

# AUDITOR-GENERAL'S REPORT

## PERFORMANCE AUDIT

### Fare Evasion on Public Transport: Follow-up of 2000 Performance Audit



The Legislative Assembly  
Parliament House  
SYDNEY NSW 2000

The Legislative Council  
Parliament House  
SYDNEY NSW 2000

In accordance with section 38E of the *Public Finance and Audit Act 1983*, I present a report titled **Fare Evasion on Public Transport: Follow-up of 2000 Performance Audit**.

A handwritten signature in black ink, appearing to read 'R J Sendt'.

R J Sendt  
Auditor-General

Sydney  
April 2006

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# Contents

## Foreword

<b>Executive summary</b>	<b>1</b>
<b>1. What has happened since our 2000 audit?</b>	<b>11</b>
1.1 Has the level of fare evasion fallen?	12
1.2 Has the level of fine default fallen?	14
<b>2. Has the management of revenue protection improved?</b>	<b>19</b>
2.1 Changes since the 2000 audit	20
2.2 Changes in practice at RailCorp	20
2.3 Changes in practice at State Transit	21
2.4 Changes in practice at Sydney Ferries	22
2.5 What impedes effective revenue protection?	23
2.6 Have agencies monitored and reported progress in implementing accepted recommendations effectively?	27
<b>Appendices</b>	<b>29</b>
Appendix 1: About the audit	30
Appendix 2: Administrative changes since the 2000 audit	31
Appendix 3: Status of implementation of recommendations	32
<b>Performance Audits by the Audit Office of New South Wales</b>	<b>41</b>

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## **Foreword**

Fare evasion is inevitable in any public transport system. Because of the heavy subsidies taxpayers make to our transport operators, it is important to know that they take all reasonable steps to minimise evasion and collect all fares that should be paid. That was the focus of our 2000 audit.

Periodically we review the extent to which agencies have changed their practices as a result of our audits. This gives Parliament and the public an update on the extent of progress made.

In this follow-up audit, we examine changes following our December 2000 report, and whether RailCorp, State Transit and Sydney Ferries better manage fare evasion and, in conjunction with the State Debt Recovery Office, have reduced the rate of fine default.

Bob Sendt  
Auditor-General

April 2006



## Executive summary

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## The focus of our audit

Each day RailCorp, State Transit and Sydney Ferries transport passengers who have not bought a ticket or paid the correct fare. To limit fare evasion, each agency has revenue protection measures in place designed to educate the travelling public, to be highly visible and to catch and fine passengers evading fares. Around 95 per cent of fines for fare evasion are for infringements on the rail system, compared with five per cent for buses and ferries.

The State Debt Recovery Office (SDRO), a division of the Office of State Revenue (OSR), is responsible for enforcing fines. The Infringement Processing Bureau (IPB) within SDRO processes the fine, and if it is not paid within a specified period it is forwarded to its Fine Enforcement Branch (FEB).

Our 2000 performance audit reviewed the levels of fare evasion and fine default for rail, bus and ferry services. It examined the measures agencies had in place to minimise fare evasion and also examined the efforts of the agencies, the Infringement Processing Bureau (IPB) and the State Debt Recovery Office (SDRO) in minimising the level of fine default.

This follow-up audit examined the progress agencies had made in addressing the recommendations from the 2000 audit. Where particular recommendations had not been accepted by agencies, the audit examined progress that had been made in addressing the issues relating to the recommendation.

## Audit opinion

The overall level of fare evasion is now lower, and the revenue forgone much less, than in 2000. The estimation of fare evasion, detection of fare evasion and management of fare compliance by RailCorp, State Transit and Sydney Ferries has improved, although Sydney Ferries needs to improve further.

However, only one in four fines for fare evasion are paid within 12 months. This is worse than in 2000. And the number of frequent fare evaders has almost trebled.

SDRO and the transport agencies need to develop new and improved strategies to reduce the level of fine default and to better manage frequent fare evaders.

## Our 2000 audit

### Key findings of 2000 audit

In 2000, our opinion was that arrangements for ensuring fare compliance were not adequate and improvement was required. We found that:

- a significant number of passengers travelled without paying the correct fare, resulting in many millions of dollars in revenue foregone
- even when caught, the majority did not pay the fine.



**2000 recommendations accepted**

In 2000, State Transit (then including Sydney Ferries) and RailCorp (formerly the State Rail Authority) accepted our recommendations to improve:

- fare evasion estimates
- planning and management of revenue protection, including clarifying accountabilities and introducing performance measures and targets
- information sharing and co-ordination between transport agencies and SDRO
- public awareness and understanding of penalties for fare evasion especially in terms of concession travel
- guidance on discretion to those authorised to enforce the law
- strategies to deal with frequent fare evaders.

RailCorp also accepted our recommendations to examine:

- ways to reduce the complexity of concession entitlements
- the reasons for fine default to improve the payment rate.

Appendix 3 provides a summary of the status of recommendations and changes since 2000.

**This 2006 audit****Key findings 2006: Fare Evasion**

RailCorp estimates that fare evasion on metropolitan trains has fallen from 4.1 per cent (one in 24 passengers) in 2000 to 2.3 per cent (one in 43 passengers) in 2005. That is, from 10.8 million to 5.3 million passenger journeys per year.

State Transit estimates that fare evasion on Sydney buses has increased from 0.7 per cent (one in 148 passengers) in 2000 to 1.1 per cent (one in 94 passengers) in 2005. That is, from 1.3 million to 2.0 million passengers journeys per year. However, State Transit believes this increase is because it has improved its detection and measurement of fare evasion.

Fare evasion on Sydney Ferries still cannot be measured reliably.

More than 2,700 people were caught fare evading on the rail system more than ten times in the three years to September 2005, compared with around 1,000 people caught in the three years to September 1999. The total value of these offences was more than \$6 million, and few of these people pay their fines. One person was infringed 210 times.

**Key findings 2006: Fine default**

Three out of every four fines issued for fare evasion are not paid within 12 months, compared to around 60 per cent reported in 2000.

SDRO continues recovery action on unpaid fines beyond 12 months and recovery rates typically improve.

A fall in fine payments occurred in 2003 at about the same time rail fines were increased.

In the 12 months to September 2005, seven per cent of infringement reminder notices (around 9,700) were returned to SDRO (i.e. marked “return to sender”). SDRO attempts to identify an alternative address on all returned to sender mail and reissue the notice to the corrected address.

**Key findings 2006:  
Management of fare  
compliance**

Compared to 2000, transport agencies now:

- have improved revenue protection policy and strategic planning, including performance measures
- make greater use of data and intelligence on fare evasion to deploy resources and determine appropriate compliance strategies
- have better information on fare evasion
- have clearly documented policies on exercising discretion
- have better signs showing the consequences of fare evasion
- use a range of innovative strategies to improve fare compliance.

The complexity of concessions has not been addressed by the Ministry of Transport and transport agencies. The transport agencies have also been understandably reluctant to make substantial investments in better compliance technologies given their expectation that the introduction of a single payment card for travel on all trains, buses and ferries (Tcard) will provide such technology. Tcard implementation has, however, been delayed by four years due to an extended legal challenge and contract variations.

**Suggestions for  
Improvement**

Our practice is to not make new recommendations in follow-up audit reports but we do make suggestions designed to improve progress.

Transport agencies and SDRO should:

- routinely compile and share data on fine default and payment trends as a requirement of their service level agreements.
- continue to improve their ability to validate and verify offender name and address details
- develop alternative ways of dealing with repeat offenders and the non payment of fines by frequent fare evaders
- review data on infringements not paid to identify causes and use this information to inform revenue protection strategies, or identify additional training for revenue protection staff
- undertake a review to determine whether additional training and powers provided to RailCorp transit officers has resulted in improved completeness and accuracy of offender details or whether further work is required
- routinely report on the progress of performance audit recommendations to their Audit Committees (or equivalent) and in their annual reports.

In addition SDRO should:

- consider developing alternative approaches to serving notices where the offender has multiple instances of mail marked “return to sender”
- improve procedures for checking the identity and address of fines marked return to sender or where there is insufficient passenger details
- monitor trends in fines marked returned to sender and consider the need for legislative changes if identity checks fail to reduce the rate
- provide feedback to transport operators to help improve the accuracy and completeness of passenger details.

## Response from RailCorp

*I refer to your letter dated 7 April 2006 regarding the report on the 'Fare Evasion on Public Transport' follow-up performance audit.*

*RailCorp accepts the improvement suggestions contained in the audit report which relate to this organisation, and has prepared a table summarising the current status of suggested improvements (refer enclosure).*

*I was pleased to observe that the report highlights RailCorp's Fare Compliance Strategy as an example of good practice. RailCorp is committed to maximising fare compliance on the CityRail network and will continue to develop, implement and improve initiatives such as the Fare Compliance Strategy, with this objective in mind.*

*RailCorp will also continue to work with the State Debt Recovery Office (SDRO) to increase the effectiveness and efficiency of the penalty notice enforcement process. In this regard, I can advise that RailCorp has agreed with SDRO to progress further information sharing strategies with a view to improving the rate of penalty notice payment.*

*In conclusion, on behalf of RailCorp, I extend my appreciation for the work undertaken by members of your office in undertaking this follow-up performance audit.*

*(signed)*

Vince Graham  
Chief Executive Officer

*Dated: 13 April 2006*

## **RailCorp Response to ‘Fare Evasion on Public Transport’ Follow-up Performance Audit Improvement Suggestions**

### **Improvement Suggestion**

*Transport Agencies and SDRO should routinely compile and share data on fine default and payment trends as a requirement of their service level agreements.*

*Transport Agencies and SDRO should continue to improve the ability to validate and verify offender name and address details.*

*Transport Agencies and SDRO should develop alternative ways of dealing with repeat offenders and the non-payment of fines by frequent fare evaders.*

*Transport Agencies and SDRO should review data on infringements not paid to identify causes and use this information to inform revenue protection strategies, or identify additional training for revenue protection staff.*

*Transport Agencies and SDRO should undertake a review to determine whether additional training and powers provided to RailCorp Transit Officers has resulted in improved completeness and accuracy of offender details or whether further work is required.*

*Transport Agencies and SDRO should routinely report on the progress of performance audit recommendations to the Audit Committees (or equivalent) and in their annual reports.*

### **RailCorp Response**

**Accepted** - RailCorp has previously received and commenced analysing data from the State Debt Recovery Office (SDRO) concerning the status of RailCorp penalty notices.

*RailCorp and SDRO have agreed to progress further information sharing strategies as a basis for improving the rate of penalty notice payment.*

**Accepted** - RailCorp is continuing to pursue improvement of its capability to confirm offender name and address with a particular focus on improving the capacity of RailCorp’s Security Control Centre to support officers in the field. In pursuing improvements in this area, RailCorp will continue to take into account information and advice provided by SDRO.

**Accepted** - RailCorp will liaise with SDRO and other relevant stakeholders concerning the improvement suggestion that alternative ways of dealing with repeat offenders and the non-payment of fines by frequent fare evaders should be developed.

**Accepted** - RailCorp and SDRO have agreed to progress further information sharing strategies. RailCorp will consider this information from the perspective of identifying opportunities to improve revenue protection strategies or Transit Officer training.

**Accepted** - RailCorp has commenced an internal quality review process of completed penalty notices to assist in determining whether further work is required to ensure completeness and accuracy of offender details.

*RailCorp will also continue to take into account information and advice provided by SDRO concerning this issue.*

**Accepted** - RailCorp will report on the progress of performance audit recommendations to its Board Audit Committee and include this information in RailCorp’s annual report.

## Response from State Transit Authority

*Thank you for the opportunity to comment on the Follow-up of the 2000 Performance Audit on Fare Evasion on Public Transport.*

*State Transit is pleased that the Audit Office has acknowledged the considerable improvements made in the management and operation of our revenue protection function since the initial audit in 2000.*

*As indicated by State Transit in its response to the 2000 audit, the nature of “fare evasion” in State Transit is principally one of overriding, that is failing to pay the correct fare, rather than a failure to purchase a ticket.*

*State Transit does not consider that there has been any increase in the level of fare evasion on its services, rather that the improved planning and management of revenue protection has resulted in higher levels of detection of passengers who are attempting to evade paying the correct fare.*

*State Transit in its 2004 organisational restructure, decentralised management of the revenue protection function to one its four key operations General Managers. Significant investment has been made by State Transit in better planning for the deployment of State Transit’s revenue protection staff resources, in better training of its Revenue Protection Officers and in the setting of key performance indicators to ensure the effective performance of this function. This has resulted in large productivity improvements in State Transit’s Revenue Protection Unit.*

*State Transit accepts the suggestions for improvement put forward in the report and will work with the other transport agencies and the SDRO to carry out the suggestions.*

*(signed)*

*John Lee  
Chief Executive*

*Dated: 13 April 2006*

## Response from Sydney Ferries Corporation

*I refer to your letter dated 4 April 2006 concerning the follow-up Performance Audit of the Fare Evasion Performance Audit undertaken in 2000, and thank you for the opportunity to comment on the associated Audit report.*

*Having read the report, I concur with the general findings of the Audit that, whilst Sydney Ferries has made significant improvements to the management of fare compliance, there are still some areas requiring further improvement. In addition, I make the following specific comments.*

*Sydney Ferries' fare revenue protection system is predominantly 'open' in nature, with electronic barriers controlling and recording access and exit at only Circular Quay and Manly wharf, two of the 39 service destinations. The prohibitive costs associated with closure of the system through the installation and manning of electronic barriers across the network presents a major barrier to the Corporation's ability to both minimise and measure fare evasion levels.*

*The impending introduction of the Tcard integrated ticketing system is expected to have a significant impact on the effectiveness of revenue protection for Sydney Ferries, to the extent that onboard tag on/tag off devices will provide a measure of closure to those services without electronic barrier controls at wharves.*

*Notwithstanding the limitations of the current fare revenue system, Sydney Ferries will continue to develop and refine its revenue protection activities, with particular emphasis on the following:*

- *the development of reliable estimates of fare evasion and detection levels to facilitate the intelligence-based deployment of revenue protection resources;*
- *the benchmarking and refinement of Key Performance Indicators and management reporting processes to establish clearer lines of accountability for, and better assess the efficacy of, revenue protection activities;*
- *the revision of revenue protection policies, procedures and work instructions to ensure the clear articulation and assignment of specific revenue protection responsibilities and duties to operational staff and line management; and*
- *strengthening the Service Level Agreement with State Transit, to ensure further improvements to the level and quality of data gathering and analysis, including information from the State Debt Recovery Office with respect to fine payment default rates and frequent fare evaders.*

*(signed)*

*Chris Oxenbould AO  
Acting Chief Executive*

*Dated: 13 April 2006*

## Response from Treasury

*I refer to your letter dated 4 April 2006 concerning the follow-up performance audit on public transport fare evasion. I thank you for the opportunity to respond and comment on this report.*

*I agree with the suggestions for improvement for the State Debt Recovery Office (SDRO) and make the following comments.*

*The SDRO has agreed with RailCorp on a number of strategies to further improve information exchange, which will assist with the improvement of payment rates of fare evasion fines. The SDRO will approach the other transport agencies to adopt similar strategies for improvement.*

*The SDRO will continue to look for ways to reduce the level of non-service of penalty notices including possible legislative amendments, investigate other avenues to serve notices and access to other government agency data bases in order to validate and verify name and address information.*

*Representatives from the SDRO will continue to meet with transport agencies to discuss ways to improve payment rates, address issues of repeat fare evaders, investigate alternative methods to address fare evasion and review the quality and effectiveness of information exchanged.*

*(signed)*

*John Pierce  
Secretary*

*Dated: 12 April 2006*



## **1. What has happened since our 2000 audit?**

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## At a glance

The key questions examined in this chapter are:

- has the level of fare evasion fallen?
- has the level of fine default fallen?

We found that, overall the level of fare evasion is now lower than we reported in 2000.

RailCorp estimates that fare evasion on metropolitan trains has fallen from 4.1 per cent in 2000 to 2.3 per cent in 2005. That is, from 10.8 million to 5.3 million passenger journeys per year.

State Transit estimates that fare evasion on Sydney buses has increased from 0.7 per cent in 2000 to 1.1 per cent in 2005. That is, from 1.3 million to 2.0 million passengers journeys per year. However, State Transit believes this increase is because it has improved its detection and measurement of fare evasion.

Fare evasion on Sydney Ferries still cannot be measured reliably.

We found that the level of non-payment of fines issued for fare evasion is higher than in 2000.

Three out of every four fines issued for fare evasion are not paid within 12 months, compared to around 60 per cent reported in 2000. A fall in fine payments occurred in 2003 at about the same time rail fines were increased.

## 1.1 Has the level of fare evasion fallen?

Overall, the estimated level of fare evasion is lower.

In our 2000 audit, we found that:

- RailCorp estimated fare evasion on trains to be 4.1 per cent or one in 24 passengers travelling without a valid ticket
- State Transit estimated fare evasion on Sydney buses to be 0.7 per cent or one in 148 passengers and had no reliable estimate for Sydney Ferries.

In 2006 we found that:

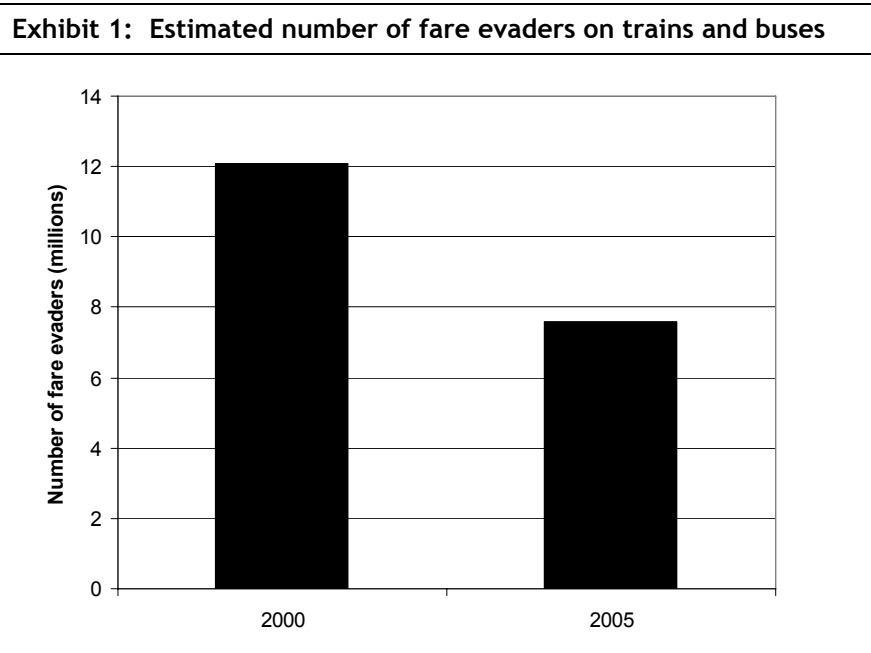
- RailCorp estimates fare evasion to be 2.3 per cent or one in 43 passengers travelling without a valid ticket
- State Transit estimates fare evasion to be 1.1 per cent or one in 94 passengers, but this apparent increase may be due to improved detection, better deployment of resources and a more robust method of estimation rather than an actual increase in evasion
- there is still no reliable estimate for fare evasion on Sydney Ferries although it has started gathering data from revenue protection activities so that it can do this in future.

In our 2000 audit we also found that:

- an estimated 10.8 million passengers used trains without a valid ticket, one in every 112 incidences of fare evasion on rail was detected and infringed (0.9 per cent), and revenue foregone was estimated to be \$27.3 million
- an estimated 1.3 million passengers used State Transit buses without a valid ticket, one in every 178 (0.6 per cent) incidences of fare evasion on buses was detected and infringed or cautioned, and an estimate of the revenue forgone by was not available
- comparable statistics for Sydney Ferries were not available.

In 2006 we found that:

- RailCorp's results improved with an estimated 5.6 million passengers using trains without a valid ticket, one in every 42 incidences of fare evasion on rail detected and infringed (2.4 per cent), and revenue foregone estimated to be \$11.9 million
- State Transit's results declined with an estimated 2.0 million passengers using buses without a valid ticket, one in every 182 (0.5 per cent) incidences of fare evasion on buses detected and infringed or cautioned and revenue foregone estimated to be \$2.1 million. However, as indicated earlier, this may be due to better detection and estimation than any real increase in fare evasion
- data for Sydney Ferries was not available. Sydney Ferries have started analysing fare evasion, however, this is difficult because it has a largely open system incorporating on-board ticket sales.



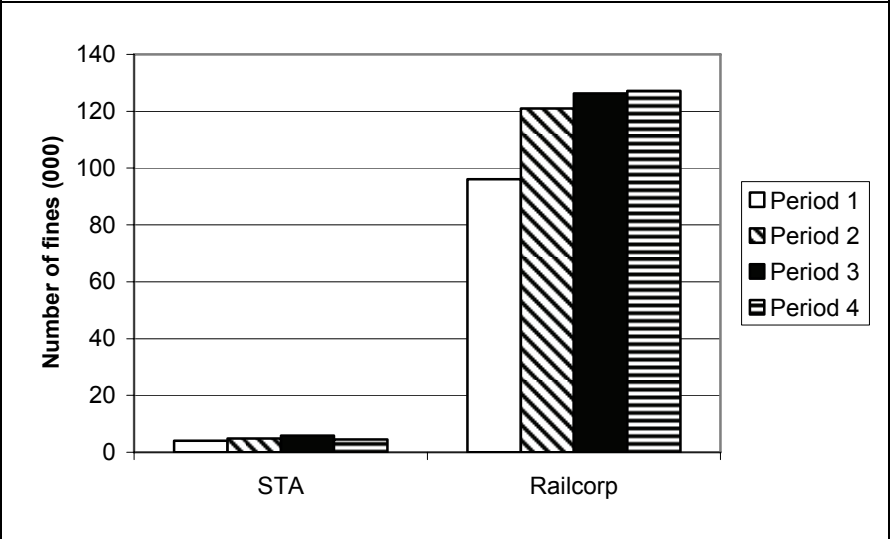
Source: STA and RailCorp 2005

In 2000, we expressed concern at the reliability of the methods used to estimate fare evasion. In response, both RailCorp and State Transit advised that after our 2000 audit they engaged an external expert to review and improve their estimating method.

Number of fines issued has increased

In 2000 we reported that approximately 100,000 infringement notices valued at \$9.1 million were issued in 1998-99 to passengers. In 2005 we found around 132,000 infringement notices were issued valued at approximately \$21.6 million.

Exhibit 2: Number of fare evasion fines



Notes: The graph shows the number of fines issued in each 12 month period as follows:

- Period 1 is 1 July 1998 to 30 June 1999
- Period 2 is 1 September 2002 to 30 August 2003
- Period 3 is 1 September 2003 to 30 August 2004
- Period 4 is 1 September 2004 to 30 August 2005.

RailCorp figures include fines issued by Police on the rail system.

Source: Office of State Revenue 2005

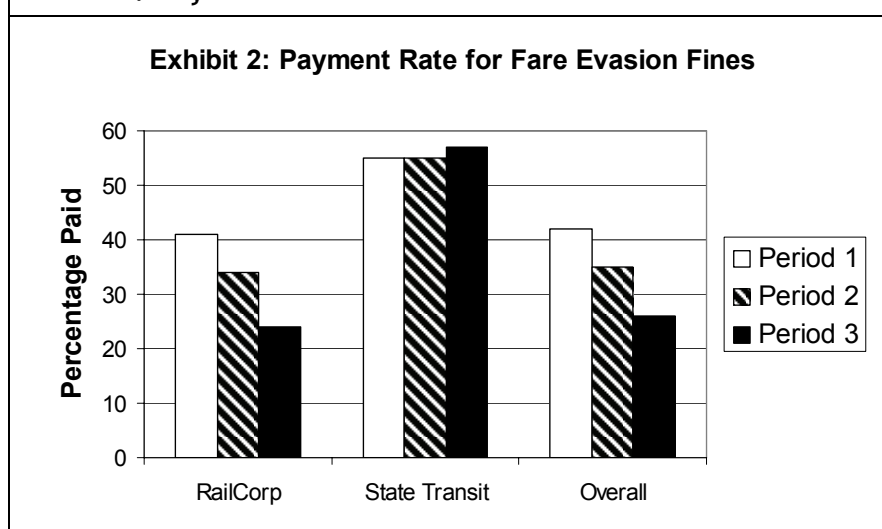
1.2 Has the level of fine default fallen?

Payment rates are lower

The overall level of fine default is now higher (worse) than we found in our 2000 report. In 2000, we found that 58 per cent of all fines issued for fare evasion in 1998-99 were not paid within 12 months. Seventy-four per cent of fines issued in 2003-04 were not paid within 12 months.

The following chart shows the trend in fine default overall and separately for RailCorp and State Transit (including Sydney Ferries).

**Exhibit 3: Payment Rate for Fare Evasion Fines**



**Notes:** The graph shows payment rates at least 12 months after the fine was issued. The periods are the same as in Exhibit 1. That is:

- Period 1 is 1 July 1998 to 30 June 1999
- Period 2 is 1 September 2002 to 30 August 2003
- Period 3 is 1 September 2003 to 30 August 2004
- Period 4 is not included because it covers the period allowed for fine recovery by SDRO.

The figures for State Transit include Sydney Buses and Sydney Ferries only. RailCorp's figures include fines issued by Police.

**Source:** The NSW Audit Office, 2000. Office of State Revenue, 2006.

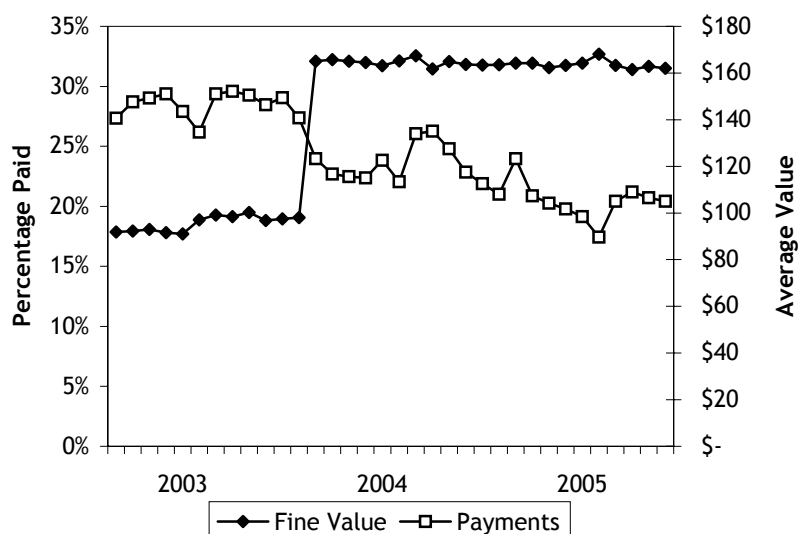
SDRO continues recovery action on unpaid fines beyond 12 months and recovery rates typically improve. For example, for fines issued for fare evasion between August 2002 and September 2005, the recovery rate as at December 2005 increased to 35 per cent.

#### **Fine default has increased for rail offences**

The main contributors to the high volume of fine defaults are rail passengers. In 2005, 76 per cent of fines issued for fare evasion on rail were not paid within 12 months, compared to 59 per cent in 2000. As previously stated, over 95 per cent of fines for fare evasion are issued to rail passengers.

A worsening in the level of fine default coincided with an increase in the value of most fines for evading fares on the rail system around September 2003. Exhibit 3 shows the decline in payments over time against fine values. However, it should also be noted that the increase in the value of fines may have contributed to the higher fare compliance on the rail system reported in Section 1.1.

**Exhibit 4: Fine payment rate and average fine value**



**Note:** This only includes fine payments to IPB.  
**Source:** Office of State Revenue 2005

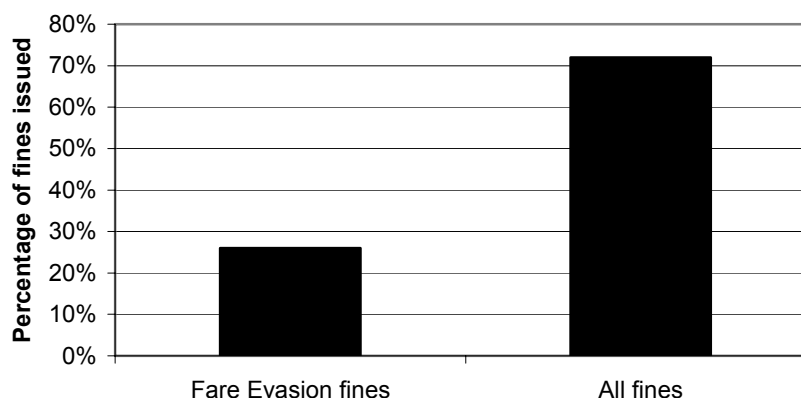
**Payment rate has improved for State Transit**

The overall payment rate for fines issued to State Transit and Sydney Ferries passengers improved from 51 per cent in 2000 to 55 per cent in 2005. Separate data on the payment rate for fines issued to passengers on Sydney Ferries is not available.

**The overall recovery rate for fines has improved**

SDRO processes around 2.8 million fines each year and the overall recovery rate for fines (not just fare evasion) has improved from 68 per cent in 2002-03 to 73 per cent in 2004-05. SDRO has indicated that its goal is to achieve a similar level of payment for fines issued for fare evasion.

**Exhibit 5: Proportion of fines paid**



**Source:** SDRO 2006

# **Exhibit 6: Fine Enforcement Process**

The Infringement Processing Bureau (IPB) processes fine payments on behalf of transport operators. If a fine is not paid:

- a Penalty Reminder Notice is sent out by the IPB (at least five weeks after the offence date or receipt of infringement notice if later)
- the fine is referred for further enforcement action by the Fine Enforcement Branch (at a minimum of seven weeks from the issue date)
- the FEB directs the Roads and Traffic Authority (RTA) to suspend the offender's driving licence and/or any vehicle registration (at a minimum of six weeks from the date of referral from IPB).

These timeframes assume that the fine information provided by the transport agencies is complete and accurate and the offender has not made contact or any representation to the SDRO.

If the fine is still not paid as a result of these strategies, FEB will attempt recovery through seizing goods, garnishing wages, placing charges on property or issuing a Community Service Order.

Source: Office of State Revenue 2006

**Data on fine defaults needs to be reviewed by operators**

RailCorp and State Transit have service level agreements with SDRO for the processing of fines, however these agreements do not specify the types of reports SDRO should provide on fine default. SDRO has been providing transport operators with monthly fine reconciliation statements and now also provides raw data on the status of fines. SDRO advises that it is currently working to provide further information on fine defaults.

Data on fine defaults is useful as low payment rates may indicate a problem in SDRO's ability to serve notices (such as incomplete or incorrect offender details provided by the transport agency) or the willingness or ability of the infringer to pay, especially in the case of frequent fare evaders.

**The number of frequent fare evaders has increased**

In 2000 we found that around 1,000 people had been caught for fare evasion ten times or more over three years. We found that this number had more than doubled to around 2,700 in the three years to September 2005. The total value of these offences was around \$6.4 million. One person had infringed 210 times.

The payment rate for fines incurred by these frequent fare evaders is generally very low. SDRO advised us that the 25 most frequent fare evaders have received more than 2,000 fines between them, worth \$340,000, but had paid only \$1,250 (0.13 per cent recovery rate).

**Current strategies are not an adequate deterrent for frequent fare evaders**

There is a risk that the cost of issuing and processing infringements for frequent evaders is in excess of revenue collected. In 2000 we recommended that transport agencies initiate strategies to specifically deal with frequent fare evaders.

Almost all frequent fare evaders travel on rail. In 2006 we found that, while RailCorp has investigated a number of options for managing frequent fare evaders, it has made no substantial change to its approach.

**Suggestion for improvement**

Service level agreements between SDRO and transport operators should require that data be compiled and shared on fine default and payment trends (over at least a three year period). Transport agencies should interrogate this data to identify:

- if default rates are due to the incomplete or inaccurate recording of passenger details
- frequent fare evaders that are unwilling or unable to pay fines
- optimal fine value.

SDRO advises that it is pursuing access to new sources of information that will assist in the validation and verification of offender details. SDRO needs to continue to improve its ability to validate and verify offender name and address details provided by transport agencies.

Transport agencies and SDRO need to develop alternative ways of dealing with repeat offenders and the non payment of fines by frequent fare evaders.



## **2. Has the management of revenue protection improved?**

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### **At a glance**

The key question examined in this chapter is: has the management of revenue protection improved since 2000?

We found that the management of revenue protection has improved.

Compared to 2000, transport agencies now:

- have improved revenue protection policies and strategic planning, including performance measures
- make greater use of data and intelligence on fare evasion to deploy resources and determine appropriate compliance strategies
- have better information on fare evasion
- have clearly documented policies on exercising discretion
- have better signs showing the consequences of fare evasion
- use a range of innovative strategies to improve fare compliance.

The complexity of concessions has not been addressed by the Ministry of Transport and transport agencies. The transport agencies have also been understandably reluctant to make substantial investments in better compliance technologies given their expectation that the introduction of a single payment card for travel on all trains, buses and ferries (Tcard) will provide such technology. Tcard implementation has, however, been delayed by four years due to an extended legal challenge and contract variations.

## **2.1 Changes since the 2000 audit**

Overall, fare compliance is better managed than in 2000, although there are still areas for improvement by transport agencies.

In our 2000 audit, we found that the transport agencies:

- had not clearly articulated performance expectations
- did not measure the success or otherwise of fare compliance strategies and activities against expected results
- were not making good use of intelligence for targeting revenue protection activities
- needed a more robust methodology for determining the appropriate level of staff needed for revenue protection
- had not given staff adequate guidance on discretion
- did not adequately inform or educate passengers about fare requirements and penalties for evasion.

In 2006, we found that RailCorp, State Transit and Sydney Ferries have all made significant changes to the way they manage fare compliance.

## **2.2 Changes in practice at RailCorp**

In 2000, State Rail had approximately 120 revenue protection officers. Now, RailCorp has 600 uniformed transit officers with a range of responsibilities including fare compliance and passenger security.

**RailCorp has improved**

RailCorp today:

- has a revenue protection policy and strategic plan, including performance measures
- makes greater use of data and intelligence on fare evasion to deploy resources and determine appropriate compliance strategies
- has better information on fare evasion
- has a clearly documented policy on exercising discretion
- has better signage on trains and stations, and in timetables to inform passengers of the consequences of fare evasion
- uses a range of innovative strategies to improve fare compliance
- monitors the effectiveness of compliance strategies.



#### **Exhibit 7: RailCorp's fare compliance strategy**

Recently RailCorp implemented a Fare Compliance Strategy whereby particular stations are targeted by transit officers and ticket revenue is monitored while these officers are present. This data enables RailCorp to establish a "high-water mark" for fare revenue (that is, the ticket sales that would be expected to occur at the station if there was no fare evasion). These figures are compared to normal sales in order to identify problem lines and stations for the deployment of transit officers.

Source: RailCorp 2005

In 2006 we found that RailCorp receives a monthly reconciliation statement on fines issued and paid and has recently started receiving data on a monthly basis on the status of fines. RailCorp advise that they are now starting to analyse this data.

**Suggestion for improvement**

RailCorp should analyse data on infringements not paid to identify causes. This analysis should be used to inform revenue protection strategies and identify training requirements for transit officers.

## **2.3 Changes in practice at State Transit**

In August 2003, State Transit created a Revenue Protection Unit, comprising 26 dedicated revenue protection officers. Prior to this, bus drivers with specialised revenue protection training were rostered to undertake ticket inspections.

**State Transit has improved**

State Transit today:

- has a revenue protection policy and strategic plan, including performance measures
- makes greater use of data and intelligence on fare evasion to deploy resources and determine appropriate compliance strategies
- has better information on fare evasion
- has a clearly documented policy on exercising discretion and issuing cautions
- has better signage on buses and shelters, and in timetables to inform passengers of the correct fare for the journey.

State Transit estimates that in its first 12 months of operation the Revenue Protection Unit reduced fare evasion by \$2 million, and that the level of fare evasion has been relatively static at around 1 per cent since the unit was formed in 2003.

In 2006 we found that State Transit receives a monthly reconciliation statement on fines issued and paid and has recently started receiving raw data on a monthly basis on the status of fines. State Transit advises that it uses this data to monitor payment rates.

**Suggestion for improvement**

State Transit should analyse data on infringements not paid to identify causes. This analysis should be used to inform revenue protection strategies and identify training requirements for revenue protection officers.

## **2.4 Changes in practice at Sydney Ferries**

Sydney Ferries was corporatised in 2004 separating it from State Transit. In January 2005, an independent review commissioned by Sydney Ferries confirmed findings from our 2000 audit. It found that Sydney Ferries did not:

- have an estimate of the level of fare evasion
- have a strategic plan or clearly defined responsibilities for revenue protection
- publish or display material to educate passengers and engender compliance with revenue protection law.

**Sydney Ferries is improving, but needs to do more**

State Transit provides revenue protection services to Sydney Ferries by way of a service level agreement. Since January 2005, Sydney Ferries has made several improvements in the way it approaches fare compliance, including:

- starting to develop a strategic plan
- making greater use of intelligence on fare evasion to deploy resources
- publishing and displaying information on the need to pay the correct fare on wharves and ferries
- highlighting to staff the importance of collecting fare revenue and limiting fare evasion.

Sydney Ferries has also negotiated changes to the way State Transit provides revenue protection services. In 2000, State Transit provided three full-time revenue protection staff to inspect tickets. Now, the agreement provides for eighty hours of compliance inspections each week with the option to request additional revenue protection resources from State Transit. This provides Sydney Ferries greater flexibility and has allowed for 'blitzes' to be conducted across the system.

While Sydney Ferries needs to do more to improve its response to fare evasion, there is some evidence that changes introduced since January 2005 have been effective.

For example, Sydney Ferries issued almost as many penalty notices in the first half of 2005-06 (167) as it did in the entire previous year (182 in 2004-05).



#### Exhibit 8: Better reporting on revenue protection

State Transit now provide a monthly report on revenue protection operations that includes:

- time spent on revenue protection operations and
- number of staff involved
- location and number of vessels checked
- number of passengers checked
- number of infringement notices and cautions issued.

This information enables Sydney Ferries to better identify problem areas.

Source: Sydney Ferries 2006

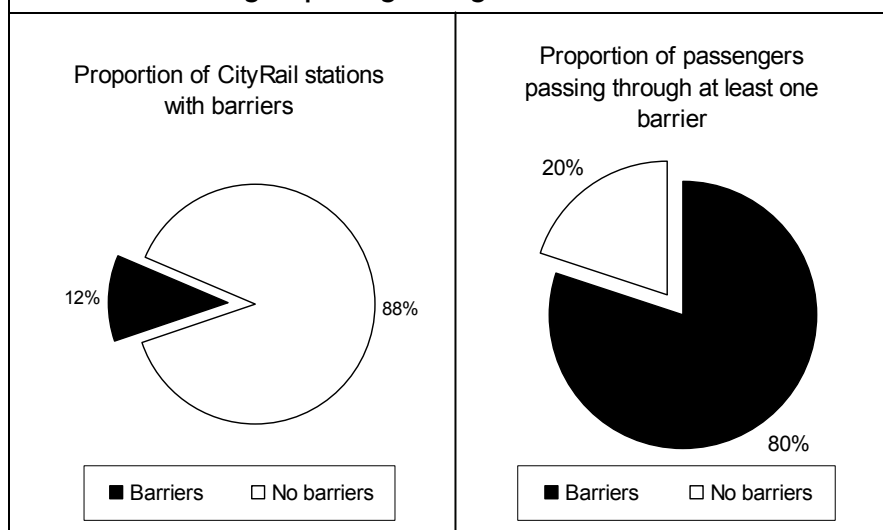
## 2.5 What impedes effective revenue protection?

Open transport systems increase the opportunity for fare evasion

One of the major barriers to effective revenue protection faced by Sydney Ferries and RailCorp is the extent to which both have open transport systems (that is unrestricted access to a train or ferry).

Two hundred and sixty-five of CityRail's 300 stations do not have electronic ticket barriers. While RailCorp estimates that approximately 80 per cent of passengers pass through at least one barrier during a journey, it is possible to make trips on the RailCorp network between stations which do not have barriers.

#### Exhibit 9: Passengers passing through electronic ticket barriers



Source: RailCorp 2005

In these circumstances, reliance is placed on station staff and transit officers to ensure fares are paid.

Sydney Ferries' system is also largely open, with barriers only at two of its 41 wharves (Manly and Circular Quay). It is possible for passengers to travel between wharves where there are no electronic barriers and no staff to collect tickets.

On some ferry services, passengers can only pay at their destination as not all wharves have ticket vending machines and passengers may find it difficult to buy a ticket 'on board' during peak periods.

Both RailCorp and Sydney Ferries have been reluctant to make substantial changes to introduce additional barriers at stations and wharves because of the planned introduction of the Tcard integrated ticketing system. Tcard and its associated ticketing infrastructure may make both systems less susceptible to fare evasion.

<b>Exhibit 10: About Tcard</b>
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<p>Tcard is a single payment card for travel on all trains, buses and ferries, as well as light rail and monorail. A Tcard is about the same size as a credit card and contains a computer chip.</p> <p>To use Tcard, passengers will 'tag-on' when they enter a station or board a bus or ferry. Tagging involves holding the Tcard close to a Tcard reader which scans the card. At the end of a trip the passenger will 'tag-off' when exiting the station or ferry. The fare for the trip is then calculated and deducted from the Tcard. Tcard will also automatically charge concession fares to eligible passengers.</p>
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Source: the NSW Government website [www.tcard.com.au](http://www.tcard.com.au), 2006

**Tcard may reduce fare evasion, but its implementation has been delayed**

In our 2000 audit, we reported that Tcard was likely to reduce fare evasion and change the manner in which fare compliance activities were undertaken. We were advised that Tcard was due to start in 2003. Following an extended legal challenge the contract for the project was finally signed in February 2003 with estimated completion by November 2006. Variations agreed with the contractor have extended completion to February 2007.

**Agencies don't know how much to invest in protection**

We also found that although agencies aim to minimise fare evasion, RailCorp, State Transit and Sydney Ferries have not yet established robust methodologies for determining what level of investment should be directed at ensuring fare compliance. This was an issue we raised in 2000.

Apart from special operations exclusively targeting fare compliance, RailCorp also does not know what level of resources it applies to revenue protection alone, (compared to security or customer service activities also undertaken by transit officers) although it advises that it has commenced collecting and analysing data on this. The level of resources used by State Transit is based on historical staffing levels.

We acknowledge the reasons why transport agencies have not progressed this are:

- determining optimal resourcing for fare compliance is difficult
- agencies believe there is little point in putting substantial effort into determining current optimal resourcing levels when the implementation of Tcard will change fundamentally how they carry out revenue protection.

**Misuse of wide gates at CityRail stations**

In our 2000 audit, we found that the manually operated wide gates at CityRail stations were sometimes left open or unattended. These gates are designed for use by people in wheelchairs, with prams, with luggage and the like. However, other passengers were using them to enter or leave the station, bypassing the electronic barriers.

We found that since 2000, RailCorp had:

- revised its policies and procedures in regard to the use of wide gates
- installed 'electronic' wide gates at some stations instead of manually operated gates.

**Exhibit 11: RailCorp electronic wide gate (left of picture)**



Source: Audit Office of NSW 2005

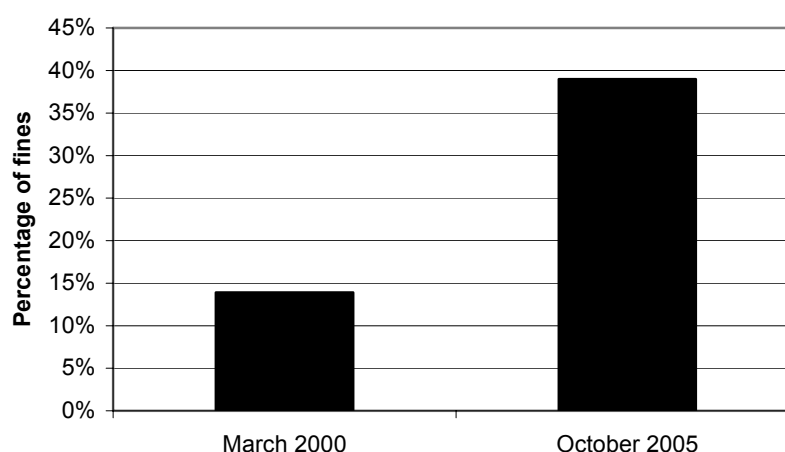
In the course of the audit we observed instances where manual wide gates were routinely left unattended and open during peak periods. We raised this with RailCorp. In response RailCorp reissued its policy on the operation of electronic gates and the wide manual gates.

**Concession abuse is still a problem**

In 2000, we found that a large proportion of fare evasion involved the inappropriate use of concessions.

In 2006, we found that the abuse of concession passes was still a major problem. The latest RailCorp fare evasion survey, conducted in October 2005, indicated that 38 per cent of ticket irregularities related to the misuse of concessions such as travelling on a concession ticket without a valid concession pass.

**Exhibit 12: Proportion of fare evaders misusing a concession**



Source: RailCorp 2000 and 2005 surveys

In 2000, we recommended that transport operators examine the complexity of concession entitlements, the standardisation of concession authorities and ways to reduce abuse of concession entitlements. Since 2000 RailCorp, which issues concession passes for buses and ferries as well as rail, has improved the security of these passes with the introduction of security foils that make it harder to illegally copy them.

The Ministry of Transport anticipates that Tcard concession cards will be registered to ensure that only one concession card is provided to each applicant. RailCorp and the Ministry advise that in the interim they are reviewing procedures for the supply and use of concession cards to limit their misuse.

The Ministry of Transport is also in the process of finalising a review of transport concessions. Its principal focus has been extending concessions to private buses. The Ministry advises that the review is not likely to recommend any simplification of concession arrangements.



<b>Identifying evaders to enable effective enforcement is still a problem</b>	<p>In 2000 the number of fine defaults arising from passengers providing an incorrect name and/or address was not known.</p> <p>SDRO has recently reviewed data on reasons for non-payment. In the 12 months to September 2005, 7.3 per cent of fare evasion infringements (around 9,700) were returned to SDRO (i.e. return to sender). SDRO attempts to identify an alternative address on all returned to sender mail and reissue the notice to the corrected address. A total of 2.8 per cent of infringements issued (around 3,700) could not be delivered due to insufficient information.</p> <p>Since 2000, both RailCorp and State Transit have provided training to transit officers and revenue protection staff on how to check the identification of fare evaders. Transit officers also have additional legislative powers to enable them to obtain some form of identification from a passenger.</p>
<b>Suggestion for improvement</b>	<p>RailCorp, State Transit and SDRO should undertake a review to determine whether these initiatives have improved the completeness and accuracy of passenger details or whether further work is required.</p> <p>In addition SDRO should:</p> <ul style="list-style-type: none"><li>▪ improve procedures for checking the identity and address of fines marked return to sender or where there is insufficient passenger details are incomplete</li><li>▪ consider developing alternate approaches to serving notices where the offender has multiple occurrences of return to sender</li><li>▪ monitor trends in fines marked returned to sender and consider the need for legislative changes if identity checks fail to reduce the rate</li><li>▪ provide feedback to transport agencies to help improve the accuracy and completeness of passenger details.</li></ul>
<b>2.6 Have agencies monitored and reported progress in implementing accepted recommendations effectively?</b>	
<b>Need to better monitor the implementation of recommendations</b>	<p>State Transit, RailCorp and Sydney Ferries all routinely report on fare evasion to their Boards and/or Audit Committees.</p> <p>However, while there is evidence that each transport agency has progressed recommendations accepted from our 2000 report, they have not:</p> <ul style="list-style-type: none"><li>▪ reported the progress on our 2000 recommendations in their annual reports</li><li>▪ provided information to us that indicates progress has been reported routinely to their Audit Committees or equivalent.</li></ul>

OSR advises that:

- it normally provides regular reports on the accepted recommendations of performance audits to its Audit Committee
- this has not occurred for the recommendations of the 2000 fare evasion performance audit because OSR was not the recipient of the initial audit report (neither IPB nor SDRO were part of OSR at the time)
- it has rectified this oversight and regular reporting to the Committee will occur from now on.

## Appendices

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## **Appendix 1:       About the audit**

<b>Audit objectives</b>	The objective of this follow-up performance audit was to determine whether or not transport agencies and the OSR had implemented recommendations accepted from our 2000 report, <i>Fare Evasion on Public Transport</i> . The audit also examined whether additional issues, relating to recommendations that were not accepted, had been addressed.
<b>Audit criteria</b>	<p>We judged changes in practice or performance based on whether:</p> <ul style="list-style-type: none"><li>▪ transport agencies and OSR had assessed the impact of the recommendations, determined the course of action, and implemented accepted recommendations</li><li>▪ the implementation plan was monitored and progress reported (eg through an Audit Committee or other monitoring mechanisms)</li><li>▪ transport agencies and OSR had reported progress in subsequent annual reports.</li></ul>
<b>Audit scope and focus</b>	<p>We examined the extent to which transport agencies and OSR implemented the recommendations of our 2000 report; the impact and magnitude of any change; and if not fully implemented, what action was taken to address the issue.</p> <p>CityRail is RailCorp's brand name for its metropolitan passenger services. For the purposes of this report the two names are interchangeable.</p>
<b>Audit approach</b>	We obtained specific evidence to show what transport agencies and OSR did to progress recommendations, and what changes had occurred as a result of implementation. Findings were based on the evidence collected through document analysis, interviews with staff, and formal responses to recommendations and issues identified in the 2000 audit.
<b>Cost of the audit</b>	Including printing and all overheads the estimated cost of the audit is \$140,000.
<b>Acknowledgement</b>	The Audit Office gratefully acknowledges the cooperation and assistance provided by representatives of RailCorp, State Transit, Sydney Ferries Corporation, Office of State Revenue and the Ministry of Transport.
<b>Audit Team</b>	Our team leader for this performance audit was Rod Longford who was assisted by Neil Avery. Jane Tebbatt provided direction and quality assurance.

## Appendix 2: Administrative changes since the 2000 audit

Since our 2000 report, there have been a number of changes to agency structures and responsibilities which have affected how fare revenue is protected and fines are enforced.

<b>RailCorp</b>	In 2000, State Rail had 120 revenue protection officers undertaking revenue protection activities. RailCorp now has around 600 transit officers responsible for revenue protection, security and customer service.
<b>State Transit</b>	In 2003, State Transit created a specialist revenue protection unit with specially trained uniformed officers. Previously, drivers with training in revenue protection were rostered to undertake ticket inspections.
<b>Sydney Ferries</b>	Sydney Ferries Corporation was split from State Transit in July 2004. Sydney Ferries currently utilises State Transit's revenue protection officers for revenue protection operations under a service level agreement with State Transit. State Transit issues and coordinates the processing of infringement notices on Sydney Ferries' behalf.
<b>Office of State Revenue</b>	The State Debt Recovery Office (SDRO) was transferred from Attorney General's Department to OSR in April 2002 and became the Fine Enforcement Branch (FEB). The Infringement Processing Bureau (IPB) was transferred from Police to OSR in October 2003. IPB and FEB now form SDRO, which is a division of OSR. SDRO reports that a major integration program has commenced to recognise the interdependency and interaction between IPB and FEB through the life cycle of a fine.
<b>Ministry of Transport</b>	The Ministry of Transport was established on 1 July 2003 replacing the Department of Transport. The Ministry is made up of a Policy and Strategic Coordination Group and a Transport Services Group. The Ministry is responsible for a range of activities including establishing service standards for transport operators and the coordination of broader transport portfolio issues such as the implementation of integrated ticketing (that is, Tcard).

### Appendix 3: Status of implementation of recommendations

#### RailCorp

Recommendation		Status	Progress report
1a.	Operators establish a statistically sound basis for reliably estimating the level of fare evasion on each transport system	Implemented	RailCorp obtained expert advice following the 2000 audit and is satisfied it uses a statistically sound method to determine the levels of fare evasion. RailCorp has been monitoring fare evasion levels since 1993 using this methodology.
1b.	Operators define more clearly corporate policy and objectives for revenue protection	Implemented	<p>RailCorp has a policy and objectives for revenue protection. However, it has not established optimum resourcing requirements for revenue protection. Resourcing requirements will need to be reviewed following the introduction of Tcard.</p> <p>The amount of resources currently allocated to revenue protection is not known. RailCorp advise that it is developing a methodology for estimating the time transit officers spend on fare evasion, as opposed to other activities such as customer service and security work.</p>
1c.	Operators develop strategic plans for revenue protection which set management structure, optimum resources (human, information technology and financial) and establish accountabilities for actions and timeframes	Implemented	<p>The RailCorp Security Plan 2003-06 provides a revenue protection program that lists some current initiatives and timeframes. RailCorp advise that the Customer Services Group Major Projects Steering Committee meets monthly and monitors progress against major projects including the RailCorp Security plan. Major project reports include:</p> <ul style="list-style-type: none"> <li>▪ RailCorp Security Plan</li> <li>▪ Fare Compliance Strategy.</li> </ul>
1d.	Operators obtain benchmarks and compile key performance indicators so as to measure and report outcomes achieved against targets and accomplishments against other operators (nationally and internationally)	Partially implemented	<p>RailCorp have undertaken some assessment of revenue protection activities, performance and challenges for other rail systems. It advises that it is planning to join a rail benchmarking network.</p> <p>RailCorp is also monitoring fare evasion trends, and the performance of its transit officers.</p>

Recommendation		Status	Progress report
1e.	Operators ensure that the management structure and accountability for the enforcement of transport laws is appropriate within agencies and facilitates inter agency information sharing and co-ordination	Implemented	RailCorp has suitable management structures in place for revenue protection. RailCorp is discussing data requirements for monitoring fines and fine defaults with SDRO.  RailCorp participates in regular Transit Working Party meetings with Police, State Transit and other relevant agencies.
1f.	Operators increase public awareness and understanding of revenue protection law especially in terms of concession travel	Implemented	RailCorp has increased public awareness of revenue protection enforcement activities and penalties through posters on stations, brochures, information on the website and in timetable booklets.
1g.	Operators examine the complexity of concession entitlements, the standardisation of concession authorities and ways to reduce abuse of concession entitlements	Partially implemented	RailCorp advise that transit officers routinely check for the misuse of concessions and, during the course of the audit, these activities were observed at stations.  RailCorp produces a "Passes and Concessions Guide" which explains all the concessions it and other agencies issue.  There has been reduction in the complexity of concession entitlements since the 2000 audit.  RailCorp advised that it has taken steps to improve the security of the concession passes by affixing security foils to the passes. The introduction of Tcard should further improve security. The Ministry of Transport proposes to have each concession Tcard registered to an owner to ensure that only one concession is provided to an applicant.  RailCorp and the Ministry advise that in the interim they are undertaking a review of procedures for the supply and use of concession cards to limit their misuse.
1h.	Operators provide adequate guidance on discretion to those authorised to enforce the law (to ensure consistency and transparency in the application of the law)	Implemented	RailCorp now provides guidance on exercising discretion to its transit officers through procedures and training.

Recommendation		Status	Progress report
2a.	Operators with the assistance of SDRO examine the reasons for the high level of default in the payment of fines from infringements issued	Partially implemented	RailCorp is yet to investigate the reasons for the high level of fine default, but advises that it now receives data from SDRO on the status of infringement notices that will assist it to do this.
2b.	Operators, with the assistance of the SDRO, initiate strategies to improve significantly the payment rate	Partially implemented	<p>RailCorp has developed procedures and provided training to transit officers and increased legislative powers to allow transit officers to request proof of identification from passengers.</p> <p>However, the level of fine default has increased since 2000.</p> <p>RailCorp reports that systems and legislation to allow transit officers to verify the identity of an offender are currently being reviewed.</p>
2c.	Operators, with the assistance of SDRO, initiate strategies to deal with frequent fare evaders.	Partially implemented	Fines issued to frequent fare evaders comprise 11 per cent of all fare evasion fines. RailCorp is yet to develop a frequent fare evader strategy to deal effectively with this group.
3a.	SDRO and its clients implement procedures to ensure infringements issued and processed comply with the law and agency policy	Implemented	SDRO advises it has procedures in place to ensure the correct offence is included in each infringement reminder notice and believe that these comply with the law.
3b.	SDRO and its clients implement procedures to ensure the distribution of revenue complies with the law	Implemented	RailCorp now has an agreement with SDRO to ensure that fine payments received are transferred to SDRO. SDRO is now providing monthly reconciliation statements showing fines issued and paid. RailCorp now receives data on the status of fines data that will enable it to monitor fine payments.
3c.	SDRO and its clients implement procedures to ensure management information meets the needs of users.	Partially implemented	<p>The Service Level Agreement with SDRO specifies monthly reconciliation statements but does not specify any other management reporting requirements.</p> <p>RailCorp now receives data on the status of infringement notices from SDRO.</p> <p>RailCorp plans to analyse this data to identify opportunities to improve performance.</p>



## State Transit

Recommendation		Status	Changes in practice
1a.	Operators establish a statistically sound basis for reliably estimating the level of fare evasion on each transport system	Implemented	<p>State Transit uses data on numbers of tickets checked and caution and infringement notices issued to estimate the level of fare evasion.</p> <p>State Transit obtained expert advice following the 2000 audit and is satisfied it uses a statistically sound method to determine the levels of fare evasion.</p>
1b.	Operators define more clearly corporate policy and objectives for revenue protection	Partially implemented	<p>State Transit has a policy and objectives for revenue protection. However, it has not established optimum resourcing requirements for revenue protection.</p> <p>The level of resources applied to fare evasion is the same as prior to the formation of the Revenue Protection Unit in 2003. State Transit believes that its relatively low and consistent level of fare evasion indicates it has achieved a close to optimal resources level.</p> <p>Resource requirements will need to be reviewed following the introduction of Tcard.</p>
1c.	Operators develop strategic plans for revenue protection which set management structure, optimum resources (human, information technology and financial) and establish accountabilities for targets, actions and timeframes	Implemented	<p>State Transit developed a five-year strategic plan for revenue protection which includes strategies to increase public awareness, resourcing, internal controls and communication with other agencies. The current plan covers the years 2003-07. Supporting this plan are operational plans that identify actions, responsibilities and priorities.</p>
1d.	Operators obtain benchmarks and compile key performance indicators so as to measure and report outcomes achieved against targets and accomplishments against other operators (nationally and internationally)	Partially implemented	<p>State Transit has undertaken some assessment of revenue protection activities, performance and challenges of other transport system operators.</p> <p>State Transit is also monitoring fare evasion trends and the performance of its revenue protection staff.</p>

Recommendation		Status	Changes in practice
1e.	Operators ensure that the management structure and accountability for the enforcement of transport laws is appropriate within agencies and facilitates inter agency information sharing and co-ordination	Implemented	State Transit has an appropriate revenue protection management structure in place.  State Transit participates in regular Transit Working Party meetings with Police, RailCorp and other relevant agencies.
1f.	Operators increase public awareness and understanding of revenue protection law especially in terms of concession travel	Implemented	State Transit has increased public awareness of revenue protection enforcement activities and penalties. Maps displaying each bus section are printed on timetables and displayed on the State Transit website to enable passengers to calculate the correct fare.
1g.	Operators examine the complexity of concession entitlements, the standardisation of concession authorities and ways to reduce abuse of concession entitlements	Partially implemented	State Transit advise that revenue protection officers routinely check for the misuse of concessions.  The only travel passes State Transit issues are to its own employees.
1h.	Operators provide adequate guidance on discretion to those authorised to enforce the law (to ensure consistency and transparency in the application of the law)	Implemented	State Transit now provides guidance on exercising discretion to its revenue protection staff through procedures and training.
2a.	Operators, with the assistance of SDRO examine the reasons for the high level of default in the payment of fines from infringements issued	Partially implemented	The Agreement with SDRO does not specify the types of management reports to be provided. SDRO provide a monthly reconciliation statement and now provide data on the status of infringement notices.  State Transit has started to analyse the data and intends to use this data to identify opportunities to improve.
2b.	Operators with the assistance of the SDRO initiate strategies to improve significantly the payment rate	Partially implemented	State Transit advise that it has provided training and work instructions to revenue protection officers on how to issue infringements. Payment rates have improved since 2000 but remain below the average for all fines processed by SDRO.

Recommendation		Status	Changes in practice
2c.	Operators with the assistance of the SDRO initiate strategy to deal with frequent fare evaders.	Implemented	State Transit maintain a database of fare evaders to allow revenue protection officers to determine whether a caution or fine should be issued. The incidence of frequent fare evasion on buses is low.
3a.	SDRO and its clients implement procedures to ensure infringements issued and processed comply with the law and agency policy	Implemented	SDRO advises it has procedures in place to ensure the correct offence is included in each infringement notice and believe that these comply with the law.
3b.	SDRO and its clients implement procedures to ensure the distribution of revenue complies with the law	Implemented	State Transit now have an agreement with SDRO to ensure fine payments are transferred to State Transit. SDRO provide monthly reconciliation statements and has started providing raw data on a monthly basis on the status of infringement notices. State Transit advise that it is using this data to monitor fine payments.
3c.	SDRO and its clients implement procedures to ensure management information meets the needs of users.	Partially implemented	The Service Level Agreement with SDRO specifies monthly reconciliation statements but does not specify any other management reporting requirements. State Transit now receives data on the status of infringement notices from SDRO. State Transit plans to analyse this data to identify opportunities to improve performance.

## Sydney Ferries

	Recommendation	Status	Changes in practice
1a.	Operators establish a statistically sound basis for reliably estimating the level of fare evasion on each transport system	Partially implemented	Sydney Ferries is unable to estimate fare evasion. It advises that it has started collecting and reporting data on revenue protection activities.
1b.	Operators define more clearly corporate policy and objectives for revenue protection	Partially implemented	Sydney Ferries has developed draft policies and plans for revenue protection. Ferries has not identified optimum resourcing requirements for revenue protection. Sydney Ferries do not currently have reliable estimates of the extent of fare evasion.
1c.	Operators develop strategic plans for revenue protection which set management structure, optimum resources (human, information technology and financial) and establish accountabilities for actions and timeframes	Partially implemented	Sydney Ferries advise that they are in the process of preparing a preliminary strategic plan for revenue protection.
1d.	Operators obtain benchmarks and compile key performance indicators so as to measure and report outcomes achieved against targets and accomplishments against other operators (nationally and internationally)	Not implemented	Sydney Ferries advise that benchmarking and key performance indicators for revenue protection are yet to be developed and will form part of the strategic plan.
1e.	Operators ensure that the management structure and accountability for the enforcement of transport laws is appropriate within agencies and facilitates inter agency information sharing and co-ordination	Implemented	<p>Sydney Ferries have a service level agreement in place with State Transit for revenue protection services, including special operations and patrols. State Transit's revenue protection officers issue infringement notices on behalf of Sydney Ferries and liaise with SDRO. Regular meetings are held with State Transit to facilitate the transfer of information.</p> <p>In addition Sydney Ferries advises that it is now more closely monitoring ticket sales.</p>

Recommendation		Status	Changes in practice
1f.	Operators increase public awareness and understanding of revenue protection law especially in terms of concession travel	Implemented	Signs showing fare evasion penalties have been placed on wharves and ferries. Sydney Ferries advise that it makes PA announcements regarding fare evasion and revenue protection measures. It has also increased public awareness of penalties through timetables and other publicly available documents.
1g.	Operators examine the complexity of concession entitlements, the standardisation of concession authorities and ways to reduce abuse of concession entitlements	Partially implemented	Sydney Ferries do not issue concession passes. State Transit, who undertakes revenue protection activities for Sydney Ferries, advises that its revenue protection officers routinely check for the misuse of concessions.
1h.	Operators provide adequate guidance on discretion to those authorised to enforce the law (to ensure consistency and transparency in the application of the law)	Partially implemented	Sydney Ferries has developed a draft fare enforcement policy, that covers discretion, which will be finalised with the strategic plan.
2a.	Operators with the assistance of the SDRO examine the reasons for the high level of default in the payment of fines from infringements issued	Not implemented	Sydney Ferries are currently unable to check whether they are receiving the correct fine revenue. Sydney Ferries receive summary information from State Transit on fines issued but no reconciliation information covering fines paid and still outstanding. Sydney Ferries advise that they will follow this up with State Transit.
2b.	Operators with the assistance of SDRO initiate strategies to improve significantly the payment rate	Not implemented	Sydney Ferries do not currently have sufficient information on fine defaults to examine trends and determine effective strategies. Sydney Ferries advise that it will request data on payment rates from State Transit.
2c.	Operators with the assistance of SDRO initiate strategy to deal with frequent fare evaders.	Not implemented	Sydney Ferries do not have data on frequent fare evaders. Sydney Ferries advises that it will request this information from State Transit.
3a.	SDRO and its clients implement procedures to ensure infringements issued and processed comply with the law and agency policy	Implemented	SDRO advises it has procedures in place to ensure the correct offence is included in each infringement reminder notice and believe that these comply with the law.

Recommendation		Status	Changes in practice
3b.	SDRO and its clients implement procedures to ensure the distribution of revenue complies with the law	Implemented	SDRO do not provide a separate reconciliation report for Sydney Ferries. Sydney Ferries advise that the agreement with State Transit ensures that fine revenue is transferred to Sydney Ferries.
3c.	SDRO and its clients implement procedures to ensure management information meets the needs of users.	Partially implemented	Sydney Ferries are reviewing information requirements in consultation with State Transit.

## **Performance Audits by the Audit Office of New South Wales**

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## Performance Auditing

### What are performance audits?

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

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

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

### Why do we conduct performance audits?

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

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

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

### What is the legislative basis for Performance Audits?

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

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

### Who conducts performance audits?

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

### How do we choose our topics?

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

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

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

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

If you wish to find out what performance audits are currently in progress just visit our website at [www.audit.nsw.gov.au/](http://www.audit.nsw.gov.au/)

### How do we conduct performance audits?

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

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

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



### **What are the phases in performance auditing?**

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

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

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

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

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

Copies of our performance audit reports can be obtained from our website or by contacting our Office Services Manager.

### **How do we measure an agency's performance?**

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

Performance audits look at:

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

### **Do we check to see if recommendations have been implemented?**

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

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

To assist agencies to monitor and report on the implementation of recommendations, the Audit Office has prepared a Guide for that purpose. The Guide, *Monitoring and Reporting on Performance Audits Recommendations*, is on the Internet at [www.audit.nsw.gov.au/publications/better\\_practice/better\\_practice.htm](http://www.audit.nsw.gov.au/publications/better_practice/better_practice.htm)

### **Who audits the auditors?**

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

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

### **Who pays for performance audits?**

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

### **For further information relating to performance auditing contact:**

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Performance Audit  
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## Performance Audit Reports

No	Agency or Issues Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
78	State Rail Authority (CityRail) State Transit Authority	<i>Fare Evasion on Public Transport</i>	6 December 2000
79	TAFE NSW	<i>Review of Administration</i>	6 February 2001
80	Ambulance Service of New South Wales	<i>Readiness to Respond</i>	7 March 2001
81	Department of Housing	<i>Maintenance of Public Housing</i>	11 April 2001
82	Environment Protection Authority	<i>Controlling and Reducing Pollution from Industry</i>	18 April 2001
83	Department of Corrective Services	<i>NSW Correctional Industries</i>	13 June 2001
84	Follow-up of Performance Audits	<i>Police Response to Calls for Assistance The Levying and Collection of Land Tax Coordination of Bushfire Fighting Activities</i>	20 June 2001
85*	Internal Financial Reporting	<i>Internal Financial Reporting including a Better Practice Guide</i>	27 June 2001
86	Follow-up of Performance Audits	<i>The School Accountability and Improvement Model (May 1999) The Management of Court Waiting Times (September 1999)</i>	14 September 2001
87	E-government	<i>Use of the Internet and Related Technologies to Improve Public Sector Performance</i>	19 September 2001
88*	E-government	<i>e-ready, e-steady, e-government: e-government readiness assessment guide</i>	19 September 2001
89	Intellectual Property	<i>Management of Intellectual Property</i>	17 October 2001
90*	Intellectual Property	<i>Better Practice Guide Management of Intellectual Property</i>	17 October 2001
91	University of New South Wales	<i>Educational Testing Centre</i>	21 November 2001
92	Department of Urban Affairs and Planning	<i>Environmental Impact Assessment of Major Projects</i>	28 November 2001
93	Department of Information Technology and Management	<i>Government Property Register</i>	31 January 2002
94	State Debt Recovery Office	<i>Collecting Outstanding Fines and Penalties</i>	17 April 2002
95	Roads and Traffic Authority	<i>Managing Environmental Issues</i>	29 April 2002
96	NSW Agriculture	<i>Managing Animal Disease Emergencies</i>	8 May 2002

No	Agency or Issues Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
97	State Transit Authority Department of Transport	<i>Bus Maintenance and Bus Contracts</i>	29 May 2002
98	Risk Management	<i>Managing Risk in the NSW Public Sector</i>	19 June 2002
99	E-Government	<i>User-friendliness of Websites</i>	26 June 2002
100	NSW Police Department of Corrective Services	<i>Managing Sick Leave</i>	23 July 2002
101	Department of Land and Water Conservation	<i>Regulating the Clearing of Native Vegetation</i>	20 August 2002
102	E-government	<i>Electronic Procurement of Hospital Supplies</i>	25 September 2002
103	NSW Public Sector	<i>Outsourcing Information Technology</i>	23 October 2002
104	Ministry for the Arts Department of Community Services Department of Sport and Recreation	<i>Managing Grants</i>	4 December 2002
105	Department of Health Including Area Health Services and Hospitals	<i>Managing Hospital Waste</i>	10 December 2002
106	State Rail Authority	<i>CityRail Passenger Security</i>	12 February 2003
107	NSW Agriculture	<i>Implementing the Ovine Johne's Disease Program</i>	26 February 2003
108	Department of Sustainable Natural Resources Environment Protection Authority	<i>Protecting Our Rivers</i>	7 May 2003
109	Department of Education and Training	<i>Managing Teacher Performance</i>	14 May 2003
110	NSW Police	<i>The Police Assistance Line</i>	5 June 2003
111	E-Government	<i>Roads and Traffic Authority Delivering Services Online</i>	11 June 2003
112	State Rail Authority	<i>The Millennium Train Project</i>	17 June 2003
113	Sydney Water Corporation	<i>Northside Storage Tunnel Project</i>	24 July 2003
114	Ministry of Transport Premier's Department Department of Education and Training	<i>Freedom of Information</i>	28 August 2003
115	NSW Police NSW Roads and Traffic Authority	<i>Dealing with Unlicensed and Unregistered Driving</i>	4 September 2003
116	NSW Department of Health	<i>Waiting Times for Elective Surgery in Public Hospitals</i>	18 September 2003

No	Agency or Issues Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
117	Follow-up of Performance Audits	<i>Complaints and Review Processes (September 1999)</i> <i>Provision of Industry Assistance (December 1998)</i>	24 September 2003
118	Judging Performance from Annual Reports	<i>Review of Eight Agencies' Annual Reports</i>	1 October 2003
119	Asset Disposal	<i>Disposal of Sydney Harbour Foreshore Land</i>	26 November 2003
120	Follow-up of Performance Audits NSW Police	<i>Enforcement of Street Parking (1999)</i> <i>Staff Rostering, Tasking and Allocation (2000)</i>	10 December 2003
121	Department of Health NSW Ambulance Service	<i>Code Red: Hospital Emergency Departments</i>	15 December 2003
122	Follow-up of Performance Audit	<i>Controlling and Reducing Pollution from Industry (April 2001)</i>	12 May 2004
123	National Parks and Wildlife Service	<i>Managing Natural and Cultural Heritage in Parks and Reserves</i>	16 June 2004
124	Fleet Management	<i>Meeting Business Needs</i>	30 June 2004
125	Department of Health NSW Ambulance Service	<i>Transporting and Treating Emergency Patients</i>	28 July 2004
126	Department of Education and Training	<i>School Annual Reports</i>	15 September 2004
127	Department of Ageing, Disability and Home Care	<i>Home Care Service</i>	13 October 2004
128*	Department of Commerce	<i>Shared Corporate Services: Realising the Benefit including guidance on better practice</i>	3 November 2004
129	Follow-up of Performance Audit	<i>Environmental Impact Assessment of Major Projects (2001)</i>	1 February 2005
130*	Fraud Control	<i>Current Progress and Future Directions including guidance on better practice</i>	9 February 2005
131	Follow-up of Performance Audit Department of Housing	<i>Maintenance of Public Housing (2001)</i>	2 March 2005
132	Follow-up of Performance Audit State Debt Recovery Office	<i>Collecting Outstanding Fines and Penalties (2002)</i>	17 March 2005
133	Follow-up of Performance Audit Premier's Department	<i>Management of Intellectual Property (2001)</i>	30 March 2005
134	Department of Environment and Conservation	<i>Managing Air Quality</i>	6 April 2005
135	Department of Infrastructure, Planning and Natural Resources Sydney Water Corporation Sydney Catchment Authority	<i>Planning for Sydney's Water Needs</i>	4 May 2005

No	Agency or Issues Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
136	Department of Health	<i>Emergency Mental Health Services</i>	26 May 2005
137	Department of Community Services	<i>Helpline</i>	1 June 2005
138	Follow-up of Performance Audit State Transit Authority Ministry of Transport	<i>Bus Maintenance and Bus Contracts (2002)</i>	14 June 2005
139	RailCorp NSW	<i>Coping with Disruptions to CityRail Passenger Services</i>	22 June 2005
140	State Rescue Board of New South Wales	<i>Coordination of Rescue Services</i>	20 July 2005
141	State Budget	<i>In-year Monitoring of the State Budget</i>	28 July 2005
142	Department of Juvenile Justice	<i>Managing and Measuring Success</i>	14 September 2005
143	Asset Management	<i>Implementing Asset Management Reforms</i>	12 October 2005
144	NSW Treasury	<i>Oversight of State Owned Electricity Corporations</i>	19 October 2005
145	Follow-up of 2002 Performance Audit	<i>Purchasing Hospital Supplies</i>	23 November 2005
146	Bus Transitways	<i>Liverpool to Parramatta Bus Transitway</i>	5 December 2005
147	Premier's Department	<i>Relocating Agencies to Regional Areas</i>	14 December 2005
148	Department of Education and Training	<i>The New Schools Privately Financed Project</i>	8 March 2006
149	Agency Collaboration	<i>Agencies Working Together to Improve Services</i>	22 March 2006
150	Follow-up of 2000 Performance Audit	<i>Fare Evasion on Public Transport</i>	April 2006

\* Better Practice Guides

#### Performance audits on our website

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

If you have any problems accessing these reports, or are seeking older reports, please contact our Office Services Manager on (02) 9275 7116.