement Processing Bureau into the SDRO has enabled the consideration of opportunities to further increase efficiency.</p> <p>The SDRO Fine Enforcement branch has relocated to Lithgow and the introduction of a more stable computer system, with increased reporting and work flow functions, should further maximize recovery.</p>

Appendix 3

Glossary

EN	enforcement notice
FEB	Fine Enforcement Branch
IPB	Infringement Processing Bureau
OSR	Office of State Revenue
RTA	NSW Roads and Traffic Authority
SDRO	State Debt Recovery Office

Performance Audits by the Audit Office of New South Wales

Performance Auditing

What are performance audits?

Performance audits are reviews designed to determine how efficiently and effectively an agency is carrying out its functions.

Performance audits may review a government program, all or part of a government agency or consider particular issues which affect the whole public sector.

Where appropriate, performance audits make recommendations for improvements relating to those functions.

Why do we conduct performance audits?

Performance audits provide independent assurance to Parliament and the public that government funds are being spent efficiently and effectively, and in accordance with the law.

They seek to improve the efficiency and effectiveness of government agencies and ensure that the community receives value for money from government services.

Performance audits also assist the accountability process by holding agencies accountable for their performance.

What is the legislative basis for Performance Audits?

The legislative basis for performance audits is contained within the *Public Finance and Audit Act 1983, Part 3 Division 2A*, (the Act) which differentiates such work from the Office's financial statements audit function.

Performance audits are not entitled to question the merits of policy objectives of the Government.

What conducts performance audits?

Performance audits are conducted by specialist performance auditors who are drawn from a wide range of professional disciplines.

How do we choose our topics?

Topics for performance audits are chosen from a variety of sources including:

- our own research on emerging issues
- suggestions from Parliamentarians, agency Chief Executive Officers (CEO) and members of the public
- complaints about waste of public money
- referrals from Parliament.

Each potential audit topic is considered and evaluated in terms of possible benefits including cost savings, impact and improvements in public administration.

The Audit Office has no jurisdiction over local government and cannot review issues relating to council activities.

If you wish to find out what performance audits are currently in progress just visit our website at www.audit.nsw.gov.au.

How do we conduct performance audits?

Performance audits are conducted in compliance with relevant Australian standards for performance auditing and operate under a quality management system certified under international quality standard ISO 9001.

Our policy is to conduct these audits on a "no surprise" basis.

Operational managers, and where necessary executive officers, are informed of the progress with the audit on a continuous basis.

What are the phases in performance auditing?

Performance audits have three key phases: planning, fieldwork and report writing.

During the planning phase, the audit team will develop audit criteria and define the audit field work.

At the completion of field work an exit interview is held with agency management to discuss all significant matters arising out of the audit. The basis for the exit interview is generally a draft performance audit report.

The exit interview serves to ensure that facts presented in the report are accurate and that recommendations are appropriate. Following the exit interview, a format draft report is provided to the CEO for comment. The relevant Minister is also provided with a copy of the draft report. The final report, which is tabled in Parliament, includes any comment made by the CEO on the conclusion and the recommendations of the audit.

Depending on the scope of an audit, performance audits can take from several months to a year to complete.

Copies of our performance audit reports can be obtained from our website or by contacting our publications unit.

How do we measure an agency's performance?

During the planning stage of an audit the team develops the audit criteria. These are standards of performance against which an agency is assessed. Criteria may be based on government targets or benchmarks, comparative data, published guidelines, agencies corporate objectives or examples of best practice.

Performance audits look at:

- processes
- results
- costs
- due process and accountability.

Do we check to see if recommendations have been implemented?

Every few years we conduct a follow-up audit of past performance audit reports. These follow-up audits look at the extent to which recommendations have been implemented and whether problems have been addressed.

The Public Accounts Committee (PAC) may also conduct reviews or hold inquiries into matters raised in performance audit reports. Agencies are also required to report actions taken against each recommendation in their annual report.

To assist agencies to monitor and report on the implementation of recommendations, the Audit Office has prepared a Guide for that purpose. The Guide, *Monitoring and Reporting on Performance Audits Recommendations*, is on the Internet at www.audit.nsw.gov.au/guides-bp/bpglist.htm

Who audits the auditors?

Our performance audits are subject to internal and external quality reviews against relevant Australian and international standards. This includes ongoing independent certification of our ISO 9001 quality management system.

The PAC is also responsible for overseeing the activities of the Audit Office and conducts reviews of our operations every three years.

Who pays for performance audits?

No fee is charged for performance audits. Our performance audit services are funded by the NSW Parliament and from internal sources.

For further information relating to performance auditing contact:

Stephen Horne
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Performance Audit Reports

No	Agency or Issues Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
65	Attorney General's Department	<i>Management of Court Waiting Times</i>	3 September 1999
66	Office of the Protective Commissioner Office of the Public Guardian	<i>Complaints and Review Processes</i>	28 September 1999
67	University of Western Sydney	<i>Administrative Arrangements</i>	17 November 1999
68	NSW Police Service	<i>Enforcement of Street Parking</i>	24 November 1999
69	Roads and Traffic Authority of NSW	<i>Planning for Road Maintenance</i>	1 December 1999
70	NSW Police Service	<i>Staff Rostering, Tasking and Allocation</i>	31 January 2000
71*	Academics' Paid Outside Work	<i>Administrative Procedures Protection of Intellectual Property Minimum Standard Checklists Better Practice Examples</i>	7 February 2000
72	Hospital Emergency Departments	<i>Delivering Services to Patients</i>	15 March 2000
73	Department of Education and Training	<i>Using Computers in Schools for Teaching and Learning</i>	7 June 2000
74	Ageing and Disability Department	<i>Group Homes for People with Disabilities in NSW</i>	27 June 2000
75	NSW Department of Transport	<i>Management of Road Passenger Transport Regulation</i>	6 September 2000
76	Judging Performance from Annual Reports	<i>Review of Eight Agencies' Annual Reports</i>	29 November 2000
77*	Reporting Performance	<i>Better Practice Guide A guide to preparing performance information for annual reports</i>	29 November 2000
78	State Rail Authority (CityRail) State Transit Authority	<i>Fare Evasion on Public Transport</i>	6 December 2000
79	TAFE NSW	<i>Review of Administration</i>	6 February 2001
80	Ambulance Service of New South Wales	<i>Readiness to Respond</i>	7 March 2001
81	Department of Housing	<i>Maintenance of Public Housing</i>	11 April 2001
82	Environment Protection Authority	<i>Controlling and Reducing Pollution from Industry</i>	18 April 2001
83	Department of Corrective Services	<i>NSW Correctional Industries</i>	13 June 2001

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84	Follow-up of Performance Audits	<i>Police Response to Calls for Assistance</i> <i>The Levying and Collection of Land Tax</i> <i>Coordination of Bushfire Fighting Activities</i>	20 June 2001
85*	Internal Financial Reporting	<i>Internal Financial Reporting including a Better Practice Guide</i>	27 June 2001
86	Follow-up of Performance Audits	<i>The School Accountability and Improvement Model (May 1999)</i> <i>The Management of Court Waiting Times (September 1999)</i>	14 September 2001
87	E-government	<i>Use of the Internet and Related Technologies to Improve Public Sector Performance</i>	19 September 2001
88*	E-government	<i>e-ready, e-steady, e-government: e-government readiness assessment guide</i>	19 September 2001
89	Intellectual Property	<i>Management of Intellectual Property</i>	17 October 2001
90*	Intellectual Property	<i>Better Practice Guide Management of Intellectual Property</i>	17 October 2001
91	University of New South Wales	<i>Educational Testing Centre</i>	21 November 2001
92	Department of Urban Affairs and Planning	<i>Environmental Impact Assessment of Major Projects</i>	28 November 2001
93	Department of Information Technology and Management	<i>Government Property Register</i>	31 January 2002
94	State Debt Recovery Office	<i>Collecting Outstanding Fines and Penalties</i>	17 April 2002
95	Roads and Traffic Authority	<i>Managing Environmental Issues</i>	29 April 2002
96	NSW Agriculture	<i>Managing Animal Disease Emergencies</i>	8 May 2002
97	State Transit Authority Department of Transport	<i>Bus Maintenance and Bus Contracts</i>	29 May 2002
98	Risk Management	<i>Managing Risk in the NSW Public Sector</i>	19 June 2002
99	E-Government	<i>User-friendliness of Websites</i>	26 June 2002
100	NSW Police Department of Corrective Services	<i>Managing Sick Leave</i>	23 July 2002
101	Department of Land and Water Conservation	<i>Regulating the Clearing of Native Vegetation</i>	20 August 2002

No	Agency or Issues Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
102	E-government	<i>Electronic Procurement of Hospital Supplies</i>	25 September 2002
103	NSW Public Sector	<i>Outsourcing Information Technology</i>	23 October 2002
104	Ministry for the Arts Department of Community Services Department of Sport and Recreation	<i>Managing Grants</i>	4 December 2002
105	Department of Health Including Area Health Services and Hospitals	<i>Managing Hospital Waste</i>	10 December 2002
106	State Rail Authority	<i>CityRail Passenger Security</i>	12 February 2003
107	NSW Agriculture	<i>Implementing the Ovine Johne's Disease Program</i>	26 February 2003
108	Department of Sustainable Natural Resources Environment Protection Authority	<i>Protecting Our Rivers</i>	7 May 2003
109	Department of Education and Training	<i>Managing Teacher Performance</i>	14 May 2003
110	NSW Police	<i>The Police Assistance Line</i>	5 June 2003
111	E-Government	<i>Roads and Traffic Authority Delivering Services Online</i>	11 June 2003
112	State Rail Authority	<i>The Millennium Train Project</i>	17 June 2003
113	Sydney Water Corporation	<i>Northside Storage Tunnel Project</i>	24 July 2003
114	Ministry of Transport Premier's Department Department of Education and Training	<i>Freedom of Information</i>	28 August 2003
115	NSW Police NSW Roads and Traffic Authority	<i>Dealing with Unlicensed and Unregistered Driving</i>	4 September 2003
116	NSW Department of Health	<i>Waiting Times for Elective Surgery in Public Hospitals</i>	18 September 2003
117	Follow-up of Performance Audits	<i>Complaints and Review Processes (September 1999)</i> <i>Provision of Industry Assistance (December 1998)</i>	24 September 2003
118	Judging Performance from Annual Reports	<i>Review of Eight Agencies' Annual Reports</i>	1 October 2003
119	Asset Disposal	<i>Disposal of Sydney Harbour Foreshore Land</i>	26 November 2003

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120	Follow-up of Performance Audits NSW Police	<i>Enforcement of Street Parking (1999)</i> <i>Staff Rostering, Tasking and Allocation (2000)</i>	10 December 2003
121	Department of Health NSW Ambulance Service	<i>Code Red: Hospital Emergency Departments</i>	15 December 2003
122	Follow-up of Performance Audit	<i>Controlling and Reducing Pollution from Industry (April 2001)</i>	12 May 2004
123	National Parks and Wildlife Service	<i>Managing Natural and Cultural Heritage in Parks and Reserves</i>	16 June 2004
124	Fleet Management	<i>Meeting Business Needs</i>	30 June 2004
125	Department of Health NSW Ambulance Service	<i>Transporting and Treating Emergency Patients</i>	28 July 2004
126	Department of Education and Training	<i>School Annual Reports</i>	15 September 2004
127	Department of Ageing, Disability and Home Care	<i>Home Care Service</i>	13 October 2004
128*	Department of Commerce	<i>Shared Corporate Services: Realising the Benefit including guidance on better practice</i>	3 November 2004
129	Follow-up of Performance Audit	<i>Environmental Impact Assessment of Major Projects (2001)</i>	1 February 2005
130*	Fraud Control	<i>Current Progress and Future Directions including guidance on better practice</i>	9 February 2005
131	Follow-up of Performance Audit Department of Housing	<i>Maintenance of Public Housing (2001)</i>	2 March 2005
132	Follow-up of Performance Audit State Debt Recovery Office	<i>Collecting Outstanding Fines and Penalties (2002)</i>	March 2005

* Better Practice Guides

Performance Audits on our website

A list of performance audits tabled or published since March 1997, as well as those currently in progress, can be found on our website www.audit.nsw.gov.au

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