



Australian Government
Inspector-General of Taxation

Inspector-General of Taxation

Annual Report
2009-10

September 2010

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Australian Government
Inspector-General of Taxation

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30 September, 2010

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 for the year ended 30 June 2010. 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 Act).

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ali Noroozi', written over a horizontal line.

Ali Noroozi
Inspector-General of Taxation

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PART 1: OVERVIEW

REVIEW BY THE INSPECTOR-GENERAL OF TAXATION



The second anniversary of my appointment as Inspector-General of Taxation (IGT) has almost arrived.

My priorities on commencing office were outlined in my first annual report, and were as follows:

- to progress and complete the pre-existing reviews;
- to develop a new forward work program and commence new reviews;
- to consider what factors might underlie the tensions between the Australian Taxation Office (ATO) and taxpayers in developing review findings and recommendations to improve administration of the tax system; and
- to establish a positive working relationship with the ATO.

These priorities have been largely achieved as well as tackling a number of other objectives. Each priority is addressed in more detail below, followed by other work undertaken by my office more broadly.

Pre-existing reviews are now all complete.

My new work program was issued on 10 March 2009, details of which are outlined in the Work Program section in Output 1.1.1. I have also commenced a number of new reviews not envisaged at the time this work program issued. A new work program for 2011 and beyond will be developed toward the end of this calendar year.

Investigation into factors that might underlie tension between the ATO and taxpayers remains a large and fertile area. These underlying factors are discussed in commentary within this report and indeed many IGT reviews. In last year's annual report there was considerable commentary on these factors which I would refer you to for more details. However, one aspect that warrants special mention again is the ATO's capabilities and approaches in developing and applying its view of the law in significant compliance areas.

The IGT reviews publicly released this year reinforced this concern that had emerged from previous reviews. In particular the Review into delayed or changed ATO views on significant issues (the so called 'U-turns' review), the Review into aspects of the ATO's settlement of active compliance activities and the Review into the underlying causes and the management of objections to ATO decisions demonstrated that these concerns are genuinely held views. I will consider this area further when developing the new work program towards the end of this calendar year.

A positive relationship has been established with the ATO, resulting in improved communication and convergence of views on recommendations arising from my reviews. However, some tension between my office and the ATO still remains. I believe this level of tension is entirely appropriate given the importance of the independence that my office must maintain.

This more positive relationship with the ATO has also led to more direct dialogue and real time facilitation of taxpayer concerns by my office with the ATO. Such an approach benefits the entire tax administration system by addressing potential systemic problems early. I will seek to ensure real time action is facilitated to the extent possible in the current setting, however, legislative amendment should be considered by Government in making this more explicit.

Current year reports — publicly released

There were five reports publicly released during the annual reporting period. Each report is addressed specifically below.

Review into delayed or changed Australian Taxation Office views on significant issues — publicly released 17 March 2010

The 'U-turns' review demonstrated a strong and robust process of engagement that was facilitated by my office for the benefit of the taxpayer community and the ATO. Communication was very candid and direct by all parties.

The key IGT finding that perceptions of U-turns were justified in certain circumstances was important, both because of the outcome and the context.

The outcome as well as the review process itself has provided a welcome opportunity for my office, the ATO and the tax community to work together to improve the understanding of the underlying source of taxpayer difficulties and how these may be mitigated in future.

The context is that although taxpayer perceptions were found to be justified, U-turns by the ATO in the strict sense, (where one binding advice contradicts another), are not the main problem.

Prevention of taxpayer perceptions of U-turns, and effective remedy in the event they do arise, is vital in maintaining confidence in the administration of the tax system. The report addresses these issues by making recommendations for administrative and policy change.

The challenge with taxpayer perceptions of U-turns is that they continue to arise. Notable examples raised in recent times include concerns with the ATO's approach with the interaction of Division 820 of the *Income Tax Assessment Act 1997* and the transfer pricing provisions and issues relating to unpaid present entitlement (UPE) and Division 7A.

The other aspect of the review that was considered was delayed advice. This remains an area of some concern.

Pursuant to one of the recommendations of this review, the ATO is currently developing a practice statement setting out when it will not take action to apply its view of the law retrospectively based on the criteria set out in the relevant recommendation. I am providing input into this process as necessary, whilst also examining and alerting the ATO of the examples of alleged U-turns which the taxpaying community continue to raise with my office.

Review into aspects of the Tax Office's settlement of active compliance activities — publicly released 1 December 2009

The review into aspects of the ATO's settlement of active compliance activities addressed a range of issues. A settlement is an agreement between parties, where they agree to disagree on principle, but agree on a practical outcome. It is a compromise where neither party is completely happy.

A key message from the settlements review is prevention. It is important to ensure upstream processes work effectively to prevent matters getting into the settlements regime that should not be there in the first place. A correct understanding of individual taxpayer facts and circumstances must be established and tested appropriately against the law early in the process.

If a dispute still exists after due consideration, it then needs to be directed to the most effective dispute resolution process, which may be an alternative dispute resolution process. The report has a large number of recommendations designed to improve this process.

Review into the non-lodgement of individual income tax returns — publicly released 16 October 2009

The non-lodgement review report provided some valuable insight around lodgements and lodgement expectations. Overall, the review found that the ATO is managing the non-lodgement of individual returns well and with sophistication within the current legislative framework.

The review found between 1.2 and 1.5 million taxpayers fail to lodge a tax return annually. However, the review also found that this is not due to ATO mismanagement, but rather is to be expected where most individuals are asked to lodge annually, and the ATO directs resources on a risk management basis.

Importantly, the review found that, generally, non-lodging taxpayers are not high risks to revenue or the tax system's integrity, given the ATO's strategies to identify high-risk non-lodgers.

Review into the underlying causes and the management of objections to Tax Office decisions — publicly released 11 August 2009

The objections process is part of the overall dispute resolution framework. A key finding of the review is that for a significant proportion of objections, there is no genuine dispute with the ATO. The objections process is frequently used by taxpayers to seek an amendment to their self-assessed returns where they are out-of-time to do

so under the current amendment provisions. Objections figures therefore, are not an accurate reflection of genuine disputes at all.

The review recommends Government consider improving the objections process, (bringing it into line with self-assessment), by confining objections to genuine disputes between the ATO and taxpayers. Taxpayers' rights to amend or correct an error or omission in returns, where otherwise out-of-time, should also be preserved. Presently this can only be done via the objections process.

The purpose of the objections process must be a genuine internal review function. This must be clearly understood and appreciated by ATO personnel both within the objections area and outside of it. The function must also be both independent and perceived to be independent from the original decision-making process, otherwise taxpayer concerns with the process will arise.

Review into the Tax Office's administration of public binding advice — publicly released 7 August 2009

The key recommendation centred on the ATO's application of 'general administrative practice' (GAP). The IGT considers that the ATO should accept certain non-binding published advice (for example, the entire TaxPack including the supplement and the rental property guide) represents a GAP, and therefore provides appropriate relief to taxpayers relying upon these. The ATO agreed to obtain independent legal advice on the meaning of GAP in considering its application. The Australian Government Solicitor advice was consistent with the ATO view at the time. The issues that this advice raised was an important consideration in developing the recommendation aspect in the 'U-turns' review and is discussed further in that report.

The ATO disagreed with the IGT recommendation that certain documents currently referred to as 'rulings', but not legally binding, should be re-named so taxpayers are not misled as to their legal status. The ATO did agree to issue further guidance on its ability to issue public rulings on matters, such as risk management material and safe harbours. The ATO also agreed to promptly communicate broadly any changes to practice statements.

Current year reports — submitted to the Minister but not yet publicly released

In addition to the publicly released IGT reports, three more reviews were completed during the year. These are awaiting public release by the Minister and are as follows.

Review into the Australian Tax Office's administration of the Superannuation Guarantee Charge — submitted to the Minister on 18 March 2010

The report made a number of findings and recommendations. The report details will be available once publicly released by the Minister, but a number of the recommendations have since been adopted in other initiatives and reviews (most notably the Review into the Governance, Efficiency, Structure and Operation of Australia's Superannuation System or 'Cooper Review').

Review of aspects of the Australian Taxation Office's administration of private binding rulings — submitted to the Minister on 3 May 2010

There was a range of taxpayer concerns that gave rise to the private binding rulings review. The Commissioner of Taxation also invited me to undertake a review of the private rulings system. The review was also expanded to consider the effectiveness of the oral binding rulings regime.

Follow up review into the Tax Office's implementation of recommendations included in reports prepared by the Inspector-General of Taxation between June 2006 and October 2008 — submitted to the Minister on 30 June 2010

This is the second follow up review conducted by the IGT. It is a very large review addressing many recommendations arising out of six prior reviews where agreed recommendations were analysed to determine whether the ATO had implemented these appropriately.

Submission to the Australia's Future Tax System Review

In addition to my active work program reviews I made several submissions by invitation. The most important of these were submissions to the Australia's Future Tax System Review (the 'Henry Review'). A number of the suggestions and recommendations made in the submissions have been addressed in the context of that review.

Current year reviews — in progress

There are four IGT reviews in progress at 30 June 2010. It is not possible to detail findings and recommendations for these reports at this time. These reviews are listed below along with a brief description. More detailed information is available on the IGT website: www.igt.gov.au.

Review into the ATO's large business audit and risk review policies, procedures and practices — commenced 17 November 2009

Stakeholders applauded the ATO's commitment to finalising large company audits within two years. However, a number of concerns were raised that the way large company audits are being handled is not achieving the aim of trying to resolve issues and disputes as early as possible.

Furthermore, it was said that delays in the early stages of these audits were resulting in important processes being truncated towards the end of the two years in order to achieve the targeted timeframe. Important processes allegedly being compromised include providing taxpayers with a reasonable opportunity to respond to ATO position papers, serious consideration by the ATO of taxpayer responses, and the extent of dialogue between taxpayers and the ATO in establishing agreed facts.

Stakeholders expressed concern with the ATO's exercise of its informal and formal information-gathering and access powers during risk reviews and audits. Some believed that the ATO was exercising these powers inappropriately, alleging that the ATO uses information-gathering requests to intimidate taxpayers.

Taxpayers also raised concerns with the ATO's application and remission of penalties, in particular whether a reasonably arguable position exists.

This review is seeking to establish whether there is substantiated evidence of the above types of concerns. It will examine the management of selected large business audit cases handled by the ATO's Large Business and Internationals (LB&I) business line. IGT will also consider if ATO behaviours and decision-making processes are leading to extended timeframes or unnecessary disputes.

Many submissions have been received from the taxpayer community. I have also established and facilitated a forum where representatives of the tax community have met with the ATO to discuss their concerns. A range of issues has emerged from the submissions and the forums. The engagement has been positive and constructive by all attendees.

Review into the ATO'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.

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 will consider if ATO behaviours and decision-making processes are leading to extended timeframes.

Review into the ATO'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. Concerns were also raised regarding delays, commercial awareness and conduct of ATO staff and the quality of ATO engagement on technical issues.

This review is seeking to establish whether there is substantiated evidence of these concerns. In investigating these concerns, the IGT is reviewing relevant ATO files and may interview ATO staff to identify the reasons for the ATO approaches, the steps the ATO took to minimise adverse outcomes for taxpayers and to identify potential improvements.

A number of submissions from the taxpayer community have been received. I have also met with a large range of taxpayers to discuss their concerns. I also propose to establish a consultation forum or focus group with the ATO and taxpayer community members to assist in communicating concerns and also to work cooperatively in developing solutions. The nature of the review and the interactions process means it will be afforded a longer period for progress.

Review into the ATO's Change Program — commenced 5 May 2010

The Minister directed the IGT to conduct a comprehensive review of the ATO's Change Program. This followed concerns raised by taxpayers, tax practitioners and their representatives that there were delays and errors in relation to processing of income tax return and associated refunds. Particular frustration was expressed in relation to the nature of the ATO's communication of the errors, their inability to fix identified errors within reasonable times, their shifting advice on the timeframes to fix those errors and their lack of awareness of the impact that such communications and errors had on taxpayers and tax practitioners.

This review is particularly challenging, complex and difficult for the IGT. The scale of the program and the related review is considerable. There are also a range of external

contractors and consultants who have been engaged in relation to the Change Program.

Therefore a staged approach to this review is being undertaken, focusing initially on the impact on taxpayers and tax practitioners as a result of the ATO's deployment in January 2010 of the part of the system that processes income tax returns and refund payments – 'the income tax release'.

Observations

I would also like to share some general observations that I have made over my two years in the office. The observations are important as they are intended to canvass some broader themes around the future of the Australian tax system's administration.

The office has been in existence for nearly seven years. I am pleased to say that my office continues to evolve institutionally, professionally and practically. I am firmly committed to my office's advisory reporting to the Minister. I also seek to ensure my office provides real time support to all stakeholders in seeking to mediate issues before they become real systemic problems.

The office of Inspector-Generals is becoming well established in Australia. The public is seeing this more obviously through the Government's continued appointments of Inspector-Generals in new areas.¹ Inspector-Generals as specialist agencies, play a particularly useful role in the context of complex, large and technically specialised government agencies. Citizens expect government, via its large agencies, to address ever more complex problems in a whole of government service delivery context.

Accordingly, it is appropriate that the ATO as one of the largest government agencies, has an Inspector-General office associated with it. Taxpayers' relationship with the ATO has a natural degree of tension. I also consider that the ATO's successes are sometimes not appreciated or celebrated as broadly as they might due to that natural tension. My office provides an opportunity to facilitate a better understanding of the taxpayers and the ATO itself as a large agency – fostering closer relationship and closing the expectation gap.

1 A recent example is the Inspector-General of Biosecurity. Others are the Inspector-General of Intelligence and Security, the Inspector-General of the Australian Defence Force and the Inspector-General of Taxation.

The IGT's office provides an opportunity for all stakeholders to raise issues in improving the tax system's administration. Practically I do this through independent consultation and provision of advice.

Independence is the foundation stone for an Inspector-General. Independence engenders trust in dealings. Independence liberates my office from unavoidable organisational or stakeholder behavioural bias or inertia that may otherwise arise. Independence also provides for candour in communication and rigor in the consideration of issues. It also provides for a mediator or facilitation role.

The provision of advice by my office must be responsive and even handed in approach and draw fully on stakeholders input.

Taxpayer community support is vital for the IGT. The range of stakeholders in the taxpayer community is large. The number and size of submissions has increased dramatically on the IGT reviews initiated over the last two years. The IGT will continue to engage and communicate with the taxpayer community to ensure those concerns are correctly identified and understood.

I would like to thank the stakeholders who have supported my office in the conduct of our activities. The IGT is a small agency, only seven personnel in all, and it would be an impossible task without external stakeholder support. There are many taxpayers, industry bodies, tax advisors and government agencies who have generously given their time, energy and expertise.

The IGT has also received many personal and confidential submissions from ATO personnel keen to provide input directly in improving the tax system. The ATO personnel are to be commended for their courage, professionalism and commitment.

The improvement of the tax system is truly a quest for all. The need to improve the tax system's administration is also continual. Increasingly, I believe this improvement needs to consider behavioural and cultural aspects of interactions amongst stakeholders, particularly where there is a large organisation, of which the ATO is just one example.

These behavioural aspects have an important situational dimension. The ATO is a sole or monopoly provider of agency service to the community. While sound economic and political reasons exist for this single service approach in this context, taxpayers do not have the choice to change providers if the service does not meet their expectations. Consequently, some taxpayers may not raise concerns or areas for potential improvement for fear of adversely affecting their relationship with the ATO.

Importantly, the IGT is able to facilitate a way through aspects of this relationship asymmetry, by providing an independent opportunity for external stakeholders to raise matters that may otherwise not get raised in improving the system – by way of mediation or facilitation. Also, the ATO is encouraging an increasing number of ATO officers to work with my office to improve the system in a holistic sense. The IGT does not pretend to have all wisdom on all matters. Wisdom is also provided by external stakeholders and the ATO officers when providing information and responding to our enquiries. The IGT facilitates this exchange of collective wisdom through an independent open door that breaks down barriers, inadvertent group think and other potentially dysfunctional behaviours that may bedevil very large organisations.

An IGT review also provides a useful point of focus for ATO management's consideration of emerging issues. Indeed in practice, a review often works this way, with the ATO management conducting internal or parallel reviews to identify issues and approaches for improvement. Such an approach is to be endorsed, but only where it is open and frank disclosure and resource use is optimised as between the ATO and IGT in the conduct of the review.

I welcome any feedback and insights you have on these matters or on any others that may improve the tax system's administration.

Potential issues — work program

I have received a range of feedback from the tax community directly and also in the conduct of my work program. I will commence work on a broad review of my work program towards the end of this calendar year, engaging in wide community consultation in the process.

I would also like to share certain issues raised in this context for stakeholder consideration and feedback. These issues arose in a variety of contexts and are outlined here to gauge interest and opportunity for improvement.

ATO technical decision-making and delay

In nearly every IGT review, delay has been a key factor. There are a number of potential reasons. Indeed the ATO to its credit, almost always recognises that it would be better if they could do things faster. While I welcome any assistance on any of these underlying issues, for present purposes I would like to raise the particular underlying tension that exists in the technical decision-making process. Taxpayers also share this same problem. It is a time and money trade-off.

The quest for perfection in getting the law right or their view of it – the technical decision-making and integrity processes – is for the ATO a real point of pride. Correct

interpretive decisions are laudable. The difficulty is that undue delay in making and communicating decisions gives rise to significant difficulty for taxpayers and it has been argued that it is 'better to be about-right now rather than absolutely right when it may be too late'. This may have revenue implications for Government, but taxpayers also pay a price both directly via increased compliance costs and indirectly through delay.

Complexity of the system is often raised as a root cause of these problems. However, the key point is that complexity is not asymmetrical. Taxpayers must deal with this very same complexity but in real time – time does not wait for them as lodgement beckons annually to test their mettle.

In addition to the delays, external stakeholders have also raised concerns and frustrations with the technical decision-making itself. Typical comments are that it is overly complex, convoluted, opaque, overly centralised and structured with far too many process elements.

The control and accountability of matters in the process could also present difficulty for taxpayers. The communication on the progress or status of matters is another source of frustration.

Over-centralised decision-making may also raise behavioural or cultural issues. Lower level officers may feel disenfranchised from decision-making. Group think can occur too in these situations. Conformity of opinion may occur if a limited number of senior officers are required or perceived to be required to sign-off on decisions. These are all issues worthy of investigation in a potential review of this area of tax administration.

Much is often made of the integrity of the ATO process required due to a historical problem that occurred in the private ruling approval context. The time may be right to reconsider the process design to think about the costs and benefits of centralising as compared to decentralising aspects of this approach.

Based on the reviews that my office has conducted to date it seems inescapable that there must be opportunity for improvement.

Risk identification

The current IGT reviews addressing ATO audit and client risk reviews² have raised concerns about the ATO's risk identification and communication processes. The ATO

2 The review into ATO's large business audit and risk review policies, procedures and practices and the review into the ATO's small and medium enterprise audit and risk review policies, procedures and practices.

uses a risk differentiated model for compliance matters. Taxpayers are generally understanding of this approach. However, taxpayers have been concerned about the ATO's risk engine identification process.

Taxpayers have also expressed concern about how the ATO has identified a risk as being relevant to them. Their concern is that the ATO risk identification process may be poorly designed or targeted resulting in a great deal of compliance cost for the taxpayer with little gain for the revenue. They have also claimed that the communication and engagement by the ATO is often opaque and not conducive to timely understanding and resolution of matters.

Transfer pricing

The transfer pricing arena is a particularly difficult area for taxpayers. It is difficult enough for taxpayers to address so called 'black letter' law interpretational issues in understanding their obligations but the transfer pricing provisions are heavily influenced by administrative approaches and applications. Taxpayers often find the process very frustrating, difficult and costly to deal with.

Service standards

The IGT reviews, in particular the Change Program review, have raised certain issues around service standards. This issue also arises in other ATO product delivery context. Society at large seems to be expecting more from governments on service delivery, particularly where technology is concerned. In some ways the ATO has been a relatively early adopter of change as evidenced by the e-tax and portal initiatives. However, the rate of increase in society's expectations is only likely to grow. In this context, it would be useful to consider the purpose of service standards and who they should serve, along with the impact analysis for all stakeholders including interactions with other government agencies.

Product or relationship focus

The ATO has developed a product based approach to solving problems. This approach is not universal but it raises a number of practical and behavioural issues. Concerns have been raised that this can prevent better and timely solutions in a more direct ATO and taxpayer relationship sense.

This product focus may lead to design from an internal preference perspective rather than an outward client or taxpayer service delivery approach. It may also suffer from a product gap or a product squeeze to fit solution approach that may not be optimal.

It may be more appropriate to look at the question the other way around – what does the taxpayer really need. Naturally limitations will arise, but it is a philosophy that may assist in getting greater behavioural alignment between ATO and taxpayer. It may also be that it is necessary to differentiate this approach for different groups of taxpayers.

Limitations of the IGT

IGT reviews are often narrower in scope than stakeholders would like. The range of IGT reviews is also more limited than stakeholders would like. While I believe the IGT is generally well regarded, it does receive some criticism from stakeholders as a consequence of these limitations.

The IGT has limited resources and relies on external stakeholder support and indeed ATO support in dealing with issues and implementing tax system improvements.

An independent scrutineering function needs to combine technical knowledge with core consulting skills to manage the expectations of the various stakeholders while at the same time foster and maintain the core focus of improving tax administration.

This scrutineering function, requires a critical mass or body with appropriate resources and capabilities to do this effectively. As an example, the Taxpayer Advocate Service (TAS) in the United States of America. The TAS has appropriate centralisation of function, scale and funding to deliver these outcomes. Broadly, in Australian terms, it combines the IGT and Ombudsman's tax function in one body. Greater resource efficiency is obtained for agencies with these scale and capability benefits. As a rough metric the TAS budget is approximately 2 per cent of the Internal Revenue Service (IRS) budget and as a corollary employs around 2,000 people compared to 100,000 by the IRS.

To be effective the IGT needs an appropriate level and mix of resources to ensure best practice is adopted in improving the tax system's administration.

Public sector stakeholders

Governance relationship interactions

The Commonwealth Auditor-General and the Commonwealth (and Taxation) Ombudsman also scrutinise the ATO from their perspectives. The roles of each agency are different and we have sought to communicate with each other regularly to ensure that there is no unnecessary duplication of the reviews conducted by each agency.

My office is in contact with these agencies both in respect of developing our respective work programs and on some specific reviews, meeting the requirements of section 9(2) of the *Inspector-General of Taxation Act 2003* (the IGT Act).

Government relationship assistance

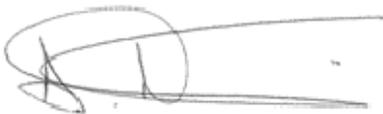
I would also like to thank the Commissioner of Taxation and the ATO personnel for their professional assistance. Communication between our respective offices has been frank, open and has led to improvements to the tax system. I would also like to thank the Department of the Treasury as partner in this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

I also appreciate the assistance my office has received in the conduct of my review programme from the Commonwealth Ombudsman, the Australian National Audit Office (ANAO), the Australian Government Solicitor (AGS), the Department of Education, Employment and Workplace Relations and the Fair Work Ombudsman.

Statutory statements

Pursuant to subsection 41(2) of the IGT Act the Minister made one direction to the Inspector-General under subsection 8(2) of the IGT Act during the year. This direction was to review the ATO's Change Program as described above.

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 black ink, appearing to read 'Ali Noroozi', written over a horizontal line.

Ali Noroozi
Inspector-General of Taxation

CORPORATE STATEMENT

Role, function, outcome and output 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 the 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 output structure

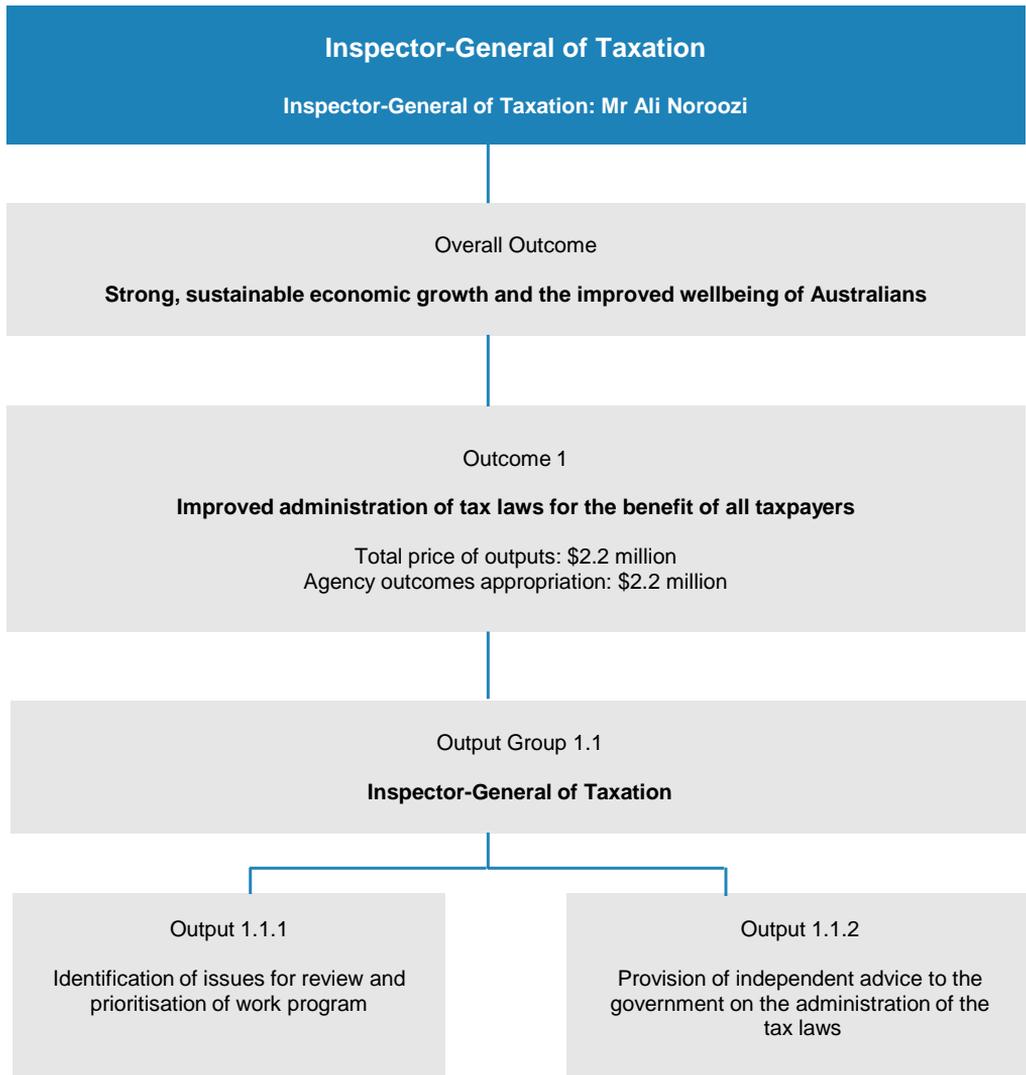


Figure 2: Inspector-General of Taxation management structure

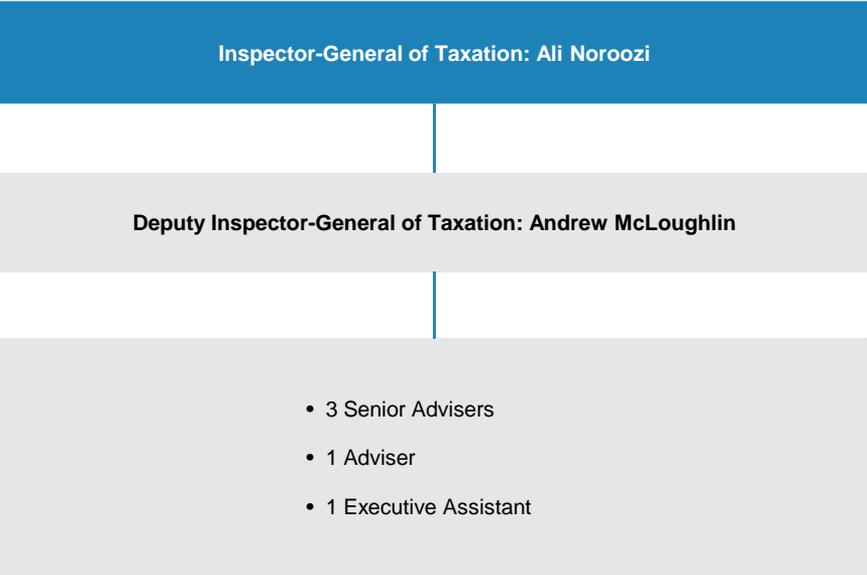


Table 1: Resources for Inspector-General of Taxation outcomes

	Budget 2009-10 \$'000	Actual 2009-10 \$'000	Budget 2010-11 \$'000
Revenue from Government			
Output Group: Inspector-General of Taxation			
Output 1.1.1 - Identification of issues for review and prioritisation of work program	110	109	109
Output 1.1.2 - Provision of independent advice to the Government on the administration of the tax laws	2,080	2,070	2,063
Total revenue from Government contributing to the price of departmental outputs	2,190	2,179	2,172
Revenue from other sources			
Output Group: Inspector-General of Taxation			
Output 1.1.1 - Identification of issues for review and prioritisation of work program	4	3	4
Output 1.1.2 - Provision of independent advice to the Government on the administration of the tax laws	48	66	48
Total revenue for departmental outputs	2,242	2,248	2,224
Price of departmental outputs			
Output Group: Inspector-General of Taxation			
Output 1.1.1 - Identification of issues for review and prioritisation of work program	112	110	112
Output 1.1.2 - Provision of independent advice to the Government on the administration of the tax laws	2,130	2,097	2,112
Total price of departmental outputs	2,242	2,207	2,224
Total estimated resourcing	-	41	-
Average staffing level (number)	7	7	7

APPENDIX 1 — AGENCY RESOURCE STATEMENT

Table A1: IGT resource statement for 2009
as at Budget May 2009

	Estimate of prior + amounts available in 2009-10 \$'000	Proposed at Budget = 2009-10 \$'000	Total Estimate 2009-10 \$'000	Actual Available Appropriation 2008-09 \$'000
Ordinary Annual Services				
Departmental				
Prior year Departmental appropriation				
Departmental outputs	2,097	2,190	4,287	1,905
s31 Relevant agency receipts		52	52	
Total net resourcing for				
The Inspector-General of Taxation	2,097	2,242	4,339	1,905

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;
- 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
- review identified areas and provide independent advice and recommendations to Government on improvements to the administration of the tax laws.

The IGT's two outputs derive from the statutory requirements. These outputs involve 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 scope of the work program is determined by the IGT. However, the IGT Act also provides that the Minister may direct that a matter be included on the work program, and that the IGT considers requests to conduct reviews from:

- 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.

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 the review issues paper and 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.

OUTPUT 1.1.1

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 work program as finalised 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 IGT established a new work program for 2009-10 and beyond through a broad-based community consultation process previously. The work program is reviewed periodically. Work on a new program will commence towards the end 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 directed the IGT to undertake several reviews, including the Review into delayed or changed ATO views on significant issues (the so called 'U-turns' review) and more recently 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 reviews to take advantage of other agency outputs or insights. The replacement of the self-managed superannuation fund (SMSF) review with the class rulings review was taken for this reason given the announcement of the terms of the review in the Cooper Review into superannuation systems.

Resourcing is another factor. A review is also very difficult to pin-point as to timing and scope due often to the bespoke nature of each undertaking and the priorities afforded by various parties and the small nature 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.

2009/2010 work program

The IGT work program for 2009/2010 and beyond (subject to any matters of overriding priority that may arise) was announced as follows on 10 March 2009:

- **Review into the ATO's administration of the Superannuation Guarantee Charge (SGC).** Submissions questioned the adequacy of the ATO's efforts to improve employer compliance with their SGC obligations, the consequences for employees and the ATO's timeliness in collecting unpaid SGC.
- **Review into the ATO's practices for finalising large company audits.** Stakeholders applauded the ATO's commitment to finalising large company audits within two years. However, a number of concerns were raised particularly in relation to initial delays resulting in truncated processes being adopted towards the end of the two years in order to achieve the targeted timeframe.
- **Review into the ATO's compliance focus on small to medium enterprises (SME).** 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.
- **Review into the efficiency of the ATO's compliance and regulatory approaches to Self Managed Super Funds (SMSFs).** Discussions with industry representatives indicated that the ATO has made good progress in relation to SMSFs and that relationships are generally good. However, a number of submissions and tax professionals cited the heavy compliance workloads and processes, and opportunities for improved efficiency.
- **Follow-up review into the ATO's implementation of agreed IGT recommendations.** This second follow-up review will focus mainly on the ATO's progress with implementing changes agreed in the IGT's six reviews released between April 2007 and October 2008.
- **Review into the implications of any delayed or changed ATO advice on significant issues.** At the direction of the Minister and in response to submissions from concerned taxpayers, the IGT's work program included this so-called 'U-turns' review. Taxpayers and tax professionals had cited examples of where they considered that the ATO's views had undergone 'U-turns' on significant interpretative matters or on past practices, especially where they had retrospective application. ATO opinions that came after lengthy periods of having no ATO view,

at times inconsistent with policy intent but with retrospective application were also raised as concerns.

- **Review of the private rulings system.** Taxpayers and tax practitioners stated in submissions to the IGT that there continues to be problems with the ATO's administration of private rulings including the extent to which the contents of private ruling advices are binding. Taxpayers also expressed concern about the ATO's proposal to withdraw the public register of private rulings. Having conducted its own consultation process including discussions with the IGT, the ATO decided to retain the register, and suggested that the IGT undertake a broad review of the private rulings system. This review was therefore included in the work program both on the IGT's own initiative and in response to a specific request from the Commissioner of Taxation.

Work program 2009/10 amended

The IGT's work program for 2009/10 outlined above was amended.

First, the following review topic was replaced:

- **Review into the efficiency of the ATO's compliance and regulatory approaches to Self Managed Super Funds (SMSFs).**

The Government announced a wide ranging review into the governance, efficiency, structure and operation of Australia's superannuation system, known as the 'Cooper Review' in May 2009. Given this wider Government review, the IGT decided not to proceed with a review into SMSFs at this time.

The IGT replaced this SMSF review with a new review topic, being:

- **Review into the ATO's administration of class rulings.**

Concerns about class rulings were raised in a number of submissions from the tax community in the context of the IGT's then current review of the ATO's administration of private rulings. The IGT was not able to consider these concerns during that review, as class rulings are not issued as private rulings, but as public rulings. Once that review was completed, the IGT activated the class rulings review due to a range of concerns raised.

Second, following information received from taxpayers, tax practitioners and their representatives that there were delays and errors in relation to processing of income tax return and associated refunds, the Minister directed the IGT to conduct a comprehensive review of the ATO's Change Program, being:

- **Review into the ATO's Change Program.**

A staged approach to this review is being undertaken, focusing initially on the impact on taxpayers and tax practitioners as a result of the ATO's deployment in January 2010 of the part of the system that processes income tax returns and refund payments – 'the income tax release'.

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. In several cases the topics were not included due to the same specific factors outlined above regarding work program flexibility. For example, issues relating to ATO governance was addressed by submissions to the Henry Review.

The work program reserve list includes:

- issues of concern with the ATO's outsourcing of aspects of collecting tax debts;
- the ATO's administration of income tax refunds;
- the appropriateness of the ATO's dual role of regulator and tax administrator for charities;
- ATO governance and appropriate level of independent oversight;
- the role and capacity of the ATO's Tax Counsel Network (TCN);
- the ATO's use of its formal information gathering powers;
- opportunities for efficiencies and cost savings through more flexible use of the Commissioner's substituted accounting period (SAP) discretion;
- the extent to which the ATO's Change Program will deliver improvements to taxpayer services including taxpayer accounts, assessment notices and objections handling;
- the potential for proactive use of the Commissioner's general powers of administration to make it easier for taxpayers to meet their obligations; and
- the reasons why a substantial proportion of penalties raised by the ATO is conceded at objection, settlement or litigation.

The IGT will consider these potential review topics again when work commences on its new work program toward the end of this calendar year. Work program details including updates can be located on the IGT website at: http://www.igt.gov.au/content/work_program.

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 four reviews in progress at 30 June. 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 large business audit and risk review policies, procedures and practices – commenced 17 November 2009.
- 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 the ATO's Change Program – commenced 5 May 2010.

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 delayed or changed Australian Taxation Office views on significant issues – publicly released 17 March 2010.
- Review into aspects of the Tax Office's settlement of active compliance activities – publicly released 1 December 2009.
- Review into the non-lodgement of individual income tax returns – publicly released 16 October 2009.

- Review into the underlying causes and the management of objections to Tax Office decisions – publicly released 11 August 2009.
- Review into the Tax Office's administration of public binding advice – publicly released 7 August 2009.

On review completion the IGT provides a review report to the Minister for consideration and thereafter public release. Review report recommendations are also subject to follow up review to ensure implementation are effected in the manner agreed with the ATO.

The IGT review reports are performance outputs that are discussed in section 1.1.2.

Performance information

Table 2: Key speaking engagements

Date	Organisation	Type of function	Location
14 August 2009	Taxation Institute of Australia	State Convention	Bunker Bay, WA
20 August 2009	Law Society of NSW	Business Law Committee Meeting	Sydney
28 August 2009	University of Sydney, Law School	Tax Administration Masters Course	Sydney
23 September 2009	Deloitte	Tax Breakfast Perspective	Sydney
8 October 2009	International CFO Forum	Conference	Sydney
16 October 2009	HLB Mann Judd	Tax Practitioner Conference	Torquay, VIC
19 October 2009	NSW Business Chamber	Tax and Competitiveness Committee Meeting	Sydney
2 February 2010	Tonkin Corporation	7th Annual Corporate Tax Summit	Sydney
8 April 2010	University of New South Wales /Atax	9th International Tax Administration Conference	Sydney
15 April 2010	University of New South Wales /Atax	22nd Annual GST & Indirect Tax Workshop	Noosa, QLD
9 June 2010	Taxation Institute of Australia	Seminar	Melbourne
16 June 2010	Corporate Tax Association	2010 Convention	Sydney

OUTPUT 1.1.2

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. It may also take the form of direct briefing to the Minister – Division 2 of the IGT Act.

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 – 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.

Performance information

Reports

The IGT had completed and issued to the Minister eight reports at 30 June 2010. The Minister has publicly released five of these reports, but has not yet publicly released three reports. 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 five IGT reports publicly released by the Minister are as follows:

- Review into delayed or changed Australian Taxation Office views on significant issues — publicly released 17 March 2010.
- Review into aspects of the Tax Office's settlement of active compliance activities — publicly released 1 December 2009.
- Review into the non-lodgement of individual income tax returns — publicly released 16 October 2009.
- Review into the underlying causes and the management of objections to Tax Office decisions — publicly released 11 August 2009.
- Review into the Tax Office's administration of public binding advice — publicly released 7 August 2009.

IGT review reports — not yet publicly released by the Minister

The three IGT reports issued to the Minister but not yet publicly released at 30 June are as follows:

- Review into the Tax Office's administration of the Superannuation Guarantee Charge — submitted to the Minister on 18 March 2010.
- Review into the Tax Office's administration of private rulings — submitted to the Minister on 3 May 2010.
- Follow up review into the Tax Office's implementation of recommendations included in reports prepared by the Inspector-General of Taxation between June 2006 and October 2008 — submitted to the Minister on 30 June 2010.

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

Outcomes

Historically, the Commissioner of Taxation has accepted fully or in part most (122 of 138) of the review recommendations published since the inception of the IGT until 30 June 2009. This trend continues for reviews published in 2009-10, with the Commissioner of Taxation accepting fully or in part 47 of the 54 recommendations made — refer Table 3.

In several reviews completed in 2009-10, 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 the 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 2009-10

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 delayed or changed Australian Taxation Office views on significant issues	4	1	
Review into aspects of the Tax Office's settlement of active compliance activities	24		
Review into the underlying causes and the management of objections to Tax Office decisions	10	1	1
Review into the non-lodgement of individual income tax returns	3	3	
Review into the Tax Office's administration of public binding advice	6		1
Total	47	5	2

PART 3:

MANAGEMENT AND ACCOUNTABILITY

CORPORATE GOVERNANCE

In 2009-10 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 Department of 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 Office of the IGT (the agency), the IGT is responsible for the operation and performance of the operation of his Office.

The corporate governance practices of the Office of the IGT are designed to take into account that the agency is quite small 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 SLA with Treasury was re-negotiated during 2009-10.

The IGT as CEO and the Deputy IGT as Chief Finance Officer (CFO) together act as the agency Executive. They have developed a full range of governance policies 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 with an independent chair. The Audit Committee met on three occasions during 2009-10.

Remuneration Committee

The IGT and the Deputy IGT comprise the Remuneration Committee. The IGT has entered into employment agreements with employees which provide for performance and remuneration review processes.

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 directly report 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 Office's review reporting, reference should be made to Part 2.

Risk management

The Office of the IGT's meets its specific risk management responsibilities under the FMA Act through the application of an integrated risk management framework. The following are the key components of the framework:

- Chief Executive Instructions (CEIs) provide the policy and procedural framework for financial management in the IGT's office and put into effect the requirements of the FMA Act.
- 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 ASIO Group 4.
- 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.

Comprehensive Business Continuity and Fraud Control plans are maintained by the Office of the IGT. The Audit Committee periodically reviews these plans.

Information technology

The Office of 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 utilises the IT infrastructure and support systems of the Treasury under the SLA. Components of the Treasury IT governance that the IGT leverages includes:

- 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 of the Treasury IT application systems.
- The IT Security Policy developed by 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 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.
- IT Change Control Guidelines are an internal IT management tool which assists with quality assurance control over proposed changes to the IT technical environment and facilities. This change control process involves reviewing proposed variations and clearing them before releasing changes in the production environment.

- 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 Australian Public Service (APS) values. In particular, the IGT Employment Conditions refer prominently to the current APS values.

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

Senior Executive Service remuneration

Remuneration of senior executive staff is determined by reference to a pay model identifying pay points. Allocation to a pay point is determined on the basis of experience and performance review.

At 30 June 2010, there was one permanent Senior Executive Service employee in the Office of the IGT engaged under an employment agreement.

EXTERNAL SCRUTINY

Audit

Other than annual financial statement audit activity, there have not been any audits of the Office of the IGT undertaken by the ANAO.

Internal audits

The SLA with the Treasury includes provision for internal audit services. No internal audits of the Office of the IGT were undertaken during 2009-10. The Audit Committee

established by the IGT regularly seeks input from the Treasury internal audit on any matters relevant to the Office of which there were none in 2009-2010.

Reports by the ANAO, the Ombudsman and others

Administration of the Office of the IGT was not mentioned in any reviews undertaken by the ANAO that were tabled in 2009-2010. There have not been any comments by the Commonwealth Ombudsman on administrative matters within the Office of the IGT in 2009-2010.

Judicial decisions

In 2009-10, no matters relating to the Office of the IGT were the subject of judicial proceedings or tribunal hearings.

MANAGEMENT OF HUMAN RESOURCES

The Office of the IGT consists of a small number of staff. The Office 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 Office of the IGT has utilised the design features and infrastructure of the Treasury Performance Management System in the establishment of the Performance Management System. An important feature is transparency in the process used by the 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 Office of the IGT staff are employed under employment agreements. The employment terms and conditions are consistent for all staff within the Office of the IGT. Employment conditions and remuneration are determined by reference to the Employment Guidelines which incorporate a pay model (see Tables 5 and 6 for salary scales for SES and non-SES staff). 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 Office of the IGT employment agreements specifically refer to the Australian Public Service Values in the context of setting out expected performance and behaviour.

Workplace relations

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

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 Office is very important particularly given its small size. The opportunity exists under the IGT Act to second staff to the Office.

Training and development

The Office of the IGT's Employment Guidelines reinforce the IGT's commitment to staff 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 development opportunities where appropriate.

Staffing information

Table 4 details the number of staff employed by the Office of the IGT, by category and gender. All staff are employed under the *Public Service Act 1999*. However the IGT is a statutory appointee.

Table 4: Operative and paid inoperative staff by classification and gender
(as at 30 June 2010)

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

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

Remuneration of SES staff

Table 5: Salary scales — SES

Classification	30 June 2010	
	Minimum	Maximum
	\$	\$
SES Band 2	206,652	241,878

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

The IGT has his remuneration package determined by the Remuneration Tribunal.

Remuneration of non-SES staff

Table 6: Salary scales — non-SES

Classification	30 June 2010	
	Minimum	Maximum
	\$	\$
APS4	56,550	59,509
EL1	93,552	107,316
EL2	114,271	131,145

The IGT may provide alternative remuneration arrangements in specific circumstances.

PROCUREMENT AND ASSETS MANAGEMENT

Procurement

The Office of the IGT has adopted Treasury procurement policies and utilises 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 Office of the IGT's CEI and the Commonwealth Procurement Guidelines.

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

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

Assets management

The Treasury, for and on behalf of the Office of the IGT, manages both current and non-current assets in accordance with the guidelines set out in the IGT's CEI 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 CEI and the Commonwealth Procurement Guidelines, the Office of 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 complete

particular reviews or for him to undertake his statutory function. The most common reasons for engagement of 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 2009-10 no new consultancy contracts were entered into involving expenditure over \$10,000 (inclusive of GST).

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 and paid inoperative staff by EEO target group (as at 30 June 2010)

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

PART 4:
FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Assistant Treasurer

Scope

I have audited the accompanying financial statements of the Inspector-General of Taxation for the year ended 30 June 2010, which comprise: a Statement by the Chief Executive and Chief Finance Officer; Statement of Comprehensive Income; Balance Sheet; Cash Flow Statement; Statement of Changes in Equity; Schedule of Commitments; Schedule of Contingencies; Schedule of Asset Additions; Notes to and forming part of the Financial Statements, including a Summary of Significant Accounting Policies.

The Responsibility of the Chief Executive for the Financial Statements

The Inspector-General of Taxation's Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the Financial Management and Accountability Act 1997, including the Australian Accounting Standards (which include the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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

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considers internal control relevant to the Inspector-General of Taxation's preparation and fair presentation of the financial statements 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 accounting policies used and the reasonableness of accounting estimates made by the Inspector-General of Taxation's Chief Executive as well as evaluating the overall presentation of the financial statements.

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

Independence

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

Auditor's 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 2010 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



John Jones

Executive Director

Delegate of the Auditor-General

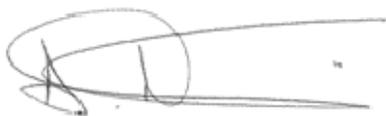
Canberra

31 August 2010

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 2010 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.



Ali Noroozi
Inspector-General of Taxation
30 August 2010



Andrew McLoughlin
Chief Finance Officer
30 August 2010

Statement of Comprehensive Income
for the period ended 30 June 2010

	Notes	2010 \$	2009 \$
EXPENSES			
Employee benefits	3A	1,341,881	1,213,794
Supplier expenses	3B	780,551	821,181
Depreciation and amortisation	3C	82,211	46,361
Finance costs	3D	3,162	3,734
TOTAL EXPENSES		2,207,805	2,085,070
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Rental income	4A	51,843	51,843
Other revenue	4B	-	7,216
Total own-source revenue		51,843	59,059
Gains			
Other	4C	18,000	18,000
Total gains		18,000	18,000
Total own-source income		69,843	77,059
Net cost of services		2,137,962	2,008,011
Revenue from Government	4D	2,179,000	2,167,000
Surplus		41,038	158,989

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

Balance Sheet

as at 30 June 2010

	Notes	2010 \$	2009 \$
ASSETS			
Financial assets			
Cash and cash equivalents	5A	42,381	77,025
Trade and other receivables	5B	2,198,205	2,177,855
Total financial assets		2,240,586	2,254,880
Non-financial assets			
Property, plant and equipment	6A,6C	56,412	69,617
Leasehold improvements	6B,6C	185,813	247,462
Other non-financial assets	6D	2,799	1,863
Total non-financial assets		245,024	318,942
Total Assets		2,485,610	2,573,822
LIABILITIES			
Payables			
Suppliers	7A	48,097	80,695
Other payables	7B	24,171	19,406
Total payables		72,268	100,101
Provisions			
Employees	8A	211,510	238,929
Other provisions	8B	178,725	202,723
Total provisions		390,235	441,652
Total Liabilities		462,503	541,753
Net Assets		2,023,107	2,032,069
EQUITY			
Contributed equity		1,573	1,573
Reserves		247,589	247,589
Retained earnings		1,773,945	1,782,907
Total equity		2,023,107	2,032,069

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

Cash Flow Statement

for the period ended 30 June 2010

	Notes	2010 \$	2009 \$
OPERATING ACTIVITIES			
Cash received			
Appropriations		2,123,755	1,923,751
Rents		51,843	37,419
Other cash received		15,291	7,216
Net GST received from the Australian Taxation Office		71,024	66,107
Total cash received		2,261,913	2,034,492
Cash used			
Employees		(1,366,853)	(1,232,560)
Suppliers		(896,438)	(794,907)
Return section 31 appropriation to OPA		(33,266)	-
Total cash used		(2,296,557)	(2,027,467)
Net cash from (used by) operating activities	9	(34,644)	7,025
Net increase (decrease) in cash held		(34,644)	7,025
Cash and cash equivalents at the beginning of the reporting period		77,025	70,000
Cash and cash equivalents at the end of the reporting period	5A	42,381	77,025

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

**Statement of Changes in Equity
for the period ended 30 June 2010**

	Retained earnings		Asset revaluation		Contributed equity		Total equity	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$	\$	\$
Opening Balance								
Balance carried forward from previous period	1,782,907	1,623,918	247,589	7,684	1,573	1,573	2,032,069	1,633,175
Appropriations reduced (subsection 14(1) of <i>Appropriation Act (No. 3) 2009-2010</i>)	(50,000)	-	-	-	-	-	(50,000)	-
Comprehensive income								
Revaluation adjustment	-	-	-	166,926	-	-	-	166,926
Re-statement of 'Make Good'	-	-	-	72,979	-	-	-	72,979
Surplus for the period	41,038	158,989					41,038	158,989
Total comprehensive income	41,038	158,989		239,905			41,038	398,894
Closing balance at 30 June	1,773,945	1,782,907	247,589	247,589	1,573	1,573	2,023,107	2,032,069

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

Schedule of Commitments as at 30 June 2010

	2010	2009
	\$	\$
BY TYPE		
Commitments receivable		
Sub-lease rental income ³	147,320	242,512
GST recoverable on commitments	89,960	103,097
Total commitments receivable	237,280	345,609
Other commitments		
Operating leases ¹	679,392	927,292
Other commitments ²	310,164	206,776
Total other commitments	989,556	1,134,068
Net commitments by type	752,276	788,459
BY MATURITY		
Commitments receivable		
Operating lease income		
One year or less	57,027	63,984
From one to five years	90,294	178,529
Total operating lease income	147,321	242,512
Other commitments receivable		
One year or less	32,769	31,935
From one to five years	57,190	71,162
Total other commitments receivable	89,959	103,097
Commitments payable		
Operating lease commitments		
One year or less	257,073	247,900
From one to five years	422,319	679,392
Total operating lease commitments	679,392	927,292
Other commitments		
One year or less	103,388	103,388
From one to five years	206,776	103,388
Total other commitments	310,164	206,776
Net commitments by maturity	752,276	788,459

Commitments are GST inclusive where relevant.

Note	Nature of lease	General description of leasing arrangement
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 is a fixed rate over the term.

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

Schedule of Contingencies
as at 30 June 2010

	2010	2009
	\$	\$
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 2010

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

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

The following non-financial non-current assets were added in 2008-09:

	Plant and equipment	Leasehold improvements	Total
	\$	\$	\$
By purchase - appropriation ordinary annual services	-	-	-
Total additions	-	-	-

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 2010

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 IGT is to improve the administration of the tax laws for the benefit of all taxpayers. The IGT is structured to meet one outcome:

‘Improved administration of tax laws for the benefit of all taxpayers’.

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.

IGT’s departmental activities are identified under two Outputs relating to Outcome 1. Output 1.1.1, identification of issues for review and prioritisation of the work program, and Output 1.1.2, the provision of independent advice to Government on the administration of the tax laws.

The continued existence of the agency in its present form, and with its present programs, 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 and notes are required by section 49 of the *Financial Management and Accountability Act 1997* (FMA Act) and are general purpose financial statements.

The financial statements and notes have been prepared in accordance with:

- Finance Minister's Orders (FMO) for reporting periods ending on or after 1 July 2009; 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 are 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 accounting 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 AASB 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 AASB 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 outputs 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 the 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 provision for bad and doubtful debts. 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

Other 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 that are 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 liability for long service leave has been determined by reference to the work of an actuary as at 30 June 2010. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Superannuation

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

The CSS and PSS are defined benefit schemes 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.

IGT makes employer contributions to the employee superannuation scheme at rates determined by an actuary to be sufficient to meet the cost to 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 three 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

IGT classifies its financial assets in the following categories:

- financial assets as 'at fair value through profit or loss';
- 'held-to-maturity investments';
- 'available-for-sale' financial assets; and
- '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.

IGT's activities expose it to normal commercial financial risk. As a result of the nature of IGT's business and internal and Australian Government policies, dealing with the management of financial risk, IGT's exposure to market, credit, liquidity and cash flow and fair value interest rate risk is considered to be low.

1.13 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Financial liabilities are recognised and derecognised upon 'trade date'.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

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 \$2,000 and computer equipment of less than \$1,000, 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 IGT where there exists an obligation to restore the property to its original condition. These costs are included in the value of 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
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 straight line method of depreciation. Leasehold improvements are depreciated on a straight line 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:

	2009-10	2008-09
Infrastructure, 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 2010. 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 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 (FBT) 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 occurring after reporting date

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

Note 3: Expenses

	2010	2009
	\$	\$
Note 3A: Employee benefits		
Wages and salaries	1,072,043	942,072
Superannuation:		
Defined contribution plans	53,353	13,193
Defined benefit plans	94,447	133,272
Leave and other benefits	119,291	123,007
Other employee expenses	2,747	2,250
Total employee benefits	1,341,881	1,213,794
Note 3B: Suppliers		
Goods and services		
Suppliers	371,726	420,271
Consultants	3,000	21,418
Contractors	118,315	111,424
Stationery	4,774	2,890
Total goods and services	497,815	556,003
Provision of goods - related entities	11,543	11,956
Provision of goods - external entities	75,955	84,960
Rendering of services - related entities	122,985	121,614
Rendering of services - external entities	287,332	337,473
Total goods and services	497,815	556,003
Other supplier expenses		
Operating lease rentals - external parties		
Minimum lease payments	277,677	260,072
Workers compensation premiums	5,059	5,106
Total other supplier expenses	282,736	265,178

Note 3: Expenses (continued)

	2010	2009
	\$	\$
Note 3C: Depreciation and Amortisation		
Depreciation		
Property, plant and equipment	52,866	39,753
Total depreciation	52,866	39,753
Amortisation		
Leasehold improvements - Make Good provision	29,345	6,608
Total amortisation	29,345	6,608
The aggregate amounts of depreciation or amortisation expensed during the reporting period for each class of depreciable assets are as follows:		
Leasehold improvements	69,006	6,608
Property, plant and equipment	13,205	39,753
Total depreciation and amortisation	82,211	46,361
No depreciation or amortisation was allocated to the carrying amounts of other assets		
Note 3D: Finance costs		
Unwinding of discount	3,162	3,734
Total finance costs	3,162	3,734

Note 4: Income

	2010	2009
	\$	\$
Revenue		
Note 4A: Rental income		
Property sub-lease rent received	51,843	51,843
Total rental income	51,843	51,843
Note 4B: Other revenue		
Other revenue	-	7,216
Total other revenue	-	7,216
Gains		
Note 4C: Other gains		
Resources received free of charge	18,000	18,000
Total other gains	18,000	18,000
Revenue from Government		
Note 4D: Revenue from Government		
Appropriations:		
Departmental outputs	2,179,000	2,167,000
Total revenue from Government	2,179,000	2,167,000

Note 5: Financial assets

	2010	2009
	\$	\$
Note 5A: Cash and cash equivalents		
Cash on hand or on deposit	42,381	77,025
Total cash and cash equivalents	42,381	77,025
Note 5B: Trade and other receivables		
Goods and services		
Goods and services - related entities	4,752	4,752
Total for goods and services	4,752	4,752
Appropriations receivable		
Section 31 appropriations receivable	33,266	-
Appropriations receivable for existing outputs	2,153,606	2,148,361
Total appropriations receivable	2,186,872	2,148,361
Other receivables		
GST receivable from the Australian Taxation Office	5,834	8,704
Other receivables	747	16,037
Total other receivables	6,581	24,742
Total trade and other receivables (gross)	2,198,205	2,177,855
Less impairment allowance account:		
Goods and services	-	-
Total impairment allowance account	-	-
Total trade and other receivables (net)	2,198,205	2,177,855
Receivables are expected to be recovered in:		
No more than 12 months	49,844	272,744
More than 12 months	2,148,361	1,905,111
Total trade and other receivables (net)	2,198,205	2,177,855
Receivables are aged as follows:		
Not overdue	49,844	272,744
Overdue by:		
Less than 30 days	-	-
31 to 60 days	-	-
61 to 90 days	-	-
More than 90 days	2,148,361	1,905,111
Total receivables (gross)	2,198,205	2,177,855

Note 6: Non-financial assets

	2010	2009
	\$	\$
Note 6A: Property, plant and equipment		
Property, plant and equipment		
- gross carrying value (at fair value)	69,617	69,617
- accumulated depreciation	(13,205)	-
Total Property, plant and equipment	56,412	69,617
Note 6B: Leasehold improvements		
Leasehold improvements		
- fair value	149,419	142,062
- accumulated depreciation	(39,661)	-
	109,758	142,062
Leasehold improvements 'restoration costs'		
- at fair value	105,400	105,400
- accumulated amortisation	(29,345)	-
	76,055	105,400
Total leasehold improvements	185,813	247,462

All property, plant and equipment are at valuation as at 30 June 2009 in accordance with the agency's revaluation policy (note 1.17). In 2010, assets were assessed for indications of impairment. No indications of impairment were found.

Note 6: Non-financial assets (continued)

	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 (2009-10)			
As at 1 July 2009			
Gross book value	69,617	247,462	317,079
Accumulated depreciation/amortisation and impairment	-	-	-
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 of 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
Reconciliation of the opening and closing balances of property, plant and equipment (2008-09)			
As at 1 July 2008			
Gross book value	68,732	266,649	335,381
Accumulated depreciation/amortisation and impairment	(10,772)	(233,493)	(244,265)
Net book value 1 July 2008	57,960	33,156	91,116
Additions by purchase	-	-	-
Depreciation/amortisation expense	(13,205)	(33,156)	(46,361)
Disposals:			
other disposals	-	-	-
Revaluations	24,862	247,462	272,324
Net book value at 30 June 2009	69,617	247,462	317,079
Net book value as of 30 June 2009 represented by:			
Gross book value	69,617	247,462	317,079
Accumulated depreciation/amortisation	-	-	-
	69,617	247,462	317,079

Note 6: Non-financial assets (continued)

	2010	2009
	\$	\$
Note 6D: Other non-financial assets		
Prepayments	2,799	1,863
Total other non-financial assets	2,799	1,863

All other non-financial assets are current assets.

No indications of impairment were found for other non-financial assets.

Note 7: Payables

	2010	2009
	\$	\$
Note 7A: Suppliers		
Trade creditors and accruals	48,097	80,695
Total supplier payables	48,097	80,695
Supplier payables expected to be settled within 12 months:		
related entities	8,216	16,101
external parties	39,881	64,594
Total supplier payables	48,097	80,695
Settlement is usually made within 30 days		
Note 7B: Other payables		
Salaries and wages	21,678	16,951
Superannuation	2,493	2,455
Total other payables	24,171	19,406
Total other payables are expected to be settled in:		
no more than 12 months	24,171	19,406
Total other payables	24,171	19,406

Note 8: Provisions

	2010	2009
	\$	\$
Note 8A: Employee provisions		
Leave	211,510	238,929
Total employee provisions	211,510	238,929
Employee provisions are expected to be settled in:		
No more than 12 months	172,576	214,272
More than 12 months	38,934	24,657
Total employee provisions	211,510	238,929
Note 8B: Other provisions		
Lease incentives	70,163	97,323
Provision for restoration obligations	108,562	105,400
Total other provisions	178,725	202,723
Other provisions are expected to be settled in:		
No more than 12 months	27,160	27,160
More than 12 months	151,565	175,563
Total other provisions	178,725	202,723
Provision for Restoration Obligations		
Carrying amount at 1 July	105,400	69,245
Re-statement of 'Make Good' at 30 June 2009	-	32,421
Unwinding of discount	3,162	3,734
Closing balance 30 June 2010	108,562	105,400

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

	2010	2009
	\$	\$
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash Flow Statement	42,381	77,025
Balance Sheet	42,381	77,025
Difference	-	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	2,137,962	2,008,011
Add revenue from Government	2,179,000	2,167,000
	41,038	158,989
Adjustments for non-cash items		
Depreciation and amortisation	82,211	46,361
Write-up of non-financial assets	(7,357)	-
Finance costs	3,162	3,734
Changes in assets/liabilities		
(Increase)/decrease in receivables	(70,350)	(245,144)
(Increase)/decrease in prepayments	(935)	22,096
Increase/(decrease) in payables	(32,598)	(40,291)
Increase/(decrease) in other payables	4,765	-
Increase/(decrease) in employee provision	(27,419)	(36,043)
Increase/(decrease) in other provisions	(27,160)	97,323
Net cash from/(used by) operating activities	(34,644)	7,025

Note 10: Contingent liabilities and assets

There are no unquantifiable or remote contingencies.

Note 11: Executive remuneration**Note 11A: Actual remuneration paid to Senior Executives**

Executive Remuneration*	2010	2009
The number of senior executives who received:		
\$145,000-\$159,999	-	1
\$220,000-\$235,999	1	1
\$295,000-\$309,999	-	1
\$340,000-\$354,999	1	-
Total	2	3

* Excluding acting arrangements and part-year service.

Total expense recognised in relation to Senior Executive employment	\$	\$
Short-term employee benefits:		
Salary (including annual leave taken)	637,530	590,618
Changes in leave provisions	17,145	20,283
Total Short-term employee benefits	654,675	610,901
Superannuation (post-employment benefits)	62,843	73,727
Total	575,578	684,628

Note 11: Executive remuneration (continued)

Note 11B: Salary packages for Senior Executives as at 30 June

Average annualised remuneration packages for substantive Senior Executives

	As at 30 June 2010			As at 30 June 2009		
	Number of Senior Executives	Base salary (including annual leave)	Total remuneration package	Number of Senior Executives	Base salary (including annual leave)	Total remuneration package
Total remuneration*:						
\$220,000-\$234,999	1	226,600	226,600	-	-	-
\$235,000-\$249,999	-	-	-	1	239,600	239,600
\$325,000-\$339,999	1	237,420	339,540	1	230,500	329,650
	<u>2</u>			<u>2</u>		
Total						

* Excluding acting arrangements and part-year service.

Note 12: Remuneration of auditors

	2010	2009
	\$	\$
Financial statement audit services are provided free of charge to the agency.		
The fair value of the services provided was	18,000	18,000
Total	18,000	18,000

No other services were provided by the Auditor-General.

Note 13: Financial instruments

	2010	2009
	\$	\$
Note 13A: Categories of financial instruments		
Financial assets		
Loans and receivables		
Cash and cash equivalents	42,381	77,025
Trade receivables	4,752	4,752
Carrying amount of financial assets	47,133	81,777
Financial liabilities		
Fair value through profit and loss		
Payables - suppliers	48,097	80,695
Other payables	24,171	19,406
Carrying amount of financial liabilities	72,268	100,101

Note 13B: Net income and expense from financial assets**Loans and receivables**

Interest revenue	-	-
------------------	---	---

Net gain/(loss) from financial assets

	-	-
--	---	---

As all financial assets are at fair value, there is no interest income arising through the profit and loss in the year ending 30 June 2010. (2009: NIL)

Note 13C: Net income and expense from financial liabilities**Fair value through profit and loss**

Designated as fair value through profit and loss:

Interest expense	-	-
------------------	---	---

Net gain/(loss) from financial liabilities

	-	-
--	---	---

As all financial liabilities are at fair value, there is no interest expense arising through the profit and loss in the year ending 30 June 2010. (2009: NIL)

Note 13: Financial instruments (continued)**Note 13D: Fair value of financial instruments**

	Notes	2010		2009	
		Carrying amount	Fair Value	Carrying amount	Fair Value
		\$	\$	\$	\$
Financial assets					
Cash & cash equivalents	5A	42,381	42,381	77,025	77,025
Receivables	5B	4,752	4,752	4,752	4,752
Total financial assets		47,133	47,133	81,777	81,777
Financial liabilities					
Supplier payables	7A	48,097	48,097	80,695	80,695
Other payables	7B	24,171	24,171	19,406	19,406
Total financial liabilities		72,268	72,268	100,101	100,101

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

Note 13E: 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 (2010: \$4,752, and 2009: \$4,752).

The agency has assessed the risk of the default on payment and has made no allocations to doubtful debts in 2010 (2009: *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 2010 \$	Not past due nor impaired 2009 \$	Past due or impaired 2010 \$	Past due or impaired 2009 \$
Loans and receivables				
Cash and cash equivalents	42,381	77,025	-	-
Trade receivables	4,752	4,752	-	-
Total	47,133	81,777	-	-

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	-	-	-	-	-

Ageing of financial assets that are past due but not impaired for 2009.

	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 13F: Liquidity risk**

The agency's financial liabilities are payables and prepaid revenue. 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 (for example, Advance to the Finance Minister) and interim policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

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

	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
Other payables	-	24,171	-	-	24,171
Total	-	72,268	-	-	72,268

	On Demand 2009 \$	Within 1 year 2009 \$	1 to 5 years 2009 \$	> 5 years 2009 \$	Total 2009 \$
Other liabilities					
Payables - suppliers	-	80,695	-	-	80,695
Other payables	-	19,406	-	-	19,406
Total	-	100,101	-	-	100,101

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 13G: 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: Acquittal of Authority to draw cash from the Consolidated Revenue Fund (CRF) for Ordinary Annual Services Appropriations

	Departmental Outputs		Total	
	2010	2009	2010	2009
	\$	\$	\$	\$
Balance brought forward from previous period	2,234,090	1,985,420	2,234,090	1,985,420
Appropriation Act:				
<i>Appropriation Act (No. 1) 2009-2010</i> as passed	2,190,000	2,167,000	2,190,000	2,167,000
Appropriations reduced (subsection 14(1) of <i>Appropriation Act (No. 3) 2009-2010</i>)	(50,000)	-	(50,000)	-
Appropriations reduced (subsection 10(2) of <i>Appropriation Act (No. 1) 2009-2010</i>)	(11,000)	-	(11,000)	-
	2,129,000	2,167,000	2,129,000	2,167,000
FMA Act:				
Appropriations to take account of recoverable GST (FMA Act section 30A)	83,445	57,294	83,445	57,294
Annotations to 'net appropriations' (FMA Act s 31)	51,843	51,843	51,843	51,843
	135,288	109,137	135,288	109,137
Total appropriations available for payments	4,498,378	4,261,557	4,498,378	4,261,557
Cash payments made during the year (GST inclusive)	2,263,290	2,027,467	2,263,290	2,027,467
Balance of authority to draw cash from the Consolidated Revenue Fund for Ordinary Annual Services Appropriations	2,235,088	2,234,090	2,235,088	2,234,090
Represented by:				
Cash at bank and on hand	42,381	77,025	42,381	77,025
Section 31 appropriations receivable	33,266	-	33,266	-
Departmental appropriations receivable	2,153,606	2,148,361	2,153,606	2,148,361
GST receivable from Australian Taxation Office	5,834	8,704	5,834	8,704
Total	2,235,088	2,234,090	2,235,088	2,234,090

Note 15: Compensation and debt relief

	2010	2009
	\$	\$
No 'Act of Grace' payments were made during the reporting period	-	-
No waivers of amounts owing to the Commonwealth were made during the reporting period	-	-
No ex-gratia payments were made during the reporting period	-	-
No payments were made under the 'Defective Administration Scheme' during the reporting period	-	-
No payments were made under section 73 of the <i>Public Service Act 1999</i> during the reporting period	-	-

Note 16: Reporting of outcomes

The Inspector-General of Taxation has one outcome:

'Improved administration of tax laws for the benefit of all taxpayers'.

Note 16A: Net cost of outcome delivery

	2010	2009
	\$	\$
Expenses		
Departmental	2,207,805	2,085,070
Total	2,207,805	2,085,070
Income from non-government sector		
Departmental		
Activities subject to cost recovery	-	-
Other	-	-
Total departmental	-	-
Total	-	-
Other own-source income		
Rents	51,843	51,843
Other revenue	-	7,216
Gains	18,000	18,000
Departmental	69,843	77,059
Total	69,843	77,059
Net cost of outcome delivery	2,137,962	2,008,011

Note 16B: Major classes of departmental revenues and expenses by output groups and outputs

The agency has two outputs (Output Group 1.1):

Output 1.1.1 – Identification of issues for review and prioritisation of the work program

Output 1.1.2 – Provision of independent advice to Government on the administration of the tax laws

The basis of attribution in the table below is consistent with the basis used for the 2010-11 Budget, which estimated the proportion of agency activities to be assigned to each of the outputs. This basis was evaluated during 2009-10 through monitoring of agency activities and no adjustment was considered necessary.

Note 16B: Major classes of departmental revenues and expenses by output groups and outputs (continued)

	Outcome 1						Outcome 1 Total	
	Output Group 1.1			Not attributed			2010	2009
	Output 1.1.1	Output 1.1.2		2010	2009	2010	2009	
	\$	\$	\$	\$	\$	\$	\$	
Departmental expenses								
Employees	67,094	60,690	1,274,787	1,153,104	-	1,341,881	1,213,794	
Suppliers	39,028	41,060	741,523	780,121	-	780,551	821,181	
Finance costs	158	187	3,004	3,547	-	3,162	3,734	
Depreciation and amortisation	4,111	2,318	78,100	44,043	-	82,211	46,361	
Total	110,391	104,255	2,097,414	1,980,815	-	2,207,805	2,085,070	
Departmental income:								
Income from Government	108,950	108,350	2,070,050	2,058,650	-	2,179,000	2,167,000	
Rents	2,592	2,593	49,251	49,250	-	51,843	51,843	
Other revenue	-	362	-	6,854	-	-	7,216	
Gains	900	900	17,100	17,100	-	18,000	18,000	
Total	112,442	112,205	2,136,401	2,131,854	-	2,248,843	2,244,059	
Departmental assets:								
Financial assets								
Cash and cash equivalents	-	-	-	-	-	42,381	77,025	
Receivables	-	-	-	-	-	2,198,205	2,177,855	
Non-financial assets								
Property, plant and equipment	-	-	-	-	-	242,225	317,079	
Other non-financial assets	-	-	-	-	-	2,799	1,863	
Total	-	-	-	-	-	2,485,610	2,573,822	
Departmental liabilities:								
Payables	-	-	-	-	-	72,268	100,101	
Provisions	-	-	-	-	-	390,235	441,652	
Total	-	-	-	-	-	462,503	541,753	

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

PART 5: OTHER INFORMATION

OCCUPATIONAL HEALTH AND SAFETY

The Office of the IGT operates so as to foster and maintain a safe and healthy working environment in accordance with the *Occupational Health and Safety (Commonwealth Employment) Act 1991*. During 2009-10, 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* (Cth) (the FOI Act) gives the general public legal access to government documents.

Section 8 of the FOI Act requires the IGT to publish certain information in its annual report. Information about its organisation, functions and decision-making powers is contained in the body of this annual report.

Arrangements for outside participation

The FOI Act requires information regarding the arrangements for bodies or persons outside the Commonwealth to participate in the formulation of policy by the agency, or in the administration of the agency.

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 inform the development of 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 Office of the IGT:

- 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 Office of the IGT;
- correspondence and working papers relating to the administration of the Office of the IGT, 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 – 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 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 to the following postal address:

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;
- be accompanied by a payment of a \$30 application fee;
- include the name and address of the person requesting the information; and
- be processed within 30 days of receipt.

Any request, pursuant to subsection 30A(1) of the FOI Act, that the application fee be waived should accompany requests.

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

In accordance with section 54 of the FOI Act, an applicant may, within 30 days of receiving notification under the Act, seek an internal review of a decision to refuse a request. The prescribed fee of \$40 should accompany the application.

Decisions about the accessibility of documents may also be reviewed by the Administrative Appeals Tribunal.

Freedom of information activity

The IGT received no requests for access to documents under the FOI Act in 2009-10.

ADVERTISING AND MARKET RESEARCH

Advertising costs for IGT Review submission request announcements and for recruitment during 2009-10 totalled \$27,296.55 after input tax credit entitlement. No market research activities were undertaken during 2009-10.

ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PERFORMANCE

The Office of the IGT actively pursues measures to minimise waste and conserve energy. 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.

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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
TCN	Tax Counsel Network

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