Ref: A223110

0 7 SEP 2017

Ms Helen Minnican
Clerk of the NSW Legislative Assembly
NSW Legislative Assembly
Parliament House
SYDNEY NSW 2000

Helen,

Dear Ms Minnican,

I am writing to you in relation to Report No.4/56 Public Accounts Committee – *Examination of the Auditor- General's Performance Audit Reports December 2014- June 2015.*

I am pleased to provide you with the NSW Government response to the Committee's Report.

Yours faithfully,

**Gladys Berejiklian MP
Premier**

NSW Government Response to the Report No. 4/56 of the Public Accounts Committee –

Examination of the Auditor-General's Performance Audit Reports December 2014–June 2015

Recommendation	Agency Responsible	Support/Not Support	Comment
Recommendation 1 The Committee recommends that the Auditor-General reviews, at the appropriate time, Stage 3 of the Learning Management Business Reform Program implementation with a view to identifying whether refinements to the project management, governance and change management processes have been effective.	Department of Education	Support	The Department of Education will assist in the proposed review, should the Auditor-General request it. The LMBR office will provide all necessary documentation and access to personnel to facilitate such a review.
Recommendation 2 The Committee recommends that the Department of Education provides a formal report to the Auditor-General after completion of the Learning Management Business Reform Program implementation in 2017, identifying any additional challenges arising and the steps taken to address them, as well as any other relevant issues which may serve as lessons for the planning and implementation of future programs and projects .	Department of Education	Support	The Department of Education can provide a formal report to the Auditor-General at the completion of the LMBR deployment to schools in 2017, identifying any additional challenges arising and the steps taken to address them, as well as any other relevant issues which may serve as lessons for the planning and implementation of future programs and projects Immediately following the completion of the deployment of LMBR systems to schools, the department will prepare a detailed program Closure Report. The suggested time for the delivery of this report to the Auditor-General is March or April 2018.

Recommendation	Agency Responsible	Support/Not Support	Comment
Recommendation 3 The Committee recommends that Transport for NSW and Roads and Maritime Services provide the Auditor-General with a formalised policy regarding the identification, assessment and recording of IT security risks.	Transport for NSW and Roads and Maritime Services	Support	The principles of the recommendation are noted and supported via oversight of risk management practices across the Transport the Cluster. These policies have been provided to the Auditor-General. Transport for NSW (TfSNW) has an overarching Information Security Policy that applies to all cluster agencies. TfNSW and Roads and Maritime also have agency specific risk management policies. **Transport for NSW:** TfNSW has an established Transport for NSW Enterprise Risk Management Policy ('TERM') and IT Risk Management Guidelines for identifying assessing and recording IT risks. IT security risks are managed through the Information Security Management Systems ('ISMS') of both Group IT and Transport Management Centre. ISMS aligns to the Transport Information Security Policy and the TERM Policy. **Roads and Maritime Services:** Roads and Maritime has an established Enterprise Risk Management Policy, Framework ('ERM') and supporting procedures. IT security risks are recorded, managed and tracked for the assets included in the scope of Roads and Maritime's ISMS programs, aligning to the ERM.

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			Common oversight of IT Security Risks: To provide the oversight of IT security risks, TfNSW Group IT, Roads and Maritime and TMC are active members of the Transport Cluster Technology Security and Risk Committee. This committee has oversight of security operational risks across the Transport Cluster. **Recommend for Closure.**
Recommendation 4 The Committee recommends that Transport for NSW and Roads and Maritime Services provide a progress report to the Auditor-General regarding the development of a separate disaster recovery site for the Traffic Management Centre system.	Transport for NSW and Roads and Maritime Services	Support	**Transport for NSW and Roads and Maritime Services:** Separate disaster recovery sites for Transport Management Centre systems have been functional since December 2015. Transport Management Centre (TMC) utilises the Sydney Coordinated Adaptive Traffic System (SCATS) Traffic Management System to synchronise traffic signals and monitor congestion in order to optimise traffic flows. The core component 'SCATS Central Manager' has a standby failover site located in Parramatta which is 20km away from the primary site. Failover tests are conducted annually. The SCATS regional sites can be manually configured during the disaster to failover to either of two DR sites located in Newtown and Eveleigh.

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			A progress report on the development of the site has been provided to the Auditor-General. **Recommend for Closure.**
Recommendation 5 That the Office of State Revenue continues its research into tax gap methodology and applies its findings to increase the efficiency and effectiveness of tax collection in New South Wales.	Department Finance and Innovation	Support	OSR appreciates that the PAC Hearing Committee *'acknowledges that tax gap methodology is an emerging area of expertise and commends OSR for undertaking what is pioneering research into labour based tax gaps.'* We have continued the research into tax gap methodology under the guidance of a Steering Committee and an External Expert Panel incorporating a NSW Treasury representative, two leading tax gap experts, the ATO Director of Tax Gap along with OSR executive leaders. OSR has progressed the analytical requirement of estimating the tax gap for Land Tax and Payroll Tax, both major contributors to the states' taxation revenue. Tax Gap is a technical estimate measure that is primarily derived through statistical methods based on sampling and analysis of independent economic indicators. Consequently, Tax Gap does not produce a short term performance measure due to high likelihood of a statistical error that may not be able to be

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			quantified well. Caution needs to be exercised in the application of tax gap results due to the high margin for error and potential volatility period to period. Longitudinal use of Tax Gap can inform trends in compliance with taxation law and derived insights can provide input to tax policy and administration optimisation. The methodologies adopted for exploring the tax gap in state taxes are summarised as follows: • **Land Tax** – based on a top-down approach addressing all crucial aspects of the Land tax administration process including data integrity of the key land and valuation data, Principal Place of Residence (PPR) exemptions verification applied to approximately 50% of all rateable land in NSW and representing over 90% of all Land Tax exemptions (preliminary findings due 31-Jul-2017). Work is also being done to verify Primary Production land (PPL) exemptions (applied to approximately 5% of rateable land and 8% of Land Tax exemptions) and Client ownership data integrity. **Payroll tax** – OSR has also committed to developing a top-down approach for Payroll Tax OSR would consider this a preliminary undertaking informing subsequent deeper analysis of the key drivers of the Payroll Tax

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			gap to be undertaken following completion of the initial phase of the Land Tax gap analysis.
Recommendation 6 That a fixed date be established for the publication of the Office of State Revenue's performance report each year.	Department Finance and Innovation	Support	OSR will align the reporting of their performance report each year to annual reporting published date of 31 October each year.