

Inspector-General of Taxation

Annual Report 2010–11

September 2011

© Commonwealth of Australia 2011

ISBN 978 0 642 74742 6

Ownership of intellectual property rights in this publication

Unless otherwise noted, copyright (and any other intellectual property rights, if any) in this publication is owned by the Commonwealth of Australia (referred to below as the Commonwealth).

Creative Commons licence

With the exception of the Coat of Arms (see below) and the Inspector-General logo this publication is licensed under a Creative Commons Attribution 3.0 Australia Licence.



Creative Commons Attribution 3.0 Australia Licence is a standard form licence agreement that allows you to copy, distribute, transmit and adapt this publication provided that you attribute the work. A summary of the licence terms is available from <http://creativecommons.org/licenses/by/3.0/au/deed.en>. The full licence terms are available from <http://creativecommons.org/licenses/by/3.0/au/legalcode>.

The Commonwealth's preference is that you attribute this publication (and any material sourced from it) using the following wording:

Source: Licensed from the Australian Government Inspector-General of Taxation under a Creative Commons *Attribution 3.0 Australia* Licence.

The Australian Government Inspector-General of Taxation does not necessarily endorse third party content of this publication.

Use of the Coat of Arms

The terms under which the Coat of Arms can be used are set out on the It's an Honour website (see www.itsanhonour.gov.au)

ENQUIRIES

The contact officer to whom enquiries regarding this report may be directed to:

Mr Andrew McLoughlin
Deputy Inspector-General of Taxation
GPO Box 551
SYDNEY NSW 2001

A copy of this document can be located on the Inspector-General of Taxation website at: www.igt.gov.au

Printed by CanPrint Communications Pty Ltd



Telephone: (02) 8239 2111
Facsimile: (02) 8239 2100

Australian Government
Inspector-General of Taxation

Level 19, 50 Bridge Street
Sydney NSW 2000
GPO Box 551
Sydney NSW 2001

30 September, 2011

The Hon Bill Shorten
Assistant Treasurer and Minister for Financial Services and Superannuation
Parliament House
Canberra ACT 2600

Dear Minister

I have pleasure in presenting to you the Annual Report of the Inspector-General of Taxation (IGT) for the year ended 30 June 2011. The Report has been prepared in accordance with section 63 of the *Public Service Act 1999* and section 41 of the *Inspector-General of Taxation Act 2003* (the IGT Act).

Subsection 41(3) of the IGT Act requires that the Annual Report be tabled in each House of the Parliament within 15 sitting days of receipt.

In addition, and as required by the Commonwealth Fraud Control Guidelines, I certify that I am satisfied that the IGT has in place appropriate fraud control mechanisms that meet the IGT's needs and comply with the guidelines applying in 2010-11.

Yours sincerely

A handwritten signature in black ink, consisting of a stylized 'A' followed by a long horizontal stroke.

Ali Noroozi
Inspector-General of Taxation

CONTENTS

PART 1:	1
OVERVIEW	1
Review by the Inspector-General of Taxation	1
Corporate statement	16
PART 2: PERFORMANCE REPORT	21
Outcome 1 Improved tax law administration—taxpayer benefit	21
Issues identification, work program and review action.....	22
Independent advice to Government—tax laws administration.....	27
Financial performance.....	29
PART 3: MANAGEMENT AND ACCOUNTABILITY	31
Corporate governance	31
External scrutiny.....	35
Management of human resources	35
Procurement and assets management	38
Consultancies.....	39
Australian National Audit Office access clauses.....	39
Exempt contracts.....	39
Workplace diversity	40
PART 4: FINANCIAL STATEMENTS	41
PART 5: OTHER INFORMATION	79
Occupational health and safety.....	79
Freedom of information	79
Advertising and market research	83
Ecologically sustainable development and environmental performance	83
Discretionary grants	83
List of requirements.....	84
Glossary	88
Acronyms	89
Index	90

LIST OF TABLES

Table 1: Resources for Inspector-General of Taxation outcomes	19
Table A1: IGT resource statement for 2010.....	20
Table 2: Key speaking engagements.....	26
Table 3: IGT report recommendations summary 2010–11	28
Table 4: Salary scales—non-SES.....	36
Table 5: Salary scales—SES	37
Table 6: Operative staff by classification and gender	38
Table 7: Operative staff by Equal Employment Opportunity target group	40
Table 8: Advertising	83

LIST OF FIGURES

Figure 1: Outcome and program structure.....	17
Figure 2: Inspector-General of Taxation management structure	18

PART 1:

OVERVIEW

REVIEW BY THE INSPECTOR-GENERAL OF TAXATION



It is now close to three years since my appointment as Inspector-General of Taxation (IGT). I am pleased that my office has been able to make significant progress, building upon the foundations set previously.

During this year, my priorities were as follows:

- to progress my work program activity, including the completion of a number of reviews, the development of a new forward work program and the commencement of new reviews;
- to improve my office's effectiveness in facilitating improvements to the tax administration system, such as working with the Australian Taxation Office (ATO) to engender real time action to address taxpayer concerns; and
- to further consider the underlying themes in tax administration that may give rise to systemic issues.

These priorities have been largely achieved as well as a number of other objectives being pursued. Each priority is addressed in more detail below.

Work program activity

At the start of the year, my office had seven reviews in progress. Five of these reviews are now either complete or in the final stages of the review process. The other two reviews are nearing completion.

In addition to the above reviews, I have also developed a work program in consultation with the broad community for the period ahead.

I have consistently sought to ensure my work program structure and review activation are flexible enough to accommodate urgent overriding issues of concern that may emerge at a later time. The review into the ATO's Change Program, which I was directed to conduct by the former Assistant Treasurer in April 2010, warranted just such attention and resource support – although it necessitated delaying my review into the ATO's management of small and medium enterprise audit and risk review.

The immediate ability of my office to respond to needs of this nature in future has been eased to a certain extent through base line funding support. Furthermore, the new work program for 2011–12 has been designed to achieve outcomes in a targeted and shorter time frame to allow better accommodation of urgent review matters that may emerge during the work program life cycle.

For details on specific work program activity including the status of review reports and reviews, please refer to the sections that follow.

Current year reports — publicly released

There were four review reports publicly released by the Assistant Treasurer during the annual reporting period. Each report is addressed specifically below.

Review into the Australian Taxation Office's Change Program

In response to a direction from the former Assistant Treasurer, and concerns raised by taxpayers, tax practitioners and their representative bodies, I reviewed the ATO's ambitious and far-reaching Change Program (the Program). The Program was a large and complex Information and Communication Technology (ICT) project aimed at delivering a range of significant capabilities to the ATO to ensure effective administration of the taxation and superannuation laws now and into the future. The Program life extended to seven years and was subject to constant change in scope over that time.

This review was particularly challenging, complex and difficult for my office. The scale of the program and the related review was considerable. There were also a range of

external contractors and consultants engaged in the Program. The review mainly focused on the impact on taxpayers and tax practitioners resulting from the deployment of the income tax release.

The report made a number of observations and recommendations.

The timing of the Program's income tax release deployment was an important issue raised. The report observed that the ATO found itself in an invidious position where it had little choice but to 'go live' when it did, due to a range of factors including that further delay would have most likely resulted in significant additional costs with diminishing returns.

The risk identification and management of the Program by the ATO was an area of focus. The report observed that, generally, the ATO had developed appropriate mitigation strategies to combat these risks, although some areas for improvement remained.

The ATO communication about the Program with stakeholders was also an important area of concern. It was observed that the ATO did make attempts to communicate with stakeholders but it was ultimately inadequate in assisting a range of taxpayers and tax advisers to minimise adverse impacts.

The report made eight recommendations aimed at the ATO, of which the ATO agreed with five, partly agreed to two and disagreed with the other. The recommendations related to stakeholder compensation where they were adversely affected by the release, improved communication with stakeholders and the need for open and frank consultation with ATO staff.

The report also made recommendations for consideration by government regarding governance, scrutiny and intra-agency information exchange in the management of future large and significant ICT projects.

Review of aspects of the Australian Taxation Office's administration of private binding rulings

This review arose out of a range of taxpayer concerns. Major concerns conveyed to the IGT were that private rulings take too long to issue, are inconsistent on the same topic and that certain topics will be refused for ruling. The Commissioner of Taxation also invited my office to review the area.

During the review the ATO acknowledged that it needs to improve the timeliness of its responses to requests for private rulings, project management and related communications.

The IGT also found that a group of taxpayers with the same issues and facts were being issued individual private rulings. The IGT recommended that to better manage resources in the production of these rulings, management systems be improved and that alternative approaches be considered. The ATO agreed and now prefers to issue class rulings in these circumstances, as the lack of a separate ATO-wide reporting on these types of standard rulings could potentially skew reported average delivery timeframes favourably.

The IGT recommendation directed at the register of private binding rulings was only partly agreed to by the ATO. Importantly, my key recommendation that this register be retained was agreed to by the ATO. It did not, however, agree with a number of recommendations directed at enhancing the register's usability as the ATO believes the register has a more limited purpose and that the ATO legal database is the authoritative source for information about the ATO's interpretation of the law.

The review also followed up on the implementation of recommendations arising from the IGT report into the ATO's potential revenue bias in private binding rulings review involving large complex matters, issued in 2008. The IGT found that the agreed recommendations had been implemented.

Review into the Australian Taxation Office's administration of the Superannuation Guarantee Charge

The Superannuation Guarantee (SG) system was found to work well for the majority of Australians under the review. However, the people most at risk in the SG system are the employees who are least empowered to take action. These very people are also the most reliant upon compulsory superannuation contributions for a higher standard of living in retirement beyond the age pension.

The non-payment of the SG also provides non-compliant employers with an unfair advantage over other compliant employers that meet their SG obligations and pay employees' superannuation on time. Additionally, the Government is exposed to higher future age pension outlays.

The review made a range of recommendations to ensure that the administrative framework better supports the underlying SG policy intent and optimised SG compliance through greater detection and deterrence mechanisms. The recommendations also emphasised the nature of employer superannuation contributions as an employee entitlement and sought to improve their protection, especially for those people most at risk.

A number of the recommendations for Government consideration have since been adopted and reflected in other initiatives and reviews (most notably the Review into

the Governance, Efficiency, Structure and Operation of Australia's Superannuation System or 'Cooper Review').

Follow-up review into the Australian Taxation Office's implementation of agreed recommendations included in the six reports prepared by the Inspector-General of Taxation between June 2006 and October 2008

Improving the tax system's administration is the primary goal of the IGT office. Follow-up reviews provide evidence and assurance that this goal is achieved, vindicating the efforts and valuable contributions made by all stakeholders including taxpayers and tax practitioners and their respective representative bodies. These reviews also evidence the ATO's openness to scrutiny and commitment to making improvements as a key stakeholder in the system.

This particular follow-up review was the second conducted by my office. The process is akin to a detailed assurance enquiry that seeks to ensure the original report recommendations made in the six original review reports were effectively implemented.

The follow-up review found that the ATO has implemented or partly implemented 38 of 41 agreed IGT recommendations. Importantly, the follow-up process only addresses the original IGT recommendations that the ATO agreed to implement in part or whole.

The IGT remains concerned in relation to recommendations that the ATO had not agreed to implement. Of particular concern was the ATO's comment on the IGT's original recommendation that ATO guidance, which is of a significant nature and which affects a large segment of the taxpayer population, be in a binding form. The IGT continues to hold to the original recommendation in these circumstances as being appropriate.

In the course of the follow-up review, the general willingness and cooperation exhibited by ATO staff to bridge improvement opportunities in recommendation implementation work was welcomed. Furthermore, this review triggered new approaches to be explored, jointly by the ATO and the IGT, for improved and more timely implementation of IGT recommendations.

Current year reports — submitted to Assistant Treasurer and awaiting release

In addition to the review reports publicly released by the Assistant Treasurer during the year, one other review report was completed and submitted and is now awaiting release.

Report into the Australian Taxation Office's large business risk review and audit policies, procedures and practices — submitted to the Assistant Treasurer
3 May 2011

This report made a number of recommendations to address stakeholder concerns about ATO conduct in relation to large business audits and risk reviews. It is important to note that the ATO has already commenced a process of implementing agreed recommendations.

Work program for 2011–12

As foreshadowed in last year's annual report, broad consultation with the community was undertaken in developing the IGT forward work program for 2011–12. On 4 April 2011, the outcome of these consultations was the IGT work program announcement which set out the review topics for the period ahead.

Broad consultation with the community ensures that the resources of the IGT office focus on tax administration issues of greatest concern and that investigation of such issues are strongly supported by the community. The selected review topics involve issues of concern to differing stakeholders. However, collectively, the work program canvasses issues of concern for the whole community including, individuals, businesses, tax practitioners and their representative bodies as well as Government and its agencies.

In developing this work program, a more flexible structure has been adopted to facilitate effective delivery of resources to current reviews, which also provides for more urgent review action that may arise outside of the formal work program life cycle.

The work program topics for review are listed below:

- review of ATO implementation of the Report on Aspects of Income Tax Self Assessment (ROSA) recommendations (subsequently called Improving the self assessment system);
- review into ATO use of benchmarking to target the cash economy;
- review into ATO use of Early and Alternative Dispute Resolution;
- review into the ATO's Small and Medium Enterprise (SME) audit and risk review policies, procedures and practices; and
- follow-up review into ATO implementation of IGT recommendations.

More details on the above reviews are provided below in the sections entitled 'Current year reviews – in progress as at year end' and 'Following year reviews' respectively.

Potential work program topics

The IGT work program process identified a range of strong topics for review that were not included on the current work program. Three important topics not included on the work program are specifically outlined below.

ATO technical decision making processes and procedures

Issues concerning the ATO's technical decision making processes and procedures have been raised in many IGT reports historically. These issues were again raised last year in the Review into the Implications of any Delayed or Changed ATO Advice on Significant Issues (the so-called 'U-turns' review) as well as being foreshadowed for IGT review in my previous annual report. The ATO responded to these concerns by conducting a broad internal review. The recommendations resulting from this internal review have now been adopted by ATO management and are in the process of being implemented. Accordingly, it would be more appropriate to consider reviewing this area once these changes are implemented and bedded down.

Project Wickenby

A number of taxpayers and tax practitioners made representations to the IGT, seeking review of the ATO's actions in Project Wickenby. As Project Wickenby is an across-government agency project, the ATO, while a major contributor, is only one of a number of agencies involved. The IGT only has jurisdiction to consider the ATO's role, whereas, the Australian National Audit Office (ANAO) and the Commonwealth Ombudsman have broad jurisdiction to investigate or review across a number of government agencies.

Shortly after the above representations were made, the IGT consulted the ANAO and the Ombudsman on this matter. Thereafter, the ANAO announced a cross agency review into Project Wickenby and the Ombudsman also indicated that he was considering a similar review into the matter, which was later effected. As a consequence, the IGT will await the results of the ANAO and Ombudsman's reviews before considering a further review. The ANAO and the Ombudsman have both been advised that the IGT would provide any appropriate assistance, if required, in relation to the review.

ATO approach to Freedom of Information

Stakeholders raised issues with the ATO's handling of their Freedom of Information (FOI) requests. At the time of the work program announcement, the Government had announced new arrangements for information management, which included the integration of the Privacy Commissioner's office with the newly established Office of the Australian Information Commissioner (the OAIC) and the FOI Commissioner. Accordingly, the OAIC may be better placed to investigate concerns of this nature at first instance.

Current year reviews — in progress, as at year end

Two of the reviews in progress, as at 30 June 2010, are nearing finalisation. A further review, improving the self assessment system, was announced on my new forward work program in April 2011. It is not possible to detail findings and recommendations arising from these reviews at this time. These reviews are listed below along with a brief description.¹

Review into the Australian Taxation Office's administration of class rulings — commenced 25 March 2010

Stakeholders repeatedly raised concerns that class rulings sometimes take too long to issue and sometimes are not issued at all. They asserted that ATO processes for dealing with class rulings are not well known to potential applicants and can involve poorly targeted requests for information. Stakeholders also asserted that there can be communication issues between the ATO and applicants and that there are ATO delays in establishing agreed facts or in establishing the correct view of the law that is to be applied to those facts.

The IGT is investigating whether concerns such as the above are justified. This involves examining the management of selected class rulings with a focus on important milestone events and the underlying issues and behaviours. The review is considering whether ATO behaviours and decision making processes are leading to extended timeframes.

The review report is expected to be submitted to the Assistant Treasurer in the next few months.

¹ More detailed information including the terms of reference and submission guidelines are available from the IGT website at: www.igt.gov.au.

Review into the Australian Taxation Office's Small and Medium Enterprise (SME) audit and risk review policies, procedures and practices — commenced 7 April 2010

Taxpayers and their advisers cited unmanageable and, at times, unnecessary costs and workloads caused by the ATO's approach to its current compliance focus on all SMEs in the \$100 million to \$250 million turnover range, including High Wealth Individuals. Concerns related to delays, the level of commercial awareness and type of conduct of ATO staff and the quality of ATO engagement on technical issues.

A significant number of submissions from the taxpayer community have been received. The IGT has also met with a range of taxpayers and their advisors to discuss their concerns. The review is seeking to establish whether there is substantial evidence of these concerns and, where this is the case, develop recommendations for improvement.

As with a number of other reviews, the IGT has also established an advisory group that consists of relevant senior ATO officers, tax practitioners and IGT personnel to explore their concerns and develop solutions. The nature of the review and the interaction process means it will be afforded a longer period for progress.

The review report is expected to be submitted to the Assistant Treasurer before the 2011 calendar year end.

Review into improving the self assessment system — commenced 16 June 2011

The review into improving the self assessment system is a broad enquiry that seeks to respond to a range of concerns raised in submissions to the IGT. The issues raised touch on many aspects of the system but five main themes have emerged, namely:

- the need for the self assessment regime to be updated to take into account the recent developments in compliance approaches such as pre-assessment compliance activities;
- the role of the tax administrator in the self assessment regime and the advice framework;
- whether the administration of reasonably arguable position can be improved or whether it needs replacing with a new concept;
- the Commissioner's discretions and whether these should be expanded to allow the Commissioner to act in the taxpayer's favour in appropriate cases; and

- the as yet unimplemented recommendations arising out of the Review into Aspects of Income Tax Self Assessment.²

This review is wide ranging and is expected to absorb considerable IGT resources. It is not expected to be completed until some time into the next calendar year.

Following year reviews

The IGT seeks to ensure the work program as announced is challenging and also appropriate in matching available resources to review demands. Given the office's size and the need to develop terms of reference and submission guidelines, a given review may commence in the financial year following the original work program announcement — such reviews are identified below.

Review into the Australian Taxation Office's use of early and Alternative Dispute Resolution (ADR) — commenced 26 July 2011

Submissions to the review have suggested that both the ATO and taxpayers could benefit from greater use of ADR, and especially so where this is applied at an earlier point in time and as close to the original decision as possible. There is a perception that the ATO currently only uses ADR sparingly, is unwilling to settle and favours litigation over ADR. The Commissioner has also asked the IGT to undertake a review in this area.

As part of this review, the IGT will aim to determine whether the ATO is currently making sufficient use of early and alternative dispute resolution and whether the ATO and taxpayers could benefit by making greater use of these methods. The review will also examine the circumstances in which it is appropriate for the ATO to utilise early and alternative dispute resolution methods.

The terms of reference and submission guidelines for this review were issued in July 2011, and work on this review is well underway.

² Treasury, *Report on Aspects of Income Tax Self Assessment*, Canberra, 2004.

Review into the Australian Taxation Office's use of benchmarking to target the cash economy

A number of stakeholders have raised concerns about the appropriateness of the ATO's use of benchmarking data to identify taxpayers who may be underreporting their income and to calculate default assessments where an identified taxpayer's records are deemed inadequate.

The IGT will investigate whether benchmarks are an appropriate tool for identifying the potential underreporting of income and for the calculation of default assessments. The investigation will also consider whether the ATO's expectations in relation to micro and small business record keeping are clearly communicated and reasonable.

This review is expected to commence in the second quarter of the following financial year.

Follow-up review into the Australian Taxation Office's implementation of agreed recommendations included in IGT review reports prepared since October 2008

This follow-up review is directed at assessing the ATO's progress with implementing agreed changes in a number of the IGT's reviews released since November 2008.

The IGT has been in dialogue with the ATO with a view to establish a more robust and effective recommendation implementation framework. The IGT and ATO have in more recent reviews adopted a new implementation process that improves upon the historical follow-up review reporting approach.

Accordingly, the form and timing of this follow-up reporting will likely reflect this new approach, reducing resourcing demands in this area for the IGT office.

Potential new issues — work program

Throughout the year, the IGT office receives a range of representations from the tax community directly about their concerns. The issues of biggest impact are generally taken up by the IGT for the work program. However, the resources of the IGT office limit the number and scope of issues that can be reviewed. Where topics of concern are identified, the IGT office seeks to capture these on a reserve or potential issues list.

The selection of topics for review action may change during the year where an urgent review or resourcing need arises at short notice.

The IGT wishes to ensure that stakeholders appreciate that the IGT office is always open to understanding emerging new stakeholder concerns to ensure these are

addressed at the earliest opportunity, while also appreciating the limitations and constraints that the office may have in actioning requests.

Observations — underlying themes in tax administration

The IGT seeks to improve the tax administration system for the benefit of all taxpayers. The role offers a unique perspective. It is truly independent of the ATO, yet has the power to access ATO files and information just like the ATO can when dealing with taxpayers. These features level the information access and accountability playing field by ensuring there is transparency and improved understanding, which engenders better cooperation between all parties.

The IGT also has strong links with the taxpaying community through its relationships with peak bodies and key stakeholders who take great solace from this aspect of the IGT's information access powers. This access also facilitates the sharing of frank and candid views which would not ordinarily be exchanged between the ATO, on the one hand, and taxpayers, tax practitioners and their respective representative bodies on the other.

The tax administration landscape is not fixed, but ever changing and evolving. The following observations are offered to foster debate and better understanding in this area.

Independent internal ATO review in tax disputes

A consistent concern raised by stakeholders relates to the ATO's approach to tax disputes and whether the ATO sufficiently evaluates and re-evaluates its adopted position throughout the dispute process. This issue has been explored in earlier IGT reviews where an end-to-end dispute resolution framework and the need for independent review have been advocated. The ATO, to its credit, has adopted this end-to-end philosophy, however, concerns persist.

The main concern is that many disputes run far too long through the process that either should not have been raised in the first place or otherwise resolved at a much earlier time. This, it is argued, is reflected in an increasing number of cases that the ATO is losing in the courts.

The underlying concern is the insufficient level of independent internal review of ATO positions adopted initially such that organisational inertia may overshadow the process, allowing disputes to originate and continue in the absence of a functionally separate independent review unit like an internal appeals and objections area.

There are precedents for such an approach both overseas and historically in the Australian tax system. The objective is not to put an end to disputes per se, given the complexities of tax law, but rather to ensure that only genuine disputes that have been carefully and rigorously considered are taken forward in formal processes and therefore prevent the incidence of wasteful and unnecessary compliance costs for all parties.

Timeliness, certainty and compliance costs

In a self assessment system, a high level of responsibility to discharge regulatory obligations in a very complex environment is imposed on taxpayers. Accordingly, taxpayers expect to receive a degree of regulatory accommodation when they voluntarily comply with their reasonable understanding of the tax laws. Clearly, it is the responsibility of the Commissioner to act promptly and decisively when the ATO becomes aware that taxpayers may be in conflict with relevant tax laws.

The ATO has sought to introduce measures directed at assisting taxpayers and more recently undertaken a broad ranging review of its technical decision making function. The major challenge for the ATO remains to move quickly to provide certainty or appropriately accommodate taxpayers' positions where there is new law or where complex issues arise.

In a compliance context, stakeholders have indicated that a number of the ATO's initiatives, including the more recent pre-lodgement information gathering strategies, are giving rise to ever increasing compliance costs and complicating management of matters unnecessarily.

Certain aspects arising in this context are being investigated in the context of the review into improving the self assessment system.

Other issues

A number of issues raised in last year's IGT annual report (such as risk identification, transfer pricing and service standards) are still under consideration. To the extent that they are not addressed in existing reviews, they will be further explored in the context of the future IGT work programs.

Improving effectiveness and engendering real time action

The IGT relationship with the ATO continues to evolve and there have been some resulting improvements. A significant improvement this year has been the enhancement of ATO processes for ensuring that agreed IGT recommendations are more quickly and appropriately implemented. This has also resulted in corresponding

changes to the way IGT reviews are conducted. As stated earlier, this may result in IGT follow-up reviews becoming redundant.

A more constructive relationship with the ATO facilitates improvements to tax administration more quickly and efficiently. The IGT's own review processes have been evolving to achieve this end. The IGT has also encouraged the ATO to act in addressing IGT concerns before reviews are finalised or even anticipated. A good example is the overhaul of the ATO's technical decision making processes which the ATO undertook following concerns raised by the IGT, as stated earlier.

Notwithstanding the IGT's aim of building on the constructive relationship with the ATO, it should always be appreciated that a degree of tension should always exist between an administrator and a scrutineer body. This tension, professionally managed, is entirely appropriate to maintain the community's confidence in the scrutineer's independence.

In relation to the conduct of reviews, the IGT has also increased its use of advisory groups consisting of external stakeholders as well as ATO and IGT personnel. This approach facilitates the coming together of all parties to explore all aspects of complex issues and develop solutions jointly with a shared goal of improving the tax system.

As opportunity arises, the IGT will continue to look at innovations or changes that may assist in the improvement of the administration of the tax system. An important initiative in future years will be the development of a deeper research capability within the IGT to provide an independent capacity for innovation and improvement.

Stakeholders

External stakeholders

I would like to sincerely thank the many taxpayers, tax practitioners and their respective representative bodies who bring matters for review to our attention and for their assistance in conduct of reviews. Due to its relative size, the IGT is heavily reliant on the contribution of such external stakeholders to deliver improvements to tax administration in this country.

The contribution of external stakeholders is increasing as they become better acquainted with the work of the office and appreciate that matters can be shared with us on a strictly confidential basis without waiving legal professional privilege.

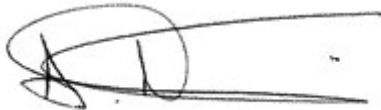
Public sector stakeholders

The ANAO and the Commonwealth Ombudsman also scrutinise the ATO from their own perspectives. The roles of each agency are different but there is potential for some overlap. To avoid unnecessary duplication, the IGT is in contact with both agencies in respect of developing our respective work programs and on some specific reviews, consistent with the requirements of subsection 9(2) of the *Inspector-General of Taxation Act 2003* (the IGT Act). I appreciate the assistance that my office has received from these agencies.

I would also like to thank the Commissioner of Taxation and his staff for their professional assistance. Communication between our respective offices has been frank, open and has led to improvements to the tax system. I would also like to thank the Treasury as partner in this relationship and also the Assistant Treasurer and his staff for their support.

Statutory statements

In setting my work program, I have taken into account the requirements of subsection 9(2) of the IGT Act and have consulted with the Commonwealth Ombudsman and the Commonwealth Auditor-General.

A handwritten signature in dark ink, consisting of a stylized 'A' followed by a series of loops and a long horizontal stroke.

Ali Noroozi
Inspector-General of Taxation

CORPORATE STATEMENT

Role, function, outcome and program structure

The IGT Act established an independent statutory agency to review:

- systems established by the ATO to administer the tax laws; and
- systems established by tax laws in relation to administrative matters.

The IGT seeks to improve the administration of the tax laws for the benefit of all taxpayers. This is to be achieved by identifying systemic issues in the administration of the tax laws and providing independent advice to Government on the administration of the tax laws.

To ensure that reviews undertaken reflect areas of key concern to the Australian community, the IGT develops a work program following broad-based consultation with other stakeholders including taxpayers and their representatives, the Commonwealth Ombudsman, the Commonwealth Auditor-General and the Commissioner of Taxation.

Figure 1: Outcome and program structure

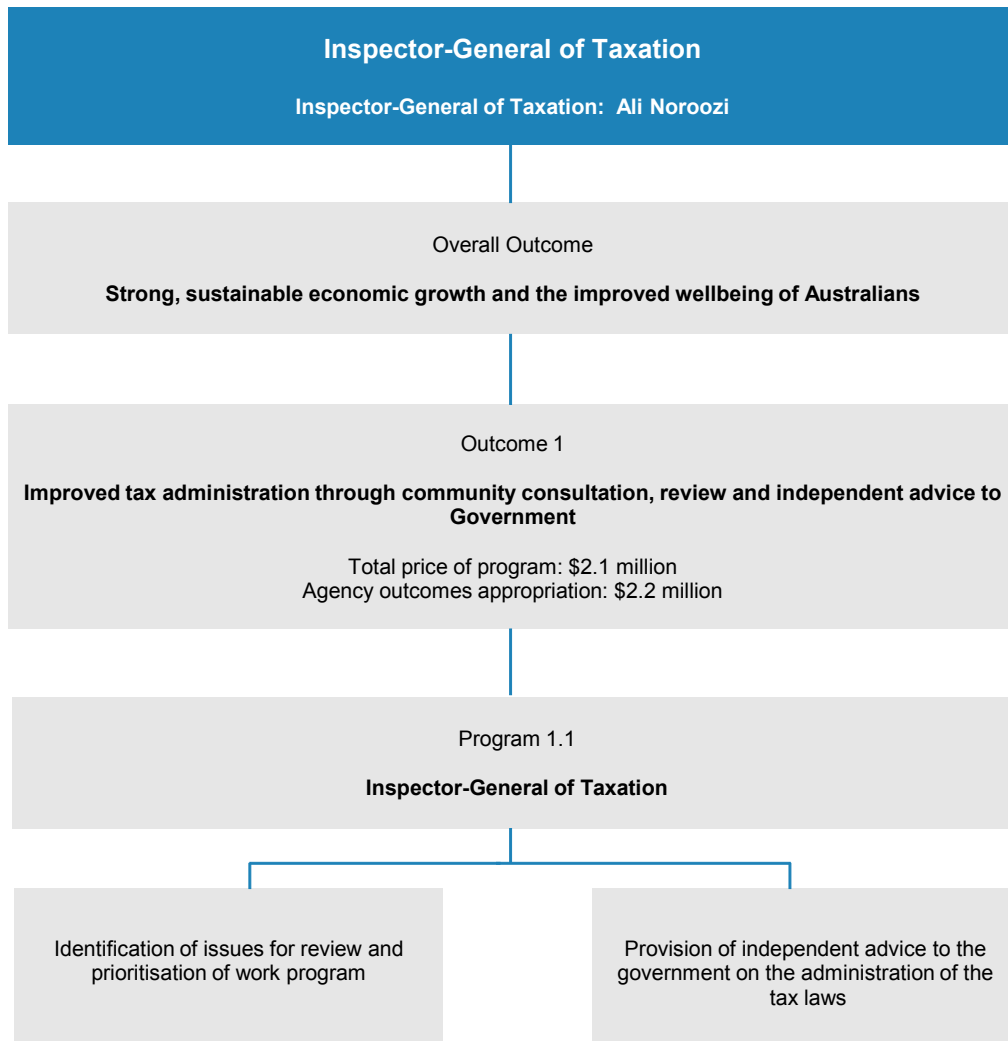


Figure 2: Inspector-General of Taxation management structure

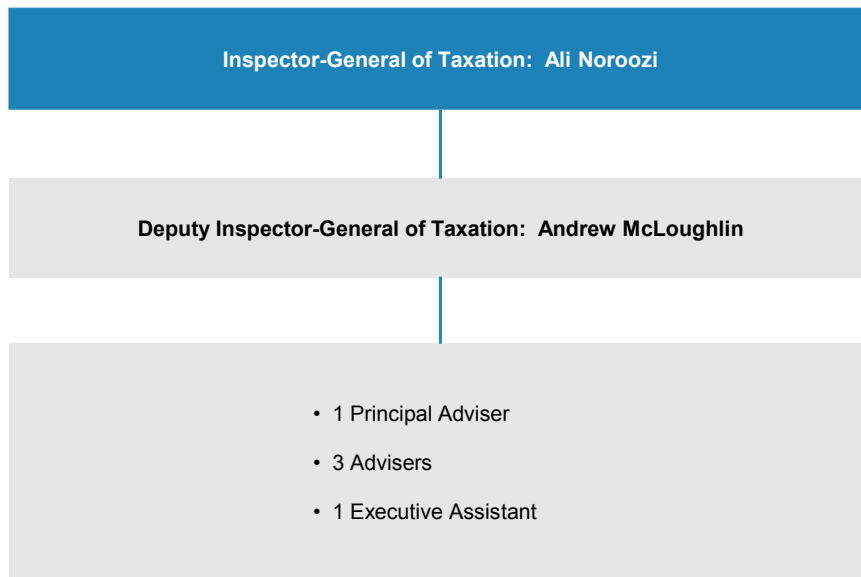


Table 1: Resources for Inspector-General of Taxation outcomes

Outcome 1:			
<i>Improved tax administration through community consultation, review, and independent advice to Government</i>	Budget 2010-11 \$'000	Actual 2010-11 \$'000	Budget 2011-12 \$'000
Program 1.1: Inspector-General of Taxation			
Departmental expenses			
Ordinary annual services (Appropriation Bill No. 1)	2,172	2,134	2,697
Revenues from independent sources (s31)	52	109	-
Expenses not requiring appropriation ¹	-	-	38
Total expenses for Outcome 1	2,224	2,243	2,735
Price of departmental program	2,224	2,068	2,735
Total estimated resourcing	-	175	-
Average staffing level (number)	7	7	11

1. Expenses not requiring appropriation is made up of depreciation and amortisation expenses.

APPENDIX 1 — AGENCY RESOURCE STATEMENT

Table A1: IGT resource statement for 2010
as at Budget May 2010

	Estimate of prior + amounts available in 2010-11 \$'000	Proposed at Budget = 2010-11 \$'000	Total Estimate 2010-11 \$'000	Actual Available Appropriation 2009-10 \$'000
Ordinary Annual Services				
Departmental				
Prior year Departmental appropriation	2,113		2,113	
Departmental appropriation		2,172	2,172	2,179
Receipts from other sources (s31)		52	52	52
Total net resourcing for the IGT	2,113	2,224	4,337	2,231

PART 2:

PERFORMANCE REPORT

OUTCOME 1

IMPROVED TAX LAW ADMINISTRATION — TAXPAYER BENEFIT

The role of the IGT is to improve the administration of the tax laws for the benefit of all taxpayers.

Key strategies to achieve Outcome 1 are:

- undertake community consultation, research and other processes to identify and prioritise areas of tax administration that can be systemically improved;
- call for submissions to review and stimulate input by, for example, issuing terms of reference and similar materials;
- review identified areas and provide independent advice and recommendations to Government on improvements to the administration of the tax laws;
- maintain a positive public profile for the IGT through participation in conferences and seminars;
- build on approaches that increase the ATO's involvement and contribution to review processes and outcomes;
- selectively engage external expertise and undertake overseas comparisons to enhance capabilities and objectivity for appropriate reviews; and
- seek to develop internal research capability.

The IGT's work program derives from statutory requirements. This program involves the:

1. identification of systemic issues for inclusion in the work program; and
2. provision of independent advice to Government on the administration of the tax laws.

The work program may comprise of review topics identified by the IGT in consultation with the community, review topics in relation to which the Minister has directed the IGT to conduct a review and review topics in relation to which the following bodies have requested the IGT to conduct reviews:

- the Minister (separate from the direction provision);
- the Commissioner of Taxation;
- a resolution of either House, or both Houses, of the Parliament; or
- a resolution of a committee of either House, or both Houses, of the Parliament.

Ultimately, however, the IGT retains discretion in setting his work program.

The Commissioner of Taxation has statutory independence in his administration of the tax laws. The IGT does not hold any powers to direct the Commissioner of Taxation in the administration of the tax laws.

The way in which the IGT's advice to Government contributes to the achievement of the outcome of improved administration of tax laws takes several forms.

First, the provision of advice to Government may be policy in nature and lead to legislative change to address an identified systemic issue.

Second, and more commonly, the Commissioner of Taxation may independently address a systemic issue identified by the IGT in review issues papers terms of references or during a review itself, or otherwise following the release of a review report by the Minister.

Third, improved administration of tax laws can also be achieved without formal advice to Government but by direct day-to-day interaction between the IGT and the ATO.

ISSUES IDENTIFICATION, WORK PROGRAM AND REVIEW ACTION

Issues identification

The IGT is in constant dialogue with the broader tax community. Issues are regularly raised by stakeholders through this dialogue. The IGT then works through these issues and assesses what action is required. Some issues are more appropriately addressed by other government agencies and these are referred on. Issues that are then considered

appropriate are placed on the potential work program list – this process is discussed in more detail in the next section.

Work program

The IGT engages with the broad-based tax community to identify and prioritise those issues or topics on the potential work program list that provide significant opportunity to improve the tax system's administration for all taxpayers. This prioritisation process means that the finalised work program is a smaller sub-set of the potential work program.

Topics on the potential work program list, not included on the final work program, are maintained on the IGT reserve work program list. Topics on the reserve work program list may be elevated onto the active work program, where opportunity and resource availability combine to allow review. The work program is reviewed periodically.

The IGT established a new work program for 2011–12. Work on the new program commenced towards the middle of this calendar year. The new work program must be flexible in actioning specific reviews to take account of competing priorities that may arise due to various factors.

Ministerial direction is a factor. The IGT may be directed by the Minister to undertake a review. The Minister has previously directed the IGT to undertake several reviews. The most recent example of such direction resulted in the Review into the ATO's Change Program.

Government agency review is also a factor. This arises where other agencies announce or consider reviews that may have a degree of overlap with proposed IGT terms of reference. In maximising resource efficiency it may be better to defer IGT reviews to take advantage of other agency outputs or insights. The approach taken in the case of Project Wickenby, as discussed earlier in the report, is such an example.

Resourcing is another factor. A review is also very difficult to pin-point as to timing and scope due often to the priorities afforded by various parties and the small size of the IGT office. The IGT actively seeks to mitigate the tension between the need for flexibility and undue delay through regular project management review.

The next step is to action the specific review and thereafter report to the Minister with findings and recommendations thereon (For details on current IGT reviews and reports please refer to the section 'Review action').

The IGT also consults directly with the Commonwealth Auditor-General and the Commonwealth (and Taxation) Ombudsman in finalising the work program.

2011–12 work program

The IGT work program for 2011–12 (subject to any matters of overriding priority that may arise) was announced, as follows, on 4 April 2011:

- **Review of ATO implementation of the Report on Aspects of Income Tax Self Assessment (ROSA) recommendations**

This is a broad review into a range of concerns raised by stakeholders in relation to the self assessment system regime.

- **Review into ATO use of benchmarking to target the cash economy**

The review will seek to determine whether ATO use of benchmarking data to identify and assess taxpayers in the micro and small business sector is appropriate and identify improvements where appropriate.

- **Review into ATO use of Early and Alternative Dispute Resolution**

The purpose of the review is to consider ATO use of early and alternative dispute resolution and to determine when and how they might be most beneficially employed.

- **Review into the ATO's Small and Medium Enterprise (SME) audit and risk review policies, procedures and practices**

The review will consider the ATO's audit and risk review practices in relation to the larger SMEs (that is, companies with turnover of \$100 to \$250 million) and High Wealth Individual taxpayers.

- **Follow-up review into ATO implementation of IGT recommendations**

The follow-up review would assess the ATO's implementation of IGT recommendations made in review reports issued since November 2008.

Work program — reserve list

The consultation process identified a number of strong topics for review. These were shortlisted for consideration but ultimately not included on the work program. These topics are maintained on the work program reserve list.

Work program details including updates can be located on the IGT website at: www.igt.gov.au/content/work_program.asp.

Review action

The IGT publishes terms of reference for a review, along with submission guidelines or consultation plans, and invites submissions from interested parties. These materials are available on the IGT website www.igt.gov.au.

Reviews in progress

The IGT has three reviews in progress at 30 June 2011. As the reviews are in progress the IGT is not in a position to report details on findings or recommendations at this time. The reviews are listed below.

- Review into the ATO's administration of class rulings — commenced 25 March 2010.
- Review into the ATO's small and medium enterprise (SME) audit and risk review policies, procedures and practices — commenced 7 April 2010.
- Review into improving the self assessment system — commenced 16 June 2011.

For more details please refer to the Reviews in Progress section on the IGT website at www.igt.gov.au/content/work_program.asp.

Reviews finalised

The IGT finalised five reviews during the reporting period. The five reviews are as follows:

- Review into the ATO's administration of the Superannuation Guarantee Charge — publicly released on 24 November 2010.
- Review of aspects of the ATO's administration of private binding rulings — publicly released on 24 November 2010.
- Follow up review into the ATO's implementation of agreed recommendations included in the six reports prepared by the IGT between June 2006 and October 2008 — publicly released on 21 March 2011.
- Review into the ATO's Change Program — publicly released 5 May 2011.
- Review into the ATO's large business audit and risk review policies, procedures and practices — submitted to the Minister on 3 May 2011.

On completion of a review the IGT provides a review report to the Minister for consideration and thereafter public release by the Minister. Review report

recommendations are also subject to follow up review to ensure implementation is effected in the manner agreed with the ATO.

The IGT review reports are performance information, as set out below in the section on independent advice to Government.

Positive public profile

The IGT maintains a public positive public profile by participating in conferences, seminar presentations and through appropriate media management.

Table 2: Key speaking engagements

Date	Organisation	Type of function	Location
9 July 2010	Committee for Economic Development of Australia (CEDA)	CEDA Trustee Seminar	Melbourne
22 September 2010	Tonkin Corporation	8th Annual Corporate Tax Summit	Sydney
24 September 2010	University of Sydney	Masters of Laws presentation	Sydney
15 October 2010	Financial Services Council (FSC)	FSC Expert Tax Working Group	Sydney
24 October 2010	Law Council Taxation Committee	Law Council Taxation Committee 2010 Workshop	Sydney
21 January 2011	Australasian Tax Teachers Association (ATTA)	23rd Annual ATTA Conference	Melbourne
7 February 2011	Taxation Institute of Australia (TIA)	Younger Tax Practitioner Series	Melbourne
16 February 2011	Tax Practitioner Group	Melbourne Tax Discussion Group	Melbourne
30 March 2011	Tonkin Corporation	Tonkin's 9th Annual Corporate Tax Summit	Sydney
7 April 2011	Institute of Chartered Accountants of Australia (ICAA)	ICAA National Tax Conference 2011	Melbourne
29 April 2011	Minter Ellison	Roundtable Presentation	Sydney
26 May 2011	Taxation Institute of Australia (TIA)	TIA Breakfast Presentation	Perth
26 May 2011	PwC	PwC Dinner Presentation	Perth
27 May 2011	Institute of Chartered Accountants of Australia (ICAA)	ICAA Breakfast Presentation	Perth

INDEPENDENT ADVICE TO GOVERNMENT — TAX LAWS ADMINISTRATION

The IGT provides independent advice to Government. The nature of this advice is primarily provided via review reports that are given to the Minister — Division 2 of the IGT Act. It may also take the form of direct briefing to the Minister.

The review reports detail IGT findings and outline recommendations for the improvement of the tax system's administration. Review reports are given to the Minister after providing the Commissioner of Taxation with the opportunity to make a submission in accordance with section 25 of the IGT Act.

Once the Minister receives the IGT report, it must be published, either by tabling in both Houses of the Parliament or otherwise, within 25 sitting days of receipt — section 11 of the IGT Act.

Review reporting performance

During 2010–11, the IGT had completed and issued to the Minister five review reports. As at 30 June 2011, the Minister has publicly released four of these reports, but has not yet publicly released one report. These reports are listed in two separate sections below, being the publicly released and not yet publicly released review reports.

Review reports — publicly released

The four IGT reports publicly released by the Minister, as at 30 June 2011, are as follows:

- Review into the ATO's administration of the Superannuation Guarantee Charge — publicly released on 24 November 2010.
- Review of aspects of the ATO's administration of private binding rulings — publicly released on 24 November 2010.
- Follow up review into the ATO's implementation of agreed recommendations included in the six reports prepared by the IGT between June 2006 and October 2008 — publicly released on 21 March 2011.
- Review into the ATO's Change Program — publicly released 5 May 2011.

Review reports — not yet publicly released by the Minister

The IGT report issued to the Minister but not yet publicly released, as at 30 June 2011, is as follows:

- Review into the ATO's large business risk review and audit policies, procedures and practices — submitted to the Minister on 3 May 2011.

All completed IGT reports and work program review details, including status updates, are available on the IGT website at www.igt.gov.au.

Outcomes

Historically, the Commissioner of Taxation has accepted fully, or in part, most (169 of 192) of the review recommendations published since the inception of the IGT until 30 June 2010. This trend continues for reviews published in 2010–11, with the Commissioner of Taxation accepting fully or in part 18 of the 20 recommendations made towards the ATO (see Table 3 below).

In several reviews completed in 2010–11, the IGT considered that systemic improvements could not be made by the ATO alone under present tax laws. The IGT therefore made several recommendations to Government to consider changes to the tax laws that underpinned the administrative systems.

The outcomes of these reviews, combined with feedback from community stakeholders and the ATO, provide clear evidence that the role of the IGT is achieving its objectives and is improving aspects of tax administration for the benefit of all taxpayers.

Table 3: IGT report recommendations summary 2010–11

IGT Review	Number of recommendations accepted fully or in part by ATO	Number of recommendations to Government	Number of recommendations disagreed by ATO
Review into the ATO's administration of the Superannuation Guarantee Charge	6	5	1
Review into the ATO's administration of private rulings	5	1	
Review into the ATO's Change Program	7	1	1
Total	18	7	2

FINANCIAL PERFORMANCE

The IGT received an unqualified audit report on the 2010–11 financial statements from the Australian National Audit Office. These statements can be found in Part 4 of this report.

The IGT ended 2010–11 with a surplus of \$221,220 compared with a surplus of \$41,038 in 2009–10. The increase included recognition of revaluation adjustments to assets and certain provisions.

The IGT's net asset position increased accordingly. The agency has sufficient cash and reserves to fund its liabilities as and when they fall due.

PART 3: MANAGEMENT AND ACCOUNTABILITY

CORPORATE GOVERNANCE

In 2010–11 the IGT maintained established governance arrangements. Governance processes continued to be based on many of the well-established policies and processes in place in the Treasury.

The IGT has two distinct roles. As a public office holder, he reports and is accountable to the Assistant Treasurer and the Treasurer for meeting his statutory role. As the Chief Executive Officer (CEO) of the IGT office, the IGT is responsible for the operation and performance of his office.

The corporate governance practices of the IGT office are designed to take into account the small size of the office and that it is inextricably linked with the governance processes of the Treasury. This is as a result of the Service Level Agreement (SLA) entered into by the two agencies.

The IGT as CEO and the Deputy IGT as Chief Finance Officer (CFO) together act as the agency Executive. They have developed a range of governance policies, plans and procedures appropriate to the situation of the agency comprising seven people in a single office location.

Audit Committee

Pursuant to section 46 of the *Financial Management and Accountability Act 1997* (FMA Act), the IGT continues to maintain an Audit Committee. The Audit Committee is independent and provides valuable assurance and advice to the CEO. The Audit Committee met on two occasions during 2010–11.

Remuneration Committee

The IGT and the Deputy IGT comprise the Remuneration Committee. The IGT has entered into an enterprise agreement with non-SES employees under the *Fair Work Act 2009*.

The IGT's performance management system provides for performance being reviewed formally on an annual basis and informally on a six-monthly basis. The small size of the agency allows for regular and continual discussion of performance with all staff members. Since all staff report directly to the Deputy IGT, and have direct involvement with the IGT, they are provided with ongoing informal feedback on their performance.

Corporate planning and reporting

Corporate planning is undertaken by the IGT Executive throughout the year, including the development of a work program which shapes and determines the activities of the agency.

Corporate reporting is reviewed and overseen by the IGT Executive.

Administratively, the agency draws heavily on the facilities of the Treasury under the SLA. All day-to-day account processing is undertaken by Treasury utilising its accounting system infrastructure. However, a financial controller (part-time) is employed on a contract basis and reports directly to the CFO (Deputy IGT).

The Deputy IGT (as CFO) is responsible, with input from the IGT (as CEO), for settling portfolio budget statements, ongoing maintenance of cash flow and monthly reporting of financial position. Periodic corporate management and compliance reporting is also completed as required.

In relation to the IGT's review reporting, reference should be made to Part 2.

Risk management

The IGT meets his specific risk management responsibilities under the FMA Act through the application of an integrated risk management framework. A suite of additional policies, plans and procedures have also been developed and adopted by the IGT which further contribute to the mitigation of risks.

The following are the key components of the risk management framework:

- Chief Executive Instructions (CEIs) provide the policy and procedural framework for financial management in the IGT office and put into effect the requirements of the FMA Act. They also contain topics relating specifically to risk management and internal accountability.

- The Fraud Control Plan complies with the Commonwealth Fraud Control Guidelines issued under regulation 19 of the *Financial Management and Accountability Regulations 1997*.
- The Business Continuity Plan includes processes for identifying and assessing risks and contingency plans for events that disrupt normal IGT office operations.
- Physical security risk reviews continue to be arranged, and the office design and associated access security meet required standards and have been reviewed and approved by the Australian Security Intelligence Organisation's Group T4.
- Risk assessments are to be reviewed annually as part of the process of applying for insurance renewal. The programme is based on the Risk Management Standard AS/NZS ISO 31000:2009 and will measure the IGT's performance in implementing risk management processes and policies against the national benchmark.

The IGT's CEIs, Fraud Control Plan and Business Continuity Plan are periodically reviewed by the IGT Audit Committee.

Information technology

The IGT has strategies in place to ensure that risks associated with the delivery of information technology (IT) services are identified and managed. This is against a background of the nature of the IGT's work and flexible operating environment, creating a relatively low-risk environment. The IGT office utilises the IT infrastructure and support systems of the Treasury under the SLA. Components of the Treasury IT governance off which the IGT leverages include:

- The IT Disaster Recovery Plan sets out the strategies and processes to restore services if a complete or partial loss of the Treasury central computing infrastructure occurs. The plan aims to restore services within an appropriate timeframe.
- Business Continuity Plans apply to all Treasury IT application systems.
- The IT Security Policy developed by the Treasury addresses the requirements to protect information holdings and secure operation of IT resources. The policy is based on the protective security policies and standards in the Australian Government Protective Security Policy Framework and the Australian Government Information Security Manual.
- The Treasury Internet and Email Acceptable Use Policy sets out individual user's responsibilities for the appropriate use of the internet and email facilities and

services. This policy refers to the Australian Public Service (APS) Values and Code of Conduct, the *Public Service Act 1999*, other relevant Australian Government legislation and the IT Security Policy.

- Website Development Standards and Guidelines are based on ISO 9001, the Information Security Manual and Defence Signals Directorate Guidelines. The standards ensure compliance with best practice in relation to website security.
- The IT Change Management process has been implemented in order to provide a structured process for making changes to the IT production environment, with minimal impact to business processes. Proposed changes are reviewed and assessed based on the associated risk and potential impacts on the current level of services and functionality provided. Changes are required to conform to specific documentation and process criteria including but not limited to appropriate design, successful testing, risk mitigation and remediation planning.
- An IT Risk Management Strategy has been developed in accordance with Defence Signals Directorate Guidelines and identifies technical risks associated with IT infrastructure and IT management practices.

Staff awareness of risk management policies and procedures is maintained through training programmes and staff notices circulated to Treasury and IGT officers and also made available through access to the Treasury intranet.

Ethical standards and accountability

The IGT's values embrace the APS values. In particular, the IGT Employment Conditions refer prominently to the APS values.

The IGT has taken steps to establish and maintain ethical standards through developing policies such as the CEIs and by actively adapting relevant policy documentation developed by the Treasury. This includes such matters as the use of the internet, email, conflict of interest guidelines, consultant engagement and management guidelines.

EXTERNAL SCRUTINY

Audit

Other than annual financial statement audit activity, there have not been any audits of the IGT office undertaken by the Australian National Audit Office (ANAO). The IGT has an independent Audit Committee as part of the agency's governance framework.

Internal audits

The SLA with the Treasury includes provision for internal audit services. The Audit Committee established by the IGT may seek input from the Treasury internal audit on any matters relevant to the Office of which there were none in 2010–11.

Reports on the operations of the IGT

There were no reports in 2010–11 on the operations of the IGT by the Auditor-General (other than the report on financial statements contained in Part 4), a Parliamentary committee or the Commonwealth Ombudsman.

Judicial or Administrative Tribunal decisions

No judicial decisions or decisions of administrative tribunals were made that have, or may have, a significant impact on the operations of the IGT.

MANAGEMENT OF HUMAN RESOURCES

The IGT office consists of a small number of staff and seeks to provide a collegiate environment for staff to develop through their work and participation in a broad range of agency activities and corporate obligations. The nature of the work provides for a clear sense of achievement and satisfaction in performing an important community function. However, given the office's small size and specific skills requirements, staff are recruited on the basis of merit and current competence with the expectation that career progression will generally occur in the wider public service/professional environment. Staff are encouraged and supported to provide their best performance while in the service of the IGT.

Performance management

The Performance Management System is based on an annual performance cycle with a formal annual review and a less formal half-yearly review.

The IGT has utilised the design features and infrastructure of the Treasury Performance Management System in its own Performance Management System. An important feature is transparency in the process used by the IGT Executive in measuring performance and communicating to each individual staff member. All staff report directly to the Deputy IGT. Within a very small office environment, monitoring and assessing performance on an individual basis is relatively direct. Comparative analysis is also considered for individuals against inter-agency benchmarking where this is appropriate.

Employment agreements

All IGT staff are employed under employment agreements. The employment terms and conditions are consistent for all staff within the IGT office. Employment conditions and remuneration are determined by reference to the Employment Guidelines which incorporates a pay model (see Tables 4 and 5 for salary scales for non-SES and SES staff, as at 30 June 2011). The employment agreements do not provide for payment of performance pay. This arrangement provides underlying consistency for all employees while providing flexibility in recognising individual circumstances.

The IGT's employment agreements specifically refer to the APS Values in the context of setting out expected performance and behaviour.

Table 4: Salary scales — non-SES

Classification	30 June 2011	
	Minimum	Maximum
	\$	\$
APS4	57,568	60,580
EL1	95,236	109,247
EL2	116,328	133,505

The IGT may provide alternative remuneration arrangements in specific circumstances.

At 30 June 2011, there was one permanent SES employee in the IGT office engaged under an employment agreement.

Table 5: Salary scales — SES

Classification	30 June 2011	
	Minimum	Maximum
	\$	\$
SES Band 2	212,852	249,134

SES officers also have access to airline lounge membership, mobile phones and some home office facilities.

The IGT's remuneration package is determined by the Remuneration Tribunal.

Workplace relations

The Deputy IGT consults with employees on matters in the workplace.

The format and content of the IGT office's workplace and individual arrangements reflect government policy at the time of implementation.

Recruitment and succession planning

The IGT recruits staff based on merit and current competence. The ability to make an immediate contribution to the role of the IGT is very important particularly given the small size of his office. The opportunity exists under the IGT Act to second staff to the office.

Learning and development

The IGT's Employment Management Policies reinforce the IGT's commitment to staff learning and development. As well as providing internal agency staff training on an ad hoc basis where possible, the IGT financially supports individual staff members who wish to complete post-graduate courses or attend specific learning and development opportunities where appropriate.

Staffing information

Table 6 details the number of staff employed by the IGT office, by category and gender. All staff are employed under the *Public Service Act 1999*. However, the IGT is a statutory appointee.

Table 6: Operative staff by classification and gender
(as at 30 June 2011)

Classification	Male	Female	Total
APS4		1	1
EL1	2	1	3
EL2	1		1
SES Band 2	1		1
Inspector-General	1		1
Total	5	2	7

Note: IGT staff are employed on an ongoing full-time basis.

PROCUREMENT AND ASSETS MANAGEMENT

Procurement

The IGT has adopted the Treasury's procurement policies and utilises the Treasury's services under the SLA. For example, all IT procurement is undertaken by the Treasury IT Procurement Unit. These policies and procedures are consistent with the IGT's CEIs and the Commonwealth Procurement Guidelines.

To maintain procurement expertise and procedural compliance with the guidelines, all internal procurement documentation is available to the IGT's staff on the Treasury intranet.

The Treasury regularly updates the intranet site to incorporate contemporary procurement practice.

The IGT publishes information about significant procurements the agency expects to undertake during the following year in an annual procurement plan, available on the AusTender website at www.tenders.gov.au.

Assets management

The Treasury, for and on behalf of the IGT, manages both current and non-current assets in accordance with the guidelines set out in the IGT's CEIs and the Australian Accounting Standards.

Non-current assets are subject to an annual stocktake to ensure the accuracy of asset records.

CONSULTANCIES

Consistent with the CEIs and the Commonwealth Procurement Guidelines, the IGT engages consultants and contractors on the basis of:

- value for money;
- open and effective competition;
- ethics and fair dealing;
- accountability and reporting;
- national competitiveness and industry development; and
- support for other Australian Government policies.

Typically, consultants are engaged to carry out defined research, provide independent advice or provide information or creative solutions to assist the IGT undertake his statutory function. The most common reasons for engaging consultancy services are:

- unavailability of specialist in-house resources in the short timeframe available;
- the need for an independent study or review; and
- specialist skills and knowledge are not available in-house.

Providers of consultancy services are selected through open tender, select tender, direct sourcing or panels.

During 2010–11 no new consultancy contracts were entered into involving expenditure over \$10,000 (inclusive of GST).

AUSTRALIAN NATIONAL AUDIT OFFICE ACCESS CLAUSES

The IGT is required to provide details of any contract entered during 2010–11 of \$100,000 or more (inclusive of GST) that does not provide for the Auditor-General to have access to the contractor's premises.

The IGT has entered into no such contracts.

EXEMPT CONTRACTS

The IGT has not exempted any contracts from being published on AusTender.

WORKPLACE DIVERSITY

The IGT, as noted, recruits its small workforce based on merit. In doing so it also seeks to take account of workplace diversity, recognising gender, age and ethnicity in that process. In this regard, a reasonable balance has resulted. Broader community involvement is encouraged, with staff members being supported in their professional association activities.

Table 7: Operative staff by Equal Employment Opportunity target group
(as at 30 June 2011)

Classification	Female	Born Overseas	ESL	AATSI	Disability
APS 4	1		1		
EL1	1	2	2		
EL2					
SES Band 2					
Inspector-General		1			
Total	2	3	3	0	0

Disability Action Plan

The IGT has evaluated the Treasury Disability Action Plan and will continue to consider options available to a small agency.

Indigenous Employment Strategy

The IGT has evaluated the Treasury Indigenous Employment Strategy and will continue to consider options available to a small agency.

PART 4:

FINANCIAL STATEMENTS

Independent Auditor's Report	42
Statement by the Chief Executive Officer and Chief Finance Officer	44
Financial statements	45
Notes to and forming part of the financial statements	51



INDEPENDENT AUDITOR'S REPORT

To the Assistant Treasurer

I have audited the accompanying financial statements of the Inspector-General of Taxation for the year ended 30 June 2011, which comprise: a Statement by the Chief Executive Officer and Chief Finance Officer; Statement of Comprehensive Income; Balance sheet; Statement of changes in equity; Cash flow statement; Schedule of commitments; Schedule of contingencies; Schedule of asset additions; and Notes to and forming part of the financial statements, including a Summary of significant accounting policies.

Chief Executive's Responsibility for the Financial Statements

The Chief Executive of the Inspector-General of Taxation is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as the Chief Executive determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Inspector-General of Taxation's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Inspector-General of Taxation's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive of the Inspector-General of Taxation, as well as evaluating the overall presentation of the financial statements.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT 2600
Phone (02) 6203 7300 Fax (02) 6203 7777

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

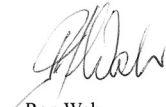
In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

In my opinion, the financial statements of the Inspector-General of Taxation:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Inspector-General of Taxation's financial position as at 30 June 2011 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



Ron Wah
Audit Principal

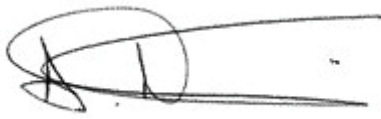
Delegate of the Auditor-General

Canberra
29 August 2011

Inspector-General of Taxation

Statement by the Chief Executive Officer and Chief Finance Officer

In our opinion, the attached financial statements for the year ended 30 June 2011 have been prepared based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

A stylized signature in black ink, consisting of a large loop followed by a horizontal line and a small vertical stroke.

Ali Noroozi
Inspector-General of Taxation
29 August 2011

A stylized signature in black ink, featuring a large 'A' followed by a series of loops and a horizontal line.

Andrew McLoughlin
Chief Finance Officer
29 August 2011

Statement of comprehensive income
for the period ended 30 June 2011

	Notes	2011 \$	2010 \$
EXPENSES			
Employee benefits	3A	1,165,754	1,341,881
Supplier expenses	3B	815,331	780,551
Depreciation and amortisation	3C	83,721	82,211
Finance costs	3D	3,257	3,162
TOTAL EXPENSES		2,068,063	2,207,805
LESS			
OWN-SOURCE INCOME			
Own-source revenue			
Rental income	4A	45,014	51,843
Other revenue	4B	1,040	-
Total own-source revenue		46,054	51,843
Gains			
Other	4C	62,680	18,000
Total gains		62,680	18,000
Total own-source income		108,734	69,843
Net cost of services		1,959,329	2,137,962
Revenue from Government	4D	2,134,000	2,179,000
Surplus on continuing operations		174,671	41,038
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation reserves		46,549	-
Total other comprehensive income		46,549	-
Total comprehensive income		221,220	41,038

The above statement should be read in conjunction with the accompanying notes.

Balance sheet
as at 30 June 2011

	Notes	2011 \$	2010 \$
ASSETS			
Financial assets			
Cash and cash equivalents	5A	21,169	42,381
Trade and other receivables	5B	2,397,056	2,198,205
Total financial assets		2,418,225	2,240,586
Non-financial assets			
Property, plant and equipment	6A,6C	46,311	56,412
Leasehold improvements	6B,6C	161,142	185,813
Other non-financial assets	6D	25,754	2,799
Total non-financial assets		233,207	245,024
Total Assets		2,651,432	2,485,610
LIABILITIES			
Payables			
Suppliers	7A	73,108	48,097
Other payables	7B	33,077	24,171
Total payables		106,185	72,268
Provisions			
Employee provisions	8A	135,514	211,510
Other	8B	127,406	178,725
Total provisions		262,920	390,235
Total Liabilities		369,105	462,503
Net Assets		2,282,327	2,023,107
EQUITY			
Contributed equity		39,573	1,573
Reserves		294,138	247,589
Retained earnings		1,948,616	1,773,945
Total equity		2,282,327	2,023,107

The above statement should be read in conjunction with the accompanying notes.

Cash flow statement
for the period ended 30 June 2011

	Notes	2011 \$	2010 \$
OPERATING ACTIVITIES			
Cash received			
Appropriations		2,043,136	2,123,755
Rents		50,513	51,843
Other cash received		1,040	15,291
Net GST received from the Australian Taxation Office		74,040	71,024
Total cash received		2,168,729	2,261,913
Cash used			
Employees		(1,210,416)	(1,366,853)
Suppliers		(906,922)	(896,438)
Return section 31 appropriation to Official Public Account		(70,203)	(33,266)
Total cash used		(2,187,541)	(2,296,557)
Net cash used by operating activities	9	(18,812)	(34,644)
INVESTING ACTIVITIES			
Cash used			
Purchases of property, plant and equipment		(2,400)	-
Total cash used		(2,400)	-
Net cashflows used by investing activities		(2,400)	-
Net increase (decrease) in cash held		(21,212)	(34,644)
Cash and cash equivalents at the beginning of the reporting period		42,381	77,025
Cash and cash equivalents at the end of the reporting period	5A	21,169	42,381

The above statement should be read in conjunction with the accompanying notes.

Statement of changes in equity
for the period ended 30 June 2011

	Retained earnings		Asset revaluation		Contributed equity		Total equity	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance								
Balance carried forward from previous period	1,773,945	1,782,907	247,589	247,589	1,573	1,573	2,023,107	2,032,069
Appropriations reduced (subsection 14(1) of <i>Appropriation Act (No. 3) 2009-2010</i>)	-	(50,000)	-	-	-	-	-	(50,000)
Adjusted opening balance	1,773,945	1,732,907	247,589	247,589	1,573	1,573	2,023,107	1,982,069
Comprehensive income								
Revaluations	-	-	46,549	-	-	-	46,549	-
Surplus for the period	174,671	41,038					174,671	41,038
Total comprehensive income	174,671	41,038	46,549	-	-	-	221,220	41,038
Transactions with owners								
Contributions by owners	-	-	-	-	38,000	-	38,000	-
Departmental capital budget	-	-	-	-	-	-	-	-
Sub-total Transactions with owners	-	-	-	-	38,000	-	38,000	-
Closing balance at 30 June	1,948,616	1,773,945	294,138	247,589	39,573	1,573	2,282,327	2,023,107

The above statement should be read in conjunction with the accompanying notes.

Schedule of commitments
as at 30 June 2011

	2011	2010
	\$	\$
BY TYPE		
Commitments receivable		
Sub-lease rental income ³	-	147,320
GST recoverable on commitments	49,266	89,960
Total commitments receivable	49,266	237,280
Other commitments		
Operating leases ¹	422,319	679,392
Other commitments ²	119,604	310,164
Total other commitments	541,923	989,556
Net commitments by type	492,657	752,276
BY MATURITY		
Commitments receivable		
Operating lease income		
One year or less	-	57,027
From one to five years	-	90,294
Total operating lease income	-	147,321
Other commitments receivable		
One year or less	34,905	32,769
From one to five years	14,360	57,190
Total other commitments receivable	49,265	89,959
Commitments payable		
Operating lease commitments		
One year or less	264,355	257,073
From one to five years	157,963	422,319
Total operating lease commitments	422,318	679,392
Other commitments		
One year or less	119,604	103,388
From one to five years	-	206,776
Total other commitments	119,604	310,164
Net commitments by maturity	492,657	752,276

Commitments are GST inclusive where relevant.

Note	Nature of lease	General description of leasing arrangements
1	Leases for office accommodation	The agreement allows annual fixed rental increases. There are no options to renew.
1	A lease in relation to office equipment — photocopier	The agreement is a fixed rate over the term.
Note	Description	General description of the agreement
2	Service Agreement for the provision of office services	The agreement is a fixed rate over the term.
3	Agreement for sub-lease of office accommodation	The agreement terminated in 2010-11.

The above schedule should be read in conjunction with the accompanying notes.

Schedule of contingencies
as at 30 June 2011

	2011	2010
	\$	\$
Contingent liabilities	-	-
Contingent assets	-	-
Net contingent liabilities	-	-

The above schedule should be read in conjunction with the accompanying notes.

Schedule of asset additions
for the period ending 30 June 2011

The following non-financial non-current assets were added in 2010-11:

	Plant and equipment	Leasehold improvements	Total
	\$	\$	\$
By purchase - appropriation ordinary annual services			
Ordinary operating costs	2,400	-	2,400
Total additions	2,400	-	2,400

The following non-financial non-current assets were added in 2009-10:

	Plant and equipment	Leasehold improvements	Total
	\$	\$	\$
By purchase - appropriation ordinary annual services			
Ordinary operating costs	-	7,300	7,300
Total additions	-	7,300	7,300

The above schedule should be read in conjunction with the accompanying notes.

Notes to and forming part of the financial statements for the year ended 30 June 2011

Note 1: Summary of significant accounting policies

1.1 Objectives of the Inspector-General of Taxation

The Inspector-General of Taxation (IGT) is an Australian Government controlled entity. The objective of the Inspector-General of Taxation is to improve the administration of the tax laws for the benefit of all taxpayers. The IGT is structured to meet one outcome:

‘Improved tax administration through community consultation, review, and independent advice to Government’.

Agency activities contributing toward this outcome are classified as departmental. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the agency in its own right.

The *Inspector-General of Taxation Act 2003* (the Act) established an independent statutory agency on 7 August 2003 to review:

- systems established by the Australian Taxation Office to administer the tax laws; and
- systems established by tax laws in relation to administrative matters;

for the purpose of reporting and making recommendations to Government on how those systems could be improved.

The IGT’s departmental activities are identified under Outcome 1 by one program, Program 1.1 Inspector-General of Taxation.

The continued existence of the agency in its present form, and with its present program, is dependent on Government policy and on continuing appropriations by Parliament for the agency’s administration and programs.

1.2 Basis of preparation of financial statements

The financial statements are general purpose financial statements and are required by section 49 of the *Financial Management and Accountability Act 1997*.

The financial statements have been prepared in accordance with:

- Finance Minister's Orders (FMO) for reporting periods ending on or after 1 July 2010; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are expressed in whole dollars.

Unless an alternative treatment is specifically required by an Accounting Standard or the FMO, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow to the Entity or a future sacrifice of economic benefits will be required and the amounts of assets or liabilities can be reliably measured. However, assets and liabilities arising under Agreements Equally Proportionally Unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies (other than unquantifiable or remote contingencies, which are reported at Note 10).

Unless alternative treatment is specifically required by an Accounting Standard, income and expenses are recognised in the Statement of Comprehensive Income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

1.3 Significant accounting judgements and estimates

In the process of applying the accounting policies listed in this note, there are no judgements that have a significant impact on the amounts recorded in the financial statements.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next reporting period.

1.4 New Australian Accounting Standards

Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. No new accounting standards, amendments to standards and interpretations issued by the Australian Accounting Standards Board prior to the sign-off date that are applicable to the current period have had a material financial impact on the agency.

Future Australian Accounting Standard requirements

No new standards, amendments to standards or interpretations that have been issued by the Australian Accounting Standards Board prior to the sign-off date and are effective for future reporting periods are expected to have a material financial impact on the agency.

1.5 Revenue

Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue when the Agency gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

Other types of revenue

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- the probable economic benefits with the transaction will flow to the entity.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for services, which have 30 day terms, are recognised at the nominal amounts due, less any impairment allowance amount. Collectability of debts is reviewed at the end of the reporting period. Provisions are made when collectability of the debt is no longer probable.

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

1.6 Gains

Resources received free of charge

Resources received free of charge are recognised as gains when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another government agency as a consequence of a restructuring of administrative arrangements.

Sale of assets

Gains from disposal of non-current assets are recognised when control of the asset has passed to the buyer.

1.7 Transactions with the Government as owner

Equity injections

Amounts appropriated designated as 'equity injections' for a year (less any formal reductions) are recognised directly in Contributed Equity in that year.

1.8 Employee benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months of the end of the reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long term employee benefits are measured as the net total of the present value of the defined benefit obligation at the end of the reporting period, minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the agency is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the agency's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and redundancy

Provision is made for separation and redundancy benefit payments. The agency recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

Staff of the agency in general are members of the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

The PSS is a defined benefit scheme for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. The liability is reported by the Department of Finance and Deregulation as an administered item.

The IGT makes employer contributions to the Employee Superannuation Scheme at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of the agency's employees.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

1.9 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards

incidental to ownership of leased non-current assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the leased assets.

1.10 Borrowing costs

All borrowing costs are expensed as incurred.

1.11 Cash

Cash and cash equivalents includes cash on hand, cash held with outsiders and demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount.

1.12 Financial assets

The IGT classifies its financial assets in the following categories:

- 'loans and receivables'.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon 'trade date'.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets are assessed for impairment at each balance date.

- *Financial assets held at amortised cost* — If there is objective evidence that an impairment loss has been incurred for loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

1.13 Financial liabilities

Financial liabilities are classified as other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

1.14 Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the Balance Sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain, and contingent liabilities are recognised when settlement is greater than remote.

1.15 Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and incomes at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

1.16 Property, plant and equipment (PP&E)

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the Balance Sheet, except for purchases costing less than \$2000 and computer equipment of less than \$1000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to restoration provisions in property leases taken up by the IGT where there exists an obligation to restore the property to its original condition. These costs are included in the value of the IGT's leasehold improvements with a corresponding provision for the present value of the restoration recognised.

Revaluations

Fair values for each class of asset are determined as shown below:

<u>Asset class:</u>	<u>Fair value measured at:</u>
Leasehold improvements	Depreciated replacement cost
Property, plant and equipment	Market selling price

Following initial recognition at cost, property plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially with the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus or deficit. Revaluation decrements for a class of assets are recognised directly through surplus or deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to the agency using, in all cases, the straightline method of depreciation. Leasehold improvements are depreciated on a straightline basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2010–11	2009–10
Property, plant and equipment	3-10 years	3-10 years
Leasehold improvements	Lease term	Lease term

Impairment

All assets were assessed for impairment at 30 June 2011. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its *fair value less costs to sell* and its *value in use*. *Value in use* is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the IGT were deprived of the asset, its *value in use* is taken to be its depreciated replacement cost.

No indicators of impairment were found for assets at fair value.

1.17 Taxation

The agency is exempt from all forms of taxation except for Fringe Benefits Tax and Goods and Services Tax (GST). Revenues, expenses and assets are recognised net of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office, and except for receivables and payables.

Note 2: Events after the reporting period

The agency is not aware of any significant events that have occurred since balance date that warrant disclosure in these statements.

Note 3: Expenses

	2011	2010
	\$	\$
Note 3A: Employee benefits		
Wages and salaries	938,618	1,072,043
Superannuation:		
Defined contribution plans	20,592	53,353
Defined benefit plans	94,447	94,447
Leave and other benefits	104,749	119,291
Other employee expenses	7,348	2,747
Total employee benefits	1,165,754	1,341,881
Note 3B: Suppliers		
Goods and services		
Consultants and contractors	167,721	121,315
Travel	97,471	137,374
Service Level Agreement with Treasury	102,716	98,107
Advertising and printing	44,220	38,331
Seminars and conferences	11,647	19,933
Subscriptions and periodicals	11,328	9,445
Other	97,580	73,310
Total goods and services	532,683	497,815
Goods and services are made up of:		
Provision of goods - related entities	12,992	11,543
Provision of goods - external entities	91,036	75,955
Rendering of services - related entities	137,016	122,985
Rendering of services - external entities	291,639	287,332
Total goods and services	532,683	497,815
Other supplier expenses		
Operating lease rentals - external parties		
minimum lease payments	277,655	277,677
Workers compensation expenses	4,993	5,059
Total other supplier expenses	282,648	282,736
Total supplier expenses	815,331	780,551
Note 3C: Depreciation and amortisation		
Depreciation		
Property, plant and equipment	54,376	52,866
Total depreciation	54,376	52,866
Amortisation		
Leasehold improvements - Make Good provision	29,345	29,345
Total amortisation	29,345	29,345
Total depreciation and amortisation	83,721	82,211
Note 3D: Finance costs		
Unwinding of discount	3,257	3,162
Total finance costs	3,257	3,162

Note 4: Income

	2011	2010
	\$	\$
Revenue		
Note 4A: Rental income		
Property sub-lease rent received	45,014	51,843
Total rental income	45,014	51,843
Note 4B: Other revenue		
Other revenue	1,040	-
Total other revenue	1,040	-
Gains		
Note 4C: Other gains		
Employee entitlements re-statement	22,428	-
Re-statement of Make Good provision	20,252	-
Resources received free of charge	20,000	18,000
Total other gains	62,680	18,000
Revenue from Government		
Note 4D: Revenue from Government		
Appropriations:		
Departmental appropriations	2,134,000	2,179,000
Total revenue from Government	2,134,000	2,179,000

Note 5: Financial assets

	2011	2010
	\$	\$
Note 5A: Cash and cash equivalents		
Cash on hand or on deposit	21,169	42,381
Total cash and cash equivalents	21,169	42,381
Note 5B: Trade and other receivables		
Goods and services		
Goods and services - related entities	-	4,752
Total receivables for goods and services	-	4,752
Appropriations receivable		
Section 31 appropriations receivable	103,469	33,266
For existing programs	2,282,470	2,153,606
Total appropriations receivable	2,385,939	2,186,872
Other receivables		
GST receivable from the Australian Taxation Office	11,117	5,834
Other receivables	-	747
Total other receivables	11,117	6,581
Total trade and other receivables (gross)	2,397,056	2,198,205
Less impairment allowance account:		
Goods and services	-	-
Total impairment allowance account	-	-
Total trade and other receivables (net)	2,397,056	2,198,205
Receivables are expected to be recovered in:		
No more than 12 months	11,117	49,844
More than 12 months	2,385,939	2,148,361
Total trade and other receivables (net)	2,397,056	2,198,205
Receivables are aged as follows:		
Not overdue	11,117	49,844
Overdue by:		
less than 30 days	-	-
31 to 60 days	-	-
61 to 90 days	-	-
more than 90 days	2,385,939	2,148,361
Total receivables (net)	2,397,056	2,198,205

Note 6: Non-financial assets

	2011	2010
	\$	\$
Note 6A: Property, plant and equipment		
Property, plant and equipment		
Fair value	46,311	69,617
Accumulated depreciation	-	(13,205)
Total Property, plant and equipment	46,311	56,412
Note 6B: Leasehold improvements		
Leasehold improvements		
Fair value	161,142	254,819
Accumulated amortisation	-	(69,006)
Total leasehold improvements	161,142	185,813

All property, plant and equipment are at valuation as at 30 June 2011 in accordance with the agency's revaluation policy (note 1.16). Net revaluation increment of \$46,549 (Property, plant and equipment: \$186; Leasehold improvements: \$46,363) was added to reflect Fair Value at 30 June 2011.

	Plant and equipment	Leasehold improvements	Total
	\$	\$	\$
Note 6C: Analysis of property, plant and equipment			
Reconciliation of the opening and closing balances of property, plant and equipment (2010-11)			
As at 1 July 2010			
Gross book value	69,617	254,819	324,436
Accumulated depreciation/amortisation	(13,205)	(69,006)	(82,211)
Net book value 1 July 2010	56,412	185,813	242,225
Additions by purchase	2,400	-	2,400
Revaluations	186	46,363	46,549
Depreciation/amortisation expense	(12,687)	(71,034)	(83,721)
Net book value at 30 June 2011	46,311	161,142	207,453
Net book value as at 30 June 2011 represented by:			
Gross book value	46,311	161,142	207,453
Accumulated depreciation/amortisation	-	-	-
	46,311	161,142	207,453
Reconciliation of the opening and closing balances of property, plant and equipment (2009-10)			
As at 1 July 2009			
Gross book value	69,617	247,462	317,079
Accumulated depreciation/amortisation	-	-	-
Net book value 1 July 2009	69,617	247,462	317,079
Additions by purchase	-	7,300	7,300
Additions by adjustment	-	57	57
Depreciation/amortisation expense	(13,205)	(69,006)	(82,211)
Net book value at 30 June 2010	56,412	185,813	242,225
Net book value as at 30 June 2010 represented by:			
Gross book value	69,617	254,819	324,436
Accumulated depreciation/amortisation	(13,205)	(69,006)	(82,211)
	56,412	185,813	242,225

Note 6: Non-financial assets (continued)

	2011	2010
	\$	\$
Note 6D: Other non-financial assets		
Prepayments	25,754	2,799
Total other non-financial assets	25,754	2,799
All other non-financial assets are current assets.		
Total other financial assets are expected to be recovered in:		
no more than 12 months	25,754	2,799
Total other non-financial assets	25,754	2,799
All other non-financial assets are current assets.		
No indicators of impairment were found for other non-financial assets.		

Note 7: Payables

	2011	2010
	\$	\$
Note 7A: Suppliers		
Trade creditors and accruals:		
related entities	8,930	8,216
external parties	64,178	39,881
Total supplier payables	73,108	48,097
Supplier payables expected to be settled within 12 months:		
related entities	8,930	8,216
external parties	64,178	39,881
Total supplier payables	73,108	48,097
Settlement is usually made within 30 days.		
Note 7B: Other payables		
Salaries and wages	30,505	21,678
Superannuation	2,572	2,493
Total other payables	33,077	24,171
Total other payables are expected to be settled in:		
no more than 12 months	33,077	24,171
Total other payables	33,077	24,171

Note 8: Provisions

	2011	2010
	\$	\$
Note 8A: Employee provisions		
Leave	135,514	211,510
Total employee provisions	135,514	211,510
Employee provisions are expected to be settled in:		
No more than 12 months	71,245	93,820
More than 12 months	64,269	117,690
Total employee provisions	135,514	211,510
Note 8B: Other provisions		
Lease incentives	35,837	70,163
Provision for restoration obligations	91,568	108,562
Total other provisions	127,406	178,725
Other provisions are expected to be settled in:		
More than 12 months	127,406	178,725
Total other provisions	127,406	178,725
Provision for restoration obligations		
Carrying amount at 1 July	108,562	105,400
Re-statement of 'Make Good' at 30 June 2011	(20,251)	-
Unwinding of discount	3,257	3,162
Closing balance 30 June 2011	91,568	108,562

The agency renewed the lease agreement for the premises in 2009. The lease has a provision requiring restoration of the premises to its original condition at the conclusion of the term. The agency has made a provision to reflect the present value of this obligation.

Note 9: Cash flow reconciliation

	2011	2010
	\$	\$
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash Flow Statement	21,169	42,381
Balance Sheet	21,169	42,381
Difference	-	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	1,959,329	2,137,962
Add revenue from Government	2,134,000	2,179,000
	174,671	41,038
Adjustments for non-cash items		
Depreciation and amortisation	83,721	82,211
Finance costs	3,257	3,162
Changes in assets/liabilities		
(Increase)/decrease in receivables	(160,852)	(70,350)
(Increase)/decrease in prepayments	(22,955)	(935)
Increase/(decrease) in payables	25,011	(32,598)
Increase/(decrease) in other payables	8,906	4,765
Increase/(decrease) in employee provision	(75,996)	(27,419)
Increase/(decrease) in other provisions	(54,576)	(27,160)
Net cash from/(used by) operating activities	(18,813)	(34,644)

Note 10: Contingent liabilities and assets

There are no unquantifiable or remote contingencies.

Note 11: Senior executive remuneration

Note 11A: Senior executive remuneration expense for the reporting period

	2011	2010
	\$	\$
Short-term employee benefits:		
Salary	566,610	728,381
Annual leave accrued	43,933	47,178
Total short-term employee benefits	610,543	775,559
Post-employment benefits:		
Superannuation	49,925	62,843
Total post-employment benefits	49,925	62,843
Other long-term benefits:		
Long service leave	10,373	11,112
Total other long-term benefits	10,373	11,112
Termination benefits	-	29,400
Total	670,841	878,914

Note: Note 11A was prepared on an accruals basis. It excludes acting arrangements and part-year service where remuneration expensed was less than \$150,000.

Note 11B: Average annual remuneration packages and bonus paid for substantive senior executives as at the end of the reporting period

As at 30 June 2011					
Fixed elements					
	Senior executives	Salary	Allowances	Total	Bonus paid
Fixed elements and bonus paid	No.	\$	\$	\$	\$
Total remuneration (including part-time arrangements):					
\$210,000 to \$239,999	1	231,600	-	231,600	-
\$330,000 to \$359,999	1	247,160	91,126	338,286	-
Total	2				
As at 30 June 2010					
Fixed elements					
	Senior executives	Salary	Allowances	Total	Bonus paid
Fixed elements and bonus paid	No.	\$	\$	\$	\$
Total remuneration (including part-time arrangements):					
\$210,000 to \$239,999	1	226,600	-	226,600	-
\$300,000 to \$329,999	1	230,500	84,703	315,203	-
Total	2				

This table reports on substantive senior executives who are employed by the entity as at the end of the reporting period. Fixed elements are based on the employment agreement of each individual — each row represents an average annualised figure (based on headcount) for the individuals in that remuneration package band (that is, the Total column).

Note 11: Senior executive remuneration (continued)

Variable Elements: With the exception of bonuses, variable elements were not included in the 'Fixed Elements and Bonus Paid' table above. The following variable elements were available as part of senior executives' remuneration packages.

On average senior executives were entitled to the following leave entitlements:

- Annual leave (AL): entitled to 20 days (2010: 20 days) each full year worked (pro-rata for part-time SES);
- Personal Leave (PL): entitled to 18 days (2010: 20 days) or part-time equivalent; and
- Long Service Leave (LSL): in accordance with *Long Service Leave (Commonwealth Employees) Act 1976*.

Senior executives were members of one of the following superannuation funds:

- Australian Government Employee Superannuation Trust (AGEST): this fund is for senior executives who were employed for a defined period. Employer contributions were set at 9 per cent (2010: 9 per cent). More information on AGEST can be found at <http://www.agemt.com.au>;
- Public Sector Superannuation Scheme (PSS): this scheme is closed to new members, with current employer contributions were set at 15.4 per cent (2010: 15.4 per cent) (including productivity component). More information on PSS can be found at <http://www.pss.gov.au>;
- Public Sector Superannuation Accumulation Plan (PSSap): employer contributions were set at 15.4 per cent (2010: 15.4 per cent) and the fund has been in operation since July 2005. More information on PSSap can be found at <http://www.pssap.gov.au>; and
- Other superannuation funds as are appropriate to circumstances.

Various salary sacrifice arrangements were available to senior executives including superannuation, motor vehicle and expense payment fringe benefits.

Note 11C: Other highly paid staff

During the reporting period, there were 3 employees (2010: 3) whose salary expense was \$150,000 or more. These employees did not have a role as senior executive and are therefore not disclosed as senior executive in Note 11A and Note 11B.

Note 12: Remuneration of auditors

	2011	2010
	\$	\$
Financial statement audit services are provided free of charge to the agency.		
The fair value of the services provided was	20,000	18,000
Total	20,000	18,000

No other services were provided by the auditors of the financial statements.

Note 13: Financial instruments

	2011	2010
	\$	\$
Note 13A: Categories of financial instruments		
Financial assets		
Loans and receivables:		
Cash and cash equivalents	21,169	42,381
Trade receivables	-	4,752
Carrying amount of financial assets	21,169	47,133
Financial liabilities		
Other liabilities:		
Payables - suppliers	73,108	48,097
Carrying amount of financial liabilities	73,108	48,097

Note 13B: Fair value of financial instruments

		2011		2010	
	Notes	Carrying amount	Fair value	Carrying amount	Fair value
		\$	\$	\$	\$
Financial assets					
Cash & cash equivalent	5A	21,169	21,169	42,381	42,381
Receivables	5B	-	-	4,752	4,752
Total financial assets		21,169	21,169	47,133	47,133
Financial liabilities					
Supplier payables	7A	73,108	73,108	48,097	48,097
Total financial liabilities		73,108	73,108	48,097	48,097

The carrying amounts of the agency's financial instruments is a reasonable approximation of fair value.

Note 13: Financial instruments (continued)**Note 13C: Credit risk**

The agency is exposed to minimal credit risk as receivables are cash and trade receivables. The maximum exposure to credit risk is the risk that arises from the potential default of a debtor. This amount is equal to the total amount of the trade receivables (2011: \$0, and 2010: \$4752). The agency has assessed the risk of the default on payment and has made no allocations to doubtful debts in 2011 (2010: *NIL*).

The agency holds no collateral to mitigate against the credit risk.

Credit quality of financial instruments not past due or individually determined as impaired

	Not past due nor impaired 2011 \$	Not past due nor impaired 2010 \$	Past due or impaired 2011 \$	Past due or impaired 2010 \$
Loans and receivables				
Cash & cash equivalents	21,169	42,381	-	-
Trade receivables	-	4,752	-	-
Total	21,169	47,133	-	-

Ageing of financial assets that are past due but not impaired for 2011

	0 to 30 days \$	31 to 60 days \$	61 to 90 days \$	90+ days \$	Total \$
Loans and receivables					
Trade receivables	-	-	-	-	-
Total	-	-	-	-	-

Ageing of financial assets that are past due but not impaired for 2010

	0 to 30 days \$	31 to 60 days \$	61 to 90 days \$	90+ days \$	Total \$
Loans and receivables					
Trade receivables	-	-	-	-	-
Total	-	-	-	-	-

Note 13: Financial instruments (continued)

Note 13D: Liquidity risk

The agency's financial liabilities are payables. The exposure to liquidity risk is based on the notion that the agency will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to the appropriation funding and mechanisms available to the agency and interim policies and procedures put in place to ensure that there are appropriate resources to meet its financial obligations.

The following tables illustrate the maturities for non-derivative financial liabilities.

	On Demand 2011 \$	Within 1 year 2011 \$	1 to 5 years 2011 \$	> 5 years 2011 \$	Total 2011 \$
Other liabilities					
Payables - suppliers	-	73,108	-	-	73,108
Total	-	73,108	-	-	73,108

	On Demand 2010 \$	Within 1 year 2010 \$	1 to 5 years 2010 \$	> 5 years 2010 \$	Total 2010 \$
Other liabilities					
Payables - suppliers	-	48,097	-	-	48,097
Total	-	48,097	-	-	48,097

The agency is appropriated funding from the Australian Government. The agency manages its budgeted funds to ensure that it has adequate funds to meet payments as they fall due. In addition, the agency has policies in place to ensure timely payments are made when due and has no past experience of default.

Note 13E: Market risk

IGT holds basic financial instruments that do not expose the agency to certain market risks. The agency is not exposed to currency risk, other price risk, or interest rate risk.

Note 14: Appropriations**Table A: Annual appropriations (recoverable GST exclusive)**

	2011 Appropriations					Appropriation applied in 2011 (current and prior years)	Total appropriation	Section 31	Section 30	Annual Appropriations reduced	Appropriation Act	FMA Act	Variance
	Annual appropriation	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
DEPARTMENTAL													
Ordinary annual services	2,134,000		-	85,157	50,513	2,269,670	2,119,738						149,932
Other services:													
Equity	38,000		-			38,000	-						38,000
Total departmental	2,172,000		-	85,157	50,513	2,307,670	2,119,738						187,932

Notes:

- (a) Appropriations reduced under Appropriation Acts (No. 1,3,5) 2010-11: sections 10, 11, 12 and 15 and under Appropriation Acts (No. 2,4,6) 2010-11: sections 12, 13, 14 and 17. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. In 2011, there was no reduction in departmental and non-operating departmental appropriations.
- (b) In 2010-11, there were no adjustments that met the recognition criteria of a formal addition or reduction in revenue (in accordance with FMO Div 101).

Note 14: Appropriations (continued)**Table A: Annual appropriations (recoverable GST exclusive) continued.**

		2010 Appropriations				
		Appropriation Act		FMA Act		
		Annual appropriation	Appropriations reduced	Section 30	Section 31	Appropriation applied in 2010 (current and prior years)
		\$	\$	\$	\$	\$
DEPARTMENTAL						
Ordinary annual services	2,190,000	(61,000)	83,445	51,843	2,264,288	2,263,291
Total departmental	2,190,000	(61,000)	83,445	51,843	2,264,288	2,263,291

Notes:

- (a) Appropriations reduced under Appropriation Acts (No. 1,3) 2009-10: sections 10, 11 and 12 and under Appropriation Acts (No. 2,4) 2009-10: sections 12, 13 and 14. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. On 24 January 2010, the Finance Minister issued a determination to reduce departmental appropriations following a request by the Minister. The amount of the reduction under Appropriation Act (No. 1) was: \$61,000.
- (b) In 2009-10, there were no adjustments that met the recognition criteria of a formal addition or reduction in revenue (in accordance with FMO Div 101) but at law the appropriations had not been amended before the end of the reporting period.

Note 14: Appropriations (continued)**Table B: Unspent departmental annual appropriations (recoverable GST exclusive)**

Authority	2011	2010
	\$	\$
<i>Appropriation Act (No. 1) 2004-05</i>	60,000	60,000
<i>Appropriation Act (No. 1) 2005-06</i>	1,149,000	1,149,000
<i>Appropriation Act (No. 1) 2006-07</i>	360,776	360,776
<i>Appropriation Act (No. 1) 2007-08</i>	285,335	285,335
<i>Appropriation Act (No. 1) 2008-09</i>	243,249	243,249
<i>Appropriation Act (No. 1) 2009-10</i>	93,264	93,264
<i>Appropriation Act (No. 1) 2010-11</i>	156,315	-
<i>Appropriation Act (No. 1) 2010-11 - Capital Budget(DCB)</i>	38,000	-
Total	2,385,939	2,191,624

Note 15: Reporting of outcomes

The Inspector-General of Taxation has one outcome:

'Improved tax administration through community consultation, review, and independent advice to Government'.

Note 15A: Net cost of outcome delivery

	2011	2010
	\$	\$
Expenses		
Departmental	2,068,063	2,207,805
Total	2,068,063	2,207,805
Other own-source income		
Rents	45,014	51,843
Other revenue	1,040	-
Gains	62,680	18,000
Departmental	108,734	69,843
Total	108,734	69,843
Net cost of outcome delivery	1,959,329	2,137,962

Note 15: Reporting of outcomes (continued)**Note 15B: Major classes of departmental revenues and expenses by outcome.**

Outcome 1	Total	
	2011	2010
	\$	\$
Departmental expenses		
Employees	1,165,754	1,341,881
Suppliers	815,331	780,551
Finance costs	3,257	3,162
Depreciation and amortisation	83,721	82,211
Total	2,068,063	2,207,805
Departmental income		
Income from Government	2,134,000	2,179,000
Rents	45,014	51,843
Other revenue	1,040	-
Gains	62,680	18,000
Total	2,242,734	2,248,843
Departmental assets		
Financial assets:		
Cash and cash equivalents	21,169	42,381
Receivables	2,397,056	2,198,205
Non-financial assets:		
Property, plant and equipment	207,453	242,225
Other non-financial assets	25,754	2,799
Total	2,651,432	2,485,610
Departmental liabilities		
Payables	106,185	72,268
Provisions	262,920	390,235
Total	369,105	462,503

Outcome 1 is described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget outcome.

Note 16: Comprehensive income attributable to the entity (DCB or CDAB funded only)

	2011	2010
	\$	\$
Total comprehensive income attributable to the entity		
Total comprehensive income	221,220	41,038
Plus: non-appropriated expenses		
Depreciation and amortisation expenses	83,721	-
Total comprehensive income attributable to the entity	304,941	41,038

PART 5: OTHER INFORMATION

OCCUPATIONAL HEALTH AND SAFETY

The IGT office fosters and maintains a safe and healthy working environment in accordance with the *Occupational Health and Safety (Commonwealth Employment) Act 1991*. During 2010–11, the IGT received no accident and incident reports. No notices were given under sections 29, 46 and 47 of the *Occupational Health and Safety (Commonwealth Employment) Act 1991*.

FREEDOM OF INFORMATION

The *Freedom of Information Act 1982* (the FOI Act) gives the general public legal access to government documents.

The former section 8 of the FOI Act (in effect until 30 April 2011) requires the annual report to contain certain information including the functions, organisation and decision-making powers of the IGT. The required information is contained in the body of this annual report.

On 1 May 2011, the *Information Publication Scheme* (IPS) commenced. In response, the IGT published on its website a range of information including the agency's structure, functions, appointments and consultation arrangements. An agency plan detailing the information published in accordance with the IPS requirements is accessible from www.igt.gov.au.

Arrangements for outside participation

A specific performance indicator for the IGT is broad-based community involvement in the identification of systemic issues in the administration of tax laws. As stated in Part 2, the IGT has chosen to widely consult with the community in setting his work program.

The IGT also engages in consultation to develop advice to the Government. By being fully informed of the effects of findings and recommendations, the IGT can better

advise the Government on how the administration of the tax laws may be improved and minimise any unintended consequences.

Consultation is most effective when stakeholders respect each other's input and collaborate to develop workable solutions. However, consultation will not always result in consensus amongst stakeholders.

The IGT takes a number of different approaches to liaison and consultation. Consultations on the work program of the IGT may be broad, such as written submissions responding to terms of reference and/or submission guidelines for a review, or targeted, such as roundtable discussions with a small number of stakeholders or individual meetings with stakeholders.

When engaging in community consultation, the IGT: seeks to involve an appropriate range of stakeholders in consultations; ensures all participants have an opportunity to contribute to the consultation; endeavours to provide realistic timeframes for participants to contribute; acknowledges, respects and seeks to understand the views of participants, providing feedback on those views where possible; appreciates and maintains the confidential nature of discussions with stakeholders; and, provides advice to the Government that leads to the improved administration of the tax laws for the benefit of all taxpayers.

Categories of documents held by the IGT

The following categories of documents are held by the IGT office:

- correspondence and working papers, including formal submissions, notes of meetings and files relating to a review;
- correspondence and databases used by staff for the purposes of communication with persons and organisations related to the general operations of the IGT office;
- correspondence and working papers relating to the administration of the IGT office, including personal records, organisation and staffing records, financial and expenditure records, advice and internal operations such as office procedures and instructions; and
- reference material, including press clippings and research papers.

Every six months the IGT also publishes an indexed list of files at www.igt.gov.au.

Documents open to public access

A detailed listing of IGT documents published during the year, such as reports, terms of reference, submission guidelines and annual reports, is available at www.igt.gov.au.

The IGT has a policy of publishing all new terms of reference and submission guidelines on the IGT's website at the time of release.

All reports to Government will also be placed on the IGT's website following the release of the report by the Minister or the tabling of the report in both Houses of Parliament.

Facilities for access of documents

If a member of the public requests a document and the IGT approves access, the IGT will provide copies of documents after the applicant pays any processing charges.

Members of the public are also able to obtain access to available documents, by arrangement, at:

Level 19,
50 Bridge Street
SYDNEY NSW 2000

Freedom of Information applications and initial contact points

Initial enquiries regarding access to IGT documents should be directed in writing through email at FOI@igt.gov.au or via post to:

Freedom of Information
Inspector-General of Taxation
GPO Box 551
SYDNEY NSW 2001

Procedures for dealing with Freedom of Information requests are detailed in section 15 of the FOI Act. A valid request must:

- be in writing;
- state that the request is an application for the purposes of the FOI Act;
- provide such information concerning the document as is reasonably necessary for the IGT to identify it; and

- give details of how notices under the FOI Act may be sent to the applicant (such as by email).

A valid request is to be processed within 30 days unless:

- the subject matter is more closely connected to another agency which may result in transfer to the relevant or appropriate agency;
- third party consultations are required, in which case an additional 30 days may be added;
- the applicant agrees to additional time for the processing of the request;
- additional time is requested from the Australian Information Commissioner in cases of complex or voluminous requests; or
- a decision has been made to impose charges.

There is no application fee for an FOI request. Processing charges may apply to requests other than for documents containing only personal information.

Some documents are exempt from public perusal under the FOI Act. Where documents are not accessible by the applicant, valid reasons will be provided.

Applicants are able to request for a review by the IGT office of a decision regarding the accessibility of documents. Such requests should be made within 30 days of receipt of the original decision by the applicant.

Application can also be made to the Australian Information Commissioner for a review of certain decisions. Information about this process can be found at www.oaic.gov.au.

Decisions made by the Australian Information Commissioner may be appealed through the Administrative Appeals Tribunal.

Freedom of Information activity

The IGT received no requests for access to documents under the FOI Act in 2010–11.

ADVERTISING AND MARKET RESEARCH

Advertising costs for the IGT's work program, review submission request and recruitment announcements during 2010–11 totalled \$37,473 (GST inclusive). Particulars of payments of more than \$11,500 (GST inclusive) are set out below.

Table 8: Advertising
(as at 30 June 2011)

Purpose	Vendor	Cost(\$)
Work Program	Adcorp Australia Limited	17,007
Review Announcement	Adcorp Australia Limited	16,223
Total		33,230

Note: these figures include GST.

No market research activities were undertaken during 2010–11.

ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PERFORMANCE

The IGT office actively pursues measures to improve its overall environmental performance. Timer switches control all general lighting in the office. The owner of the leased office premises has active energy, waste management and water conservation strategies.

The IGT recycles paper and cardboard products.

DISCRETIONARY GRANTS

No discretionary grant programs are administered by the IGT.

LIST OF REQUIREMENTS

Part of Report	Description	Requirement	Page(s)
	Letter of transmittal	Mandatory	iii
	Table of contents	Mandatory	v–vi
	Index	Mandatory	90–91
	Glossary	Mandatory	88
	Contact officer(s)	Mandatory	ii
	Internet home page address and Internet address for report	Mandatory	ii
Review by Secretary			
	Review by departmental secretary	Mandatory	1–15
	Summary of significant issues and developments	Suggested	1–15
	Overview of department's performance and financial results	Suggested	1–15
	Outlook for following year	Suggested	10–12
	Significant issues and developments — portfolio	Portfolio departments — suggested	N/A
Departmental Overview			
	Role and functions	Mandatory	16
	Organisational structure	Mandatory	18
	Outcome and program structure	Mandatory	17
	Where outcome and program structures differ from PB Statements/PAES or other portfolio statements accompanying any other additional appropriation bills (other portfolio statements), details of variation and reasons for change	Mandatory	N/A
	Portfolio structure	Mandatory for portfolio departments	N/A
Report on Performance			
	Review of performance during the year in relation to programs and contribution to outcomes	Mandatory	21–29
	Actual performance in relation to deliverables and KPIs set out in PB Statements/PAES or other portfolio statements	Mandatory	21–29
	Where performance targets differ from the PBS/PAES, details of both former and new targets, and reasons for the change	Mandatory	N/A

Part of Report	Description	Requirement	Page(s)
	Narrative discussion and analysis of performance	Mandatory	21–29
	Trend information	Mandatory	21–29
	Performance of purchaser/ provider arrangements	If applicable, suggested	N/A
	Significant changes in nature of principal functions/ services	Suggested	N/A
	Factors, events or trends influencing departmental performance	Suggested	21–29
	Contribution of risk management in achieving objectives	Suggested	32–34
	Social inclusion outcomes	If applicable, mandatory	N/A
	Performance against service charter customer service standards, complaints data, and the department's response to complaints	If applicable, mandatory	N/A
	Discussion and analysis of the department's financial performance	Mandatory	29
	Discussion of any significant changes from the prior year or from budget.	Suggested	N/A
	Agency resource statement and summary resource tables by outcomes	Mandatory	19 –20
	Developments since the end of the financial year that have affected or may significantly affect the department's operations or financial results in future	If applicable, mandatory	N/A
Management Accountability			
Corporate Governance			
	Agency heads are required to certify that their agency comply with the Commonwealth Fraud Control Guidelines.	Mandatory	iii
	Statement of the main corporate governance practices in place	Mandatory	31–32
	Names of the senior executive and their responsibilities	Suggested	18, 31
	Senior management committees and their roles	Suggested	31–32
	Corporate and operational planning and associated performance reporting and review	Suggested	32–34
	Approach adopted to identifying areas of significant financial or operational risk	Suggested	32–34
	Policy and practices on the establishment and maintenance of appropriate ethical standards	Suggested	34

Part of Report	Description	Requirement	Page(s)
	How nature and amount of remuneration for SES officers is determined	Suggested	36–37, 68–69
External Scrutiny			
	Significant developments in external scrutiny	Mandatory	35
	Judicial decisions and decisions of administrative tribunals	Mandatory	35
	Reports by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman	Mandatory	35
Management of Human Resources			
	Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory	35–38
	Workforce planning, staff turnover and retention	Suggested	37
	Impact and features of enterprise or collective agreements, individual flexibility arrangements (IFAs), determinations, common law contracts and AWAs	Suggested	36–37
	Training and development undertaken and its impact	Suggested	37
	Occupational health and safety performance	Suggested	79
	Productivity gains	Suggested	N/A
	Statistics on staffing	Mandatory	37–38
	Enterprise or collective agreements, IFAs, determinations, common law contracts and AWAs	Mandatory	36
	Performance pay	Mandatory	36
	Assessment of effectiveness of assets management	If applicable, mandatory	38
	Assessment of purchasing against core policies and principles	Mandatory	38
	The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website.	Mandatory	39
	Absence of provisions in contracts allowing access by the Auditor-General	Mandatory	39

Part of Report	Description	Requirement	Page(s)
	Contracts exempt from the AusTender	Mandatory	39
	Financial Statements	Mandatory	41–77
Other Mandatory Information			
	Occupational health and safety (section 74 of the <i>Occupational Health and Safety Act 1991</i>)	Mandatory	79
	Freedom of information for the period 1 July 2010 to 30 April 2011 inclusive (see terms of subsection 8(1) of the <i>Freedom of Information Act 1982</i> as it existed prior to 1 May 2011)	Mandatory	79–82
	Advertising and Market Research (Section 311A of the Commonwealth Electoral Act 1918) and statement on advertising campaigns	Mandatory	83
	Ecologically sustainable development and environmental performance (Section 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i>)	Mandatory	83
	Grant programs	Mandatory	83
	Disability reporting — explicit and transparent reference to agency-level information available through other reporting mechanisms	Mandatory	40
	Correction of material errors in previous annual report	If applicable, mandatory	N/A
	List of Requirements	Mandatory	84–87

GLOSSARY

Activities	The actions/functions performed by agencies to deliver government policies.
Appropriation	An amount of public money that Parliament authorises for spending (that is, funds to be withdrawn from the CRF). Parliament makes laws for appropriating money under the Annual Appropriation Acts and under Special Appropriations, with spending restricted to the purposes specified in the Appropriation Acts.
Consolidated Revenue Fund (CRF)	The principal operating fund from which money is drawn to pay for the activities of the Government. Section 81 of the <i>Australian Constitution</i> provides that all revenue raised or monies received by the Executive Government forms one consolidated revenue fund from which appropriations are made for the purposes of the Australian Government.
Corporate Governance	The process by which agencies are directed and controlled. It is generally understood to encompass authority, accountability, stewardship, leadership, direction and control.
<i>Financial Management and Accountability Act 1997</i> (FMA Act)	The FMA Act sets out the financial management, accountability and audit obligations of agencies (including Departments) that are financially part of the Commonwealth (and form part of the General Government Sector). A list of FMA Act agencies can be found at: www.finance.gov.au/financial-framework/fma-legislation/fma-agencies.html .
Operations	Functions, services and processes performed in pursuing the objectives or discharging the functions of an agency.
Outcomes	The results, impacts or consequence of actions by the Commonwealth on the Australian community.
Portfolio Budget Statements (PBS)	Budget related papers detailing budget initiatives and explanations of appropriations specified by outcome and program by each agency within a portfolio.

ACRONYMS

AASB	Australian Accounting Standards Board
AATSI	Aboriginal and Torres Strait Islander
AEIFRs	Australian Equivalents International Financial Reporting Standards
ANAO	Australian National Audit Office
AGS	Australian Government Solicitor
APS	Australian Public Service
ASIO	Australian Security Intelligence Organisation
ATO	Australian Taxation Office
CEI	Chief Executive Instructions
EL1	Executive Level 1
EL2	Executive Level 2
ESL	English as a Second Language
FOI	Freedom of Information
GST	Goods and Services Tax
IFRSs	International Financial Reporting Standards
IGT	Inspector-General of Taxation
IRS	Internal Revenue Service
IT	Information Technology
SAP	Substituted Accounting Period
SES	Senior Executive Service
SLA	Service Level Agreement

INDEX

A

Accountability, 34
Advertising and market research, 83
ANAO reports, 35
Assets management, 38
Audit, 35
Audit committee, 31
Australian Taxation Office, 16
 Potential reviews of, 7-8
 Relationship with Inspector-General
 of Taxation, 13-14
 Reviews of, 2-6, 8-11, 24-28

B

Business Continuity Plans, 33

C

Chief Executive Instructions, 32
Consultancies, 39
Corporate governance, 31
Corporate planning and reporting, 32
Corporate statement, 16-20

D

Disability Action Plan, 40
Discretionary grants, 83

E

Employment agreements, 36
Environment report, 83
Ethical standards, 34
External scrutiny, 35

F

Freedom of information, 79-82
Function, 16

I

Inspector-General of Taxation, 16
 Function, 16
 Outcome and program structure, 17
 Role, 16
Inspector-General of Taxation Act 2003,
 iii, 16, 27, 51
Internal audits, 35
IT Disaster Recovery Plan, 33
IT Risk Management Strategy, 34
IT Security Policy, 33

L

Learning and development, 37

M

Management of human resources, 35
Management structure, 18

O

Occupational health and safety, 79
Outcome 1 Overview, 21-22
Outcome and program structure, 17

P

Part 1 Overview, 1-15
Part 2 Performance report, 21-29
Part 3 Management and accountability,
 31-40
Part 4 Financial statements, 41-77
 Notes, 51-77
Part 5 Other information, 79-83
Performance management, 36
Procurement, 38

R

Recruitment, 37
Remuneration, 36–37
 Non-SES, 36
 SES, 36–37
Remuneration committee, 31
Review by the Inspector-General of
 Taxation, 1
Risk management, 32
Role, 16

S

Security risk review, 33
Staffing information, 37
Succession planning, 37

T

Tax administration - underlying
 themes, 12–13

W

Workplace diversity, 40
Workplace relations, 37

