



Office of State Revenue
NSW TREASURY

Office of State Revenue



Annual
Report
2004–2005

Legislation administered

Betting Tax Act 2001
Commonwealth Places (Mirror Taxes Administration) Act 1998
Duties Act 1997
Fines Act 1996
First Home Owner Grant Act 2000
Health Insurance Levies Act 1982
Insurance Protection Tax Act 2001
Land Tax Act 1956
Land Tax Management Act 1956
Pay-roll Tax Act 1971
Petroleum Products Subsidy Act 1997
Premium Property Tax Act 1998 (repealed 1 June 2004)
Revenue Laws (Reciprocal Powers) Act 1987 (repealed 1 July 2003)
Stamp Duties Act 1920
Taxation Administration Act 1996
Unclaimed Money Act 1995

We also collected revenue under the *Parking Space Levy Act 1992* for the NSW Ministry of Transport and revenue under the *Gaming Machine Tax Act 2001* for the Department of Gaming and Racing.

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About the Office of State Revenue

The Office of State Revenue (OSR) is one of two NSW Treasury offices. The other is the Office of Financial Management (OFM). OFM is responsible for State Government accounting, banking, funding and economic advice.

OSR administers State taxation and revenue programs for and on behalf of the people of NSW. We help develop policy and implement legislation and collect revenue, outstanding fines and penalties.

This reporting period we collected 90 per cent of total taxation revenue for the State.

Our purpose

To ensure revenue compliance to help fund the future for the people of NSW.

Our vision

To become the organisation most renowned in Australia for improving revenue services.

Our values

In conducting our business:

- We are **RESPONSIVE** to the needs of our clients and staff
- We always act with **INTEGRITY**
- We use **TEAMWORK** when undertaking our roles
- We focus on the **ACHIEVEMENT** of results.

Our objectives

- Maximise compliance
- Maximise effectiveness and efficiency
- Maximise stakeholder satisfaction
- Maximise organisational and staff capability

Our focus areas

- Build an organisation of value-able people

Revenue

Category	Collected \$m	% of total
Duties	4 808	35
Pay-roll tax	5 500	40
Land tax	1 586	12
Gaming and racing	1 058	7
Federal tax equivalents	396	3
Infringement Processing Bureau fines	159	1
Health insurance levy	102	1
State Debt Recovery Office fines	88	1
Insurance protection tax	68	—
Parking space levy	46	—
Unclaimed money	22	—
Other revenue and taxes	1	—
Total Crown revenue collected	13 834	100

In addition, \$135 million was collected on behalf of SDRO's commercial clients.

Benefits and funds disbursed

Category	Value \$m
First Home Owner Grant Scheme	264.8
First Home Plus Scheme	376.0
Petroleum Products Subsidy Scheme	40.4
Unclaimed money	12.6
Total	693.8

Please note that when comparing aggregated data in our tables and graphs with figures in the financial statements, any minor inconsistencies can be attributed to the rounding methodology used.

- Drive service and efficiency through technology
- Forge powerful stakeholder relationships
- Enhance our revenue performance
- Ensure OSR's continual renewal
- Able to anticipate and respond to environmental changes
- Flexible, reliable, automated systems and processes
- Seamless, responsive client service
- Effective relationship management.

Our core capabilities

Core capabilities are those strengths which an organisation must have to be able to deliver on its areas of business focus.

- Visionary, disciplined leadership
- Skilled, committed and adaptive people

Our strategic and corporate plans confirm our mission, vision and guiding principles while simultaneously outlining a set of goals, objectives and strategies that establish priorities and provide direction.

Corporate achievements

2004–2005

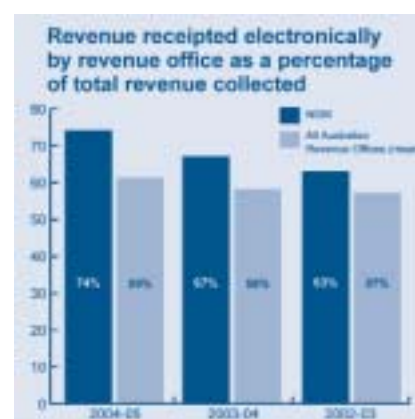
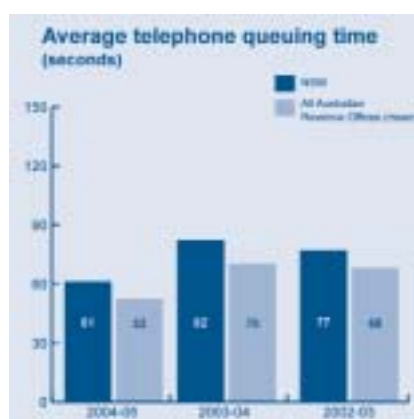
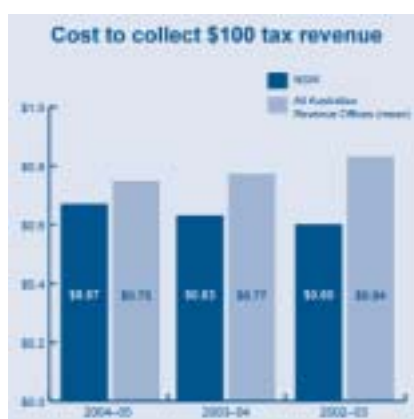
Focus	Achievements
Build an organisation of value-able people	<ul style="list-style-type: none"> ■ Frontline Management Development Program introduced ■ Positive responses to workplace climate survey ■ Launched new starters induction program ■ 459 staff recruited and trained ■ 464 learning sessions conducted in 167 programs
Drive service and efficiency through technology	<ul style="list-style-type: none"> ■ Implemented credit card payment options for land tax ■ Over 66 per cent of duties transactions processed electronically ■ 12.5 million hits on OSR public website ■ 99 per cent of clients used Online Pay-roll Tax Annual Reconciliation software ■ Won Silver award in e-government category at the Premier's Public Sector Awards ■ Extended availability of OSR website applications ■ Introduced "handheld" devices for issuing fines for IPB clients
Forge powerful stakeholder relationships	<ul style="list-style-type: none"> ■ Developed legislation to consolidate mini-Budget initiatives ■ Enforced 102 000 fines supporting State Electoral Commission ■ Grew OSR Online Subscription Service by 33 per cent to 10 000 subscribers ■ Introduced Hardship Review Board for fines clients ■ Introduced direct debit payments for pay-roll tax ■ Established Collections Land Tax Call Centre and First Home Benefits Unit
Enhance our revenue performance	<ul style="list-style-type: none"> ■ Tax revenue exceeded \$13.4bn ■ Fine recoveries exceeded \$381m ■ Paid over \$264.8m in First Home Owners Grants ■ Paid over \$12.6m in unclaimed money ■ Identified almost \$218m through compliance activities ■ Introduced processes for Vendor Duty ■ Processed over 320 000 new client Land Tax registrations ■ Held 124 seminars on State taxes for clients
Ensure OSR's continual renewal	<ul style="list-style-type: none"> ■ Completed ISO 9001 certification documentation in a number of branches ■ Successful tender to undertake commercial Workcover audits ■ Developed client education strategic model

Corporate key performance indicators (KPIs)

Results for 2004-2005

KPI	Target	Results 2004-2005
Enhance our Revenue Performance		
Revenue collected	≥98% of original budget	98%
Total overdue debt as a percentage of total revenue	≤1.1%	1.03%
Build an organisation of Value-able People		
Attendance in days	≥88%	88%
Percentage of overall staff satisfaction	≥70%	92%
Percentage of training requirements met	≥90%	91%
Drive Service and Efficiency through technology		
Percentage of revenue received by electronic payment	≥65%	74%
Closure rate of enforced fines (\$value)	≥40%	41%
Percentage of infringements finalised at IPB (\$value)	≥99%	99.8%
Number of website visitor sessions per 1000 capita	≥60	235
Forge powerful stakeholder relationships		
Client Service Index	≥85%	94%
Ensure OSR's Continual Renewal		
Cost to collect \$100		
■ Tax Revenue	≤\$0.62	\$0.67
■ Infringement Processing	≤\$10	\$10.28
■ Fine Enforcement	≤\$15	\$12.23

Comparison of OSR's performance against average for all Australian revenue offices



Treasury letter

The Hon Morris Iemma MP
Premier and Treasurer
Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

The Hon Michael Costa MLC
Minister for Finance
Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

31 October 2005

Dear Treasurer and Minister,

We have pleasure in submitting the Annual Report for the Office of State Revenue for the financial year ended 30 June 2005, for presentation to the Parliament of New South Wales in accordance with the *Annual Reports (Departments) Act 1985*.

The Report is part of the NSW Treasury Annual Report. A second volume, the Office of Financial Management Annual Report, contains the consolidated financial statements for both offices.

A third volume contains the financial statements for the Crown Entity and its commercial activities. Treasury is responsible for managing Crown finances, which concern public sector wide assets, liabilities and transactions that are the overall responsibility of government and not individual agencies.

Yours sincerely



Peter Achterstraat
Executive Director
and Chief Commissioner of State Revenue



John Pierce
Secretary
NSW Treasury



Office of State Revenue
NSW TREASURY



New South Wales
TREASURY

Corporate structure

as at 30 June 2005



Treasurer

Deputy Premier, The Treasurer
Hon Dr Andrew Refshauge *B. Med, MBBS*



NSW Treasury

Promotes excellence in State financial management.

Secretary

John Pierce *B.Com (Hons)*



Office of State Revenue (OSR)

Collects revenue due and administers revenue laws for the benefit of the people of NSW.

Executive Director and

Chief Commissioner of State Revenue

Peter Achterstraat *LL.B, B.Com, B.Ec (Hons)*
FAIM, FCPA, FCA



Revenue Advisory Services

Director and Commissioner of State Revenue
Bob Smith



Client Services

Director
Tony Newbury
B.Com



Compliance

Director
Ted Withers
MNIA



State Debt Recovery Office

Director
Brian Robertson
B.Com, CPA



Information Services

Director and Chief Information Officer
Mike Kennedy
B.App.Sc (Hons)



Management Services

Director
Dianne Barden
B.Sc (Hons)

Organisational functions

The Executive Office

Executive Director and
Chief Commissioner of State Revenue
Peter Achterstraat

- Examines and evaluates OSR business activities to ensure they are efficient, effective, economical and supported by appropriate controls
- Ensures accountability by conducting regular compliance and audit reviews
- Sponsors the Business Process Improvement (BPI) Unit responsible for reviewing the efficiency and effectiveness of our processes, prior to gaining International Standards Organisation 9001 certification.

The executive, including Audit and Review and Business Process Improvement Unit comprised 15.2 full-time equivalent staff as at 30 June 2005.

Revenue Advisory Services

Director and Commissioner
of State Revenue
Bob Smith

- Provides advice to Treasurer and Government and formulates policy, legislation and State tax revenue rulings
- Processes objections and prepares cases on appeal
- Co-ordinates responses to ministerial correspondence and inquiries
- Provides technical advice and training to clients and staff

Revenue Advisory Services had 58 full-time equivalent staff as at 30 June 2005.

Client Services Division

Director
Tony Newbury

- Provides assessing, revenue collection, enquiry and client education services at central and regional locations
- Maintains accurate and current client databases
- Administers First Home Plus, First Home Owner Grant Scheme, Petroleum Subsidy Scheme and Unclaimed Money program.

Client Services had 327 full-time equivalent staff as at 30 June 2005.

Compliance Division

Director
Ted Withers

- Researches, develops and implements programs to encourage better compliance
- Detects underpayment and non-compliance through audits and investigations
- Enforces lodgement of returns and information from defaulting taxpayers
- Recovers outstanding debt for all revenue bases.

Compliance had 243.4 full-time equivalent staff as at 30 June 2005.

State Debt Recovery Office

Director
Brian Robertson

- Provides infringement processing services through the Infringement Processing Bureau on behalf of the Crown and commercial clients in NSW
- Administers the fine enforcement system for NSW and the receipt and collection of outstanding fines and penalties.

State Debt Recovery Office had 340 full-time equivalent staff as at 30 June 2005.

Information Services Division

Director
and Chief Information Officer
Mike Kennedy

- Provides business systems and information technology infrastructure
- Maintains reliable and responsive computer facilities and applications
- Provides a high quality and responsive service to users of information technology
- Provides an information and knowledge management framework.

Information Services had 104.5 full-time equivalent staff as at 30 June 2005.

Management Services Division

Director
Dianne Barden

- Guides corporate planning and provides management information
- Delivers human resources, learning and development activities
- Provides internal financial management and accounting services
- Provides corporate communications, publications, library, and site services management
- Coordinates Equal Employment Opportunity and Ethnic Affairs Policy programs.

Management Services had 67 full-time equivalent staff as at 30 June 2005.

Executive Director's message



Peter Achterstraat
Executive Director

It has been a year of achievement and much organisational change at the Office of State Revenue.

We have achieved our revenue collection targets, while at the same time successfully implementing the revenue initiatives outlined in the Government's April 2004 mini-Budget.

We effectively managed the removal of the land tax threshold for the 2005 land tax year and the introduction of a vendor duty and a premium property duty. This was made possible by the responsiveness of our staff in handling increased demands, and our agility in undertaking significant operational changes, including the development and implementation of new processes and systems.

Our electronic services continued to play a big part in helping us manage our revenue collection - around 74 per cent of our revenue is now collected electronically. One of the most popular services is our Electronic Duties Returns (EDR) service, which allows users to process duties electronically. This service now handles 66 per cent of all duties transactions.

We continued to keep new and existing clients informed through our public website, which goes from strength to strength. This year the site received over 12.5 million 'hits'.

Significant progress has also been made in integrating the operations of the Maitland-based Infringement Processing Bureau (IPB) and the Lithgow-based Fine Enforcement Branch (FEB) to achieve greater efficiency and synergies.

This year we began implementing some of the key initiatives of our Vision 2009 strategic plan. The plan outlines strategies designed to increase OSR's agility and responsiveness as an organisation, and to further improve revenue services.

Our success as an organisation is largely due to the dedication and hard work of our staff and management team. I want to take this opportunity to thank everyone for their hard work, and for so thoroughly displaying our organisational values of responsiveness, integrity, teamwork and achievement.

A handwritten signature in black ink that reads "Peter Achterstraat". The signature is written in a cursive, flowing style.

Peter Achterstraat
Executive Director and Chief
Commissioner of State Revenue
1 October 2005

The year in review

Maximise compliance

Revenue collected

Category	Actual	Budget	Actual	Budget
	2004–2005	2004–2005	2003–2004	2003–2004
	\$m	\$m	\$m	\$m
Duties	4 808	5 482	5 492	4 917
Pay-roll tax	5 500	5 375	5 067	5 020
Land tax	1 586	1 398	1 339	1 241
Gaming and racing	1 058	1 031	950	950
Federal tax equivalents	396	344	346	270
IPB fines	159	140	99	99
Health Insurance Levy	102	102	98	99
SDRO fines	88	90	69	80
Insurance Protection Tax	68	69	69	69
Parking Space Levy	46	47	47	46
Unclaimed money	22	12	9	12
Other revenue and taxes	1	–	2	–
Total Crown revenue collected	13 834	14 090	13 587	12 803

In addition, \$135 million was collected on behalf of SDRO's commercial clients.

Revenue from duties collected by category

Category	Actual	Budget	Actual	Budget
	2004–2005	2004–2005	2003–2004	2003–2004
	\$m	\$m	\$m	\$m
Contracts and conveyances duty	2 934	3 190	3 905	3 373
Motor vehicle registrations	570	609	581	548
Insurance policies	422	451	424	435
Loan securities (mortgages) duty	320	372	410	372
Hiring arrangements	76	76	74	78
Leases	61	56	54	63
Share transfers duty	68	36	40	45
Vendor duty	355	690	2	–
Other stamp duty	2	2	2	3
Total revenue from duties	4 808	5 482	5 492	4 917

Please note that when comparing aggregated data in our tables and graphs with figures in the financial statements, any minor inconsistencies can be attributed to the rounding methodology used.

Our core role is to collect all revenue due and administer the revenue laws for the benefit of the people of NSW. We delivered on our objective by bringing in revenue of \$13 834 million or 90 per cent of total taxation revenue collected for the State.

Duties

Duties collected were \$4 808 million compared to \$5 492 million last year. The major reasons for the decrease were:

- contracts and conveyances were 25 per cent less than last year reflecting both a slowdown in the property market and also the increase in the thresholds of the First Home Plus scheme (discounts and concessions on duty for first home buyers)
- mortgages were 22 per cent less than last year and in line with the decrease in the contracts and conveyances duty.

The decline in duties collected were offset to some extent by:

- the introduction of vendor duty on 1 June 2004 which raised \$355 million in the first full year of operation
- a 70 per cent increase in share transfers over the previous year.

Pay-roll tax

Pay-roll tax collected was \$5 500 million compared to \$5 067 million last year.

In May 2005, we successfully launched a new pay-roll tax online

payment system that was developed in-house. The application allows clients who use either the monthly calculator or the annual reconciliation application to calculate and pay their pay-roll tax online all in the one transaction.

Land tax and premium property tax

Land tax revenue collected was \$1 586 million compared to \$1 339 million last year.

In April 2004, the Government announced the abolition of the land tax threshold and new land tax rates in its mini-Budget. The announcement saw the implementation of major changes to our land tax operations, systems, staffing and processes.

In the May 2005 Budget, the NSW Government reintroduced a land tax threshold for the 2006 land tax year of \$330 000 and set the land tax rate at 1.7 per cent plus \$100 in 2006.

Federal tax equivalents

Revenue collected from the 52 agencies and subsidiaries was \$396 million. The 39 National Tax Equivalent Regime (NTER) agencies contributed \$363.7 million in revenue with the balance coming from State TER agencies.

OSR continues to monitor and where necessary audit the activities of State TER agencies in accordance with the Commercial Policy Framework that came into effect on 1 July 2003.

Insurance protection tax

The insurance protection tax collected totalled \$68 million.

The *Insurance Protection Tax Act* was introduced by the NSW Government to set-up a fund to help builders' warranty and compulsory third party policy holders affected by the collapse of HIH Insurance Limited.

Parking space levy

Parking space levy collections were \$46 million.

The levy is collected on behalf of the NSW Ministry of Transport with all revenue collected used to improve public transport infrastructure. It was introduced to discourage car use in business districts by imposing a levy on off-street commercial and office parking spaces, including parking spaces in parking stations.

An extensive newspaper advertising campaign was carried out to raise public awareness of the parking space levy.

Gaming and racing

Category	2004–2005	2003–2004
	\$m	\$m
Club gaming devices	499	435
Hotel gaming devices	394	357
Totalizators	153	147
Keno tax	8	7
Fixed odds sports betting	3	3
FootyTAB	1	1
Total gaming and racing	1 058	950

OSR collects revenue on behalf of the Department of Gaming and Racing.

OSR is responsible for collecting gaming machine tax, issuing reassessments, approving payment arrangements and advising the Liquor Administration Board when a club or hotel has failed to pay the tax.

Gaming machine tax is paid by direct debit to OSR each quarter.

Infringement processing and fine enforcement

The Infringement Processing Bureau (IPB) recorded total collections of \$237 million comprised of \$159 million from Crown fines and \$78 million on behalf of other clients. Direct revenue to the IPB consisting of client fees for processing infringements, grants and miscellaneous revenue totalled \$23 million.

The Fine Enforcement Branch recorded total collections of \$144 million comprised of \$87 million from Crown fines and \$57 million on behalf of other clients.

Revenue from compliance activities

We take a risk management approach to our compliance activities. Our audit programs are designed to achieve a balance between identifying unpaid revenue and intelligence gathering to ensure we understand the level of risk to revenue. Our audit programs ensure an appropriate coverage of each revenue/grant area over a three year period.

We identified additional revenue of \$217.9 million of which \$173.5 million was collected prior to 30 June. Included in this amount is \$38.6 million identified as a result of supplementary funding allocated to OSR this year to improve compliance levels.

The most significant risk to pay-roll tax revenue continues to be the failure by some businesses to register when their wages exceed the threshold of \$600 000. Action to identify these businesses as early as possible after they reach the threshold is a major part of our compliance program.

A total of 1,664 liable clients and \$58.3 million in additional pay-roll tax revenue was identified as a result of data matching projects. A further 3,026 employers made voluntary disclosures totalling \$31.2 million. The large number of businesses making voluntary disclosures suggests an improvement in the level of awareness in the business

community of their pay-roll tax obligations.

The expansion of compliance activities in recent years, together with client education seminars and media advertising, have contributed to the improved compliance awareness among clients.

OSR continues to promote strategies to improve compliance levels within the building and construction industry, an industry characterised by non-compliance. As a result of industry audits, a further 312 businesses have been registered for pay-roll tax during 2004-05 and an additional \$20 million in revenue identified. This brings the total number of new clients registered during the last three years from this project to 616 and almost \$52 million in additional revenue identified.

OSR commissioned ATAX, University of NSW, to conduct a review and evaluation of the strategic approach undertaken by the OSR's Compliance Division to minimise the loss of pay-roll tax revenue through non-compliance.

The review found that the compliance strategies currently being followed were consistent with activities regarded as best practice. However, ATAX also made a number of recommendations to improve these strategies to encourage greater compliance.

In particular, ATAX recommended that OSR develop a more rigorous risk management methodology and consider undertaking more research and audit projects at an industry level. The main ATAX recommendations have been accepted and implementation will commence in 2005-06.

The Land Tax Equity project was expanded resulting in the identification of 6 249 new land tax clients with \$65 million in additional revenue. The use of data matching with external data sources continues to be a vital tool in identifying clients who fail to disclose properties used for non-exempt purposes.

We identified \$9.5 million from investigations of dutiable transactions. Following the introduction of vendor

duty, we undertook extensive testing of claims for exemption to evaluate the level of compliance with the legislation. We reviewed 4 459 transactions and identified \$1.2 million in incorrectly claimed exemptions.

We continued our program of data matching property transfers registered with Land and Property Information to identify unstamped transfers. We also monitored high value transactions to ensure early identification of any schemes or arrangements to avoid duty.

A program to identify applicants for the First Home Owner Grant who may have failed to fulfil the grant condition to occupy the property as their principal place of residence resulted in a review of 5 125 grant applications. As a result, 1 092 applicants were required to repay grants totalling more than \$8.7 million. As part of this process, we have also reviewed 944 First Home Plus applications and cancelled 601 concessions totalling \$2.9 million.

Overdue debt – tax and duties

Overdue debt at 30 June 2005 was \$138.6 million, which was 1.03 per cent of annual revenue. This better our target of 1.1 per cent. The increase in outstanding debt over 2003-04 is a consequence of the much larger volume of 2005 land tax assessments issued following the abolition of the land tax threshold. Overdue debt collected was \$759.4 million.

We continue to focus on improving the effectiveness of the management of larger debt cases, and also put in place a strategy for managing smaller land tax debts. The level of long-term outstanding debt remains a concern and is being addressed on an ongoing basis.

Land tax accounted for 51 per cent of outstanding debt compared with 39 per cent for 2003-04. Land tax debt increased from \$47.6 million in 2003-04 to \$70.6 million. There is \$46.8 million in disputed land tax debt.

Pay-roll tax debt accounted for 35 per cent of total outstanding debt

compared with 39 per cent for 2003-04. The pay-roll tax debt has increased marginally from \$46.7 million in 2003-04 to \$48.5 million.

Write-offs

Tax write-offs totalled \$21.7 million or 0.16 per cent of total budgeted revenue, consisting of prime tax of \$15.9 million plus penalties and interest of \$5.8 million. This is a decrease of \$5.9 million from the \$27.7 million tax written-off in 2003-04. More than 89 per cent of write-offs were for pay-roll tax resulting from company liquidations where insufficient funds were available to pay the debt.

We are constantly reviewing our collection strategies in order to minimise the level of debt written-off. We exhaust all avenues of debt recovery before the debt is deemed irrecoverable and considered for write-off.

Outstanding fines written off

We approved 74 fine write-off applications worth a total of \$171 532 under Section 120 of the *Fines Act 1996*. The fines will not be formally waived for five years. If during this time, further fines are incurred, the original fines may be re-instated for enforcement.

Hardship Review Board

The Hardship Review Board considers applications from clients for relief from their tax liabilities on the basis of financial hardship.

The Board members include delegates from the Auditor-General, the Secretary of the Treasury and the Chief Commissioner of State Revenue.

The Board considered 30 applications for relief with a combined value of \$914 750.

Full relief was granted to two applicants owing a total of \$25 465.

In addition, nine applicants had debts to the value of \$114 493 deferred. Relief was declined in 19 cases.

As a result of amendments to the *Fines Act 1996*, a second Hardship Review Board was established which has the legislative power to review applications for time to pay or the write-off of fines collectable by the State Debt Recovery Office. Its first meeting will be in August 2005.

Grants, subsidies and unclaimed money

We are responsible for administering and disbursing grants, rebates and subsidies on behalf of the Government.

First home benefits

First home benefits in NSW for the year ended 30 June 2005

	Number Paid	Value \$m
First Home Owner Grant Scheme (FHOGS)		
Original \$7 000	37 693	263.8
Additional \$7 000	27	0.5
Additional \$3 000	51	0.5
Total FHOGS	37 771*	264.8*
First Home Plus Scheme	35 865	376.0

* NOTE: These figures are gross figures and do not take into account FHOGS grants which have been repaid due to compliance activities and voluntary cancellation of the grant.

First Home Owner Grant Scheme

FHOGS paid out \$264.8 million to 37 771 first home owners.

First Home Plus

The NSW Government's First Home Plus (FHP) scheme provides exemptions or concessions on transfer duty and mortgage duty for first home buyers and builders in NSW. This includes people buying vacant land on which they intend to build their first home.

The total value of FHP transfer duty and mortgage duty concessions granted to 35 685 claimants was \$376 million. This was an increase of 64 per cent compared to the previous financial year.

The significant increase in FHP concessions was mainly due to the NSW Government increasing the FHP threshold to \$500 000 and phasing it out at \$600 000 for the purchase of new or established dwellings anywhere in NSW. The FHP threshold for the purchase of land in NSW was also raised to \$300 000 phasing out at \$450 000.

Unclaimed money

We paid 5 784 claims worth \$12.6 million, an increase of over 10 per cent in the number of claims

paid. This included over \$2.6 million paid to 193 owners of unclaimed money identified through data matching.

We hold the following types of unclaimed money: dividends, principal and interest, trust account funds, expenses, refunds and overpayments, deposits, premiums, unrepresented cheques, distributions from liquidations, proceeds of sale, royalties, commissions, creditors, debentures, convertible notes, superannuation and retirement savings account benefits.

Businesses, government agencies, local councils, superannuation funds, companies with dividend shares, utilities, the State Trustee and other agencies are required to lodge money with OSR if they cannot locate and return the money to the owner within six years.

Petroleum subsidy scheme in northern NSW

NSW pays a subsidy for petroleum products in the five northern zones within the State extending south from the Queensland-NSW border.

This year we paid \$40.4 million in subsidies to registered wholesalers and distributors on condition the payments were passed on to consumers.

The year in review

Maximise effectiveness and efficiency

Creating efficient systems

Electronic service delivery has again made a major contribution to our objectives of maximising efficiency and client satisfaction. Most taxes are now regularly collected electronically.

This year 74 per cent of tax and duty payments to OSR were made electronically, an increase from 67 per cent. Electronic payments, including interactive voice recognition, for fine infringements account for 40 per cent of payments.

Our computer systems were upgraded to handle a significant increase in new land tax clients. Other improvements included:

- upgraded internet computer infrastructure
- enhanced data quality to help identify potential clients
- new processes to issue letters to potential new clients
- enhanced website to make it easier for clients to lodge land tax registration forms. 48 000 clients used our website to register
- scanning land tax registration forms to allow the automatic registration of client information
- amended settlement process to allow land tax to be paid in the settlement rooms located in Sydney. This allowed clients to conveniently pay land tax at the time of settlement.

The project to redevelop our fine enforcement computer systems to ensure both system stability and data

integrity was not successfully completed during the year. A review of the project has suggested some new approaches to the project.

Electronic land tax valuation and clearance certificates

Land tax clearances and duties documents received electronically now account for 59.8 per cent of those issued to clients, a rise of 10 per cent on last year.

The service is available through authorised Client Service Providers (CSPs) who are linked to our information systems and enable clients to connect via their desktop computer to receive their certificates online.

ISO 9001 certification

We progressed with the alignment of our management systems with the International Standards Organisation's (ISO) 9001:2000 Quality Management Systems standard. We have completed Stage 1 of our certification assessment against the standard and are currently on track to achieve ISO certification by our target date of 31 December 2005.

Waste reduction and purchasing

Our Waste Reduction and Purchasing Policy (WRAPP) committee implemented the following waste management practices and policies for paper and other office products and waste-friendly purchasing:

- use 50 per cent recycled office paper
- improve awareness through the intranet and an extensive poster campaign
- liaison between OSR and paper recycling contractors and stationery suppliers to ensure maximum recycling.

A Department of Environment and Conservation report highlighted our efforts as a good practice example of 'People Power'.

Energy management policy

Our energy management policies are aimed at reducing energy consumption and replacing our current reliance on fossil fuels with non-polluting green energy sources.

Our energy usage increased due to the inclusion of additional accommodation to house our Compliance Division.

We are currently undertaking energy audits in a number of our leased office accommodation as phase two of the Australian Buildings Greenhouse Rating (ABGR) scheme to comply with the Premier's directive of March 2004 to reduce greenhouse gas emissions.

Fuel efficiency improvements and emission reduction from Government vehicles

We are committed to ensuring that we meet the targets prescribed in the 'Cleaner NSW Government Fleet' policy.

This will be achieved by increasing the environmental performance of the fleet and reducing total greenhouse gas emissions.

We are developing a rolling three year fleet improvement plan incorporating specific fleet performance targets effective from 1 July 2005.

Maximise stakeholder satisfaction

Extending levels of service through technology

We offer a comprehensive set of online transactions to clients, including electronic payment, electronic lodgement, online seminar registration, online subscription service, electronic searching for unclaimed money and web calculators.

Our range of electronic services include:

■ **Electronic duties returns**

Our Electronic Duties Returns (EDR) service allows approved clients to self-assess and endorse a wide range of duty documents electronically including agreements for the sale of land or business, real property transfers, mortgages, leases, trust documents and some types of exemptions.

As at 30 June 2005, we had 1,600 EDR clients and processed 66 per cent of all duties documents electronically. This compares to 45 per cent of duties documents processed by EDR in 2003-04.

EDR clients submit document details electronically via a Client Service Provider, a type of information service provider or broker, who facilitates access to our information systems on behalf of the client.

There have been a number of enhancements to the EDR process with new duties transactions added.

New duties calculators were added to our website and major enhancements were made to the existing First Home Plus, agreements and mortgage calculators reflecting the changes brought about by the mini-Budget in 2004.

■ **Electronic pay-roll tax annual returns**

Pay-roll tax clients used our online forms to prepare and lodge their pay-roll tax annual reconciliation returns online.

The online form was developed in-house and allows clients to calculate and submit their annual reconciliation online in a secure environment.

The latest version of our pay-roll tax online login annual reconciliation return form allows clients who have been using the online login monthly calculator during the year to access previously saved monthly wages figures from the monthly calculator.

■ **Payment Options**

OSR introduced two new payment options to make the payment process easier for clients. Pay-roll tax clients calculating their monthly pay-roll tax liability online can now also make the payment directly through the OSR website.

Enhancements to the online payment process means that land tax clients can now pay using a credit card. Payments of up to \$2000 can be made via the telephone, OSR website or BPay. Over 20 per cent of land tax payments in 2005 were made with a credit card. This service has proved highly popular with over 10 000 clients taking up the web-based service in the first six months.

■ OSR website

During the year, our public website: *www.osr.nsw.gov.au* received 12.5 million 'hits'. The busiest month of the year was February with just over 1.5 million 'hits'.

We provide a free unclaimed money search facility on our website which allows owners to search our unclaimed money database directly and lodge claims electronically.

The web-based unclaimed money database holds over 181 000 items of unclaimed money worth \$88.8 million and is updated daily so clients have access to the most up-to-date information when searching.

The unclaimed money section on our website receives around 13 500 'hits' each week with 62 per cent of all unclaimed money claims lodged electronically.

OSR website top 6 pages

1	OSR homepage
2	Unclaimed money
3	Calculator - sale or transfer of land or business
4	Calculators homepage
5	Calculate the duty on a mortgage
6	Land tax registration page

Service delivery

We are committed to providing the highest possible standards of service to our clients. Our service standards are continually monitored and evaluated to ensure all staff are trained according to best practices.

Telephone enquiry service

Our client service staff at our Parramatta call centre answered 83 per cent of telephone enquiries within two minutes. This exceeded our target of 75 per cent. Staff responded to 512 219 telephone enquiries during the year. The average waiting time was 61 seconds.

The Infringement Processing Bureau (IPB) call centre responded to 443 800 telephone enquiries. Staff answered 75 per cent of calls within 120 seconds. The average waiting time was 76 seconds.

The Fine Enforcement Branch (FEB) call centre responded to 604 695 telephone enquiries during the year. Staff answered 55 per cent of calls within 120 seconds. The average waiting time was 115 seconds. Implementation of an auto attendant message for payment enquiries meant that 7 per cent of callers selected this option and did not return to the queue.

Direct contact points were established with the NSW Roads and Traffic Authority (RTA), Ombudsman's office and other key stakeholders, as well as providing members of parliament with a direct contact point for constituent enquiries.

Counter service

At our Parramatta and Sydney city office counters, 86 per cent of clients were served within 10 minutes. This exceeded our target of 80 per cent.

Service delivery outlets

In addition to our SDRO offices in Lithgow and Maitland, we have three regional offices, located in the

Sydney CBD, Newcastle and Wollongong. These offices provide a comprehensive range of services to clients.

The Sydney Office is our principal point of contact with the public and is responsible for high volume assessing and processing of documents and other conveyancing related transactions. The Sydney Office also provides support for clients who transact with OSR electronically and for three alternative settlement facilities established and operating in the CBD.

Commitment to clients

Client education strategy

Our Client Services Strategy has four key elements of 'Good law', 'Educated clients', 'Excellent personal service' and 'Smooth processes'. Building on this, we developed a strategic client education model designed to ensure that 'the right information reaches the right people, through the right channels at the right time'.

We are implementing a series of strategies to meet the education needs of our clients and to evaluate the benefits of these strategies. Our initial focus area for 2005-06 will be land tax.

Education and awareness activities

We also continued our awareness campaign on the changes announced in the 2004 mini-Budget. This included conducting seminars for solicitors, accountants and professional advisers in metropolitan and country centres, as well as interstate and extensively advertising these seminars in local newspapers.

The 2005 State Budget and *State Revenue Legislation Amendment Act 2005* changes were the subject of a series of client education activities including:

- updated education material on our website
- pay-roll tax seminars for businesses
- state taxation update seminars for professional advisers
- updated information factsheets.

Objections and reviews

We received 5 867 objections from 2 899 clients compared to 2 806 objections from 1 227 clients last year.

These comprised :

- 4 677 land tax objections from 2 026 clients (130% increase)
- 457 pay-roll tax objections from 180 clients (8% increase)
- 419 objections to the FHOGS (123% increase)
- 260 duties objections from 252 clients (132% increase)
- 54 parking space levy objections from 22 clients (2% increase).

Investigations relating to residency requirements resulted in the substantial increase in FHOGS objections and duties objections associated with First Home Plus (FHP).

We completed 98 per cent of all objections within 90 days of receipt.

Administrative Decisions Tribunal

Clients who are dissatisfied with an objection decision can have the matter independently reviewed by the Administrative Decisions Tribunal (ADT).

Administrative Decisions Tribunal deliberations

Revenue type	Number received	Number finalised	Number upheld #
Land tax	48	35	1
FHOGS	52	35	6
Duties	28	15	2*
Pay-roll tax	11	21	1
Parking space levy	2	–	–
Gaming	1	–	–
FOI	1	1	–
Privacy	1	1	–
Total	144	108	10

* The Chief Commissioner has appealed these decisions.

Addendum: The printed annual report incorrectly labels this column 'Number upheld in favour of OSR'

Maximise organisational and staff capability

People Plan

Our performance management system, EQuIP, was enhanced by designing divisional libraries of outcomes and performance expectations to provide clearer guidelines through a more rigorous process and training. This revised EQuIP assists managers and staff to focus on clear tasks and accountabilities and includes a rating scale to support the measurement of performance.

We successfully implemented five Management Development Program (MDP) training modules, which were well attended.

Our Change Management Framework now includes specific responsibilities for people related issues.

In addition we developed a Chief

Commissioner's Scholarship program and piloted a mentoring program.

Workforce Capability

Our Workforce Capability Planning (WFCP) process was redesigned to better align with corporate planning and to enable Human Resources and Learning to provide greater support for divisional objectives and to increase OSR's overall capability.

The strategies developed in the WFCP workshops are implemented in our divisional plans and are monitored.

A separate Workforce Capability Plan containing detailed staffing, skills analysis and strategic information is used to forecast the organisation's needs two years in advance. The new

Occupational health and safety statistics

Health and Safety statistics	2004–2005	2003–2004	2002–2003	2001–2002
Accident incident reports*	111	69	45	42
Workers compensation claims	42	32	15	20
Working days lost to compensation claims	378	514	216	396

* The increased reporting of accidents can be attributed in part to increased staffing levels and improvements in reporting incidents.

Workforce Capability Plans are aligned with our strategic direction, Vision 2009.

Occupational health and safety

We have a systematic approach to the identification and management of workplace hazards, including identifying occupational hazards, conducting risk assessments of these hazards, reporting these hazards and undertaking corrective action.

The Occupational Health and Safety (OH&S) Peak Committee monitors the actions taken to manage identified risks to ensure all hazards identified are resolved.

Flu vaccinations were provided to 330 staff.

Recruitment and selection

This year we revised our recruitment and selection policy and procedures to reflect the new NSW Public Sector Temporary and Casual Employment Provisions.

We successfully recruited extra staff to implement the new land tax provisions.

Staff development and organisational capability

Learning and development

We are committed to the ongoing career and personal development of our staff. Our learning team conducted 464 learning sessions in 167 programs and fulfilled 3 558 individual learning requests. Some courses offered were induction, systems training, client service, managing performance and selection techniques.

Forty-six staff participated in our

Management Development Program designed to provide our front line managers with the necessary skills to manage and lead a team.

Equal Employment Opportunity

Equal Employment Opportunity (EEO) principles are incorporated into all OSR learning and development programs, and we continue to focus on building a culture that recognises and embraces diversity.

Diversity awareness and celebrating diversity programs have been included as an integral component of the induction process for all new employees.

We continue to support management in terms of EEO strategies and responsibilities to ensure OSR takes into account all relevant concerns, initiatives and developments. Specific questions were included in the staff climate survey to gauge the perceived levels of engagements and involvement from various EEO groups.

Employee assistance

Access Programs continued to support OSR staff and management through the provision of the Employee Assistance Program. Employees attend on a voluntary basis for a wide range of personal and work related issues, and can seek advice on legal, financial and more complex matters.

Access Programs also provides information brochures and other related services via hardcopy, intranet, internet and email. They can also provide support and guidance to managerial staff and can assist in developing action plans and programs.

Staff survey






A comprehensive workplace climate survey of all staff was conducted in May 2005 with a response rate of 81 per cent.

Staff perceptions of OSR were broadly very positive, with more than 75 per cent of staff providing a positive response. The results also show OSR staff were generally more positive than staff at other NSW public sector agencies. Out of the 29 survey questions where benchmarking data was available, the level of satisfaction among OSR staff was above the sector average on 20 questions.

A Corporate Action Program will be developed for 2005-06 to implement strategies addressing issues identified in the Workplace Climate Survey.

Corporate Plan for 2005–2006

This Corporate Plan describes how OSR will progress in a challenging environment to achieve its Vision 2009 strategic direction. Each Action Program delivers outcomes for the Focus Areas and Strategies in Vision 2009. Our Corporate Plan also contributes to achieving our corporate objectives and values. It provides the basis for each divisional plan by identifying the key outcomes we need to achieve.

Focus Area	Corporate Action Program	Outcomes	Sponsor
Build an organisation of VALUE-ABLE PEOPLE 	People and Performance (Strategies 1, 2 and 3)	<ul style="list-style-type: none"> Implement strategies to address issues identified in the Workplace Climate Survey Successful management of staff impacts of the 2005-06 budget Selected learning programs are accredited Implement agreed steps to ensure disciplined leadership at all levels Develop performance standards as part of revised EQiP Enhance OSR's fraud prevention practices 	D. Barden
Drive SERVICE and EFFICIENCY through technology 	Enhance Service Channels (Strategy 1)	<ul style="list-style-type: none"> Implement agreed recommendations from the Service Channel Review 	M. Kennedy
	Integrated Stakeholder Processes (Strategy 3)	<ul style="list-style-type: none"> Identify opportunities in third party software for tax calculation and lodgment OSR becomes a full partner in e-conveyancing 	T. Newbury
	Information Management and Technology (Strategy 3)	<ul style="list-style-type: none"> Improved approach for delivering large scale projects Develop strategies to maximise benefit of new telephony capabilities 	M. Kennedy
FORGE Powerful Stakeholder RELATIONSHIPS 	Sustainable Relationship Management	<ul style="list-style-type: none"> Determine the best client segmentation for OSR and implement client education strategies 	B. Smith
		<ul style="list-style-type: none"> Implement strategies to improve relationships with commercial clients and SDRO stakeholders 	B. Robertson
Enhance our REVENUE 	Revenue Compliance (Strategies 1 and 2)	<ul style="list-style-type: none"> Successful delivery of the Compliance Enhancement Project Review self-assessment processes to ensure risks to compliance are minimised Implement technology enhancements to improve business intelligence 	T. Withers
Ensure OSR's CONTINUAL RENEWAL 	Business Integration (Strategy 1)	<ul style="list-style-type: none"> Integrate fine services, processes and technology to deliver agility, efficiency and service improvements 	B. Robertson
	Business Improvement (Strategies 1 and 3)	<ul style="list-style-type: none"> Develop OSR's Business Model for 2009 Improve OSR's approach to resource allocation 	D. Barden

Strategies relate to Vision 2009 Strategic Plan

RESPONSIVENESS INTEGRITY TEAMWORK ACHIEVEMENT



Financial statements

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Executive Director's statement

Pursuant to Section 45F of the *Public Finance and Audit Act 1983*, I state that:

- (a) the accompanying financial statements in respect of the year ended 30 June 2005 have been prepared in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group (UIG) Consensus Views, the requirements of the *Public Finance and Audit Act 1983* and Regulations, and the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Agencies or issued by the Treasurer under section 9(2) of the Act;
- (b) the statements exhibit a true and fair view of the financial position and transactions of the Office; and
- (c) there are no circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.



Peter Achterstraat
Executive Director
Office of State Revenue

6 September 2005

The following financial statements are not accompanied by an audit certificate. This information has been incorporated in the consolidated financial statements of NSW Treasury, which have been certified by the Auditor-General. The audit certificate appears in the NSW Treasury Annual Report.

Statement of financial performance

For the year ended 30 June 2005

	Notes	Actual 2005 \$'000	Budget 2005 \$'000	Actual 2004 \$'000
Expenses				
Operating expenses				
Employee related	2(a)	78 722	89 311	60 147
Other operating expenses	2(b)	42 333	36 597	35 663
Maintenance		611	653	618
Depreciation and amortisation	2(c)	11 121	8 181	16 689
Grants and subsidies	2(d)	261 342	278 876	253 888
Other expenses	2(e)	217	–	9 661
Total expenses		394 346	413 618	376 666
Less:				
Retained revenue				
Sale of goods and services	3(a)	26 065	28 720	22 901
Investment income	3(b)	1 878	920	772
Retained taxes, fees and fines	3(c)	254	60	76
Grants and contributions	3(d)	68	–	542
Other revenue	3(e)	377	100	566
Total retained revenue		28 642	29 800	24 857
Gain/(loss) on disposal of non-current assets	4	(29)	–	2
Net cost of services	20	365 733	383 818	351 807
Government contributions				
Recurrent appropriation	5	345 892	367 792	331 454
Capital appropriation	5	19 882	17 958	12 638
Acceptance by the Crown Entity of employee benefits and other liabilities	6	8 897	7 163	7 348
Total Government contributions		374 671	392 913	351 440
Surplus/(Deficit) for the year from ordinary activities		8 938	9 095	(367)
Total changes in equity other than those resulting from transactions with owners as owners	15	8 938	9 095	(367)

The accompanying notes form part of these statements.

Statement of financial position

As at 30 June 2005

	Notes	Actual 2005 \$'000	Budget 2005 \$'000	Actual 2004 \$'000
Assets				
Current assets				
Cash	8	4 668	31 380	33 806
Receivables	9	10 423	14 117	14 176
Other	11	658	487	501
Total current assets		15 749	45 984	48 483
Non-current assets				
Plant and Equipment	10	52 341	53 102	43 325
Other	11	2	8	8
Total non-current assets		52 343	53 110	43 333
Total assets		68 092	99 094	91 816
Liabilities				
Current liabilities				
Payables	12	4 395	1 899	3 718
Provisions	13	6 362	5 369	5 367
Other	14	178	34 819	34 819
Total current liabilities		10 935	42 087	43 904
Non-current liabilities				
Provisions	13	1 455	1 359	1 359
Other	14	371	160	160
Total non-current liabilities		1 826	1 519	1 519
Total liabilities		12 761	43 606	45 423
Net assets		55 331	55 488	46 393
Equity				
Reserves		—	—	—
Accumulated funds		55 331	55 488	46 393
Total equity	15	55 331	55 488	46 393

The accompanying notes form part of these statements.

Statement of cash flows

For the year ended 30 June 2005

	Notes	Actual 2005 \$'000	Budget 2005 \$'000	Actual 2004 \$'000
Cash flows from operating activities				
Payments				
Employee related		(73 102)	(86 584)	(54 691)
Grants and subsidies		(263 244)	(278 876)	(253 359)
Other		(83 799)	(43 224)	(45 048)
Total payments		(420 145)	(408 684)	(353 098)
Receipts				
Sale of goods and services		32 420	28 725	14 671
Retained taxes, fees and fines		255	–	76
Interest received		1 432	920	445
Other		8 281	5 786	10 703
Total receipts		42 388	35 431	25 895
Cash flows from Government				
Recurrent appropriation	5	345 892	367 792	332 002
Capital appropriation	5	19 882	17 958	12 721
Cash reimbursements from the Crown Entity		3 638	3 035	2 467
Cash transfers to the Consolidated Fund		(631)	–	(36)
Net cash flows from Government		368 781	388 785	347 154
Net cash flows from operating activities	20	(8 976)	15 532	19 951
Cash flows from investing activities				
Proceeds from sale plant and equipment		5	–	–
Purchases of plant and equipment		(20 167)	(17 958)	(12 638)
Other		–	–	–
Net cash flows from investing activities		(20 162)	(17 958)	(12 638)
Net increase/(decrease) in cash		(29 138)	(2 426)	7 313
Opening cash and cash equivalents		33 806	21 364	4 178
Cash transferred in as result of administrative restructuring	16	–	–	22 315
Closing cash and cash equivalents	8	4 668	18 938	33 806

The accompanying notes form part of these statements.

Supplementary financial statements

Program statement – expenses and revenues

For the year ended 30 June 2005

Agency's expenses and revenues

	Program 67.2.1*		Program 67.3.1*		Program 67.4.1*		Not Attributable		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004*** \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Expenses										
Operating expenses										
Employee related	52 332	41 621	22 704	15 109	3 686	3 417	–	–	78 722	60 147
Other operating expenses	19 029	12 251	21 988	22 460	1 316	952	–	–	42 333	35 663
Maintenance	465	407	113	177	33	34	–	–	611	618
Depreciation	5 794	14 484	4 812	979	515	1 226	–	–	11 121	16 689
Grants and subsidies	12 176	11 937	–	–	249 166	241 951	–	–	261 342	253 888
Other services	–	–	217	9 661	–	–	–	–	217	9 661
Total expenses	89 796	80 700	49 834	48 386	254 716	247 580	–	–	394 346	376 666
Retained revenue										
Sale of goods and services	3 174	4 187	22 853	18 685	38	29	–	–	26 065	22 901
Investment income	757	712	1 055	–	66	60	–	–	1 878	772
Retained fees and fines	–	–	254	76	–	–	–	–	254	76
Grants and contributions	14	223	53	300	1	19	–	–	68	542
Other revenue	361	507	–	22	16	37	–	–	377	566
Total retained revenue	4 306	5 629	24 215	19 083	121	145	–	–	28 642	24 857
Gain/(loss) on sale of non-current assets	–	6	(29)	(5)	–	1	–	–	(29)	2
Net cost of services	85 490	75 065	25 648	29 308	254 595	247 434	–	–	365 733	351 807
Government contributions **	–	–	–	–	–	–	374 671	351 440	374 671	351 440
Net (expenditure)/revenue	(85 490)	(75 065)	(25 648)	(29 308)	(254 595)	(247 434)	374 671	351 440	8 938	(367)

Administered expenses and revenues

	Program 67.2.1*		Program 67.3.1***		Program 67.4.1*		Not Attributable		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Administered expenses										
Other (Note 26)	93 932	77 637	–	61 300	–	–	–	–	93 932	138 937
Total administered expenses	93 932	77 637	–	61 300	–	–	–	–	93 932	138 937
Administered revenues										
Consolidated fund revenue earned (Note 27)										
Taxes, fees, fines, penalties and interest	13 295 825	13 113 467	266 914	195 471	–	–	–	–	13 562 739	13 308 938
Other	415 698	356 046	–	–	–	–	–	–	415 698	356 046
Total administered revenues	13 711 523	13 469 513	266 914	195 471	–	–	–	–	13 978 437	13 664 984
Administered revenues less expenses	13 617 591	13 391 876	266 914	134 171	–	–	–	–	13 884 505	13 526 047

* The name and purpose of each program is summarised in Note 7.

** Appropriations are made on an agency basis and not to individual programs. Consequently, government contributions must be included in the 'Not Attributable' column.

*** The 2003–2004 figures for Program 67.3.1 include the activities of the Infringement Processing Bureau for a period of nine months effective from 1 October 2003 when they transferred to the Office of State Revenue from NSW Police.

Supplementary financial statements

Summary of compliance with financial directives

	2005				2004			
	Recurrent Appropri'n	Expenditure /Net Claim on confund	Capital Appropri'n	Expenditure /Net Claim on confund	Recurrent Appropri'n	Expenditure /Net Claim on confund	Capital Appropri'n	Expenditure /Net Claim on confund
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Original budget appropriation/expenditure								
Appropriation Act	367 792	345 194	17 958	17 958	303 948	303 948	8 077	8 077
Additional Appropriations	—	—	—	—	20 000	10 543	—	—
s21A PF&A Act special appropriation	—	—	—	—	—	—	—	—
s24 PF&A Act transfers of functions between departments	—	—	—	—	—	—	—	—
s26 PF&A Act Commonwealth specific purpose payments	—	—	—	—	—	—	—	—
	367 792	345 194	17 958	17 958	323 948	314 491	8 077	8 077
Other appropriations/expenditure								
Treasurer's Advance	—	—	2 097	1 746	2 483	2 426	395	390
Section 22 – expenditure for certain works and services	—	—	—	—	17 810	14 537	5 149	4 171
Transfers to/from another agency (s25 of the Appropriation Act)	719	698	242	241	—	—	—	—
	719	698	2 339	1 987	20 293	16 963	5 544	4 561
Total Appropriations/Expenditure/Net Claim on Consolidated Fund (includes transfer payments)	368 511	345 892	20 297	19 945	344 241	331 454	13 621	12 638
Amount drawn down against Appropriation		345 892		19 882		332 002		12 721
Liability to Consolidated Fund *		—		—		548		83

The summary of compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed).

* The 'Liability to Consolidated Fund' represents the difference between the 'Amount drawn down against Appropriation' and the 'Total Expenditure/Net Claim on Consolidated Fund'.

Notes to and forming part of the financial statements

Note 1 Summary of significant accounting policies

(a) Reporting entity

The Office of State Revenue (OSR), as a reporting entity, comprises all the operating activities under its control. OSR is responsible for the administration and collection of specific taxes imposed by the State of New South Wales and income tax equivalents from State Government businesses. OSR is also responsible for the processing and enforcement of fines, administration and payment of grants under the First Home Owner Grant Scheme (FHOGS) and Unclaimed Money.

The reporting entity is consolidated as part of the NSW Total State Sector and as part of the NSW Public Accounts.

Administered activities are consolidated as part of the Crown Entity accounts.

(b) Basis of accounting

The financial statements of OSR are a general purpose financial report which has been prepared on an accruals basis and in accordance with:

- ▶ applicable Australian Accounting Standards (AAS)
- ▶ other authoritative pronouncements of the Australian Accounting Standards Board (AASB)
- ▶ the Urgent Issues Group (UIG) Consensus Views
- ▶ the requirements of the *Public Finance and Audit Act 1983* and Regulations, and
- ▶ the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependant General Government Sector Agencies or issued by the Treasurer under Section 9(2)(n) of the Act.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 'Accounting Policies' is considered.

Except for certain plant and equipment, which are recorded at valuation, the financial statements are prepared in accordance with the historical cost convention.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Change in Accounting Policy

In 2003-04 the agency accounted for funds held for clients of the Infringement Processing Bureau (IPB) in the Statement of Financial Position. In 2004-05, a change in accounting policy has resulted in these funds being reported in Note 22 as part of 'Trust Funds'.

(d) Administered activities

OSR administers, but does not control, certain activities on behalf of the Crown Entity. OSR is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy the resources for the achievement of the objectives of OSR.

Transactions and balances relating to the administered activities are not recognised as the agency's revenues, expenses, assets and liabilities, but are disclosed in the accompanying schedules as Administered Assets, Liabilities, Expenses and Revenues (refer Notes 23 to 27).

In accordance with the Crown Entity's revenue recognition policy State taxation revenue is recognised as follows:

- ▶ Government-assessed revenues (primarily land tax) are regarded as being able to be measured reliably at the time of issuing the assessment or when a liability has been determined.
- ▶ Taxpayer-assessed revenues (including pay-roll tax) are regarded as being able to be measured reliably when the funds are received by the tax collecting agency. Additional revenues are recognised for assessments subsequently issued following the review of returns lodged by taxpayers.
- ▶ Interest payable on government and taxpayer - assessed revenues is brought to account on a daily basis.
- ▶ Fines (such as those issued by the Courts) and enforcement orders issued by the State Debt Recovery Office (SDRO) are regarded as being able to be measured reliably when the fine or enforcement order is issued.
- ▶ Infringements issued by the IPB are regarded as being able to be measured reliably when the cash is received.

(e) Revenue recognition

Revenue is recognised when the agency has control of the good or right to receive, it is probable that the economic benefits will flow to the agency and the amount of revenue can be measured reliably. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

(i) Parliamentary appropriations and contributions from other bodies

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as revenues when the agency obtains control over the assets comprising the appropriations and contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

An exception to the above is when appropriations are unspent at year end. In this case, the authority to spend the money lapses and

generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are now accounted for as liabilities rather than revenue.

The liability is disclosed in Note 14 as part of 'Current/non-current liabilities-other'. In general the amount will be repaid and the liability will be extinguished in the next financial year.

(ii) Sale of goods and services

Revenue from the sale of goods and services comprises revenue from the provision of products or services. Commercial infringement fees are recognised when the service is provided. Search fees are recognised as revenue when the department obtains control of the assets that result from them.

(iii) Investment income

Interest revenue is recognised as it accrues.

(f) Employee benefits and other provisions

(i) Salaries and wages, annual leave, sick leave and on-costs

Liabilities for salaries and wages, annual leave, leave loading and vesting sick leave are recognised and measured in respect of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of pay-roll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

(ii) Long service leave and superannuation

OSR's liabilities for long service leave and superannuation are assumed by the Crown Entity. OSR accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee entitlements and other liabilities'.

Employee benefit liabilities, such as long service leave, that are expected to be settled more than 12 months after the reporting date, are measured as the present value of the estimated future cash outflows to be made by the employer in respect of services provided by employees up to the reporting date. This calculation takes into account future increases in remuneration rates.

On-costs ie costs that are consequential to the employment of employees, but which are not employee benefits, are recognised as liabilities and expenses when the employee benefits to which they relate are recognised and are accordingly measured as the present value of the estimated cash outflows.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(iii) Other provisions

Other provisions exist when OSR has a present legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events. These provisions are recognised when it is probable that a future sacrifice of economic benefits will be required and the amount can be measured reliably.

Any provisions for restructuring are recognised when a detailed formal plan has been developed and where the agency has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring.

(g) Insurance

OSR's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager.

(h) Accounting for the Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where:

- ▶ the amount of GST incurred by OSR as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense
- ▶ receivables and payables are stated with the amount of GST included.

(i) Acquisition of assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by OSR. Cost is determined as the fair value of the assets given as consideration plus the costs incidental to the acquisition.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition (see also assets transferred as a result of an administrative restructure - Note (r)).

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value at the acquisition date. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained.

(j) Plant and equipment

Office furniture and equipment costing at least \$5 000 is capitalised. Computer hardware costing at least \$1 000 is also capitalised. However, grouped assets with inter-related functions such as the computer network and revenue receipting equipment are capitalised regardless of cost.

(k) Revaluation of physical non-current assets

Physical non-current assets are valued in accordance with the 'Guidelines for the Valuation of Physical Non-Current Assets at Fair Value' (TPP 03-02). This policy adopts fair value in accordance with AASB 1041 from

financial years beginning on or after 1 July 2002. There is no substantive difference between the fair value valuation methodology and the previous valuation methodology adopted in the NSW public sector.

Where available, fair value is determined having regard to the highest and best use of the asset on the basis of current market selling prices for the same or similar assets. Where market selling price is not available, the asset's fair value is measured as its market buying price ie the replacement cost of the asset's remaining future economic benefits.

The agency is a not for profit entity with no cash generating operations.

As OSR does not own Land, Building or Infrastructure assets, management considers it unnecessary to carry out a revaluation of physical non-current assets every five years, unless it becomes aware of any material difference in the carrying amount of any class of assets.

Most of OSR's assets (hardware, software, equipment and furniture) with the exception of core business applications, are non-specialised with short useful lives and are therefore measured at depreciated historical cost, as a surrogate for fair value.

(l) Depreciation of non-current physical assets

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to OSR.

All material separately identifiable component assets are recognised and depreciated over their shorter useful lives, including those components that in effect represent major periodic maintenance.

The useful lives of each category of depreciable assets are:

Computer hardware	4 years
Office equipment	7 years
Office furniture	5 to 10 years; and
Computer software	1 to 10 years depending on the expected usage of the application.

(m) Maintenance and repairs

The costs of maintenance are charged as expenses when incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated.

(n) Leased assets

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred.

(o) Receivables

Receivables are recognised and carried at cost, based on the original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(p) Trust funds

OSR receives monies in a trustee capacity as set out in Note 22. As OSR performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of an agency's own objectives, they are not brought to account in the financial statements.

(q) Other assets

Other assets including prepayments are recognised on a cost basis.

(r) Equity transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfer of programs / functions and parts thereof between NSW public sector agencies are designated as a contribution by owners by NSWTC 01/11 and are recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with Urgent Issues Group Abstract UIG 38 'Contributions by Owners Made to Wholly Owned Public Sector Entities'.

Transfers arising from an administrative restructure between government departments are recognised at the amount at which the asset was recognised by the transferor government department immediately prior to the restructure (refer to Note 16). In most instances, this will approximate fair value. All other equity transfers are recognised at fair value.

(s) Payables

These amounts represent liabilities for goods and services provided to the agency and other amounts, including interest. Interest is accrued over the period it becomes due.

(t) Budgeted amounts

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of additional appropriations, s 21A, s 24 and/or s 26 of the *Public Finance and Audit Act 1983*.

The budgeted amounts in the Statement of Financial Performance and the Statement of Cash Flows are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Statement of Financial Position, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts ie per the audited financial statements (rather than carried forward estimates).

(u) Impact of adopting Australian Equivalents to International Financial Reporting Standards

OSR will apply the Australian Equivalents to International Financial Reporting Standards (AEIFRS) from 2005-06.

The following strategy is being implemented to manage the transition to AEIFRS. OSR has developed an AEIFRS Implementation Plan that focus on assessing the impact of the changes in accounting standards on OSR operations and administered activities. The Plan also addresses the accounting policy, accounting systems and training requirements to effect the new standards.

To date, OSR has identified and addressed those areas requiring change through ongoing consultation and, where necessary, the engagement of external assistance through the Internal Audit Bureau. The final analysis resulted in minimal changes being identified to the accounting treatment of OSR financial transactions. The minor systems changes and training requirements resulting from the changes are being implemented.

OSR has determined the key areas where changes in accounting policies are likely to impact the financial report. Some of these impacts arise because AEIFRS requirements are different from existing AASB

requirements (AGAAP). Other impacts are likely to arise from options in AEIFRS. To ensure consistency at the whole of government level, NSW Treasury has advised agencies of options it has and is likely to mandate for the NSW Public Sector. The impacts disclosed below reflect Treasury's mandates (referred to as 'indicative mandates') that are relevant to OSR operations.

As a Not for Profit entity and based on its assessment of the changes the equity and profit/loss results under the existing standards will not change. OSR does not anticipate any material impacts on its cash flows. The actual effects of the transition may differ from the initial assessment because of pending changes to the AEIFRS, including the UIG Interpretations and / or emerging accepted practice in their interpretation and application. OSR's accounting policies may also be affected by a proposed standard to harmonise accounting standards with Government Finance Statistics (GFS). However, the impact is uncertain because it depends on when this standard is finalised and whether it can be adopted in 2005-06.

The major impacts for OSR in adopting AEIFRS are as follows;

- (i) AASB 138 *Intangible Assets* - OSR is to reclassify its core business software applications from property, plant and equipment to intangible assets. The amount to be reclassified for those assets is \$32.8 million.
- (ii) Financial Instruments - In accordance with NSW Treasury's indicative mandates, OSR will apply the exemption provided in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* not to apply the requirements of AASB 132 *Financial Instruments: Presentation and Disclosures* and AASB 139 *Financial Instruments: Recognition and Measurement* for the financial year ended 30 June 2005. These Standards will apply from 1 July 2005. None of the information provided above includes any impacts for financial instruments. However, when these Standards are applied, they are likely to impact on retained earnings (on first adoption) and the amount and volatility of profit / loss. Further, the impact of these Standards will in part depend on whether the fair value option can or will be mandated consistent with Government Finance Statistics.
- (iii) Grant recognition for *not-for profit* entities - OSR will apply the requirements in AASB 1004 *Contributions* regarding contributions of assets (including grants) and forgiveness of liabilities. There are no differences in the recognition requirements between the new AASB 1004 and the current AASB 1004. However, the new AASB 1004 may be amended by proposals in Exposure Draft (ED) 125 *Financial Reporting by Local Governments*. If the ED 125 approach is applied, revenue and / or expense recognition will not occur until either OSR supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied. ED 125 may therefore delay revenue recognition compared with AASB 1004, where grants are recognised when controlled. However, at this stage, the timing and dollar impact of these amendments is uncertain.
- (iv) Administered Activities - the Australian Accounting Standards Board is currently reviewing AAS 29. The outcome of that review will determine how OSR reports its administered activities in the future. At this stage, the timing and dollar impact of any changes is uncertain.

Note 2 Expenses

	2005	2004
	\$'000	\$'000
(a) Employee related expenses		
Salaries and wages (including recreation leave)	65 319	49 288
Superannuation	5 968	4 868
Long service leave	2 585	2 188
Workers' compensation insurance	393	334
Pay-roll tax and fringe benefits tax	4 349	3 350
On-costs on LSL not assumed by Crown	108	119
	78 722	60 147
<p>Employee related expenses of \$2.6 million (2003-04 - \$1.8 million) have been incurred for various capital projects and are included in computer software costs and capital work in progress in Note 10. Except as noted, there are no other employee related payments included in asset and expenditure accounts.</p>		
	2005	2004
	\$'000	\$'000
(b) Other operating expenses		
Auditor's remuneration		
Audit or review of the financial reports	307	202
Bad and doubtful debts	103	(25)
Operating lease rental expense		
Minimum lease payments	5 877	4 830
Insurance	94	100
Other		
Contractors' and consultancy fees	13 994	15 021
Computer maintenance and software licences	1 984	1 619
Building maintenance and utilities	2 757	2 090
Minor plant, equipment and stores	1 543	1 271
Data access fees	2 217	1 043
Training	382	433
Printing and advertising	2 394	1 874
Postal charges	2 715	2 058
Bank charges	1 323	383
Other	6 643	4 764
	42 333	35 663
(c) Depreciation		
Computer hardware	2 102	1 375
Computer software	8 307	14 780
Office equipment	143	101
Office furniture	569	433
	11 121	16 689
(d) Grants and subsidies		
First Home Owner Grant Scheme (FHOGS) (i)	249 166	241 943
Department of Lands(ii)	12 176	11 937
Other	-	8
	261 342	253 888
(e) Other expenses		
Compensation Payments (Statute Barred infringements) (iii)	217	9 661

Note 2 Expenses (cont.)

- (i) The First Home Owners Grant Scheme (FHOGS) was introduced in July 2000 to compensate first home buyers for the impact of the introduction of GST. OSR is responsible for the payment of the grant to approved applicants.

The amount is net of returns of payments made in relation to contracts not settled and recoveries by compliance auditors of payments made to ineligible applicants. Write-off of refunds that are irrecoverable, however, are added back. Penalties, imposed in terms of the FHOGS legislation on applicants for wrongful claims, were also netted off against the total amount of payments made in the year.

	2005	2004
	\$'000	\$'000
Total FHOGS payments	264 848	249 775
Less: Returns - payments on contracts not settled	6 288	5 519
Less: Refunds - ineligible payments	8 068	1 946
Less: Penalties on wrongful claims	1 500	484
Add: Write-off of refunds due	174	117
Net FHOGS payments	249 166	241 943

- (ii) The Department of Lands provides land information and valuation services required to administer the *Land Tax Management Act 1956*.
- (iii) In 2004-05, compensation payments amounting to \$217 000 were paid to clients of the IPB who were financially disadvantaged due to infringements reaching a statute barred status. In 2003-04, \$9.7 million in compensation payments were paid to clients of the IPB who were financially disadvantaged due to processing delays that ultimately led to infringements becoming statute barred. The payments were made in accordance with the Service Level Agreement provisions. The 2003-04 statute barred matters related to the period 1 September 2002 to 31 January 2004.

Note 3 Revenues

	2005	2004
	\$'000	\$'000
(a) Sale of goods and services		
Sales of goods		
Commercial infringement processing	22 707	18 557
Rendering of services		
Land tax search fees	2 662	3 380
Administration fees	527	820
Other	169	144
	26 065	22 901

Commercial infringement processing fees represent a service provided by the IPB to a range of local government and public sector clients. In the year 2004, the \$18.6 million reflects the revenues generated since the transfer, on 1 October 2003, of the IPB from NSW Police. The \$22.7 million represents revenues generated for the full year.

	2005	2004
	\$'000	\$'000
(b) Investment income		
Interest	1 878	772
(c) Retained taxes, fees and fines		
Annulment fees	254	76

Annulment fees imposed by the SDRO are recognised as revenues as they are controlled by the agency and can be deployed for the achievement of its objectives. They are not required to be paid to the Consolidated Revenue Fund.

	2005	2004
	\$'000	\$'000
(d) Grants and contributions		
Salary grants received	–	51
Skills incentive scheme	15	191
Other grants	53	–
Department of Commerce (connect.nsw program)	–	300
	68	542

\$68 000 was received for training and skills incentive programs for staff, \$191 000 in the prior year. In the year 2004, salary grants received represents reimbursements for the ATSI Cadetship Scheme. \$300 000 pertains to project funding received by the IPB under the connect.nsw program, for the development and implementation of hand held technology for clients to improve the system for infringement processing.

	2005	2004
	\$'000	\$'000
(e) Other revenue	377	566

The above revenue has arisen from the operating activities of OSR. The amount represented is primarily attributable to the reimbursement of legal fees associated with debt recovery action.

Note 4 Gain/(loss) on disposal of non-current assets

	2005 \$'000	2004 \$'000
Gain/(loss) on disposal of plant and equipment		
Proceeds from disposal	5	7
Written down value of assets disposed	(34)	(5)
Net gain/(loss) on disposal of plant and equipment	(29)	2

Note 5 Appropriations

	2005 \$'000	2004 \$'000
Recurrent appropriations		
Total recurrent drawdowns from Treasury (per Summary of Compliance)	345 892	332 002
Less: Liability to Consolidated Fund (per Summary of Compliance)	–	548
	345 892	331 454
Comprising:		
Recurrent appropriations (per Statement of Financial Performance)	345 892	331 454
Capital appropriations		
Total capital drawdowns from Treasury (per Summary of Compliance)	19 882	12 721
Less: Liability to Consolidated Fund (per Summary of Compliance)	–	83
	19 882	12 638
Comprising:		
Capital appropriations (per Statement of Financial Performance)	19 882	12 638

Note 6 Acceptance by the Crown Entity of employee benefits and other liabilities

The following liabilities and/or expenses have been assumed by the Crown Entity:

	2005 \$'000	2004 \$'000
Superannuation	5 968	4 868
Long service leave	2 585	2 188
Pay-roll tax	344	292
	8 897	7 348

Note 7 Programs and activities of OSR

- (a) **Program 67.2.1** **Ensuring Due Revenue**
- Objective: Ensure effective and equitable collection of revenue from taxes, duties and other sources due to the State of New South Wales by enhancing our revenue performance and driving service and efficiency through technology.
- (b) **Program 67.3.1** **Effective Infringement Processing and Fine Enforcement**
- Objective: Ensure effective and timely infringement processing and fine enforcement services which contribute to a higher level of compliance with the law through the implementation of improved business processes and technology.
- (c) **Program 67.4.1** **Ensuring Eligible Payments**
- Objective: Ensure eligible applicants receive payments due under Commonwealth/State Government schemes through maximising the efficiency and effectiveness of payments administration consistent with applicable policies, client service strategies and enhanced technology.

Note 8 Current assets – cash

	2005	2004
	\$'000	\$'000
Cash on hand	11	12
Cash at bank	4 657	33 794
	4 668	33 806

For the purposes of the Statement of Cash Flows, cash includes cash on hand and cash at bank. Cash assets recognised in the Statement of Financial Position are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

	2005	2004
	\$'000	\$'000
Cash (per Statement of Financial Position)	4 668	33 806
Closing cash and cash equivalents (per Statement of Cash Flows)	4 668	33 806

In the year 2004, included in cash at bank and cash on hand was an amount of \$31.4 million held for distribution in 2004-05 to the Crown Entity and commercial clients of IPB. A change in accounting policy has resulted in the amount being shown in Note 22.

Note 9 Current assets – receivables

	2005		2004	
	\$'000		\$'000	
Current				
Sale of goods and services (i)		4 885		11 239
Other				
GST from the Australian Taxation Office		1 092		846
Interest		942		496
FHOGS (ii)	3 460		1 559	
Less: provision for doubtful debts	<u>201</u>	3 259	<u>98</u>	1 461
Other		245		134
Total receivables		10 423		14 176

(i) Sale of goods and services

As at 30 June 2005, \$2.8 million (2003-04 \$9.2 million) of this receivable represents invoices issued to commercial clients of the IPB, including councils and other statutory bodies. In the year 2004, OSR recognised a corresponding liability of \$2.7 million for the collection of monies on behalf of NSW Police. In the year 2005, this liability is \$1 000 (refer to Note 14).

(ii) FHOGS debt

The FHOGS debt is the result of Compliance audits of grants paid where applicants do not legally qualify as first home owners. In addition to seeking recovery of grant payments, penalties are imposed in accordance with FHOGS legislation on offending claims. A provision for doubtful debts has been created for those outstanding amounts which are considered to be irrecoverable.

The total debt position as at 30 June 2005 was as follows:

	2005		2004	
	\$'000		\$'000	
Total debt				
Current amount		164		100
Instalments		–		–
Overdue amounts		6 184		10 636
		6 348		10 736
Less: Provision for doubtful debts		201		98
		6 147		10 638

Overdue amounts

Receivable	Less than 30 days		30-90 days		More than 90 days		Total		Provision for doubtful debts		Net	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
IPB commercial fees	2 180	3 160	625	937	34	5 080	2 839	9 177	–	–	2 839	9 177
FHOGS	264	78	750	141	2 331	1 240	3 345	1 459	201	98	3 144	1 361
Total	2 444	3 238	1 375	1 078	2 365	6 320	6 184	10 636	201	98	5 983	10 538

Note 10 Non-current assets – plant and equipment

	2005 \$'000	2004 \$'000
Computer hardware		
At fair value	14 209	11 735
Less accumulated depreciation	8 935	7 724
	5 274	4 011
Computer software		
At fair value	77 368	60 755
Less accumulated depreciation	47 536	38 921
	29 832	21 834
Office equipment		
At fair value	2 113	1 898
Less accumulated depreciation	1 447	1 374
	666	524
Office furniture		
At fair value	12 184	5 978
Less accumulated depreciation	3 755	3 186
	8 429	2 792
Capital work in progress at cost	8 140	14 164
Total plant and equipment		
At fair value	114 014	94 530
Less accumulated depreciation	61 673	51 205
Total plant and equipment at net book value	52 341	43 325

Reconciliations

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current and previous financial year are set out below.

	Computer Hardware 2005 \$'000	Computer Software 2005 \$'000	Office Equipment 2005 \$'000	Office Furniture 2005 \$'000	Capital Work in Progress 2005 \$'000	Total 2005 \$'000
Carrying amount at start of year	4 011	21 834	524	2 792	14 164	43 325
Additions	20	–	16	42	20 094	20 172
Disposals	(584)	–	(104)	–	–	(688)
Transfers to/ (from) CWIP	3 038	16 613	303	6 164	(26 118)	–
Depreciation for the year	(1 794)	(8 615)	(143)	(569)	–	(11 121)
Other movements						
Write back on disposal	583	–	70	–	–	653
Carrying amount at end of year	5 274	29 832	666	8 429	8 140	52 341

Reconciliations (cont.)

	Computer Hardware 2004 \$'000	Computer Software 2004 \$'000	Office Equipment 2004 \$'000	Office Furniture 2004 \$'000	Capital Work in Progress 2004 \$'000	Total 2004 \$'000
Carrying amount at start of year	2 919	23 476	338	806	7 808	35 347
Additions	139	–	43	12	12 360	12 554
Disposals	(49)	–	(245)	(753)	–	(1 047)
Transfers to/ (from) CWIP	1 901	3 695	162	246	(6 004)	–
Acquisitions through admin restructures	427	9 443	87	2 161	–	12 118
Depreciation for the year	(1 375)	(14 780)	(101)	(433)	–	(16 689)
Other movements						
Write back on disposal	49	–	240	753	–	1 042
Carrying amount at end of year	4 011	21 834	524	2 792	14 164	43 325

Note 11 Current/non-current assets – other

	2005 \$'000	2004 \$'000
Current		
Prepayments	658	501
	658	501
Non-current		
Prepayments	2	8
Total other assets	660	509

Note 12 Current liabilities – payables

	2005 \$'000	2004 \$'000
Accrued salaries, wages and on-costs	679	1 535
Creditors	3716	2 183
	4 395	3 718

Note 13 Current/non-current liabilities – provisions

	2005	2004
	\$'000	\$'000
Employee benefits and related on-costs		
Current		
Recreation leave	5 844	4 904
Provision for pay-roll tax on recreation leave liability	351	294
Provision for pay-roll tax on long service leave liability	97	90
Provision for on-costs on long service leave liability	59	54
Provision for fringe benefits tax	11	25
	6 362	5 367
Non-current		
Provision for pay-roll tax on long service leave liability	928	868
Provision for on-costs on long service leave liability	527	491
	1 455	1 359
Aggregate employee benefits and related on-costs		
Provisions – current	6 362	5 367
Provisions – non-current	1 455	1 359
Accrued salaries, wages and on-costs (Note 12)	679	1 535
	8 496	8 261

Note 14 Current/non-current liabilities – other

	2005	2004
	\$'000	\$'000
Current		
Lease incentive	177	77
Liability to the Consolidated Fund	–	631
Commercial Clients/Crown Entity (i)	–	31 426
Invoices payable to NSW Police (ii)	1	2 685
	178	34 819
Non-current		
Lease incentive	371	160
Total other liabilities	549	34 979

- (i) In the year 2004, \$31.4 million represents monies payable to IPB clients including the Crown Entity. In the year 2005, a change in the accounting approach resulted in the funds now being reported under 'Note 22. Trust Funds'.
- (ii) Invoices payable represent receivables (refer to Note 9) that the OSR is collecting on behalf of NSW Police.

Note 15 Changes in equity

	Accumulated		Asset		Total	
	Funds		Revaluation		Equity	
	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the financial year	46 393	34 642	–	–	46 393	34 642
Changes in equity – transactions with owners as owners						
Increase in net assets from Administration Restructure (Note 16)	–	12 118	–	–	–	12 118
Total	–	12 118	–	–	–	12 118
Changes in equity – other than transactions with owners as owners						
Surplus/(Deficit) for the year	8 938	(367)	–	–	8 938	(367)
Total	8 938	(367)	–	–	8 938	(367)
Balance at the end of the financial year	55 331	46 393	–	–	55 331	46 393

Note 16 Increase in net assets from equity transfers

The IPB functions were transferred from NSW Police to the OSR with effect from 1 October 2003.

	2005	2004
	\$'000	\$'000
Assets transferred from NSW Police		
Cash	–	22 315
Receivables	–	5
Plant and equipment	–	12 118
Liabilities transferred from NSW Police		
Provisions	–	585
Other	–	21 735
Increase in net assets from administrative restructuring	–	12 118

Note 17 Commitments for expenditure

	2005	2004
	\$'000	\$'000
Employee benefits and related on-costs		
(a) Capital commitments		
Aggregate capital expenditure for the acquisition of contractor and other computer items contracted for at balance date and not provided for:		
Not later than one year	1 601	–
Later than one year and not later than five years	–	–
Later than five years	–	–
Total (including GST)	1 601	–
(b) Other expenditure commitments		
Aggregate other expenditure for the acquisition of printing and other general office expenses contracted for at balance date and not provided for:		
Not later than one year	191	–
Later than one year and not later than five years	–	–
Later than five years	–	–
Total (including GST)	191	–
(c) Operating lease commitments		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	6 989	7 490
Later than one year and not later than five years	15 873	19 102
Later than five years	10 871	3 268
Total (including GST)	33 733	29 860

Leasing arrangements are generally for rental of premises and computer equipment to be paid one month in advance. The total commitments for expenditure as at 30 June 2005 include input tax credits of \$3.2 million (\$2.7 million in 2003-04) which are recoverable from the Australian Taxation Office.

Note 18 Contingent liabilities and contingent assets

A number of infringement matters are being reviewed by the IPB to determine whether special circumstances exist for return of the payments.

Two insurance claims have been made against the Agency which, if successful, would result in the settlement being met by the NSW Treasury Managed Fund.

As at reporting date, NSW Treasury is not aware of any contingent liability or contingent asset which will materially affect its financial position.

Note 19 Budget review

Net cost of services

The Net Cost of Services result was \$365.7 million. This was \$18.1 million (4.7 per cent) below budget and is primarily attributable to:

- a lower number of First Home Owner Grants processed than expected and a greater number of assessments requesting the return of funds from ineligible clients resulting in an amount of \$17.5 million below budget
- employee related costs were lower than budget by \$10.6 million due to lower than expected costs to implement tax changes and address fines recovery growth backlogs at the SDRO. Employee related cost savings were partially offset by higher other operating expenses of \$5.7 million
- depreciation higher than expected by \$2.9 million due to the full year impact of additional assets transferred from IPB
- lower than expected retained revenues for IPB Commercial clients by \$1.8 million and S.47 land tax clearance certificate application fees by \$851 547. These were partially offset by higher interest income of \$1.0 million.

Assets and liabilities

The value of Total Assets is \$68.1 million which varies to the budget of \$99.1 million by \$31.0 million (31.3per cent). This is explained by:

Current Assets - (a net reduction of \$30.2 million)

- cash was lower than budget by \$26.7 million resulting mainly from \$31.4 million distributed to IPB referring organisations (due to a change in accounting policy this amount is now disclosed in 'Note 22. Trust Funds'). This was partially offset by an increase in the payment of receivables
- receivables varied to budget by \$3.7 million mainly resulting from a reduction of \$6.3 million in IPB debtors. This has been partially offset by an increase of \$1.9 million in FHOGS debtors.

Non-Current Assets

- plant and equipment is below budget by \$760 857 due to higher depreciation than expected by \$2.9 million partially offset by an increase in plant and equipment purchases to complete core business computer application projects of \$1.7 million and to address accommodation changes of \$265 560.

Total Liabilities

Total Liabilities have significantly reduced from a budget of \$43.6 million to \$12.8 million, a net change of \$30.8 million. This is explained by:

- extinguishing \$34.1 million creditor payments to IPB referring organisations. Refer to 'Note 22. Trust Funds'
- higher payables of \$2.5 million resulting from increased accruals for other operating expenses, and
- higher provisions by \$1.1 million primarily resulting from recent award increases.

Cash flows

The net closing cash position of OSR was lower than budget by \$14.3 million and is explained by the following:

- net cash flows from operating activities decreased by \$24.5 million compared to budget. Payments were higher by \$11.5 million mainly as a result of the payment of funds held for distribution to IPB referring organisations \$31.4 million. This was offset by lower FHOGS net cash payments of \$15.6 million and less payments to address legislative changes as well as the backlog and growth in fines enforcement. Receipts

were higher than budget by \$7 million largely due to a reduction in IPB debtors of \$6.3 million

- Government contributions were lower by \$20.0 million reflecting the lower than expected number of FHOGS payments and the less than expected costs in administering both mini budget legislative changes and the backlog and growth in fines enforcement
- net cash flows from investing activities were higher than budget by \$2.2 million due to additional activity to address core business computer project requirements and accommodation needs to facilitate growth in staff numbers and legislative change.

Note 20 Reconciliation of cash flows from operating activities to net cost of services

	Notes	2005 \$'000	2004 \$'000
Net cash used on operating activities		(8 976)	19 951
Cash flows from Government/ Appropriation		(365 143)	(344 687)
Acceptance by the Crown Entity of employee benefits and other liabilities	6	(8 897)	(7 348)
Depreciation	2(c)	(11 121)	(16 689)
Provision for doubtful debts		(103)	25
Decrease/(increase) in provisions		(1 091)	(1 192)
Increase/(decrease) in prepayments and other assets		(3 499)	11 250
Decrease/(increase) in creditors		33 126	(35 434)
Net loss/(gain) on sale of plant and equipment	4	(29)	2
Cash transferred in as a result of administrative restructuring	16	–	22 315
Net cost of services		(365 733)	(351 807)

Note 21 Financial instruments

(a) Cash

Cash consists of cash on hand and bank balances within the Treasury banking system. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11.00am unofficial cash rate adjusted for a management fee to Treasury. This rate was 4.5 per cent as at 30 June 2005 (4.25 per cent at 30 June 2004).

(b) Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). No interest is earned on trade debtors. The carrying amount approximates net fair value.

(c) Bank overdraft

The Department does not have any bank overdraft facility.

(d) Creditors and accruals

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. No interest for late payment was made during the 2004-05 year (2003-04 \$nil). The carrying amount approximates net fair value.

Note 22 Trust funds

Monies held in trust for the Crown Entity and others are not recognised in the financial report, as the OSR cannot use them for the achievement of its objectives. They are held in either a trust bank account or public monies bank account. The following is a summary of the transactions in these accounts:

(a) Unclaimed Money Trust Accounts

	Testamentary & Trust Common Fund		Testamentary & Trust Interest		Companies Liquidation		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash balance at the beginning of the financial year	4 284	4 242	5 382	5 026	583	484	10 249	9 752
Add: Receipts	–	42	413	356	931	145	1 344	543
Less: Expenditure	–	–	–	–	4	33	4	33
Transfers to Crown	–	–	–	–	235	13	235	13
Cash balance at the end of the reporting period	4 284	4 284	5 795	5 382	1 275	583	11 354	10 249

(b) IPB Client Funds Account - Fines

	2005 \$'000
Cash balance at the beginning of the financial year	31 413
Add: Receipts	76 986
Less: Payments to Crown	20 798
Payments to commercial clients	72 384
Cash balance at the end of the reporting period	15 217

Funds held in this account represent amounts collected on behalf of commercial clients. These funds are remitted to clients in the month following collection. Included in the cash balance at the beginning of the financial year is an amount of \$20.8 million relating to prior years.

(c) **SDRO Public Monies Accounts - Fines**

	2005	2004
	\$'000	\$'000
Cash balance at the beginning of the financial year	8 617	6 397
Add: Receipts	144 033	114 034
Less: Payments	144 435	111 814
Cash balance at the end of the reporting period	8 215	8 617

Amounts held in the Public Monies account for the SDRO represent receipts collected on behalf of other agencies that are remitted in the month following receipt.

Note 23 Administered assets – receivables

(a) **Tax debtors**

Assets administered by OSR for the Crown Entity are primarily tax and fine debtors. They are not recognised in the Statement of Financial Position.

	2005	2004
	\$'000	\$'000
Receivables – State taxes		
Current and instalment amounts	294 526	244 025
Overdue amounts	135 486	120 572
	430 012	364 597
Less: provision for doubtful debts	28 198	29 849
	401 814	334 748

The receivables above represent taxes owed by clients at the close of business on 30 June 2005 and exclude any credit balances, which are disclosed separately in Note 24.

Current and Instalment Amounts

The following is a summary of receivable balances by tax type:

	Current		Instalments		Total	
	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Duties	82 613	70 995	–	–	82 613	70 995
Pay-roll tax	20 438	19 855	–	–	20 438	19 855
Land tax	161 567	133 783	23 629	11 664	185 196	145 447
Parking space levy	5 412	5 743	–	–	5 412	5 743
Accommodation levy	23	1 437	–	–	23	1 437
Tax equivalents	–	123	–	–	–	123
Club gaming devices	329	139	–	–	329	139
Hotel gaming devices	515	286	–	–	515	286
	270 897	232 361	23 629	11 664	294 526	244 025

Overdue Amounts

	Less than 30 days		31 – 90 days		Greater than 90 days		Total		Provision for doubtful debts		Net	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Duties	1 286	766	932	1 141	7 469	19 358	9 687	21 265	(3 615)	(3 691)	6 072	17 574
First home purchase	–	–	–	–	424	586	424	586	(184)	(256)	240	330
Pay-roll tax	3 819	1 621	7 174	5 704	37 538	39 382	48 531	46 707	(22 811)	(24 553)	25 720	22 154
Land tax	18 466	8 525	11 104	7 611	41 044	31 416	70 614	47 552	(1 560)	(1 320)	69 054	46 232
Parking space levy	131	156	11	67	2 533	1 449	2 675	1 672	(28)	(29)	2 647	1 643
Club gaming devices	496	668	244	12	557	274	1 297	954	–	–	1 297	954
Hotel gaming devices	–	19	427	596	1 829	1 205	2 256	1 820	–	–	2 256	1 820
Insurance protection tax	2	16	–	–	–	–	2	16	–	–	2	16
	24 200	11 771	19 892	15 131	91 394	93 670	135 486	120 572	(28 198)	(29 849)	107 288	90 723

Overdue amounts

Debt recovery action may result in negotiated payment arrangements or the initiation of legal debt recovery procedures if clients are unwilling to pay.

The provision for doubtful debts is regularly reviewed and updated to take into account current economic conditions, available information of clients' financial status and the expected results of recovery action being undertaken.

Land tax

Under the *Land Tax Management Act 1956*, a charge is held over land owned by taxpayers for unpaid land tax. If normal recovery procedures have been unsuccessful, a caveat is generally registered on the title until the debt is paid.

(b) Fine debtors (SDRO)

	2005	2004
	\$'000	\$'000
Receivable - Fines		
Opening balance	644 866	533 101
Movement	78 644	111 765
	723 510	644 866
Application of AAS29 (i)	544 188	486 041
	179 322	158 825

(i) Debts that do not meet the asset recognition criteria.

An amount of \$1.9 million being repaid by referring Agencies of the SDRO to the IPB is not included in the debtors reported above.

The following is a summary of receivable balances by year of enforcement:

Source	Pre 2002- 2003	2002- 2003	2003- 2004	2004- 2005	Total	AAS29	Net
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current (i)							
IPB	155 974	29 609	53 738	109 753	349 074	214 457	134 617
Courts	104 368	36 041	37 330	42 348	220 087	184 949	35 138
State electoral office	1 727	615	3 593	7 704	13 639	11 398	2 241
Sheriff's office	3 746	3 528	2 475	2 981	12 730	12 083	647
Other	12 322	1 869	1 579	4 657	20 427	18 951	1 476
	278 137	71 662	98 715	167 443	615 957	441 838	174 119
Historical (ii)							
Warrant index unit (WIU)	23 470	29 714	2 555	786	56 525	51 632	4 893
Roads and Traffic Authority (RTA)	48 991	154	100	1 783	51 028	50 718	310
	72 461	29 868	2 655	2 569	107 553	102 350	5 203
Total historical and current fines	350 598	101 530	101 370	170 012	723 510	544 188	179 322
RTA sanction costs (iii)	4 172	674	1 227	2 593	8 666	-	8 666
Total owing	354 770	102 204	102 597	172 605	732 176	544 188	187 988

(i) Current fines are those referred to SDRO following its establishment in 1998.

(ii) Historical fines are those that were referred to the SDRO on its establishment from the WIU (Warrant Index Unit) and the RTA (Roads and Traffic Authority). Amounts are owing in each of the years as they have been enforced over a period of time.

(iii) RTA sanction costs reported above are paid to the RTA when collected.

Note 24 Administered liabilities

Credit balances against tax debtors have not been netted off against the receivables reported in Note 23 and are required to be shown separately as administered liabilities:

	2005	2004
	\$'000	\$'000
Duties	4 988	1 837
First home purchase	90	61
Pay-roll tax	7 849	13 656
Land tax	8 828	5 494
Parking space levy	567	791
Tax equivalents	3 658	123
Fixed odds sports betting	–	3
Club gaming devices	65	24
Hotel gaming devices	–	1
Insurance protection tax	1	–
Fines	38	19
	26 084	22 009

The credit balances above are primarily matters awaiting final assessments pending receipt of additional information. Duties in particular carry the credit against debtors until such time as the assessment is finalised. Similarly, a credit exists for a pay-roll tax client where an assessment needs to be completed. Credit situations are also created where taxes are paid in advance, overpayments are to be refunded to clients or payments require further analysis before being allocated.

Note 25 Administered revenue – debts written off/remissions

(a) Debts written off

	2005			2004		
	Penalties /			Penalties /		
	Tax	Interest	Total	Tax	Interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Duties	1 074	633	1 707	1 427	736	2 163
Parking space levy	22	19	41	34	29	63
Pay-roll tax	14 445	5 011	19 456	19 015	5 708	24 723
Land tax	367	71	438	631	102	733
Club gaming devices	10	5	15	7	2	9
Hotel gaming devices	5	4	9	4	1	5
Insurance protection tax	–	–	–	1	–	1
	15 923	5 743	21 666	21 119	6 578	27 697

A debt is only considered irrecoverable where it is deemed to be either uneconomic to recover, the debtor cannot be located, the personal or financial circumstances of the debtor does not warrant the taking of recovery action, legal proceedings through the courts have proved unsatisfactory or legal advice suggests follow up would be ineffective.

(b) Remissions

In accordance with the *Taxation Administration Act 1996* administered by OSR, the Chief Commissioner or his delegate has the discretionary power to remit partially or wholly a statutory penalty and/or interest.

Penalties and interest remitted during the year amounted to:

	2005			2004		
	Penalties \$'000	Interest \$'000	Total \$'000	Penalties \$'000	Interest \$'000	Total \$'000
Duties	300	2 929	3 229	377	1 887	2 264
Parking space levy	4	1 409	1 413	18	1 994	2 012
Pay-roll tax	632	4 678	5 310	1 492	4 350	5 842
Land tax	–	17 807	17 807	36	9 024	9 060
Debits tax	–	18	18	–	277	277
Accommodation levy	–	231	231	–	109	109
Health insurance levies	–	–	–	–	56	56
Club gaming devices	–	5	5	–	6	6
Hotel gaming devices	–	11	11	–	19	19
Fixed odds sports betting	–	3	3	–	4	4
	936	27 091	28 027	1 923	17 726	19 649

Business rules governing the imposition of interest and penalty allow them to be remitted in part or full if the taxpayer can provide a satisfactory explanation for the default.

Note 26 Administered expenses – other

During the year, OSR incurred the following expenses on behalf of the Crown Entity:

	2005 \$'000	2004 \$'000
Act of Grace payments	2 035	3 053
Petroleum subsidies (i)	40 369	39 763
Court imposed interest payments	244	948
Unclaimed money refund – S14 <i>Public Finance and Audit Act</i>	197	63
Bad debts expense	20 015	22 238
Land tax discounts (ii)	13 225	11 569
First home purchase	1	3
Recoverable fines estimate revision (iii)	–	61 300
GST rebate - Clubs (iv)	17 846	–
	93 932	138 937

(i) Petroleum subsidies

Petroleum subsidies are paid to petroleum distributors to enable retailers located in northern NSW to compete with Queensland retailers who are provided an excise subsidy by the Queensland Government.

(ii) Land tax discounts

A 1.5 per cent discount is offered to land tax clients for full payment of their liability by the first instalment date.

(iii) Recoverable fines estimate revision

In 2003-04 the amount of \$61.3 million represented a downward revision of the opening balance based on recovery rates applicable at the time.

(iv) GST rebate - Clubs

The GST Rebate is paid to clubs to compensate for the impact of the GST and commenced during 2004-05. It is based on gaming profits and is paid quarterly.

Note 27 Administered revenue – consolidated fund

Administered revenue information is presented on a revenue collected (cash) and revenue earned (accruals) basis.

	Actual 2005 \$'000	Budget 2005 \$'000	Actual 2004 \$'000
(a) Revenue collected			
Taxes, penalties and interest			
Duties	4 807 492	5 482 300	5 491 959
First home purchase scheme	123	–	268
Total duties	4 807 615	5 482 300	5 492 227
Parking space levy	46 308	47 000	46 912
Pay-roll tax	5 499 952	5 375 000	5 067 190
Land tax	1 586 371	1 398 000	1 339 158
Debits tax	81	–	1 384
Accommodation levy	503	–	150
Health insurance levy	101 631	102 000	98 251
Insurance protection tax	67 568	68 750	68 488
Gaming and racing			
Keno tax	7 645	7 300	7 443
Totalizator tax on and off course totes	152 751	152 400	146 930
Fixed odds sports betting	3 573	3 600	3 016
Fixed odds racing betting	219	100	239
FootyTAB	900	700	905
Club gaming devices	499 123	483 000	434 516
Hotel gaming devices	394 229	384 000	356 773
Total gaming and racing	1 058 440	1 031 100	949 822
Total taxes, penalties and interest	13 168 469	13 504 150	13 063 582
Fines			
Infringement Processing Bureau			
Traffic	76 305	77 148	39 965
Parking	8 134	6 498	1 991
Red light camera	10 697	8 360	5 837
Speed camera	57 285	48 034	39 329
Other revenue	6 293	–	11 346
	158 714	140 040	98 468
State Debt Recovery Office			
Motor traffic	49 462	55 800	39 444
Other	587	960	661
Local courts	6 221	9 000	6 925
Enforcement	30 289	23 400	22 043
Electoral	1 144	960	403
	87 703	90 120	69 476
Total fines	246 417	230 160	167 944
Total taxes, fines, penalties and interest	13 414 886	13 734 310	13 231 526
Other			
Tax equivalents	395 732	343 950	345 950
Unclaimed money	22 331	12 000	9 282
Other revenue	1 463	–	824
Total other	419 526	355 950	356 056
Total revenue collected	13 834 412	14 090 260	13 587 582

	Actual 2005			Actual 2004		
	Tax/ Fines \$'000	Penalties/ Interest \$'000	Total \$'000	Tax/ Fines \$'000	Penalties/ Interest \$'000	Total \$'000
	(b) Revenue earned					
Taxes, penalties and interest						
Duties	4 797 162	11 767	4 808 929	5 492 685	11 796	5 504 481
First home purchase	–	6	6	4	35	39
Total duties	4 797 162	11 773	4 808 935	5 492 689	11 831	5 504 520
Parking space levy	45 404	2 311	47 715	46 903	3 186	50 089
Pay-roll tax	5 507 070	25 862	5 532 932	5 042 046	20 366	5 062 412
Land tax	1 640 858	36 458	1 677 316	1 357 357	18 704	1 376 061
Debits tax	70	30	100	1 336	325	1 661
Accommodation levy	–	–	–	–	190	190
Health insurance levy	101 630	–	101 630	98 360	56	98 416
Insurance protection tax	67 553	–	67 553	68 468	–	68 468
Gaming and racing						
Keno tax	7 645	–	7 645	7 443	–	7 443
Bookmakers betting tax	–	–	–	–	–	–
Totalizator tax on and off course totes	152 751	–	152 751	146 930	–	146 930
Fixed odds sports betting	3 577	3	3 580	3 013	4	3 017
Fixed odds racing betting	219	–	219	239	–	239
FootyTAB	899	–	899	905	–	905
Club gaming devices	499 514	121	499 635	435 227	51	435 278
Hotel gaming devices	394 494	421	394 915	357 583	255	357 838
Total gaming and racing	1 059 099	545	1 059 644	951 340	310	951 650
Total taxes, penalties and interest	13 218 846	76 979	13 295 825	13 058 499	54 968	13 113 467
Fines						
Infringement Processing Bureau						
Traffic	76 305	–	76 305	39 965	–	39 965
Parking	8 134	–	8 134	1 991	–	1 991
Red light camera	10 697	–	10 697	5 837	–	5 837
Speed camera	57 285	–	57 285	39 329	–	39 329
Other revenue	6 293	–	6 293	11 346	–	11 346
	158 714	–	158 714	98 468	–	98 468
State Debt Recovery Office						
Motor traffic	69 959	–	69 959	66 971	–	66 971
Other	587	–	587	661	–	661
Local courts	6 221	–	6 221	6 925	–	6 925
Enforcement	30 289	–	30 289	22 043	–	22 043
Electoral	1 144	–	1 144	403	–	403
	108 200	–	108 200	97 003	–	97 003
Total fines	266 914	–	266 914	195 471	–	195 471
Total taxes, fines, penalties and interest	13 485 760	76 979	13 562 739	13 253 970	54 968	13 308 938
Other						
Tax equivalents	392 074	–	392 074	345 829	–	345 829
Unclaimed money	22 161	–	22 161	9 284	–	9 284
Other revenue	1 463	–	1 463	933	–	933
Total other	415 698	–	415 698	356 046	–	356 046
Total revenue earned	13 901 458	76 979	13 978 437	13 610 016	54 968	13 664 984

An accrual of \$24.2 million (2003-04 \$22.4 million) representing unissued land tax assessments relating to current and prior years has been brought to account.

An amount of \$20.5 million (2003-04 \$27.5 million) has been recognised in motor traffic fine revenue that relates to the increase in recoverable fines for the current year (refer to Note 23 (b)).

Accommodation levy reversals totalling \$348 126 for tax and \$342 441 for interest relating to prior years have not been included.

Note 28 Administered contingent liabilities

A number of infringement matters are being reviewed by the IPB to determine whether special circumstances exist for return of the payments.

There are currently 91 matters where the Crown Solicitor is acting on behalf of the agency. The estimate of settlement is unspecified in each case.

End of the financial statements.

Appendices

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Appendix 1

Legislative changes

A number of amendments were made to the legislation we administer. Full details of these changes can be obtained by referring to the relevant Act.

Duties Amendment (Land Rich) Act 2004

- Amends the *Duties Act 1997* to introduce vendor land rich provisions.
- Clarifies exemptions and administrative arrangements for vendor duty and land rich acquisitions.

State Revenue Legislation Amendment (Budget Measures) Act 2005

Amends the following Acts:

Duties Act 1997

- Imposes a limit of \$1 million on the refinancing concession.
- Divides general insurance into 3 types and increases the duty rate on some types of general insurance from 5 per cent to 9 per cent.
- Provides concessions for vendor duty and land rich disposal duty.

Land Tax Act 1956

- Re-introduces a tax-free threshold for land tax.

Land Tax Management Act 1956

- Provides for the determination of the tax threshold for land tax and for its indexation by the Valuer-General.

State Revenue Legislation Amendment Act 2005

Amends the following Acts:

Duties Act 1997

- Prevents the use of put and call options to hide transfers of land.
- Closes a loophole that allowed a vendor duty concession through corporate reconstructions.

- Provides for a number of changes to duty concessions and exemptions.

Fines Act 1996

- Clarifies enforcement and privacy provisions.

Health Insurance Levies Act 1982

- Includes minor amendments relating to definitions and the list of authorised agents.

Pay-roll Tax Act 1971

- Simplifies the way in which share benefits are determined.
- Extends exemption for insurance sellers to financial planners.
- Extends the deeming provisions relating to indirect payments of wages to employees, directors and others.
- Extends the current provisions that treat trust distributions that are in lieu of wages as wages.
- Includes miscellaneous amendments relating to termination payments, definitions and exemptions for motor vehicle and accommodation allowances.

Taxation Administration Act 1996

- Clarifies the application of the tax equivalent regime.
- Clarifies certain tracing provisions for pay-roll tax purposes.
- Clarifies the application of the tax equivalent regime.
- Includes minor amendments relating to definitions and disclosure of information.
- Makes consequential amendments to the *Public Finance and Audit Act 1983* and the *State Owned Corporations Act 1989*.

Legislative reviews

Review of the Insurance Protection Tax Act 2001

Details of the review were advertised in the press and on our website and submissions were invited from key stakeholders. Nine submissions were received.

The report was tabled in both Houses of Parliament on 21 June 2005 and concluded that the objectives of the Act remained valid and that the terms of the Act supported the objectives.

A number of issues relating to the Act and its impact on insurers, their shareholders and investment in the industry were raised and will be included in the ongoing program of policy and legislative review.

Significant legal cases

Dick Smith Electronics Pty Ltd v Chief Commissioner of State Revenue

Issue

Whether a sum of \$25 million payable to the company by the purchaser to fund a debt created to the vendor's shareholders was consideration for the dutiable transaction within section 21(1) of the *Duties Act*.

Outcome

The High Court found that the requirement to pay the \$25 million formed part of the consideration for the purchase and the assessment of the Chief Commissioner was deemed correct.

Issue

The appellant being dissatisfied with a land valuation of \$1 950 000 appealed to the High Court of Australia. The High Court referred this case back to the Land and Environment Court. It was the view of the High Court that the valuer had taken too narrow an analysis of the market by concentrating on vacant sites.

Outcome

The Land and Environment Court reduced the valuation to \$1 890 000. However, the methodology adopted by the Valuer General was endorsed and the court found that there was no particular adjustment required for a scarcity factor.

Appendix 2

New publications

- 2003-2004 Annual Report
- OSR Connect (electronic newsletter)
- EDR Update bulletin (electronic newsletter)
- OSR Contact Directory
- OSR Assist brochure
- Freedom of Information-June 2005
- Factsheets
 - ▶ Client Feedback
 - ▶ Electronic Duties Returns
 - ▶ First Home Owner Grant Scheme
 - ▶ First Home Plus
 - ▶ First Home Benefits
 - ▶ Health Insurance Levy and State Ambulance Insurance Plan
 - ▶ Hire of Goods
 - ▶ Insurance Duty
 - ▶ Insurance Protection Tax
 - ▶ Investigations
 - ▶ Land Tax 2004 Information Booklet
 - ▶ Land Tax 2004 What You Need to Know
 - ▶ Motor Vehicle Registration
 - ▶ NSW Duties Rates
 - ▶ NSW Pay-roll Tax Payments to Contractors
 - ▶ NSW Pay-roll Tax Information for Employers
 - ▶ NSW State Taxes and your business
 - ▶ Objections and Reviews
 - ▶ Parking Space Levy
 - ▶ Parking Space Levy Exemptions
 - ▶ Petroleum Products Subsidy Scheme in NSW
 - ▶ Premium Property Duty
 - ▶ Privacy and your Personal Information
 - ▶ Unclaimed Money for Claimants
 - ▶ Unclaimed Money Information for Enterprises
 - ▶ Unclaimed Money Information for Superannuation Funds
 - ▶ Vendor Duty

Revenue rulings

Land Tax

- LT 074 – Exemption - land used and occupied primarily for a boarding house - 2005 tax year.
- LT 075 – Exemption - land used and occupied primarily for low cost accommodation - 2005 tax year.

Pay-roll Tax

- PT 063 – Pay-roll tax on employers' contributions to share schemes - variation to statute.
- PT 064 – Exemption of personal services income paid or payable by Australian financial services licensees to authorised agents.
- PT 065 – Average weekly wage rate for the determination of pay-roll tax liability for trust distributions using the market rate wage for 2005-06.

Seminar notes produced for duties tax, pay-roll tax and land tax.

Appendix 3

Committees

Audit Committee

The Audit Committee meets bi-monthly to oversee the activities of both internal and external audit. It is a fundamental part of OSR's corporate governance support program. The chair of the Audit Committee is Mr Peter Lucas. The other members have key financial and executive functions within OSR. The number of meetings attended is shown in brackets.

Members: Peter Lucas [6] (Independent Chair), Peter Achterstraat [5], Tony Newbury [6], Dianne Barden [6], Geoff Underhill [4], Phil Thomas [6] (Auditor-General observer representative) and Peter Barnes (Auditor-General observer representative) [5].

Corporate Management Committee

Is a leadership forum that discusses key operational and strategic issues, reviews the corporate plan, monitors progress of key performance indicators and major programs to ensure corporate objectives are achieved. Finance matters are reported on in this forum. The committee includes OSR senior management.

Members: Peter Achterstraat, Tony Newbury, Dianne Barden, Ted Withers, Brian Robertson, Mike Kennedy, Bob Smith, Richard Wilson, Nikki Kempson, Sandra Rothwell, Bob Gillam, Ian Phillips, Peter Johnson, Pravesh Babhoota, George Dragoi, Alan Watkins, Rachel Sieff, John Maker, Ermil Sipp, Brendan Nugent (to May 05), Therese Briggs, Bob Mielnik, Nancy Arya, Gail Luxford, Michael MacLean, Matthew Hay, Geoff Underhill, Cassandra Gibbens (to November 04), Kristian Mead, Gary Rosevear, Suzette Gay (From November 04), Lisa Evans (to May 05), Andrea Prince (to May 05), Phil McGovern, Bobby Bazaad (to May 05), and Ralph Wilkinson (from May 05), Gregory Frearson (from May 05).

Directors' Committee

Meets fortnightly to review operational and strategic issues.

Members: Peter Achterstraat (convenor), Tony Newbury, Dianne Barden, Ted Withers, Brian Robertson, Mike Kennedy, Bob Smith, Cassandra Gibbens (to Nov 04), Melinda McCabe (to Feb 05) and Suzette Gay (from Feb 05).

OSR and NSW Land and Property Information Liaison Committee

A forum of regular meetings between representatives of both offices to discuss Land and Property Information (LPI) and Valuer-General service issues and ensure delivery of quality land data.

Members: Tony Newbury (OSR), Nikki Kempson (OSR), Ian Palmer (OSR), John Murray (OSR), Des Mooney (LPI), Phillip Western (LPI), Barry Douse (LPI), Simon Gilkes (LPI), John Miller (LPI), Brian Griffiths (LPI), Melinda McCabe (LPI) and Carl Ginger (LPI).

Occupational Health and Safety Peak Committee

Monitors and oversees occupational health and safety issues within OSR.

Members: Barbara Dobosz (up to March 05), Gary Rosevear, Janelle Fisher (from Dec 04), Vasudha Vanashree (up to April 05), Pablo Simoes (from May 05) (all from Parramatta), Amanda Kirkman (Maitland), Kaylene Whichelo (Lithgow), Sue Fitzgerald (Newcastle), Steve Corbett (City), Carinya Barkley (to Sept 04, Wollongong) and Carol Sinden (from Oct 04, Wollongong).

Information Management and Technology Steering Committee

Oversees information management and technology issues in OSR. Provides corporate governance, guidance, support and strategic direction in relation to information management and technology.

Members: Peter Achterstraat (chair), Mike Kennedy, Tony Newbury, Ted Withers, Brian Robertson, Bob Mielnik, Pravesh Babhoota, Bobby Bazaad (to May 05), John Dearie (from June 05), John Black (to May 05), Matthew Hay (from Jan 05) and Suzette Gay (Executive Officer from Feb 05).

Treasury Consultative Committee

A forum for management, staff union representatives and the Public Service Association to discuss and evaluate industrial issues and workplace change.

Members: Management representatives - Peter Achterstraat, Dianne Barden (OSR) and Rose Williams (OFM). Staff union representatives - Garth Nolan (OSR), Richard Steven (OFM), Rachel O'Shea and Liase Nelson (Public Service Association).

State Taxes Liaison Committee

Regular meetings with professional, industry and client groups to resolve technical and administrative issues and to consider proposals for legislative changes.

OSR Members: Bob Smith (convenor), Ian Phillips, Peter Achterstraat, Bob Gillam, Peter Johnson and Ted Withers.

Client organisations represented: Australian Finance Conference, Australian Society of Certified Practising Accountants, Chartered Secretaries of Australia, Housing Industry Association, Institute of Chartered Accountants, Investment and Financial Services Association, Law Society of NSW, Real Estate Institute of NSW, State Council Inc and Small Business Combined Association, the Taxation Institute of Australia, the Property Council of NSW and the Urban Development Institute of Australia.

Appendix 4

Consultants

OSR engaged several consultants during the 2004-05 financial year at a cost of \$57 222.

Key consultancies entailed the engagement of the Department of Commerce to provide advice on an Office Accommodation Strategy and ATAX, University of NSW, for the review and evaluation of pay-roll tax compliance strategies.

Appendix 5

Freedom of Information 2004-2005

Freedom of Information (FOI) requests

	Personal		Other		Total	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
New (including transferred in)	25	13	38	44	63	57
Brought forward	0	0	0	0	0	0
Total to be processed	25	13	38	44	63	57
Completed	25	13	38	44	63	57
Transferred out	0	2	0	0	0	2
Withdrawn	0	0	0	0	0	0
Total processed	25	11	38	44	63	55
Unfinished (carried forward)	0	0	0	0	0	0

What happened to completed requests

Result of FOI request	Personal		Other		Total	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
Granted in full	11	4	15	10	26	14
Granted in part	8	4	9	17	17	21
Refused	6	3	14	17	20	20
Deferred	0	0	0	0	0	0
Completed	25	11	38	44	63	55

Formal consultations

	2004-05	2003-04
Requests requiring formal consultation	0	0

FOI requests granted in part or refused

Basis of disallowing or restricting access	Personal		Other		Total	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
Sec 22 – deposit not paid	0	0	0	0	0	0
Sec 25 (1)(a) – exempt	14	7	23	34	37	41
Sec 25 (1)(a1) – unreasonable diversion of resources	0	0	0	0	0	0
Sec 25 – otherwise available	0	0	0	0	0	0
Sec 25 – documents > 5 years	0	0	0	0	0	0
Sec 24 – deemed refused >21 days	0	0	0	0	0	0
Totals	14	7	23	34	37	41

Costs and fees of requests processed

	Personal		Other		Total	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
	\$690	\$390	\$1140	\$1320	\$1830	\$1710

Days to process						
Elapsed time	Personal		Other		Total	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
0-21 days	20	11	35	44	55	55
22-35 days	5	0	3	0	8	0
Over 35 days	0	0	0	0	0	0
Total	25	11	38	44	63	55

Processing time						
Processing hours	Personal		Other		Total	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
0-10 hours	0	0	0	0	0	0
11-20 hours	25	11	38	44	63	55
21-40 hours	0	0	0	0	0	0
Over 40 hours	0	0	0	0	0	0
Total	25	11	38	44	63	55

Reviews and appeals						
	Personal		Other		Total	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
Number of internal appeals finalised	3	1	0	0	3	1

Details of internal review results 2004-2005						
	Personal		Other		Total	
	Upheld	Varied	Upheld	Varied	Upheld	Varied
Grounds on which review requested:						
Exempt matter	3	0	0	0	3	0

Appendix 6

Staffing

Equal Employment Opportunity

EEO achievements

- Ongoing Convenor's Forum addresses feedback from applicants in the selection processes undertaken at OSR where process issues are raised
- Ongoing program to support the EQuIP performance management system for all staff to ensure equal access to career development and the

opportunity to identify training needs specific to individual requirements and business needs

- Ongoing participation in the Aboriginal Torres Strait Islander (ATSI) Cadetship Program with one cadet transferring to a Commonwealth department, and one remaining with OSR
- All existing and new managerial position descriptions contain EEO accountabilities.

EEO Strategies

- EQuIP program reviewed to incorporate rating system and library of accountabilities to provide a more meaningful assessment

- Staff are encouraged to complete an exit interview including EEO demographics
- Ongoing implementation and support of Vision 2009
- Develop strategies to support and retain EEO group employees
- Continue to promote and support Spokeswomen and Senior Women's groups.

Disability Achievements

- Ongoing local reviews of equipment to ensure needs of staff with disabilities are suitably met
- OSR's internet and intranet sites comply with necessary standards to ensure accessibility for staff and clients with disabilities
- Specific support by way of return to work programs for individual staff members who have a temporary disability after illness or injury to enable an effective return to work.

Disability Strategies

- Ongoing negotiations with disability employment networks to provide a regular work experience program for various target groups including acquired brain injuries
- Ongoing monitoring of accessibility of OSR's services by various target groups
- Participation in disability networks to develop innovative programs to support people with disabilities and those requiring adjustment at work.

Ethnic Affairs Priority Statement Achievements

- Continuous program of ongoing support and guidance to staff and management of OSR's diversity friendly policy and the grievance handling processes, including specific training for staff identified as grievance handlers
- Diversity Awareness and Celebrating Diversity workshops incorporated into the orientation program for new starters.

Ethnic Affairs Priority Statement 2005 - 2006

- Continued implementation of Vision 2009 to support building an organisation of value-able people.
- Review of Community Language Allowance Scheme (CLAS) program and Bilingual Register, analysed the usage rates of each language and which business streams are better placed to provide appropriate information
- Regular reminders to all staff and managers on how and when to utilise the Bilingual Register, CLAS staff, and accredited interpreter services including speech and hearing impaired clients
- Create an environment of achievement in which all staff have the opportunity to utilise all of their skills attained throughout their working careers
- Ongoing support of one ATSI trainee in Information Technology to provide assistance needed to successfully complete the program and integrate into the workplace.

Representation of EEO target groups within levels - 2004–2005 totals

Level	Staff	Staff	Staff	Women	Women	Women	REER*	REER*	REER*	ATSI**	ATSI**	ATSI**	PWD***	PWD***	PWD***
	2004-2005	2003-2004	2002-2003	2004-2005	2003-2004	2002-2003	2004-2005	2003-2004	2002-2003	2004-2005	2003-2004	2002-2003	2004-2005	2003-2004	2002-2003
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Below CO 1	0.1	0.3	0.8	0.0	0.2	0.1	0.0	0.1	0.3	0.1	0.2	0.4	0.1	0.1	0.6
CO 1 - Grade 1	3.0	2.3	2.9	2.3	1.6	1.5	0.4	0.3	1.0	0.1	0.0	0.0	0.2	0.0	0.0
Grade 1 - 2	18.9	13.9	13.0	12.5	9.0	6.5	3.8	3.5	5.0	0.3	0.2	0.1	1.1	0.8	0.7
Grade 3 - 5	40.4	40.0	30.1	27.3	28.9	20.0	9.3	8.3	13.4	0.1	0.1	0.4	1.4	1.1	2.0
Grade 6 - 9	27.1	31.9	38.6	13.4	14.3	16.5	7.2	8.3	14.2	0.1	0.2	0.1	1.0	1.0	1.2
Grade 10 - 12	8.8	9.8	10.5	2.1	2.8	2.5	1.8	1.5	2.5	0.1	0.0	0.0	0.3	0.4	0.8
Above Grade 12**	1.7	1.8	4.1	0.3	0.2	0.8	0.1	0.1	0.3	0.0	0.0	0.0	0.1	0.0	0.0
Total	100	100	100	57.9	57.0	47.9	22.6	22.1	36.7	0.9	0.7	1.1	4.2	3.4	5.3
Total staff number	1 371	973	734												

Staff by employment basis - 2004–2005 totals

Employment Basis	Staff	Staff	Staff	Women	Women	Women	REER*	REER*	REER*	ATSI	ATSI	ATSI	PWD	PWD	PWD
	2004-2005	2003-2004	2002-2003	2004-2005	2003-2004	2002-2003	2004-2005	2003-2004	2002-2003	2004-2005	2003-2004	2002-2003	2004-2005	2003-2004	2002-2003
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Full time	88.3	89.7	91.8	47.3	47.7	41.4	21.2	20.5	34.0	0.7	0.6	1.0	3.9	3.2	4.9
Part time	11.5	10.3	7.9	10.4	9.3	6.5	1.4	1.6	3.0	0.1	0.1	0.1	0.4	0.2	0.4
Casual	0.2	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Total	100	100	99.7	57.9	57.0	47.9	22.6	22.1	32.2	0.9	0.7	1.1	4.3	3.4	5.3

* REER: Racial, ethnic or ethno-religious minority formerly known as NESB (Non-English Speaking Background).

** At these levels, some women are from a REER group.

*** PWD: People with disabilities

Note: Total Full-Time Equivalent staff as at 30 June 2005 was 1 152.08, and the total number of staff employed during the reporting period is 1 371 (The figure includes staff who left OSR and is a snapshot of the maximum number of people employed over the year).

Recruitment over three years

Level	2004–2005	2003–2004	2002–2003
Total Staff	1 371	973	734
Recruited in Year	185	314	91
Aboriginal People	0	1	4
PWD	5	10	4

Analysis of staff by classification

Level	Male	Female	Total
SES	8	1	9
Senior Officers other than SES	10	3	13
Clerks	525	735	1 260
Clerical Officers	17	37	54
Clerical Assistants	0	0	0
Stenographers/Typists	0	0	0
Machine Operators	0	0	0
Departmental Professional Officers	16	16	32
Other	1	2	3
Total	577	794	1 371

Senior Executive Service profile

Level	1	2	3	4	5	6	Total
Total	2	0	5	1	0	1	9

Representation of EEO groups

EEO Group	Percentage of total staff				
	Benchmark or Target	2004–2005	2003–2004	2002–2003	2001–2002
	%	%	%	%	%
Women	50.0	57.9	57.0	48.0	51.0
Aboriginal/Torres Strait Islanders	2.0	0.9	0.7	1.1	0.8
People whose first language was not English	20.0	17.4	19.0	33.0	36.0
People with a disability	12.0	4.2	3.0	5.0	6.0
People with a disability requiring work-related adjustment	7.0	0.9	0.9	1.0	1.1

Distribution of EEO groups

EEO Group	Distribution index				
	Benchmark or Target	2004–2005	2003–2004	2002–2003	2001–2002
Women	100	86	88	91	90
Aboriginal/Torres Strait Islanders	100	n/a	n/a	n/a	n/a
People whose first language was not English	100	98	101	95	92
People with a disability	100	93	96	91	92
People with a disability requiring work-related adjustment	100	n/a	n/a	n/a	n/a

Notes: 1 Staff numbers are as at 30 June 2005.

2 Excludes casual staff

3 A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution Index is automatically calculated by the software provided by the Office of the Director of Equal Employment Opportunity and Public Employment.

4 The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.

Performance statement for SES officers level five and above

The Executive Director is accountable to the Secretary of Treasury for the overall performance of OSR. The SES performance agreement defines his accountabilities in relation to the achievement of OSR's corporate objectives and his own job-related performance criteria.

The following statement is provided in compliance with annual reporting legislation requiring publication of achievement statements for all SES officers, level five and above.

Name

Peter Achterstraat

Position and level

Executive Director
Chief Commissioner of State Revenue
Office of State Revenue
NSW Treasury
SES Level 6

Annual package

\$269 814

Period of review

1 July 2004 – 30 June 2005

Statement of performance

During the 2004/05 year, Peter successfully led OSR in implementing changes announced by government to state taxes while enhancing OSR's efficiency in collecting revenue.

OSR responded quickly and effectively in implementing land tax and duties changes that were announced during the year. The OSR website was further enhanced to enable clients to obtain advice readily about meeting their obligations as easily as possible.

Concurrently, other divisions within OSR continued to improve their effectiveness particularly SDRO and Compliance. OSR continues to look at ways to streamline the operations of both branches of the SDRO to create efficiencies in the administration of the fines collection business.

The expanded use of electronic services has allowed OSR to more efficiently collect revenue and to provide a more convenient client service. This was recognised in the Premier's Public Service Awards when OSR won a Silver Award in the e-government category.

Peter has continued to develop an achievement based culture in OSR. The recent staff survey results confirmed that staff are proud to work at OSR and that they have a sense of job satisfaction. The working environment and culture at OSR is very positive and team based which assists Peter and the staff of OSR in achieving their goals.

Peter continues to lead a strong and focused OSR in a changing environment.



John Pierce

Secretary, NSW Treasury

Appendix 7

Internal audit

During the year, OSR conducted a number of financial and information systems audits to ensure the adequacy of controls over processes. Recommendations were made and acted upon in circumstances where systems could be improved. Implementation of agreed recommendations are regularly monitored by the Audit Committee.

Compliance audits

- **Notes to the certified financial statements** - examined the completeness of certain notes to ensure they complied with the relevant legislation
- **Content of Annual Report** - reviewed the prescribed content of this report to ensure it is in accordance with the *Annual Reports (Departments) Act and Regulation* and financial information was consistent with the certified financial statements.

Fraud prevention strategy

The Deputy Director Audit and Review is the designated owner of the strategy. The following activities were undertaken:

- A number of awareness sessions were given to management and staff relating to code of conduct and major policies, such as internet usage
- Conducted investigations into breaches of the code of conduct and other policies
- Updated a number of key administrative policies
- Provided ethics awareness training to new starters at SDRO, Lithgow and on the mini-Budget program.

Risk management

OSR has fully integrated its risk management process with corporate and business planning activities. OSR has introduced a new electronic Risk Management tool to record and manage the risks. It provides OSR with a structured approach to establishing the context of the risks, identifying and monitoring risks and managing the mitigation strategies.

Other significant risk management activities included:

- Review of OSR Corporate Risks by Directorate on quarterly basis
- Risk assessment workshop was conducted for all major projects as part of the project management framework
- Each division completing risk assessments in conjunction with the development of their business plan for 2005-06.

Insurance

Our assets and major risks including building contents, computer equipment, motor vehicles, workers' compensation and public liability are covered by insurance, the amount of which is subject to regular appraisal.

Insurance policies, except for workers' compensation, are held with the Treasury Managed Fund that administers a government sponsored self-insurance scheme, which is currently managed by GIO. Insurance coverage for workers' compensation is held with Allianz Australia Insurance Limited.

Appendix 8

Statement of internal control responsibility

We have an established system of internal control to gauge the extent to which satisfactory standards of management and good financial practices are maintained. It assesses the efficiency, effectiveness and appropriateness of controls.

In accordance with Treasury's best practice policy relating to internal control, OSR has a risk management policy and framework applied throughout the organisation.

The policy is based on the Australian and New Zealand standard for risk management AS/NZS 4360:2004.

Our Audit Committee meets every two months to oversee audits and reviews and to follow up on the timely implementation of all recommendations.

Use of corporate credit cards by staff was in compliance with best practice standards set out in the Treasurer's Directions detailed in the Office of Financial Management's Policy and Guidelines Paper issued June 1999.

To the best of my knowledge our system of internal control has operated satisfactorily during the year.



Peter Achterstraat
Executive Director

Appendix 9

Additions to major assets

Major fixed assets additions summary (Over \$5 000)

Classification	2004–2005 \$'000
Hardware	
Personal computers and laptops	–
Other computer hardware	2 472
Total hardware	2 472
Software	16 586
Equipment	300
Furniture	6 204
Total major additions	25 562

Appendix 10

Accounts payable performance report

Schedule of accounts paid on time – actual

	30–09–04	31–12–04	31–03–05	30–06–05	Target
Percentage of accounts paid on time	98.85%	96.64%	94.42%	96.71%	98.5%
Total value of accounts paid on time	\$ 18.1m	\$ 15.8m	\$ 16.5m	\$ 24.2m	
Total value of accounts paid	\$ 18.3m	\$ 16.8m	\$ 17.4m	\$ 25.4m	
Percentage value of accounts paid on time	98.98%	94.07%	94.48%	95.43%	

Accounts payable performance

Amounts payable on	30–09–04	31–12–04	31–03–05	30–06–05
Current within due date	50 299	226 099	133 462	6 212
Less than 30 days overdue	–	–	–	–
Between 30 and 60 days overdue	–	–	–	–
Between 60 and 90 days overdue	–	–	–	–
Over 90 days overdue	–	–	–	–
Total	50 299	226 099	133 462	6 212

Appendix 11

Overseas travel 2004-2005

- Peter Achterstraat, Chief Commissioner of State Revenue, travelled to Suva, Fiji from 9 to 13 August 2004, to assist in facilitating the Pacific Islands Tax Administrators Association Inaugural Annual Conference. The association's aim is to promote collaboration and cooperation between the tax administrations in the 15 Pacific Island countries. AusAID funded the airfare and accommodation costs of the trip.
- Ermil Sipp, Deputy Director Compliance Division travelled to Florida, USA along with Mr Rob Dickens, Director Compliance, State Revenue Office of Victoria, to attend the Federation of Tax Administrators Compliance Workshop from 13 to 16 March 2005. Mr Sipp delivered a paper titled "Tax compliance approaches and data mining strategies" at the Conference. While in the US, he visited the Florida Department of Revenue, Department of Revenue North Carolina and the Franchise Tax Board at Sacramento California.
- Mark Buttner, Revenue Accountant, travelled to Wellington New Zealand from 19 to 24 June 2005 to attend courses run by the Australian and New Zealand School of Government (ANZSOG) as part of the Executive Masters in Public Administration. Mark attended a compulsory unit titled Governing by the Rules.

Appendix 12

Ministerial representations received

	2004-2005	2003-2004	2002-2003
Land tax	1842	227	215
Premium property tax	2	12	10
Duties	238	86	114
Pay-roll tax	34	15	20
First Home Owner Grant Scheme	53	43	47
First Home Plus	46	46	6
Unclaimed money	6	7	6
Parking space levy	3	5	0
Fine enforcement	1053	486	354
Infringement processing	2977	1941 ¹	N/A
Other	0	14	9
Total	6254	2882	781
Ombudsman's requests	6	0	2

¹ between 1 October 2003 and 30 June 2004

	Ministerial hotline	Ombudsman's hotline
Land tax	126	0
Fine enforcement	625	122
Infringement processing	1561	248
Total	2312	370

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Directory

Office locations

Parramatta (Head office)

Lang Centre, corner Hunter and Marsden Streets, Parramatta
Phone: (02) 9689 6200 (switchboard)
Fax: (02) 9689 6464
Post: GPO Box 4042 Sydney NSW 2001
DX: 456 Sydney

Sydney

Level 3, 55 Hunter Street, Sydney (counter services only)
Phone: (02) 9689 6200
Fax: (02) 9689 6886

Newcastle

Level 2, 97 Scott Street, Newcastle
Phone: (02) 4925 5333 or 1800 641 979*
Fax: (02) 4925 5300
Post: PO Box 511, Newcastle NSW 2300
DX: 7860 Newcastle

Wollongong

Level 6, 90 Crown Street, Wollongong
Phone: (02) 4253 1000 or 1800 622 725*
Fax: (02) 4253 1066
Post: PO Box 666, Wollongong East NSW 2520
DX: 5245 Wollongong

Internet: www.osr.nsw.gov.au

Phone enquiries 8.30am – 5.00pm
Counter services: 8.30am – 4.30pm

*1800 and 1300 numbers are free calls within NSW only
Interstate clients please call (02) 9689 6200.

State Debt Recovery Office

Phone: 1300 655 805
Post: PO Box A2571, Sydney South NSW 1235
Phone enquiries: 8.00am – 6.00pm, Monday to Friday
9.00am – 1.00pm, Saturday

Infringement Processing Bureau

Phone: 1300 138 118
Post: PO Box 999, Hunter Region Mail Centre NSW 2310
Internet: www.ipb.nsw.gov.au
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New South Wales

TREASURY