

Video transcript: Collecting State-based Tax Revenue

Audit question

In this audit we assessed if the Department of Treasury and Finance, or DTF, and the State Revenue Office, or SRO, are optimising how they collect state taxes.

Who and what we examined

We looked at:

- SRO's processes for collecting tax
- how DTF and SRO measure and report on SRO's performance
- and if SRO is minimising its costs to collect tax.

We also assessed if DTF effectively oversees SRO's performance.

Our conclusion

SRO reliably collects the tax it knows about. But it could do more to optimise the amount it collects.

DTF and SRO's set of public performance measures don't give a clear picture of SRO's performance. And SRO doesn't adequately analyse all of its costs and activities.

DTF also needs to strengthen how it governs SRO's performance to ensure good financial management of SRO.

Background

SRO collects state taxes, including payroll tax and land tax, for the state government.

The government uses this money to fund essential public services, such as education, healthcare and public transport.

So it's important that SRO collects tax as effectively and efficiently as possible.

Finding 1: SRO reliably collects the tax it knows about but there's a high likelihood it could collect more

SRO reliably collects the tax it knows about. And this amount has increased over time.

But there's a very high likelihood that it could collect more tax by better analysing and reducing the tax gap.

The tax gap is the difference between the tax people and businesses owe and what they actually pay.

Finding 2: DTF and SRO can't show that SRO efficiently collects tax

DTF and SRO can't show that SRO efficiently collects tax.

This is because there are gaps and weaknesses in the measures they use to assess and report SRO's performance.

For example, SRO has a performance measure to assess how much it costs to collect \$100 of tax.

But due to the way SRO evaluates this measure, it doesn't actually know or report what it costs.

These issues prevent Parliament and the public understanding SRO's overall performance.

Finding 3: DTF needs to strengthen how it governs SRO

DTF needs to strengthen how it governs SRO's financial performance.

This is because DTF and SRO don't have a shared understanding of SRO's status.

For example, SRO describes itself as a 'semi-autonomous service agency' on its website. But DTF's website describes it as a public entity.

This has led to some of DTF and SRO's governance arrangements not fully meeting the intent of the *Standing Directions 2018 under the Financial Management Act's* financial performance requirements.

What we recommended

We made 2 recommendations to DTF:

- one about clarifying SRO's status and DTF's governance roles and responsibilities
- and one about reviewing its public performance measures for SRO.

We made 4 recommendations to SRO about optimising how it collects tax and improving its work practices.

More information

To find out more, or to read our full report, go to audit.vic.gov.au