



Australian Government  
Inspector-General of Taxation

# Inspector-General of Taxation

Annual Report  
2013–14

September 2014

# **Inspector-General of Taxation**

Annual Report 2013–14

September 2014

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**Australian Government**  
**Inspector-General of Taxation**

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Sydney NSW 2000  
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30 September, 2014

Senator the Hon Mathias Cormann  
Acting Assistant Treasurer  
Parliament House  
Canberra ACT 2600

Dear Minister

I have pleasure in presenting to you the Annual Report of the Inspector-General of Taxation (IGT) for the year ended 30 June 2014. This report has been prepared in accordance with section 41 of the *Inspector-General of Taxation Act 2003* (the IGT Act).

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

In addition, and as required by the *Commonwealth Fraud Control Guidelines*, I certify that I am satisfied that the IGT has in place appropriate fraud control mechanisms that meet the IGT's needs and comply with the guidelines applying in 2013-14.

Yours sincerely

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

Ali Noroozi  
Inspector-General of Taxation



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# PART 1: OVERVIEW

## INSPECTOR-GENERAL OF TAXATION REPORT



It is my pleasure to report that the office of the Inspector-General of Taxation (IGT) has had another productive year. The IGT has focused on completing a significant number of reviews covering a broad spectrum of taxpayers, issues and Australian Taxation Office (ATO) approaches with the aim of improving tax administration for the benefit of all Australians.

In this report, I outline the diversity of matters that have been addressed in my work program of reviews. I also discuss the consultation and development of a new work program for 2014 and 2015 and my assistance to the Federal Parliament's House of Representatives Standing Committee on Tax and Revenue (Parliamentary Committee) with its Inquiry into Tax Disputes (Tax Disputes Inquiry). Thereafter, the May 2014 Federal Budget Measure to transfer the tax complaints function from the Commonwealth Ombudsman to the IGT is discussed followed by the Government's policy initiatives arising from IGT reviews.



## COMPLETED WORK

### Transfer pricing review, Base Erosion & Profit Shifting and ATO capability

Currently, there is significant global attention on base erosion and profit shifting and the related impact it has had on reducing national taxation revenues.<sup>1</sup> Australia's presidency of the G20, commencing in December 2013, has brought the issue into clear domestic focus and it is therefore imperative that Australia has in place an appropriate administrative framework to identify and address the existing and emerging risks.

Concerns had been raised with my office regarding the ATO's capability to deal with transfer pricing issues some time prior to the above international events and they continue to be raised. Consequently, my *transfer pricing review*<sup>2</sup> was timely and pertinent.

The examination of the issues revealed the key causes of concern related to inadequate succession planning, resource management, the complex interactions between the ATO's internal functions and a lack of clarity with respect to the decision-making process. Accordingly, a number of my recommendations were aimed at improving the ATO's organisational and long-term capability including retention and development of specialist officers. Recommendations that were particularly aimed at the short-term, whilst the ATO rebuilds its capability, included improving the risk identification process, giving priority to project-based activities which target the highest risk to revenue, limiting wide-ranging reviews and matching the scope and scale of its transfer pricing cases to the available specialist capability.

Relevant observations and recommendations made in this review as well as other IGT reviews such as the *SME/HWI review*<sup>3</sup> and my submission to the 2011 Federal Government Tax Forum (2011 *Tax Forum Submission*<sup>4</sup>) were provided as input into the Australian Public Service Commission's capability review of the ATO.<sup>5</sup>

### Risk assessment tools and taxpayer compliance costs

In today's self assessment environment, risk assessment is a key part of the organisational management of revenue authorities around the world. Given their limited resources, it is not possible for revenue authorities to undertake compliance

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1 Organisation for Economic Co-operation and Development, 'Base Erosion and Profit Shifting' (14 July 2014) <[www.oecd.org/ctp/beps.htm](http://www.oecd.org/ctp/beps.htm)>.

2 Inspector-General of Taxation (IGT), *Review into the Australian Taxation Office's management of transfer pricing matters* (2014).

3 IGT, *Review into the ATO's compliance approaches to small and medium enterprises with annual turnovers between \$100 million and \$250 million and high wealth individuals* (2012).

4 IGT, *Tax Forum – Next Steps for Australia* (2011).

5 Australian Public Service Commission, *Capability Review: Australian Taxation Office* (2013).

activities in relation to every taxpayer. The use of risk assessment tools provides a basis for revenue authorities to allocate their scarce resources to achieve optimum compliance levels.

My recent review into the ATO's use of *compliance risk assessment tools*<sup>6</sup> was aimed at improving the ATO's risk assessment systems to minimise revenue leakage and impact on taxpayers. In the absence of evaluation metrics, I drew on the examination of the ATO's main risk assessment tools in this review, as well as those investigated in previous IGT reviews to create guidelines for developing effective risk assessment tools for the future. These IGT-recommended guidelines address key stakeholder concerns, such as the governance, inputs and transparency of the ATO's risk assessment processes as well as related communication with taxpayers and the proportionality of resulting ATO compliance action to detected risks. Furthermore, these guidelines emphasise the importance of effective project management to minimise adverse impacts on taxpayers whilst making best use of ATO resources.

I have also made recommendations to improve specific aspects of those risk assessment tools with which stakeholders raised the most concern. It should be noted that such recommendations were also made in earlier reviews including in my *cash economy benchmarking review*.<sup>7</sup> The implementation of the recommendations in that review has resulted in more than a doubling of the strike rates for ATO cash economy compliance activities (from 24 per cent to 50 per cent).<sup>8</sup> This has resulted in significantly less taxpayers being unnecessarily targeted and thereby reducing their compliance costs.

## Compliance approaches to small businesses and individuals

Conducting reviews of tax administration issues in the small business and individual market segments is challenging for my office due to the large number and range of taxpayers and the limited resources of my office. Accordingly, I have been selecting manageable areas for review by targeting specific ATO approaches that have caused the greatest concerns for these stakeholders. For example, I have previously conducted reviews into the ATO's *cash economy benchmarking*, *superannuation guarantee charge* and *management of non-lodgement of individual income tax returns*.<sup>9</sup>

This year I examined three other key areas affecting individual taxpayers by conducting three separate reviews.

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<sup>6</sup> IGT, *Review into aspects of the Australian Taxation Office's use of compliance risk assessment tools* (2014).

<sup>7</sup> IGT, *Review into the ATO's use of benchmarking to target the cash economy* (2012).

<sup>8</sup> Australian Taxation Office (ATO), 'Commissioner and Minister Senate estimates briefing – October 2012 Cash Economy – Benchmarking, data matching and e-marketing' (CCH Parliament, Political Alert, 23 January 2013) p 1.

<sup>9</sup> Above n 7; IGT, *Review into the ATO's administration of the Superannuation Guarantee Charge* (2010); IGT, *Review into the non-lodgement of individual income tax returns* (2009).

The first of these reviews, the *income tax refund integrity program review*<sup>10</sup>, was conducted due to the significant delays in processing tax returns during the 2011–12 financial year. In this regard, I had made a number of recommendations to streamline the ATO's governance processes to respond to unforeseen workloads, adopt a differentiated approach to hardship applications, better distinguish potentially fraudulent taxpayers from those who may have mistakenly overstated refund claims and improve communication with taxpayers and tax practitioners.

The second of these reviews related to the *use of data matching*<sup>11</sup> which was undertaken in response to stakeholder concerns regarding how the ATO collects, validates and makes use of third party data in compliance activities. While the review found that the ATO's use of data matching was generally effective, there were opportunities for improvement. Recommendations were made to formalise and improve the quality and timeliness of data matching projects, evaluate their effectiveness and re-distribute resources based on such evaluations. Engagement and communication with taxpayers were also identified as requiring improvement so that taxpayers better understand the reasons for any discrepancies identified and have more streamlined processes to challenge incorrect data matching decisions.

The third review was the *superannuation excess contributions tax (ECT) review*.<sup>12</sup> This review arose from a high degree of stakeholder dissatisfaction with the ECT regime. They contended that the regime was not operating as intended and imposed disproportionately adverse impacts on taxpayers.

In addition to a number of recommendations for the ATO to improve aspects of its administrative approach, I had also made two recommendations for Government's consideration, including whether the treatment of excess non-concessional contributions should be aligned with previous changes to excess concessional contributions.<sup>13</sup> As a result, in the May 2014 Federal Budget, the Government announced that it will introduce legislation which would enable taxpayers with excess non-concessional contributions to withdraw those contributions and not incur the ECT.<sup>14</sup>

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10 IGT, *Review into the Australian Taxation Office's compliance approach to individual taxpayers – income tax refund integrity program* (2014).

11 IGT, *Review into the Australian Taxation Office's compliance approach to individual taxpayers – use of data matching* (2014).

12 IGT, *Review into the Australian Taxation Office's compliance approach to individual taxpayers – superannuation excess contributions tax* (2014).

13 Above n 12, recommendation 2.1, pp 31-32.

14 Mathias Cormann, 'Superannuation Excess Contributions Tax' (Media Release, MC39/14, 13 May 2014).

## Penalties review

Stakeholders had been raising concerns with the ATO's administration of penalties over a number of years. A number of previous reviews, particularly the *self assessment review*, addressed a number of these concerns.<sup>15</sup> However, given the level of concerns and their ongoing nature, it was appropriate to conduct a specific *penalties review*<sup>16</sup> to more broadly examine the issues being raised.

The review observed that approximately 25 per cent of total penalties raised were later reduced due to unsustainable penalty decisions. Accordingly, I made a number of recommendations for the ATO to improve its penalty decisions, guidance material and identification, collection and analysis of penalty information as well as taxpayer perceptions that penalties may be used as leverage to influence primary tax disputes. A recommendation was also made for Government to consider opportunities to improve the current tax penalty regime and encourage greater voluntary compliance. As a result of my report, the Government has announced its intention to consider these issues once the Tax White Paper process has finalised.<sup>17</sup>

## 'U-turns' and the follow up review

Two other reviews have been completed and their reports transmitted to the Minister early in the 2014–15 financial year. These reports were derived from my earlier announced single follow up review which examined the ATO's implementation of agreed recommendations contained in six of my reports released between August 2009 and November 2010.<sup>18</sup>

During the course of the year, the above announced single review was split into two separate reviews in order to devote one solely to the persisting issues of so-called ATO 'U-turns' and the impact of a recent Federal Court decision.<sup>19</sup> The other review<sup>20</sup> examined the implementation of agreed recommendations in the other five reports released between August 2009 and November 2010.

Further comment on these reviews will be made after the Minister has released the reports.

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15 IGT, *Review into improving the self assessment system* (2013); See also IGT, *Review into the Tax Office's administration of penalties and interest arising from active compliance activities* (2005), IGT, *Review into aspects of the Tax Office's settlement of active compliance activities* (2009), IGT, *Report into the Australian Taxation Office's large business risk review and audit policies, procedures and practices* (2011), above n 7 and above n 3.

16 IGT, *Review into the ATO's administration of penalties* (2014).

17 Mathias Cormann, 'Inspector-General of Taxation Report into the Australian Taxation Office's Administration of Penalties' (Media Release, MC 70/14, 8 July 2014).

18 See IGT, *New IGT Work Program for 2011–12* (4 April 2011) <[www.igt.gov.au](http://www.igt.gov.au)>.

19 IGT, *Follow up review into delayed or changed Australian Taxation Office views on significant issues* (not yet released); *Macquarie Bank Limited v Commissioner of Taxation* [2013] FCA 887.

20 IGT, *Follow up review into the Australian Taxation Office's implementation of agreed recommendations in five reports released between August 2009 and November 2010* (not yet released).

## NEW WORK PROGRAM

Synchronised with the completion of the above reviews, earlier this year, a new work program of reviews was developed based on broad community consultation with taxpayers, tax practitioners and their representative bodies. On 10 April 2014, the reviews that will be conducted as part of this new work program were announced. These reviews are described below together with the stakeholder concerns that led to their selection.

### Debt collection

Stakeholders have continued to raise concerns with the ATO's approach to debt collection, including delayed recovery action, disproportionate action when debts were pursued and the use of external debt collectors. Debt collection has also been a persistent source of complaints to the Commonwealth Ombudsman, accounting for 23 per cent of all ATO-related complaints received by him in 2013, and has attracted substantial media attention.

The review will examine the concerns raised above as well as the ATO's approach to debt collection more generally, including the use of administrative and legislative instruments to secure payment (for example, garnishee notices, director penalty notices and freezing orders), the approach to insolvency action, the re-raising of 'written-off' debts, debt relief decisions and payment arrangements.

Terms of reference for this review were released on 26 May 2014.

### Services and support for tax practitioners

Tax practitioners play a critical role in the Australian tax system, representing 70 per cent of all individual taxpayers and 90 per cent of all business taxpayers.<sup>21</sup> An ATO survey has acknowledged that tax practitioner satisfaction with its services has dropped from 72 per cent in 2007 to 51 per cent in 2011.<sup>22</sup> In recent years, concerns have also been raised with my office that the support and services provided to tax practitioners has been inadequate with specific concerns raised in relation to the ATO Portals, relationship managers, management of the lodgement program (including the 85 per cent on-time requirement), tax practitioners risk differentiation framework and consultation groups for tax practitioners.

My review will examine these concerns as well as broader ATO initiatives and improvements which have been implemented in this area.

Terms of reference for this review were released on 26 May 2014.

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21 Tax Practitioners Board, *Annual Report 2012-13* (2013) p ii; ATO, *Compliance in focus 2013-14, Tax professionals* (19 December 2013) <[www.ato.gov.au](http://www.ato.gov.au)>.

22 Chant Link & Associates, *Tax Agent Services Survey 2011* (27 May 2011) p 25.

## Taxpayers' charter and taxpayer protections

Stakeholders have raised a range of concerns regarding the adequacy of the ATO's *Taxpayers' charter*<sup>23</sup> and related taxpayer protections. These concerns included access to enforceable remedies for defective ATO administration, commitment to procedural fairness and, more broadly, adherence to the model litigant obligations.<sup>24</sup> Stakeholders point to international developments regarding a 'taxpayer bills of rights' with enforceable remedies.<sup>25</sup> The Commonwealth Ombudsman has also noted that in many cases the aggrieved taxpayers do not receive the desired remedy<sup>26</sup> and certain taxpayer cases have garnered significant media attention.<sup>27</sup>

I had highlighted such protections and remedies as an emerging issue in last year's annual report. In this respect, momentum has been gaining in a number of jurisdictions. For example, recently the United States of America (USA) had adopted a bill of rights in line with recommendations from the USA's National Taxpayer Advocate.<sup>28</sup>

The key aim of the review will be to identify whether additional protections may be warranted and the forms such protections should take. The review is expected to commence in the new calendar year.

## Employer obligations

Concerns have been raised with the IGT regarding the additional and unwarranted costs arising from the ATO's compliance activities with respect to employers' obligations. Stakeholders have raised particular concerns with the ATO's determinations of contractor or employee status and taxpayers' access to avenues of appeal. Additional concerns include ATO feedback on employee complaints, incorrect assessments and the unwillingness of ATO staff to engage on issues.

This review will examine the ATO's conduct of employer obligation compliance activities, including those in relation to pay-as-you-go withholding, fringe benefits tax,

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23 ATO, *Taxpayers' charter: What you need to know* (2010).

24 *Legal Services Directions 2005* app B made under s 55ZF of the *Judiciary Act 1903*.

25 National Taxpayer Advocate (USA), *2011 Annual Report to Congress* (2011); National Taxpayer Advocate, *2013 Annual Report to Congress* (2013); European Commission, 'A European Taxpayer's Code' (Consultation paper, TAXUD.D.2.002 (2013) 276169, 2013); Asia-Oceania Tax Consultants' Association, 'Model Taxpayer Charter to promote greater fairness in taxation across the world' (Media release, 13 May 2013) <[www.aotca.org/News/?News10=23](http://www.aotca.org/News/?News10=23)>.

26 Commonwealth Ombudsman, *Taxation Ombudsman Activities 2006* (2007) p 6.

27 7:30 ABC TV (9 April 2012) referred to in John Bevacqua, 'Redressing the imbalance – challenging the effectiveness of the Australian taxpayers' charter' (2013) 28 *Australian Tax Forum* 377, p 398; 7:30 ABC TV, 'Tax office stands accused of bullying behaviour' (1 November 2012) referred to in Greg Hoy, 'Draconian' ATO accused of bullying taxpayers' (2 November 2012) <[www.abc.net.au](http://www.abc.net.au)>.

28 Internal Revenue Service, 'IRS Adopts "Taxpayer Bill of Rights;" 10 Provisions to be Highlighted on IRS.gov, in Publication 1', (Media release, IR-2014-72, 10 June 2014).

director penalty notices for super guarantee charge and the ATO's engagement with both employees and employers. Commencement of this review is expected in the new calendar year.

## TAX DISPUTES REVIEW

Following the announcement of the new work program, a request was received from the Parliamentary Committee for my office to assist with aspects of its Tax Disputes Inquiry. The Tax Disputes Inquiry was referred to the Committee by the Acting Assistant Treasurer, Senator the Hon Mathias Cormann on 2 June 2014.

The Committee will consider, amongst other things, 'whether a separate agency should manage ATO litigation, whether the ATO should have a separate appeals area or if current arrangements should continue'.<sup>29</sup> In this regard, I have previously made a number of relevant recommendations in my *2011 Tax Forum Submission* and *2012 ADR review*.<sup>30</sup> These recommendations include the need to establish a separate appeals area within the ATO.<sup>31</sup>

I was therefore pleased to accept the Parliamentary Committee's request and have commenced a review into the ATO's management of tax disputes with high wealth individuals and large businesses (*tax disputes review*), in keeping with the Committee's request.

This review is expected to be completed by March 2015.

## TAX COMPLAINTS AND OTHER POLICY INITIATIVES

I have previously noted that the reviews and other activities of my office result in both immediate and longer-term improvements. Some of these improvements require administrative action to which the ATO generally responds within each review report. Other improvements require changes to policy and require the Government to make legislative changes over time.

This year, the Government has addressed a number of policy changes that I had recommended in my *2011 Tax Forum Submission* and a number of previous reviews.

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<sup>29</sup> House of Representatives Standing Committee on Tax and Revenue, 'Inquiry into Tax Disputes launched' (Media Alert, 6 June 2014).

<sup>30</sup> IGT, *Review into the Australian Taxation Office's use of early and Alternative Dispute Resolution* (2012).

<sup>31</sup> Above n 4, p 17; *ibid*, recommendation 6.1, p 107.



## Tax complaints handling

In the May 2014 Federal Budget, the Government announced its intention to transfer the tax complaints function from the Commonwealth Ombudsman to the IGT. This announcement aligns with a recommendation made in my *2011 Tax Forum Submission* for a centralised scrutineering function.<sup>32</sup>

I am pleased that the Government has entrusted my office to undertake this important function. One of the major tasks or challenges for my office in the coming financial year is to ensure sufficient staffing and infrastructure are established, within the budgetary constraints, so that the transfer is as seamless as possible and the taxpayer experience enhanced. These tasks will have to be undertaken whilst the reviews already underway are completed in a timely manner.

The new function will provide greater integration between single complaints and systemic tax administration issues. Such integration within one agency, with specialist tax knowledge and expertise, provides a single port-of-call for taxpayer complaints and opportunities to improve the administration of the tax system. It will also facilitate an increased focus on addressing the underlying causes of taxpayer complaints in a more responsive and timely fashion whilst avoiding duplication and minimising overall costs.

In assuming this new function, my office will continue to build upon its established consultation approach and relationships both within Australia and overseas to identify and address matters affecting the tax system, the ATO, taxpayers and their advisers.

## Policy initiatives following IGT recommendations

A number of other Government and policy initiatives have also been announced this year, addressing recommendations made in a number of my previous reviews. These include:

- making superannuation fairer by allowing taxpayers to withdraw excess non-concessional contributions and not incur the ECT as noted earlier<sup>33</sup>;
- the formation of a committee composed of officials from the Treasury and the ATO as well as private sector experts 'to refocus discussions at a higher, more strategic level to address new and emerging challenges in tax policy and law design' (see recommendation 5.1 of my *self assessment review*)<sup>34</sup>; and

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<sup>32</sup> Above n 4, pp 18-19.

<sup>33</sup> Above n 13; above n 14.

<sup>34</sup> Steven Ciobo, 'The Tax Institute 29th National Convention' (Speech delivered at the 29<sup>th</sup> National Convention, Tax Institute of Australia, Hobart, 28 March 2014); above n 15.



- assisting small business owners to more efficiently meet their superannuation guarantee obligations by transferring the Small Business Superannuation Clearing House to the ATO (see recommendation 3 and discussion of options in my *superannuation guarantee charge review*).<sup>35</sup>

## STAKEHOLDERS

### The Federal Parliament

As representatives of the Australian community, the members of Parliament are well-placed to identify the concerns affecting their constituents. Through annual public hearings, matters of concern in tax administration are raised with me directly. I am grateful to them for assisting my office in this way.

The *Inspector-General of Taxation Act 2003* (IGT Act) also provides for Parliamentary bodies to make requests for reviews to be undertaken on certain topics<sup>36</sup>, an example of which is the request I have received this year in relation to the Tax Disputes Inquiry.

### External stakeholders

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

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

### Public sector stakeholders

The Commonwealth Auditor-General and the Commonwealth Ombudsman also scrutinise the ATO from their perspectives. As part of our planning processes, we have consulted during the course of this financial year to avoid any potential overlaps. Naturally, the transfer of the Ombudsman's tax complaints function to the IGT office may change this consultation process significantly. However, it is anticipated that our agencies will continue to cooperate on matters of mutual relevance and interest.

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<sup>35</sup> Arthur Sinodinos AO and Bruce Billson, 'Life made easier for small business' (Joint Media Release, 9 January 2014); above n 9.

<sup>36</sup> *Inspector-General of Taxation Act 2003* s 8(3)(d).

My office has also continued to develop and foster relationships with other government agencies including the Attorney-General's Department, Commonwealth Small Business Commissioner, the Tax Practitioners Board, the Australian Financial Security Authority and the Australian Securities and Investments Commission.

The relationships with these government bodies have ensured that my office is aware of whole-of-government initiatives when identifying improvements to the tax system. I appreciate the assistance that my office has received from these agencies.

I also thank the ATO and its personnel for their professional assistance. Communication between our respective offices has been frank, open and has led to improvements to the tax system.

It should always be appreciated that a degree of tension exists between an administrator and the scrutineering function which, professionally managed, is entirely appropriate to maintain the community's confidence in the scrutineer's independence. The independence of the IGT as a consulting scrutineer is crucial. It is therefore important to ensure the constructive relationship with the ATO is maintained, balanced and professional in approach.

Lastly, I thank the Treasury as a partner in this relationship and also the Treasurer, the Acting Assistant Treasurer and their staff for their support.

## International organisations

Tax systems do not exist in isolation and frequently interact with events and developments in other jurisdictions.

Internationally, my office has continued to engage with a number of overseas revenue and scrutineering bodies including the New Zealand Inland Revenue Department, the United Kingdom's Her Majesty's Revenue and Customs, the USA's National Taxpayer Advocate and the Canadian Taxation Ombudsman. Such engagement provides useful insights into common tax administration issues and may result in the development of innovative solutions in the Australian context. I will continue to build and foster these relationships in the years to come.

My office also communicates with the Organisation for Economic Co-operation and Development (OECD) and examines its research, insights and findings for a broader international perspective.

## STATUTORY STATEMENTS

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

Ali Noroozi  
Inspector-General of Taxation

## CORPORATE STATEMENT

### Role, function, outcome and output structure

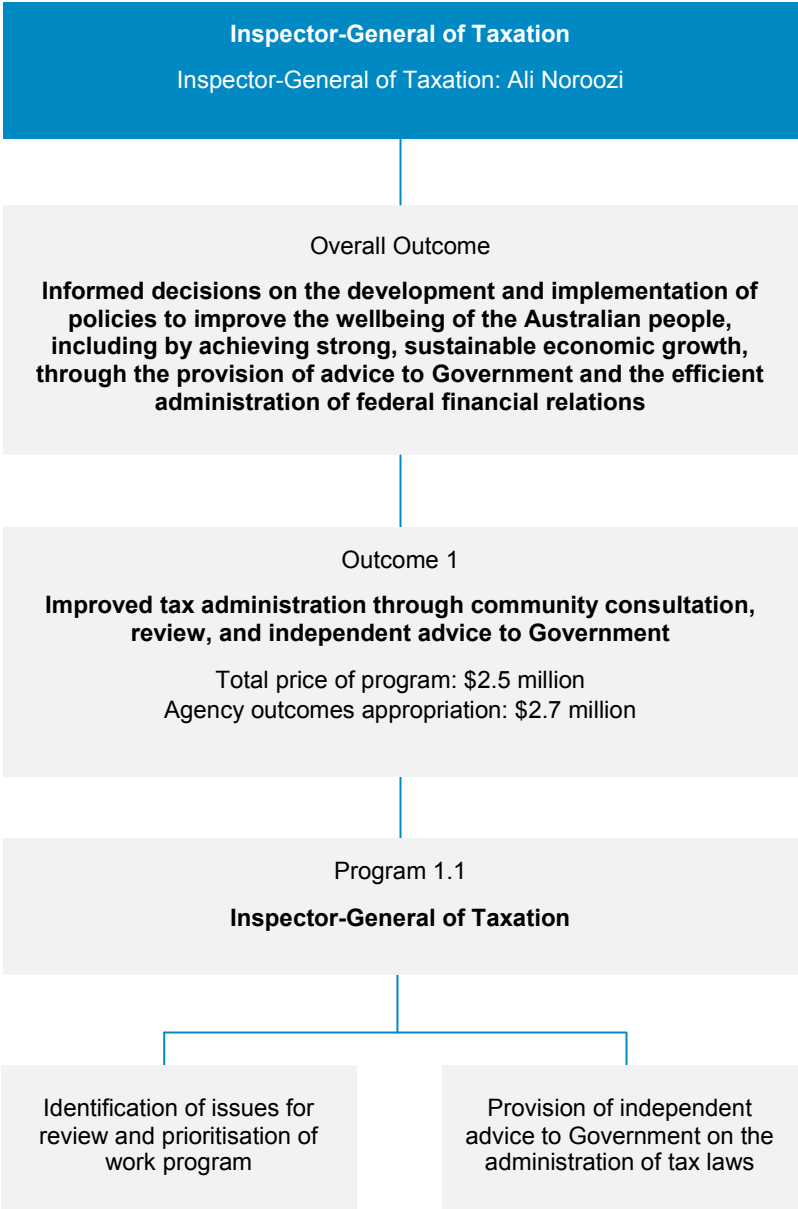
The IGT Act established an independent statutory agency to review:

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

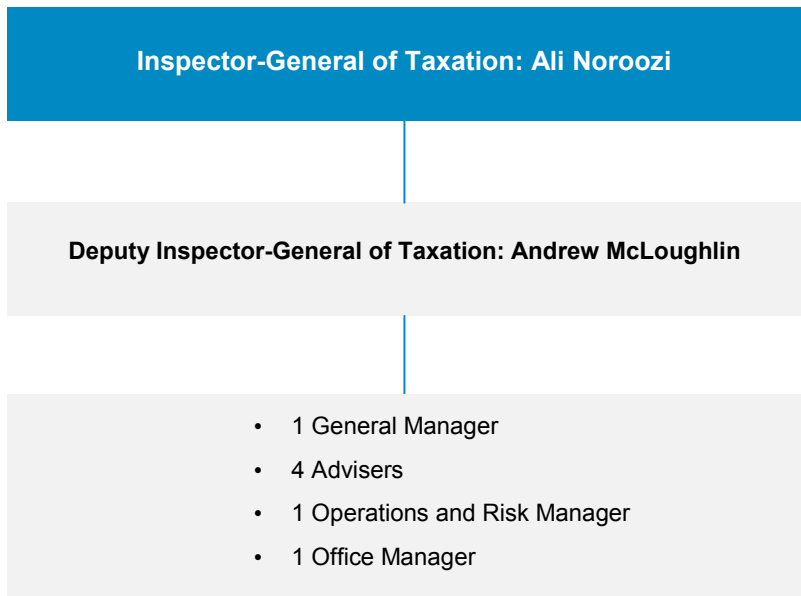
The IGT seeks to improve the administration of tax laws for the benefit of all taxpayers. This is to be achieved by identifying systemic tax administration issues and providing independent advice to Government and the ATO on how these issues may be overcome or alleviated.

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 stakeholders including taxpayers, tax practitioners and their representatives, the Commonwealth Ombudsman, the Commonwealth Auditor-General and the Commissioner of Taxation.

Figure 1: Outcome and program structure



**Figure 2: Inspector-General of Taxation management structure**



## APPENDIX 1 — EXPENSES FOR OUTCOMES

Table A1: Expenses for Inspector-General of Taxation outcomes

| <b>Outcome 1:</b> Improved tax administration through community consultation, review, and independent advice to Government | Budget            | Actual expenses   | Variation         |
|--|-------------------|-------------------|-------------------|
|  | 2013–14<br>\$'000 | 2013–14<br>\$'000 | 2013–14<br>\$'000 |
|  | (a)               | (b)               | (a - b)           |
| <b>Program 1.1: Inspector-General of Taxation</b>  |                   |                   |                   |
| Departmental expenses  |                   |                   |                   |
| Departmental appropriations <sup>1</sup>   | 2,626             | 2,679             | (53)              |
| Expenses not requiring appropriation in the Budget year  | 30                | 44                | (14)              |
| <b>Total expenses for Outcome 1</b>  | <b>2,656</b>      | <b>2,723</b>      | <b>(67)</b>       |

1. Ordinary annual services (Appropriation Bill No. 1).

|  | 2012–13 | 2013–14 |
|--|---------|---------|
| <b>Average staffing level (number)</b> | 9       | 9       |

## APPENDIX 2 — AGENCY RESOURCE STATEMENT

Table A2: Inspector-General of Taxation resource statement for 2013–14  
as at Budget May 2013

|  | Actual<br>available<br>appropriation | Payments<br>made  | Balance<br>remaining |
|--|--------------------------------------|-------------------|----------------------|
|  | 2013–14<br>\$'000                    | 2013–14<br>\$'000 | 2013–14<br>\$'000    |
|  | (a)                                  | (b)               | (a - b)              |
| <b>Ordinary annual services<sup>1</sup></b>          |                                      |                   |                      |
| Departmental appropriation <sup>2</sup>              | 2,656                                | 2,516             | 140                  |
| <b>Total net resourcing and payments for the IGT</b> | <b>2,656</b>                         | <b>2,516</b>      | <b>140</b>           |

1. Appropriation Act (No. 1) 2013–14 and Appropriation Act (No. 3) 2013–14.

2. Includes an amount of \$0.03 million for the Departmental Capital Budget. For accounting purposes this amount has been designated as 'contributions by owners'.





## **PART 2:**

# **PERFORMANCE REVIEW REPORT**

This part of the report provides a review of the IGT's performance during the 2013–14 financial year in relation to the agency's stated outcome, deliverables and key performance indicators.

The outcome is supported by the adoption of key strategies. The deliverables align with those key strategies and are monitored and measured by way of the performance indicators.

## **OUTCOME 1**

### **IMPROVED TAX ADMINISTRATION**

The planned outcome for the IGT is to improve tax administration through community consultation, review and independent advice to Government.

Key strategies to achieve Outcome 1 are:

- undertake community consultation, research and other processes to identify and prioritise areas of tax administration requiring improvement;
- call for submissions to review identified areas and stimulate input by, for example, issuing terms of reference and submission guidelines, as well as meeting with selected key stakeholders;
- review identified areas and provide independent advice and recommendations for improvements to Government and the ATO;
- maintain a positive public profile by, for example, participating in conferences and seminars as well as through the media;
- 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

- foster greater public awareness and improved access particularly for small businesses and individuals by such means as the media, including social media, the IGT website and participating in tax practitioner discussion groups.

## DELIVERABLES

The IGT has two specific deliverables, being the work program and independent advice to Government through the reviews.

### Deliverable 1 Work program

The IGT's work program arising from community input and consultation with other relevant agencies is set out in detail in Part 1 of the report.

More information on the work program, including updates, is also available on the IGT website.

An additional on-going feature of the work program is sustained engagement with stakeholders and maintaining a public profile to ensure emerging tax administration issues of concern continue to be raised with the IGT. This is achieved by various means such as through the media (including social media), the IGT website, engagement with other government agencies and presenting at conferences, seminars and local tax practitioner discussion groups. During the 2013–14 financial year, the IGT and his staff have addressed a number of such forums. Attendance and participation also facilitates improved understanding of issues at a community level as well as providing comparisons with our foreign counterparts which enhance the office's capabilities and objectivity.

The public speaking engagements undertaken during the 2013–14 financial year are set out in the table below.

Table 1: Key speaking engagements

| Date             | Organisation  | Type of function                       | Location  |
|------------------|---|--|-----------|
| 28 August 2013   | Akolade   | Australasian Transfer Pricing Roadshow | Brisbane  |
| 29 August 2013   | Akolade   | Australasian Transfer Pricing Roadshow | Sydney    |
| 30 August 2013   | Akolade   | Australasian Transfer Pricing Roadshow | Melbourne |
| 2 September 2013 | Akolade   | Australasian Transfer Pricing Roadshow | Perth     |
| 3 September 2013 | Institute of Chartered Accountants Australia (ICAA) | ICAA Discussion Group                  | Sydney    |

Table 1 (continued)

| Date              | Organisation                                     | Type of function  | Location  |
|-------------------|--|---|-----------|
| 20 September 2013 | Institute of Chartered Accountants of India      | Conference  | Sydney    |
| 7 October 2013    | University of Melbourne                          | Seminar   | Melbourne |
| 8 October 2013    | University of Sydney                             | Master of Laws Presentation                                     | Sydney    |
| 17 October 2013   | The Tax Institute                                | The Tax Institute's Tasmanian State Convention                  | Tasmania  |
| 21 October 2013   | ICAA   | Cumberland Discussion Group                                     | Sydney    |
| 27 November 2013  | C5   | C5's Global Conference Series on Transfer Pricing Australia     | Melbourne |
| 26 February 2014  | Akolade  | APAC's 2nd Transfer Pricing & International Corporate Tax Forum | Sydney    |
| 11 March 2014     | King & Wood Mallesons                            | Seminar   | Sydney    |
| 20 March 2014     | University of Sydney                             | Master of Laws Presentation                                     | Sydney    |
| 25 March 2014     | CPA Australia (CPA)                              | CPA Hawkesbury Nepean Discussion Group                          | Sydney    |
| 14 April 2014     | ATAx, University of New South Wales              | ATAx 11th International Tax Administration Conference           | Sydney    |
| 30 April 2014     | The Department of the Prime Minister and Cabinet | Regulator Community Practice Forum                              | Canberra  |
| 12 May 2014       | CPA  | Inner-west Discussion Group                                     | Sydney    |
| 3 June 2014       | ICAA   | ICAA Discussion Group   | Sydney    |
| 3 June 2014       | Corporate Tax Association (CTA)                  | CTA Conference  | Sydney    |
| 5 June 2014       | CPA  | Sydney Professional Accountants Group                           | Sydney    |
| 11 June 2014      | CPA  | Northern Beaches Discussion Group                               | Sydney    |
| 24 June 2014      | CCH Australia                                    | Tax Risk Workshop   | Sydney    |

As mentioned in Part 1, the IGT consults with a range of government agencies in the development of the work program and during the conduct of reviews. These agencies include the ATO, Treasury, Commonwealth Ombudsman, Commonwealth Auditor-General, Attorney-General's Department and Australian Securities and Investments Commission. This year, the IGT has also engaged with the Commonwealth Small Business Commissioner and the Australian Financial Security Authority amongst other agencies.

The IGT also maintains strong ties with international revenue authorities, scrutineering bodies and OECD taxation representatives. Engagement with these organisations enhances IGT reporting and recommendations by better understanding international developments and other factors such as whole-of-government initiatives.

## Deliverable 2

### Independent advice to Government and improvements to tax administration

The IGT provides independent advice to Government. The nature of this advice is primarily provided through the reports of completed reviews delivered to the Minister.

The conduct and completion of reviews is determined by the bespoke nature of each review as well as the priorities afforded by various parties and the small nature of the IGT office. Ministerial direction is also a factor with the IGT having previously been directed to undertake several reviews, including the so called ‘U-turns’ and *Change Program reviews*.<sup>37</sup> The IGT actively seeks to mitigate the tension between the need for flexibility and undue delay through regular project management review.

The review reports detail the IGT’s observations and the recommendations for improvement. Review reports are provided to the Minister after the Commissioner of Taxation has had the opportunity to make a submission — see 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 — see section 11 of the IGT Act.

The following table lists the reviews conducted during the 2013–14 financial year and their status as at 30 June 2014. The completion of IGT reviews is applicable from the time a review report is submitted to the Minister.

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<sup>37</sup> IGT, *Review into delayed or changed Australian Taxation Office views on significant issues* (2010); IGT, *Review into the Australian Taxation Office’s Change Program* (2010).

Table 2: IGT reviews and their status as at 30 June 2014

| IGT reviews   | Status as at 30 June 2014                           |
|---|---|
| Review into aspects of the ATO's use of compliance risk assessment tools  | Report publicly released                            |
| Review into the ATO's compliance approach to individual taxpayers — income tax refund integrity program                                 | Report publicly released                            |
| Review into the ATO's compliance approach to individual taxpayers — use of data matching  | Report publicly released                            |
| Review into the ATO's compliance approach to individual taxpayers — superannuation excess contributions tax                             | Report publicly released                            |
| Review into the ATO's management of transfer pricing matters  | Report publicly released                            |
| Review into the ATO's administration of penalties   | Submitted to the Minister but not publicly released |
| Follow up review into delayed or changed ATO views on significant issues  | Final stages of review                              |
| Follow up review into the ATO's implementation of agreed recommendations in five reports released between August 2009 and November 2010 | Final stages of review                              |
| Review into the ATO's administration of valuation matters   | In progress   |
| Review into the ATO's approach to debt collection   | In progress   |
| Review into the ATO's services and support for tax practitioners  | In progress   |
| Review into the ATO's management of tax disputes with large businesses and high wealth individuals                                      | In progress   |

The first five reviews in the table above were completed and publicly released during this financial year. The next review listed, the *penalties review*, was also completed during this financial year but not publicly released by the Minister until the start of the 2014–15 financial year. These six reviews are all described in Part 1 of this report.

The two follow up reviews, shown next in the table, were in the final stages of completion at the end of the financial year. The final four reviews listed were commenced during this financial year. With the exception of the *valuations review*, these four reviews as well as the two follow up reviews are discussed in Part 1 of this report.

The *valuations review* was conducted in response to concerns raised by taxpayers, tax practitioners and their representative bodies, relating to:

- the uncertainty and cost associated with valuations;
- the ATO's management of the compliance risk associated with valuations;

- the independence, capability and ATO's engagement of valuers; and
- interactions between the ATO, taxpayers and valuers and how disputes are resolved.

The IGT will make further comment on the reviews that have not been completed and/or not publicly released once they are completed and released by the Minister.

Details on the reviews and access to publicly released reports are available on the IGT website, [www.igt.gov.au](http://www.igt.gov.au).

## PERFORMANCE INDICATORS

The IGT has two key performance indicators, being positive community stakeholder feedback and support as well as improvements to tax administration.

### Performance indicator 1

#### Positive community stakeholder feedback and support

The IGT continues to receive positive feedback and support from community stakeholders which may be attributable to the IGT's responsiveness in reviewing tax administration issues of concern and evidenced by stakeholders' ongoing engagement with the IGT's work program.

Positive feedback and support is vital for a small agency such as the IGT comprising of just nine personnel in total. The IGT will continue to engage and communicate with the community to ensure their concerns are correctly identified and understood.

### Performance indicator 2

#### Improvements to tax administration

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

Firstly, the IGT's recommendations for Government's consideration may be policy in nature and lead to legislative change to address identified administrative issues. Examples of Government policy and legislative initiatives adopted in this financial year are set out in Part 1 of this report.

Secondly, and more commonly, the Commissioner may agree to and implement recommendations made by the IGT during a review or following the release of a review report by the Minister.

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

However, historically, the Commissioner of Taxation has accepted fully or in part the vast majority of the IGT's recommendations. This trend continues for reviews publicly released in 2013–14, with the Commissioner accepting fully or in part 67 of the 69 recommendations made to the ATO — refer to Table 3 below.

**Table 3: Recommendations in publicly released IGT reports during 2013–14**

| IGT review  | Number of recommendations accepted fully, in part or in principle by the ATO | Number of recommendations for Government's consideration | Number of recommendations disagreed by the ATO |
|---|--|--|--|
| Review into the ATO's compliance approach to individual taxpayers — income tax refund integrity program     | 13   | 0  | 0  |
| Review into the ATO's compliance approach to individual taxpayers — use of data matching                    | 13   | 0  | 0  |
| Review into aspects of the ATO's use of compliance risk assessment tools                                    | 16   | 0  | 0  |
| Review into the ATO's compliance approach to individual taxpayers — superannuation excess contributions tax | 8  | 2  | 1  |
| Review into the ATO's management of transfer pricing matters  | 17   | 0  | 1  |
| <b>Total</b>  | <b>67</b>  | <b>2</b>   | <b>2</b>                                       |

The outcomes of these reviews, demonstrate the achievement of the IGT's objective to improve the tax administration for the benefit of all taxpayers.

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

## FINANCIAL PERFORMANCE

The IGT received an unmodified audit report on the 2013–14 financial statements from the Australian National Audit Office (ANAO). These statements can be found in Part 4 of this report.

The IGT ended 2013–14 with an attributable surplus of \$28,925, compared to a surplus of \$266,191 in 2012–13.

The agency has sufficient cash and reserves to fund its liabilities as and when they fall due.





## PART 3:

# MANAGEMENT AND ACCOUNTABILITY

### CORPORATE GOVERNANCE

As a public office holder, the IGT reports and is accountable to the Minister for meeting his statutory role. As the Chief Executive Officer (CEO) of the IGT office, the IGT is responsible for the operation and performance of his office pursuant to the *Financial Management and Accountability Act 1997* (FMA Act).

The corporate governance practices of the IGT office are designed to take into account the small size of the office. The IGT governance processes align with those of the Treasury to provide synergistic benefits under the Service Level Agreement (SLA) entered into by the two agencies.

The IGT as CEO and the Deputy IGT as Chief Finance Officer (CFO) together act as the agency Executive (the Executive). They have developed a range of governance policies, plans and procedures appropriate to the agency's staffing level of nine people, as at 30 June 2014, operating out of a single office location.

### Fraud prevention and control

No cases of fraud were reported to the Australian Federal Police in 2013–14.

The IGT office's Fraud Control Plan accords with the *Commonwealth Fraud Control Guidelines* and the ANAO's *Fraud Control in Australian Government Entities – Better Practice Guide*.

The IGT office:

- has prepared fraud risk assessments and fraud control plans;
- has appropriate fraud control, prevention, detection, investigation, reporting and data collection procedures and processes in place;
- reports annual fraud data information to the Australian Institute of Criminology; and
- has taken all reasonable measures to minimise the incidence of fraud and to investigate and recover the proceeds of fraud against the agency.

## Audit and risk committee

Pursuant to section 46 of the FMA Act, the IGT continues to maintain an Audit and Risk Committee. The committee is independent and provides valuable assurance and advice to the CEO. The committee met on four occasions during 2013–14.

## Remuneration committee

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

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

## Corporate planning and reporting

Corporate planning is undertaken by the 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 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.

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

For the IGT's work program of reviews, reference should be made to Parts 1 and 2 of this report.

## Risk management

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

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

- Chief Executive's Instructions (CEIs) provide the policy and procedural framework for financial management in the IGT office and put into effect the requirements of the FMA Act. They also contain topics relating specifically to risk management and internal accountability.
- The Fraud Control Plan complies with the *Commonwealth Fraud Control Guidelines* issued under regulation 16A of the *Financial Management and Accountability Regulations 1997*.
- The Business Continuity Plan includes processes for identifying and assessing risks and contingency plans for events that disrupt normal IGT office operations.
- Security Risk Management is managed in accordance with the requirement of the Australian Government *Protective Security Policy Framework*.
- Risk assessments are to be reviewed annually as part of the process of applying for insurance renewal. The program is based on the Risk Management Standard AS/NZS ISO 31000:2009 and will measure the IGT's performance in implementing risk management processes and policies against the national benchmark.

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

### Information technology

The IGT has strategies in place to ensure that risks associated with the delivery of information technology (IT) services are identified and managed. The IGT office uses Treasury's IT infrastructure, governance and support systems under the SLA. Examples of such use include:

- the IT Disaster Recovery Plan (including Business Continuity Planning) which sets out strategies and processes to restore service disruptions;
- the Information Security Policy which sets out the technical requirements for the protection of electronic data and the expectations of all users of IT resources for the secure operation of IT systems. This overarching policy covers acceptable internet and email use as well as information storage, access and maintenance in conformity with Australian Government and legislative requirements; and
- website development standards and guidelines based on Australian Government Information Management Office guidelines, the *Information Security Manual* and Australian Signals Directorate guidelines. The standards ensure compliance with best practice in relation to website security.

Staff awareness of risk management policies and procedures is maintained through training programs 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 embraces the Australian Public Service (APS) Values and this is reflected in relevant corporate documents.

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

## EXTERNAL SCRUTINY

### Audit

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

### Internal audits

The SLA with the Treasury includes provision for internal audit services. The Audit and Risk Committee established by the IGT may seek input from the Treasury regarding internal audit matters relevant to the IGT office.

### Reports on the operations of the IGT

There were no reports in 2013–14 on the operations of the IGT by the Auditor-General (other than the report on financial statements contained in Part 4), a Parliamentary committee or the Commonwealth Ombudsman. There was no agency capability review regarding the IGT in 2013–14.

### Judicial, administrative tribunal or Australian Information Commissioner decisions

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

## MANAGEMENT OF HUMAN RESOURCES

The IGT office consists of a small number of staff and seeks to provide a collegiate environment for staff to develop through their work and participation in a broad range of agency activities and corporate obligations. The nature of the work provides for a clear sense of achievement and satisfaction in performing an important community function. However, given the office's small size and specific skill 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 an informal half-yearly review.

The IGT has utilised the design features and infrastructure of the Treasury Performance Management System in its own 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

IGT staff are employed under an employment agreement. The employment terms and conditions are consistent for all staff within the IGT office. Employment conditions and remuneration are determined by reference to the Employment Guidelines which incorporate a pay model (see Tables 4 and 5 for salary scales for non-SES and SES staff, as at 30 June 2014). This arrangement provides underlying consistency for all employees while providing flexibility in recognising individual circumstances. In 2011, non-SES staff entered into an enterprise agreement under the *Fair Work Act 2009*.

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

**Table 4: Salary scales — non-SES**

| Classification | 30 June 2014 |         |
|----------------|--------------|---------|
|                | Minimum      | Maximum |
|                | \$           | \$      |
| APS6           | 79,777       | 96,651  |
| EL1            | 104,060      | 119,369 |

The IGT may provide alternative remuneration arrangements in specific circumstances.

At 30 June 2014, there was one permanent SES employee engaged under an employment agreement and one under a determination.

Table 5: Salary scales — SES

| Classification | 30 June 2014 |         |
|----------------|--------------|---------|
|                | Minimum      | Maximum |
|                | \$           | \$      |
| SES Band 1     | 189,757      | 220,540 |
| SES Band 2     | 232,573      | 272,215 |

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

## Workplace relations

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

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

## Recruitment and succession planning

The IGT recruits staff based on merit and current competence. The ability to make an immediate contribution to the role of the IGT is very important particularly given the small size of his office. The opportunity exists under the IGT Act to second staff to the office. The IGT also takes part in graduate development through secondee arrangements within the APS. During 2013–14, there was one such secondee.

## Learning and development

The IGT's employment management policies reinforce the IGT's commitment to staff learning and development. As well as providing internal agency staff training on a periodic basis where possible, the IGT financially supports individual staff members who wish to complete post-graduate courses or attend specific learning and development opportunities where appropriate.

## Staffing information

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

Table 6: Operative staff by classification and gender  
(as at 30 June 2014)

| Classification    | Male     | Female   | Total    |
|-------------------|----------|----------|----------|
| APS6              |          | 1        | 1        |
| EL1               | 5        |          | 5        |
| SES Band 1        | 1        |          | 1        |
| SES Band 2        | 1        |          | 1        |
| Inspector-General | 1        |          | 1        |
| <b>Total</b>      | <b>8</b> | <b>1</b> | <b>9</b> |

Note: IGT staff are employed on an ongoing full-time basis in the IGT's Sydney office.

## PROCUREMENT AND ASSETS MANAGEMENT

### Procurement

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

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

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

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

### Assets management

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

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



## CONSULTANCIES

The IGT agency engages consultants where it requires specialist expertise or when independent research, review or assessment is needed. Consultants are typically engaged to investigate or diagnose a defined issue or problem, carry out defined reviews or evaluations or provide independent advice, information or solutions to assist in the agency's decision making.

Prior to engaging consultants, the agency takes into account the skills and resources required for the task, the skills available internally, and the cost-effectiveness of engaging external expertise. The decision to engage a consultant is made in accordance with the FMA Act and related regulations including the CPRs and relevant internal policies.

During 2013–14, consultancy contracts were entered into that involved total actual expenditure of \$66,767 (inclusive of GST). Information on contracts and consultancies is available on the AusTender website [www.tenders.gov.au](http://www.tenders.gov.au).

## AUSTRALIAN NATIONAL AUDIT OFFICE ACCESS CLAUSES

The IGT is required to provide details of any contract entered during 2013–14 of \$100,000 or more (inclusive of GST) that does not provide for the Auditor-General to have access to the contractor's premises.

The IGT has entered into no such contracts in this reporting period.

## EXEMPT CONTRACTS

The IGT has not exempted any contracts or standing offers from being published on AusTender in this reporting period on the basis that it would disclose exempt matters under the *Freedom of Information Act 1982* (FOI Act).

## WORKPLACE DIVERSITY

The IGT, as noted, recruits its small workforce based on merit and current competence. 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.

The IGT evaluates the Treasury's policies and plans regarding workplace diversity and will continue to consider options available to a small agency.

Table 7: Operative staff by Equal Employment Opportunity target group  
(as at 30 June 2014)

| Classification    | Female   | Born Overseas | ESL      | AATSI    | Disability |
|-------------------|----------|---------------|----------|----------|------------|
| APS6              | 1        |               | 1        |          |            |
| EL1               |          | 3             | 2        |          |            |
| SES Band 1        |          |               |          |          |            |
| SES Band 2        |          |               |          |          |            |
| Inspector-General |          | 1             | 1        |          |            |
| <b>Total</b>      | <b>1</b> | <b>4</b>      | <b>4</b> | <b>0</b> | <b>0</b>   |

## Disability action plan

The Commonwealth's *National Disability Strategy 2010–2020* sets out a ten year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high level two-yearly report will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. The first of these reports will be available in late 2014 and can be found at [www.dss.gov.au](http://www.dss.gov.au).



**PART 4:**  
**FINANCIAL STATEMENTS**

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## INDEPENDENT AUDITOR'S REPORT

### To the Assistant Treasurer

I have audited the accompanying financial statements of the Inspector-General of Taxation for the year ended 30 June 2014, which comprise: a Statement by the Chief Executive Officer and Chief Finance Officer; Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; and Notes to and forming part of the financial statements including a summary of significant accounting policies.

### *Chief Executive's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

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

***Independence***

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

***Opinion***

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders, including the Inspector-General of Taxation's financial position as at 30 June 2014 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Michael J. Watson

Group Executive Director

Delegate of the Auditor-General

Canberra

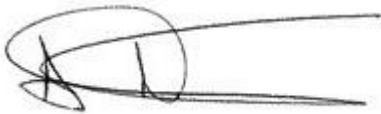
28 August 2014

## THE INSPECTOR-GENERAL OF TAXATION

### Statement by the Chief Executive Officer and Chief Finance Officer

#### Certification of financial statements

In our opinion, the attached financial statements for the year ended 30 June 2014 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

A stylized, handwritten signature in black ink, featuring a large, circular loop on the left and a long, horizontal stroke extending to the right.

Ali Noroozi  
Inspector-General of Taxation  
28 August 2014

A handwritten signature in black ink, consisting of a series of fluid, connected loops and a long, sweeping tail that curves upwards and to the right.

Andrew McLoughlin  
Chief Finance Officer  
28 August 2014

## Statement of Comprehensive Income

for the period ended 30 June 2014

|  | Notes | 2014<br>\$         | 2013<br>\$         |
|--|-------|--------------------|--------------------|
| <b>NET COST OF SERVICES</b>  |       |                    |                    |
| <b>Expenses</b>  |       |                    |                    |
| Employee benefits  | 3A    | 1,836,693          | 1,645,744          |
| Suppliers  | 3B    | 842,241            | 879,441            |
| Depreciation and amortisation  | 3C    | 41,796             | 74,410             |
| Finance costs  | 3D    | 2,757              | 1,657              |
| Write-down and impairment of assets  | 3E    | -                  | 245                |
| <b>Total Expenses</b>  |       | <b>2,723,487</b>   | <b>2,601,497</b>   |
| <b>LESS:</b>   |       |                    |                    |
| <b>Own-Source Income</b>   |       |                    |                    |
| <b>Gains</b>   |       |                    |                    |
| Other gains  | 4A    | 88,346             | 32,800             |
| <b>Total gains</b>   |       | <b>88,346</b>      | <b>32,800</b>      |
| <b>Total own-source income</b>   |       | <b>88,346</b>      | <b>32,800</b>      |
| <b>Net cost of services</b>  |       | <b>(2,635,141)</b> | <b>(2,568,697)</b> |
| Revenue from Government  | 4B    | 2,626,000          | 2,622,000          |
| <b>Surplus/(Deficit) attributable to the Australian Government</b>                   |       | <b>(9,141)</b>     | <b>53,303</b>      |
| <b>OTHER COMPREHENSIVE INCOME</b>  |       |                    |                    |
| <b>Items not subject to subsequent reclassification to net cost of services</b>      |       |                    |                    |
| Changes in asset revaluation reserves  |       | (3,730)            | 138,478            |
| <b>Total other comprehensive income</b>  |       | <b>(3,730)</b>     | <b>138,478</b>     |
| <b>Total comprehensive income / (loss) attributable to the Australian Government</b> |       | <b>(12,871)</b>    | <b>191,781</b>     |

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



## Statement of Financial Position

as at 30 June 2014

|                                   | Notes | 2014<br>\$       | 2013<br>\$       |
|-----------------------------------|-------|------------------|------------------|
| <b>ASSETS</b>                     |       |                  |                  |
| <b>Financial assets</b>           |       |                  |                  |
| Cash and cash equivalents         | 6A    | 45,019           | 98,052           |
| Trade and other receivables       | 6B    | 3,375,753        | 3,071,018        |
| <b>Total financial assets</b>     |       | <b>3,420,772</b> | <b>3,169,070</b> |
| <b>Non-financial assets</b>       |       |                  |                  |
| Property, plant and equipment     | 7A,7C | 20,359           | 34,382           |
| Leasehold improvements            | 7B,7C | 128,501          | 154,344          |
| Other non-financial assets        | 7D    | 37,844           | 22,900           |
| <b>Total non-financial assets</b> |       | <b>186,704</b>   | <b>211,626</b>   |
| <b>Total assets</b>               |       | <b>3,607,476</b> | <b>3,380,696</b> |
| <b>LIABILITIES</b>                |       |                  |                  |
| <b>Payables</b>                   |       |                  |                  |
| Suppliers                         | 8A    | 68,259           | 27,434           |
| Other payables                    | 8B    | 88,095           | 38,873           |
| <b>Total payables</b>             |       | <b>156,354</b>   | <b>66,307</b>    |
| <b>Provisions</b>                 |       |                  |                  |
| Employee provisions               | 9A    | 427,726          | 302,541          |
| Other provisions                  | 9B    | 93,418           | 86,931           |
| <b>Total provisions</b>           |       | <b>521,144</b>   | <b>389,472</b>   |
| <b>Total liabilities</b>          |       | <b>677,498</b>   | <b>455,779</b>   |
| <b>Net assets</b>                 |       | <b>2,929,978</b> | <b>2,924,917</b> |
| <b>EQUITY</b>                     |       |                  |                  |
| Contributed equity                |       | 137,573          | 107,573          |
| Reserves                          |       | 437,933          | 441,663          |
| Retained surplus                  |       | 2,354,472        | 2,375,681        |
| <b>Total equity</b>               |       | <b>2,929,978</b> | <b>2,924,917</b> |

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

**Statement of Changes in Equity**  
*for the period ended 30 June 2014*

|  | Retained earnings |                  | Asset revaluation reserves |                | Contributed equity |                | Total equity     |                  |
|--|-------------------|------------------|----------------------------|----------------|--------------------|----------------|------------------|------------------|
|  | 2014              | 2013             | 2014                       | 2013           | 2014               | 2013           | 2014             | 2013             |
|  | \$                | \$               | \$                         | \$             | \$                 | \$             | \$               | \$               |
| <b>Opening balance as at 1 July</b>                          |                   |                  |                            |                |                    |                |                  |                  |
| Balance carried forward from previous period                 | 2,375,681         | 2,322,378        | 441,663                    | 294,138        | 107,573            | 77,573         | 2,924,917        | 2,694,089        |
| Adjustment to prior year entitlements                        | (12,068)          | -                | -                          | -              | -                  | -              | (12,068)         | -                |
| <b>Total comprehensive income</b>                            | <b>2,363,613</b>  | <b>2,322,378</b> | <b>441,663</b>             | <b>294,138</b> | <b>107,573</b>     | <b>77,573</b>  | <b>2,912,849</b> | <b>2,694,089</b> |
| <b>Comprehensive income</b>                                  |                   |                  |                            |                |                    |                |                  |                  |
| Revaluations   | -                 | -                | -                          | 138,478        | -                  | -              | -                | 138,478          |
| Re-statement of 'Make Good' Surplus/(deficit) for the period | (9,141)           | 53,303           | (3,730)                    | 9,047          | -                  | -              | (3,730)          | 9,047            |
| <b>Total comprehensive income</b>                            | <b>(9,141)</b>    | <b>53,303</b>    | <b>(3,730)</b>             | <b>-</b>       | <b>-</b>           | <b>-</b>       | <b>(9,141)</b>   | <b>53,303</b>    |
| <b>Transactions with owners</b>                              |                   |                  |                            |                |                    |                |                  |                  |
| Contributions by owners                                      |                   |                  |                            |                |                    |                |                  |                  |
| Departmental capital budget appropriation                    | -                 | -                | -                          | -              | 30,000             | 30,000         | 30,000           | 30,000           |
| <b>Total transactions with owners</b>                        | <b>-</b>          | <b>-</b>         | <b>-</b>                   | <b>-</b>       | <b>30,000</b>      | <b>30,000</b>  | <b>30,000</b>    | <b>30,000</b>    |
| <b>Closing balance as at 30 June</b>                         | <b>2,354,472</b>  | <b>2,375,681</b> | <b>437,933</b>             | <b>441,663</b> | <b>137,573</b>     | <b>107,573</b> | <b>2,929,978</b> | <b>2,924,917</b> |

This statement should be read in conjunction with the accompanying notes.

## Cash Flow Statement

for the period ended 30 June 2014

|   | Notes | 2014<br>\$ | 2013<br>\$ |
|---|-------|------------|------------|
| <b>OPERATING ACTIVITIES</b>                         |       |            |            |
| <b>Cash received</b>                                |       |            |            |
| Appropriations                                      |       | 2,293,458  | 2,504,360  |
| Net GST received                                    |       | 54,049     | 82,632     |
| <b>Total cash received</b>                          |       | 2,347,507  | 2,586,992  |
| <b>Cash used</b>                                    |       |            |            |
| Employees   |       | 1,665,410  | 1,575,005  |
| Suppliers   |       | 790,614    | 934,518    |
| <b>Total cash used</b>                              |       | 2,456,024  | 2,509,523  |
| <b>Net cash from (used by) operating activities</b> | 10    | (108,517)  | 77,469     |
| <b>INVESTING ACTIVITIES</b>                         |       |            |            |
| <b>Cash used</b>                                    |       |            |            |
| Purchase of property, plant and equipment           |       | 1,930      | 16,896     |
| <b>Total cash used</b>                              |       | 1,930      | 16,896     |
| <b>Net cash from (used by) investing activities</b> |       | (1,930)    | (16,896)   |
| <b>FINANCING ACTIVITIES</b>                         |       |            |            |
| <b>Cash received</b>                                |       |            |            |
| Contributed equity                                  |       | 57,414     | -          |
| <b>Total cash received</b>                          |       | 57,414     | -          |
| <b>Net cash from (used by) financing activities</b> |       | 57,414     | -          |
| <b>Net increase (decrease) in cash held</b>         |       | (53,033)   | 60,573     |
| Cash at the beginning of the reporting period       |       | 98,052     | 37,479     |
| <b>Cash at the end of the reporting period</b>      | 6A    | 45,019     | 98,052     |

This statement should be read in conjunction with the accompanying notes.

## Schedule of Commitments

as at 30 June 2014

|  | 2014<br>\$       | 2013<br>\$       |
|--|------------------|------------------|
| <b>BY TYPE</b>                           |                  |                  |
| <b>Commitments receivable</b>            |                  |                  |
| Net GST recoverable on commitments       | 111,349          | 132,921          |
| <b>Total commitments receivable</b>      | <b>111,349</b>   | <b>132,921</b>   |
| <b>Commitments payable</b>               |                  |                  |
| <b>Other commitments</b>                 |                  |                  |
| Operating leases <sup>1</sup>            | 1,224,844        | 1,462,136        |
| Other commitments <sup>2</sup>           | 720,000          | -                |
| <b>Total other commitments</b>           | <b>1,944,844</b> | <b>1,462,136</b> |
| <b>Total commitments payable</b>         | <b>1,944,844</b> | <b>1,462,136</b> |
| <b>Net commitments by type</b>           | <b>1,833,495</b> | <b>1,329,215</b> |
| <b>BY MATURITY</b>                       |                  |                  |
| <b>Commitments receivable</b>            |                  |                  |
| Within 1 year                            | 22,172           | 21,059           |
| Between 1 to 5 years                     | 89,177           | 95,855           |
| More than 5 years                        | -                | 16,007           |
| <b>Total commitments receivable</b>      | <b>111,349</b>   | <b>132,921</b>   |
| <b>Commitments payable</b>               |                  |                  |
| <b>Operating lease commitments</b>       |                  |                  |
| Within 1 year                            | 243,896          | 231,644          |
| Between 1 to 5 years                     | 980,948          | 1,054,416        |
| More than 5 years                        | -                | 176,076          |
| <b>Total operating lease commitments</b> | <b>1,224,844</b> | <b>1,462,136</b> |
| <b>Other commitments</b>                 |                  |                  |
| Within 1 year                            | 240,000          | -                |
| Between 1 to 5 years                     | 480,000          | -                |
| More than 5 years                        | -                | -                |
| <b>Total other commitments</b>           | <b>720,000</b>   | <b>-</b>         |
| <b>Total commitments payable</b>         | <b>1,944,844</b> | <b>1,462,136</b> |
| <b>Net commitments by maturity</b>       | <b>1,833,495</b> | <b>1,329,215</b> |

Note: Commitments are GST inclusive where relevant.

| Note | Nature of Lease  | General description of leasing arrangements  |
|------|--|--|
| 1    | Leases for office accommodation                        | The agreement allows annual fixed rental increases. The agency entered into a further lease at the current premises in 2013. |
| Note | Description  | General description of the agreement   |
| 2    | Service Agreement for the provision of office services | The agreement allows for an annual increase with Wage Cost Index (WCI).  |

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

## Schedule of Contingencies

*as at 30 June 2014*

The Inspector-General of Taxation has no contingent assets and liabilities.

Notes to and forming part of the financial statements  
*for the period ended 30 June 2014*

|                 |   |           |
|-----------------|---|-----------|
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## **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. It is a not-for-profit 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 tax administration through community consultation, review, and independent advice to Government’.

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

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

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

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

The IGT’s departmental activities are identified under Outcome 1 by one program, Program 1.1 Inspector-General of Taxation. The IGT has no administered activities.

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

### **1.2 Basis of preparation of the financial statements**

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

The Financial Statements and notes have been prepared in accordance with:

- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the Statement of Financial Position 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 executory contracts 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 11).

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, the IGT has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- The employee provision has been determined by reference to standard parameters provided by the Department of Finance.
- The fair value of buildings has been taken to be the market value of similar properties or depreciated replacement value as determined by an independent valuer.



- The make-good provision has been calculated with reference to building costs required to restore the premises to original condition as required in the lease.

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

## **1.4 Changes in 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 prior to the sign-off date that are applicable to the current period have had a material financial impact on the agency.

### **Future Australian Accounting Standard requirements**

Of the new standards, amendments to standards and interpretations issued by the AASB that are applicable to future periods, it is estimated that the impact of adopting the pronouncements when effective will have no material financial impact on future reporting periods, but may affect disclosures in future financial reports.

## **1.5 Revenue**

### **Revenue from Government**

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

Appropriations receivable are recognised at their nominal amounts.

### **Other types of revenue**

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

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

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

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

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

## 1.6 Gains

### Resources received free of charge

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

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

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

### Sale of assets

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

## 1.7 Transactions with the Government as owner

### Equity injections

Amounts appropriated designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCB) are recognised directly in contributed equity in that year.

## 1.8 Employee benefits

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

### Leave

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

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

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

### Separation and redundancy

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

### Superannuation

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

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

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance's administered schedules and notes.

The agency makes employer contributions to the employees' superannuation scheme at rates determined by an actuary to be sufficient to meet the cost to the Government. The agency accounts for the contributions as if they were contributions to defined contribution plans.

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 an 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 Fair value measurement

The entity deems transfers between levels of the fair value hierarchy to have occurred at the end of the reporting period.

## 1.12 Cash

Cash is recognised at its nominal amount.

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.

## 1.13 Financial assets

The IGT classifies its financial assets as loans and receivables.

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

### Loans and receivables

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

### Impairment of financial assets

Financial assets are assessed for impairment at each balance date.

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

## 1.14 Financial liabilities

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

### Other financial liabilities

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

## 1.15 Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position 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.

### 1.16 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.

### 1.17 Property, plant and equipment

#### Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, 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 'make good' provisions in property leases taken up by the IGT where there exists an obligation to restore the property to its original condition. These costs are included in the value of the IGT's leasehold improvements with a corresponding provision for the 'make good' recognised.

#### Revaluations

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

| Asset class                   | Fair value measured at   |
|-------------------------------|--|
| Leasehold improvements        | Estimated replacement cost of office fit out adjusted for remaining useful life. |
| Property, plant and equipment | Estimated replacement cost of similar assets adjusted for remaining useful life. |

Following initial recognition at cost, property plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations were conducted with sufficient frequency to ensure that the carrying amounts of assets did 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. A Fair Value review was undertaken by the independent valuer at 30 June 2014 who confirmed that the carrying amount of non-financial assets has not materially changed since the last valuation.

Revaluation adjustments were made on a class basis. Any revaluation increment was credited to equity under the heading of asset revaluation reserve except to the extent that it was reversed 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 were 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:

|                               | 2014       | 2013       |
|-------------------------------|------------|------------|
| Property, plant and equipment | 3-10 years | 3-10 years |
| Leasehold improvements        | Lease term | Lease term |

### Impairment

All assets were assessed for impairment at 30 June 2014. 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 of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the IGT were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

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

### 1.18 Taxation

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

### 1.19 Legal compliance

The Australian Government continues to have regard to developments in case law, including the High Court's most recent decision on Commonwealth expenditure in *Williams v Commonwealth* [2014] HCA 23, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. During 2012-13, the Department of Finance received additional legal advice that indicated there could be breaches of section 83 under certain circumstances with payments for long service leave, GST and payments under determinations of the Remuneration Tribunal.

The agency has reviewed its processes and controls over payments for these items and determined that there is a low risk of the certain circumstances mentioned in the legal advice applying to the agency. The agency has conducted testing of payments and found no breaches of section 83 in respect of these items.

### Note 2: Events After the Reporting Period

There was no subsequent event that had the potential to significantly affect the ongoing structure and financial activities of the agency.



### Note 3: Expenses

|  | 2014<br>\$       | 2013<br>\$       |
|--|------------------|------------------|
| <b>Note 3A: Employee Benefits</b>                          |                  |                  |
| Wages and salaries   | 1,411,968        | 1,306,571        |
| Superannuation:  |                  |                  |
| Defined contribution plans                                 | 101,429          | 92,606           |
| Defined benefit plans                                      | 92,559           | 86,832           |
| Leave and other entitlements                               | 223,854          | 150,425          |
| Other employee expenses                                    | 6,883            | 9,310            |
| <b>Total employee benefits</b>                             | <b>1,836,693</b> | <b>1,645,744</b> |
| <b>Note 3B: Suppliers</b>                                  |                  |                  |
| <b>Goods and services supplied or rendered<sup>1</sup></b> |                  |                  |
| Consultants and contractors                                | 67,285           | 156,482          |
| Travel   | 80,349           | 118,109          |
| Service level agreement with Treasury                      | 209,277          | 117,107          |
| Fees — Audit, Membership and Other                         | 64,627           | 41,215           |
| Property operating expenses                                | 19,204           | 20,873           |
| Advertising and printing                                   | 20,926           | 41,434           |
| Seminars and conferences                                   | 15,704           | 6,020            |
| Subscriptions and periodicals                              | 3,657            | 8,861            |
| Other  | 47,212           | 74,368           |
| <b>Total goods and services supplied or rendered</b>       | <b>528,241</b>   | <b>584,469</b>   |
| <b>Goods supplied in connection with</b>                   |                  |                  |
| Related parties  | 827              | 959              |
| External parties   | 13,848           | 221,593          |
| <b>Total goods supplied</b>                                | <b>14,675</b>    | <b>222,552</b>   |
| <b>Services rendered in connection with</b>                |                  |                  |
| Related parties  | 271,080          | 39,583           |
| External parties   | 242,486          | 322,334          |
| <b>Total services rendered</b>                             | <b>513,566</b>   | <b>361,917</b>   |
| <b>Total goods and services supplied or rendered</b>       | <b>528,241</b>   | <b>584,469</b>   |
| <b>Other suppliers</b>                                     |                  |                  |
| <b>Operating lease rentals</b>                             |                  |                  |
| External parties   |                  |                  |
| Minimum lease payments                                     | 301,224          | 289,681          |
| Workers compensation expenses                              | 12,776           | 5,291            |
| <b>Total other suppliers</b>                               | <b>314,000</b>   | <b>294,972</b>   |
| <b>Total suppliers</b>                                     | <b>842,241</b>   | <b>879,441</b>   |

1. Certain comparative figures have been reclassified and do not match what was published in the 2012-13 financial statements.

**Note 3: Expenses (continued)**

|   | 2014          | 2013          |
|---|---------------|---------------|
|   | \$            | \$            |
| <b>Note 3C: Depreciation and amortisation</b>       |               |               |
| <b>Depreciation</b>                                 |               |               |
| Property, plant and equipment                       | 14,023        | 13,719        |
| <b>Total depreciation</b>                           | <b>14,023</b> | <b>13,719</b> |
| <b>Amortisation</b>                                 |               |               |
| Leasehold improvements                              | 27,773        | 60,691        |
| <b>Total amortisation</b>                           | <b>27,773</b> | <b>60,691</b> |
| <b>Total depreciation and amortisation</b>          | <b>41,796</b> | <b>74,410</b> |
| <b>Note 3D: Finance costs</b>                       |               |               |
| Unwinding of discount                               | 2,757         | 1,657         |
| <b>Total finance costs</b>                          | <b>2,757</b>  | <b>1,657</b>  |
| <b>Note 3E: Write-down and impairment of assets</b> |               |               |
| Asset write-downs                                   | -             | 245           |
| <b>Total write-down and impairment of assets</b>    | <b>-</b>      | <b>245</b>    |

**Note 4: Own-Source Income**

|   | 2014             | 2013             |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>Note 4A: Other gains</b>             |                  |                  |
| Resources received free of charge       | 88,346           | 32,800           |
| <b>Total other gains</b>                | <b>88,346</b>    | <b>32,800</b>    |
| <b>Note 4B: Revenue from Government</b> |                  |                  |
| Appropriations                          |                  |                  |
| Departmental appropriations             | 2,626,000        | 2,622,000        |
| <b>Total revenue from Government</b>    | <b>2,626,000</b> | <b>2,622,000</b> |

## Note 5: Fair Value Measurements

The following tables provide an analysis of assets and liabilities that are measured at fair value.

The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

### Note 5A: Fair value measurements

**Fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2014**

|   | Fair value<br>\$ | Fair value measurements at the end<br>of the reporting period using |                         |                         |
|---|------------------|---|-------------------------|-------------------------|
|   |                  | Level 1<br>inputs<br>\$   | Level 2<br>inputs<br>\$ | Level 3<br>inputs<br>\$ |
| <b>Non-financial assets:</b>  |                  |   |                         |                         |
| Furniture   | 7,491            | -   | -                       | 7,491                   |
| Office equipment  | 12,868           | -   | -                       | 12,868                  |
| Leasehold improvements  | 128,501          | -   | -                       | 128,501                 |
| <b>Total non-financial assets</b>   | <b>148,860</b>   | -   | -                       | <b>148,860</b>          |
| <b>Total fair value measurements of assets in<br/>the Statement of Financial Position</b> | <b>148,860</b>   | -   | -                       | <b>148,860</b>          |

**Fair value measurements — highest and best use differs from current use for non-financial assets (NFAs)**

All classes of non-financial assets highest and best use is the same as their current use.

### Note 5: Fair Value Measurements (continued)

#### Note 5B: Valuation technique and inputs for Level 2 and Level 3 fair value measurements

|                             | Category (Level 2<br>or Level 3) | Fair value<br>\$ | Valuation<br>technique(s) <sup>1</sup> | Inputs used  | Range (weighted<br>average) <sup>2</sup> |
|-----------------------------|----------------------------------|------------------|--|--|--|
| <b>Non-financial assets</b> |                                  |                  |  |  |  |
| Furniture                   | Level 3                          | 7,491            | Cost Approach                          | Estimated replacement cost of similar assets adjusted for remaining useful life. | \$35 — \$500 (\$161)                     |
| Office equipment            | Level 3                          | 12,868           | Cost Approach                          | Estimated replacement cost of similar assets adjusted for remaining useful life. | \$1 — \$10,795 (\$2,806)                 |
| Leasehold improvements      | Level 3                          | 128,501          | Cost Approach                          | Estimated replacement cost of office fit out adjusted for remaining useful life. | \$570 — \$125,850 (\$34,485)             |

1. Valuations are based on advice from certified practicing valuers. There has been no change in this method from prior years.

2. Significant unobservable inputs only.

#### Recurring and non-recurring Level 3 fair value measurements — valuation processes

IGT procured valuation services from Preston Rowe Patterson Valuers (PRP). PRP provided a written assurance that the valuation model is in compliance with AASB 13. PRP valuations are based on the most recent comprehensive valuation of IGT's fixed assets. PRP has used the cost approach which reflects the amount that would be required currently to replace the service capacity of IGT's fixed assets. PRP has updated the depreciated replacement cost analysis relative to current replacement cost for each asset and the expended useful life to establish an appropriate estimate of fair value as at 30 June 2014.

#### Recurring Level 3 fair value measurements — sensitivity of inputs

The fair value estimates provided at a reporting date based on level 3 inputs are sensitive to movements in replacement cost as at the reporting date, either up or down. Adopted useful life, expended useful and remaining useful life are considered to be generally stable inputs and would not be subject to sensitivity unless the Agency revised its policy with respect to the useful life of a particular asset class.

**Note 5: Fair Value Measurements (continued)**

**Note 5C: Reconciliation for recurring Level 3 fair value measurements**

**Recurring Level 3 fair value measurements — reconciliation for assets**

|  | Non-financial assets |                          |                                   |                |
|--|----------------------|--------------------------|-----------------------------------|----------------|
|  | Furniture<br>2014    | Office equipment<br>2014 | Leasehold<br>improvements<br>2014 | Total<br>2014  |
|  | \$                   | \$                       | \$                                | \$             |
| <b>Opening balance</b>   | -                    | -                        | -                                 | -              |
| Assets first recognised under AASB 13 as at 1 July 2013              | 18,801               | 15,581                   | 154,344                           | 188,726        |
| Total gains/(losses) recognised in net cost of services <sup>1</sup> | (11,310)             | (2,713)                  | (27,773)                          | (41,796)       |
| Purchases  | -                    | -                        | 1,930                             | 1,930          |
| <b>Closing balance</b>   | <b>7,491</b>         | <b>12,868</b>            | <b>128,501</b>                    | <b>148,860</b> |

Changes in unrealised gains/(losses) recognised in net cost of services

1. These gains/(losses) are presented in the Statement of Comprehensive Income under Depreciation and Amortisation expenses. The entities policy for determining when transfers between levels are deemed to have occurred can be found in Note 1.

## Note 6: Financial Assets

|  | 2014<br>\$       | 2013<br>\$       |
|--|------------------|------------------|
| <b>Note 6A: Cash and Cash Equivalents</b>                      |                  |                  |
| Cash on hand or on deposit                                     | 45,019           | 98,052           |
| <b>Total cash and cash equivalents</b>                         | <b>45,019</b>    | <b>98,052</b>    |
| <br><b>Note 6B: Trade and Other Receivables</b>                |                  |                  |
| <b>Appropriations receivable:</b>                              |                  |                  |
| For existing programs  | 3,367,226        | 3,062,098        |
| <b>Total appropriations receivable</b>                         | <b>3,367,226</b> | <b>3,062,098</b> |
| <br><b>Other receivables:</b>                                  |                  |                  |
| GST receivable from the Australian Taxation Office             | 8,527            | 8,920            |
| <b>Total other receivables</b>                                 | <b>8,527</b>     | <b>8,920</b>     |
| <br><b>Total trade and other receivables (gross)</b>           | <b>3,375,753</b> | <b>3,071,018</b> |
| <br><b>Total trade and other receivables (net)</b>             | <b>3,375,753</b> | <b>3,071,018</b> |
| <br><b>Receivables expected to be recovered</b>                |                  |                  |
| No more than 12 months   | 3,375,753        | 3,071,018        |
| <b>Total trade and other receivables (net)</b>                 | <b>3,375,753</b> | <b>3,071,018</b> |
| <br><b>Trade and other receivables (gross) aged as follows</b> |                  |                  |
| Not overdue  | 3,375,753        | 3,071,018        |
| Overdue by:  |                  |                  |
| 0 to 30 days   | -                | -                |
| 31 to 60 days  | -                | -                |
| 61 to 90 days  | -                | -                |
| More than 90 days  | -                | -                |
| <b>Total trade and other receivables (gross)</b>               | <b>3,375,753</b> | <b>3,071,018</b> |

Credit terms for goods and services were within 30 days (2013: 30 days).

**Note 7: Non-Financial Assets**

|   | 2014<br>\$     | 2013<br>\$     |
|---|----------------|----------------|
| <b>Note 7A: Property, plant and equipment</b> |                |                |
| <b>Plant and equipment</b>                    |                |                |
| Fair value                                    | 34,382         | 34,382         |
| Accumulated depreciation                      | (14,023)       | -              |
| <b>Total plant and equipment</b>              | <b>20,359</b>  | <b>34,382</b>  |
| <b>Note 7B: Leasehold improvements</b>        |                |                |
| <b>Leasehold improvements</b>                 |                |                |
| Fair value                                    | 156,274        | 154,344        |
| Accumulated amortisation                      | (27,773)       | -              |
| <b>Total leasehold improvements</b>           | <b>128,501</b> | <b>154,344</b> |

No indicators of impairment were found for property, plant and equipment.

No property, plant and equipment were expected to be sold or disposed of in the next 12 months.

All property, plant and equipment are at valuation as of 30 June 2013 in accordance with the agency's revaluation policy (note 1.17). The revaluation to 'Fair Value' was conducted by an independent qualified valuer. A Fair Value review was undertaken by the independent valuer which confirmed that the carrying amount of non-financial assets has not materially changed since the last valuation.

**Note 7C: Reconciliation of the opening and closing balances of property, plant and equipment (2014)**

|   | Plant and<br>equipment<br>\$ | Leasehold<br>improvements<br>\$ | Total<br>\$    |
|---|------------------------------|---------------------------------|----------------|
| <b>As at 1 July 2013</b>                        |                              |                                 |                |
| Gross book value                                | 34,382                       | 154,344                         | 188,726        |
| Accumulated depreciation and impairment         | -                            | -                               | -              |
| <b>Total as at 1 July 2013</b>                  | <b>34,382</b>                | <b>154,344</b>                  | <b>188,726</b> |
| <b>Additions</b>                                |                              |                                 |                |
| By purchase                                     | -                            | 1,930                           | 1,930          |
| Revaluations                                    | -                            | -                               | -              |
| Depreciation expense                            | (14,023)                     | (27,773)                        | (41,796)       |
| Asset write-downs                               | -                            | -                               | -              |
| <b>Disposals:</b>                               |                              |                                 |                |
| Other disposals                                 | -                            | -                               | -              |
| <b>Total as at 30 June 2014</b>                 | <b>20,359</b>                | <b>128,501</b>                  | <b>148,860</b> |
| <b>Total as at 30 June 2014 represented by:</b> |                              |                                 |                |
| Gross book value                                | 34,382                       | 156,274                         | 190,656        |
| Accumulated depreciation and impairment         | (14,023)                     | (27,773)                        | (41,796)       |
| <b>Total as at 30 June 2014</b>                 | <b>20,359</b>                | <b>128,501</b>                  | <b>148,860</b> |

**Note 7: Non-Financial Assets (continued)****Note 7C: Reconciliation of the opening and closing balances of property, plant and equipment (2013)**

|  | Plant and<br>equipment<br>\$ | Leasehold<br>improvements<br>\$ | Total<br>\$ |
|--|------------------------------|---------------------------------|-------------|
| As at 1 July 2012                        |                              |                                 |             |
| Gross book value                         | 63,032                       | 161,143                         | 224,175     |
| Accumulated depreciation and impairment  | (14,543)                     | (101,625)                       | (116,168)   |
| Total as at 1 July 2012                  | 48,489                       | 59,518                          | 108,007     |
| Additions                                |                              |                                 |             |
| By purchase                              | -                            | 16,896                          | 16,896      |
| Revaluations                             | (143)                        | 138,621                         | 138,478     |
| Depreciation expense                     | (13,719)                     | (60,691)                        | (74,410)    |
| Asset write-downs                        | (245)                        | -                               | (245)       |
| Disposals:                               |                              |                                 |             |
| Other disposals                          | -                            | -                               | -           |
| Total as at 30 June 2013                 | 34,382                       | 154,344                         | 188,726     |
| Total as at 30 June 2013 represented by: |                              |                                 |             |
| Gross book value                         | 34,382                       | 154,344                         | 188,726     |
| Accumulated depreciation and impairment  | -                            | -                               | -           |
| Total as at 30 June 2013                 | 34,382                       | 154,344                         | 188,726     |

|  | 2014<br>\$ | 2013<br>\$ |
|--|------------|------------|
| <b>Note 7D: Other non-financial assets</b>                 |            |            |
| Prepayments  | 37,844     | 22,900     |
| <b>Total other non-financial assets</b>                    | 37,844     | 22,900     |
| <b>Other non-financial assets expected to be recovered</b> |            |            |
| No more than 12 months                                     | 37,844     | 22,900     |
| <b>Total other non-financial assets</b>                    | 37,844     | 22,900     |

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



**Note 8: Payables**

|   | 2014<br>\$    | 2013<br>\$    |
|---|---------------|---------------|
| <b>Note 8A: Suppliers</b>               |               |               |
| Trade creditors                         | 68,259        | 27,434        |
| <b>Total suppliers</b>                  | <b>68,259</b> | <b>27,434</b> |
| <b>Suppliers expected to be settled</b> |               |               |
| No more than 12 months                  | 68,259        | 27,434        |
| More than 12 months                     | -             | -             |
| <b>Total suppliers</b>                  | <b>68,259</b> | <b>27,434</b> |
| <b>Suppliers in connection with</b>     |               |               |
| Related parties                         | 60,000        | 101           |
| External parties                        | 8,259         | 27,333        |
| <b>Total suppliers</b>                  | <b>68,259</b> | <b>27,434</b> |

Settlement is usually made within 30 days (2013: 30 days).

|  |               |               |
|--|---------------|---------------|
| <b>Note 8B: Other payables</b>               |               |               |
| Wages and salaries                           | 45,535        | 33,864        |
| Superannuation                               | 6,090         | 5,009         |
| Other  | 36,470        | -             |
| <b>Total other payables</b>                  | <b>88,095</b> | <b>38,873</b> |
| <b>Other payables expected to be settled</b> |               |               |
| No more than 12 months                       | 51,625        | 38,873        |
| More than 12 months                          | 36,470        | -             |
| <b>Total other payables</b>                  | <b>88,095</b> | <b>38,873</b> |

**Note 9: Provisions**

|   | 2014<br>\$ | 2013<br>\$ |
|---|------------|------------|
| <b>Note 9A: Employee provisions</b>               |            |            |
| Leave   | 427,726    | 302,541    |
| <b>Total employee provisions</b>                  | 427,726    | 302,541    |
| <b>Employee provisions expected to be settled</b> |            |            |
| No more than 12 months                            | 163,157    | 115,207    |
| More than 12 months                               | 264,569    | 187,334    |
| <b>Total employee provisions</b>                  | 427,726    | 302,541    |
| <b>Note 9B: Other provisions</b>                  |            |            |
| Provision for restoration obligations             | 93,418     | 86,931     |
| <b>Total other provisions</b>                     | 93,418     | 86,931     |
| <b>Other provisions expected to be settled</b>    |            |            |
| More than 12 months                               | 93,418     | 86,931     |
| <b>Total other provisions</b>                     | 93,418     | 86,931     |
| <b>Provision for restoration obligation</b>       |            |            |
| <b>Carrying amount 1 July</b>                     | 86,931     | 94,322     |
| Re-statement of 'Make Good'                       | 3,730      | (9,047)    |
| Unwinding of discount or change in discount rate  | 2,757      | 1,656      |
| <b>Closing balance 30 June</b>                    | 93,418     | 86,931     |

## Note 10: Cash Flow Reconciliation

|  | 2014             | 2013          |
|--|------------------|---------------|
|  | \$               | \$            |
| <b>Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement</b> |                  |               |
| <b>Cash and cash equivalents as per:</b>   |                  |               |
| Cash flow statement  | 45,019           | 98,052        |
| Statement of financial position  | 45,019           | 98,052        |
| <b>Discrepancy</b>   | -                | -             |
| <b>Reconciliation of net cost of services to net cash from operating activities:</b>                             |                  |               |
| Net cost of services   | (2,635,141)      | (2,568,697)   |
| Add revenue from Government  | 2,626,000        | 2,622,000     |
| <b>Adjustments for non-cash items</b>  |                  |               |
| Depreciation / amortisation  | 41,796           | 74,410        |
| Finance costs  | 2,757            | 1,657         |
| Net write down of non-financial assets   | -                | 245           |
| <b>Movements in assets and liabilities</b>   |                  |               |
| <b>Assets</b>  |                  |               |
| (Increase) / decrease in net receivables   | (332,149)        | (101,797)     |
| (Increase) / decrease in prepayments   | (14,944)         | 3,976         |
| <b>Liabilities</b>   |                  |               |
| Increase / (decrease) in employee provisions   | 125,185          | (11,863)      |
| Increase / (decrease) in other payables  | 37,154           | 1,235         |
| Increase / (decrease) in supplier payables   | 40,825           | 57,655        |
| increase / (decrease) in other provisions  | -                | (1,351)       |
| <b>Net cash from / (used by) operating activities</b>  | <b>(108,517)</b> | <b>77,469</b> |

### **Note 11: Contingent Assets and Liabilities**

There are no unquantifiable or significant remote contingencies.

## Note 12: Senior Executive Remuneration

### Note 12A: Senior executive remuneration expense for the reporting period

|   | 2014           | 2013           |
|---|----------------|----------------|
|   | \$             | \$             |
| <b>Short-term employee benefits</b>                 |                |                |
| Salary  | 784,146        | 634,294        |
| Allowances  | 1,214          | -              |
| <b>Total short-term employee benefits</b>           | <b>785,360</b> | <b>634,294</b> |
| <b>Post-employment benefits</b>                     |                |                |
| Superannuation                                      | 86,579         | 54,767         |
| <b>Total post-employment benefits</b>               | <b>86,579</b>  | <b>54,767</b>  |
| <b>Other long-term benefits</b>                     |                |                |
| Annual leave accrued                                | 67,200         | 50,811         |
| Long-service leave                                  | 30,778         | 21,870         |
| <b>Total other long-term benefits</b>               | <b>97,978</b>  | <b>72,681</b>  |
| <b>Total senior executive remuneration expenses</b> | <b>969,917</b> | <b>761,742</b> |

- Note 12A was prepared on an accruals basis.
- Note 12A excludes acting arrangements and part-year service where total remuneration expensed as a senior executive was less than \$195,000.

## Note 12: Senior Executive Remuneration (continued)

Note 12B: Average annual reportable remuneration paid to substantive senior executives during the reporting period

| Average annual reportable remuneration paid to substantive senior executives in 2014 |          |                                |   |                                    |                         |
|--|----------|--------------------------------|---|------------------------------------|-------------------------|
| Substantive senior executives  |          |                                |   |                                    |                         |
| Average annual reportable remuneration <sup>1</sup>                                  | No.      | Reportable salary <sup>2</sup> | Contributed superannuation <sup>3</sup> | Reportable allowances <sup>4</sup> | Bonus paid <sup>5</sup> |
|  |          | \$                             | \$                                      | \$                                 | \$                      |
| Total remuneration (including part-time arrangements):                               |          |                                |   |                                    |                         |
| \$195,000 to \$224,999   | 1        | 173,302                        | 28,526                                  | 210                                | -                       |
| \$285,000 to \$314,999   | 1        | 270,711                        | 40,313                                  | -                                  | -                       |
| \$405,000 to \$434,999   | 1        | 390,350                        | 17,740                                  | 156                                | -                       |
| <b>Total number of substantive senior executives</b>                                 | <b>3</b> |                                |   |                                    |                         |

| Average annual reportable remuneration paid to substantive senior executives in 2013 |          |                                |   |                                    |                         |
|--|----------|--------------------------------|---|------------------------------------|-------------------------|
| Substantive senior executives  |          |                                |   |                                    |                         |
| Average annual reportable remuneration <sup>1</sup>                                  | No.      | Reportable salary <sup>2</sup> | Contributed superannuation <sup>3</sup> | Reportable allowances <sup>4</sup> | Bonus paid <sup>5</sup> |
|  |          | \$                             | \$                                      | \$                                 | \$                      |
| Total remuneration (including part-time arrangements):                               |          |                                |   |                                    |                         |
| \$255,000 to \$284,999   | 1        | 248,065                        | 36,874                                  | -                                  | -                       |
| \$375,000 to \$404,999   | 1        | 368,808                        | 16,451                                  | -                                  | -                       |
| <b>Total number of substantive senior executives</b>                                 | <b>2</b> |                                |   |                                    |                         |

1. This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.

2. 'Reportable salary' includes the following:

- gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes);
- exempt foreign employment income; and
- salary sacrificed benefits.

3. The 'contributed superannuation' amount is the average cost to the entity for the provision of superannuation benefits to substantive senior executives in that reportable remuneration band during the reporting period.

4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individual's payment summaries.

5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band.

6. \$88,808 was reported under 'reportable allowances' in the 2012-13 Financial Statements. This is reported under 'reportable salary' in the table above.

## Note 12: Senior Executive Remuneration (continued)

Note 12C: Average annual reportable remuneration paid to other highly paid staff during the reporting period

| Average annual reportable remuneration paid to other highly paid staff in 2014 |                             |                                   |  |                                       |                            |
|--|-----------------------------|-----------------------------------|--|---------------------------------------|----------------------------|
| Average annual reportable remuneration <sup>1</sup>                            | Other highly paid staff No. | Reportable salary <sup>2</sup> \$ | Contributed superannuation <sup>3</sup> \$ | Reportable allowances <sup>4</sup> \$ | Bonus paid <sup>5</sup> \$ |
| Total remuneration (including part time arrangements):                         | -                           | -                                 | -  | -                                     | -                          |
| Total number of other highly paid staff  | -                           | -                                 | -  | -                                     | -                          |
| Average annual reportable remuneration paid to other highly paid staff in 2013 |                             |                                   |  |                                       |                            |
| Average annual reportable remuneration <sup>1</sup>                            | Other highly paid staff No. | Reportable salary <sup>2</sup> \$ | Contributed superannuation <sup>3</sup> \$ | Reportable allowances <sup>4</sup> \$ | Bonus paid <sup>5</sup> \$ |
| Total remuneration (including part time arrangements):                         | -                           | -                                 | -  | -                                     | -                          |
| Total number of other highly paid staff  | -                           | -                                 | -  | -                                     | -                          |

1. This table reports staff:

- who were employed by the entity during the reporting period;
- whose reportable remuneration was \$195,000 or more for the financial period; and
- were not required to be disclosed in Table B.

Each row is an averaged figure based on headcount for individuals in the band.

2. 'Reportable salary' includes the following:

- gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes);
- reportable employer superannuation contributions; and
- exempt foreign employment income.

3. The 'contributed superannuation' amount is the average cost to the entity for the provision of superannuation benefits to other highly paid staff in that reportable remuneration band during the reporting period.

4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.

5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band.

## Note 13: Remuneration of Auditors

|  | 2014          | 2013          |
|--|---------------|---------------|
|  | \$            | \$            |
| Financial statement audit services were provided free of charge to the Inspector-General of Taxation by the Australian National Audit Office (ANAO). |               |               |
| <b>The fair value of the services provided was:</b>  |               |               |
| Financial statement audit services   | 55,000        | 32,800        |
| <b>Total</b>   | <b>55,000</b> | <b>32,800</b> |

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

## Note 14: Financial Instruments

|  | 2014          | 2013          |
|--|---------------|---------------|
|  | \$            | \$            |
| <b>Note 14A: Categories of Financial Instruments</b> |               |               |
| <b>Financial Assets</b>                              |               |               |
| <b>Loans and receivables</b>                         |               |               |
| Cash and cash equivalents                            | 45,019        | 98,052        |
| <b>Total loans and receivables</b>                   | <b>45,019</b> | <b>98,052</b> |
| <b>Total financial assets</b>                        | <b>45,019</b> | <b>98,052</b> |
| <b>Financial Liabilities</b>                         |               |               |
| <b>Liabilities at amortised cost</b>                 |               |               |
| Payables — suppliers                                 | 68,259        | 27,434        |
| <b>Total liabilities at amortised cost</b>           | <b>68,259</b> | <b>27,434</b> |
| <b>Total financial liabilities</b>                   | <b>68,259</b> | <b>27,434</b> |

There was no interest income from financial assets not at fair value through profit and loss in the year ending 2014 (2013: Nil).

### Note 14B: Fair Value of Financial Instruments

|                              |       | Carrying<br>amount<br>2014 | Fair<br>value<br>2014 | Carrying<br>amount<br>2013 | Fair<br>value<br>2013 |
|------------------------------|-------|----------------------------|-----------------------|----------------------------|-----------------------|
|                              | Notes | \$                         | \$                    | \$                         | \$                    |
| <b>Financial Assets</b>      |       |                            |                       |                            |                       |
| Cash and cash equivalents    | 6A    | 45,019                     | 45,019                | 98,052                     | 98,052                |
| <b>Total</b>                 |       | <b>45,019</b>              | <b>45,019</b>         | <b>98,052</b>              | <b>98,052</b>         |
| <b>Financial Liabilities</b> |       |                            |                       |                            |                       |
| Suppliers payable            | 8A    | 68,259                     | 68,259                | 27,434                     | 27,434                |
| <b>Total</b>                 |       | <b>68,259</b>              | <b>68,259</b>         | <b>27,434</b>              | <b>27,434</b>         |



**Note 14: Financial Instruments (continued)****Note 14C: Credit risk**

The agency is exposed to minimal credit risk as financial assets only include cash and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables (2014: \$0 and 2013: \$0). The agency has assessed the risk of default on payment and has made no allocations to doubtful debts in 2014 (2013: \$0).

**The following table illustrates the entity's gross exposure to credit risk, excluding any collateral or credit enhancements**

|  | 2014<br>\$    | 2013<br>\$    |
|--|---------------|---------------|
| <b>Financial assets carried at amount not best representing maximum exposure to credit risk</b>            |               |               |
| Cash and cash equivalents  | 45,019        | 98,052        |
| <b>Total financial assets carried at amount not best representing maximum exposure to credit risk</b>      | <b>45,019</b> | <b>98,052</b> |
| <b>Financial liabilities carried at amount not best representing maximum exposure to credit risk</b>       |               |               |
| Supplier payables  | 68,259        | 27,434        |
| <b>Total financial liabilities carried at amount not best representing maximum exposure to credit risk</b> | <b>68,259</b> | <b>27,434</b> |

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<br>due nor<br>impaired<br>2014<br>\$ | Not past<br>due nor<br>impaired<br>2013<br>\$ | Past due<br>or<br>impaired<br>2014<br>\$ | Past due<br>or<br>impaired<br>2013<br>\$ |
|------------------------------|---|---|--|--|
| <b>Loans and receivables</b> |   |   |  |  |
| Cash and cash equivalents    | 45,019  | 98,052  | -  | -  |
| <b>Total</b>                 | <b>45,019</b>                                 | <b>98,052</b>                                 | <b>-</b>                                 | <b>-</b>                                 |

## Note 14: Financial Instruments (continued)

### Note 14D: Liquidity risk

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

The agency is appropriated funding from the Australian Government. The agency manages its budgeted funds to ensure 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.

The agency had no derivative financial liabilities in either 2014 or 2013.

#### Maturities for non-derivative financial liabilities 2014

|                                      | On<br>demand | Within<br>1<br>year | 1 to 2<br>years | 2 to 5<br>years | > 5<br>years | Total  |
|--------------------------------------|--------------|---------------------|-----------------|-----------------|--------------|--------|
|                                      | \$           | \$                  | \$              | \$              | \$           | \$     |
| <b>Liabilities at amortised cost</b> |              |                     |                 |                 |              |        |
| Payables — suppliers                 | -            | 68,259              | -               | -               | -            | 68,259 |
| <b>Total</b>                         | -            | 68,259              | -               | -               | -            | 68,259 |

#### Maturities for non-derivative financial liabilities 2013

|                                      | On<br>demand | Within 1<br>year | 1 to 2<br>years | 2 to 5<br>years | > 5<br>years | Total  |
|--------------------------------------|--------------|------------------|-----------------|-----------------|--------------|--------|
|                                      | \$           | \$               | \$              | \$              | \$           | \$     |
| <b>Liabilities at amortised cost</b> |              |                  |                 |                 |              |        |
| Payables — suppliers                 | -            | 27,434           | -               | -               | -            | 27,434 |
| <b>Total</b>                         | -            | 27,434           | -               | -               | -            | 27,434 |

### Note 14E: 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 15: Financial Assets Reconciliation**

|  | Notes | 2014<br>\$       | 2013<br>\$ |
|--|-------|------------------|------------|
| <b>Total financial assets as per statement of financial position</b> |       | <b>3,420,772</b> | 3,169,070  |
| <b>Less: non-financial instrument components</b>                     |       |                  |            |
| Appropriation receivables  | 6B    | <b>3,367,226</b> | 3,062,098  |
| Other receivables  | 6B    | <b>8,527</b>     | 8,920      |
| <b>Total non-financial instrument components</b>                     |       | <b>3,375,753</b> | 3,071,018  |
| <b>Total financial assets as per financial instruments note</b>      | 14A   | <b>45,019</b>    | 98,052     |

## Note 16: Appropriations

Note 16A: Annual appropriations ('recoverable GST exclusive')

### Annual appropriations for 2014

|  | Appropriation Act             |  | FMA Act          |                  |                              |  |
|--|-------------------------------|--|------------------|------------------|------------------------------|--|
|  | Annual<br>Appropriation<br>\$ | Appropriations<br>reduced <sup>a</sup><br>\$ | Section 30<br>\$ | Section 31<br>\$ | Total<br>appropriation<br>\$ | Appropriation<br>applied in 2014<br>(current and<br>prior years)<br>\$ |
| Departmental<br>Ordinary annual services | 2,656,000                     | -  | -                | 55,110           | 2,711,110                    | (2,516,429)  |
| Total departmental                       | 2,656,000                     | -  | -                | 55,110           | 2,711,110                    | (2,516,429)  |

#### Notes:

- a. Appropriation Acts (Nos. 1, 3) 2013-14: sections 10, 11, 12 and 15. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request that the Finance Minister reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament.

### Annual appropriations for 2013

|  | Appropriation Act             |                                 | FMA Act          |                               |                              |  |
|--|-------------------------------|---------------------------------|------------------|-------------------------------|------------------------------|--|
|  | Annual<br>Appropriation<br>\$ | Appropriations<br>reduced<br>\$ | Section 30<br>\$ | Section 31 <sup>a</sup><br>\$ | Total<br>appropriation<br>\$ | Appropriation<br>applied in 2013<br>(current and<br>prior years)<br>\$ |
| Departmental<br>Ordinary annual services | 2,664,000                     | -                               | -                | 82,632                        | 2,746,632                    | (2,504,360)  |
| Total departmental                       | 2,664,000                     | -                               | -                | 82,632                        | 2,746,632                    | (2,504,360)  |

#### Notes:

- a. Section 31 appropriation was incorrectly recorded against section 30 in the 2012-13 Financial Statements.

**Note 16: Appropriations (continued)****Note 16B: Departmental capital budgets ('recoverable GST exclusive')**

|   | 2013-14 Capital Budget Appropriations |  | Capital Budget Appropriations applied in 2014 (current and prior years) |  |   |                                |
|---|---------------------------------------|--|---|--|---|--------------------------------|
|   | <i>Appropriation Act</i>              | <i>FMA Act</i>                         |   |  |   |                                |
|   | Annual Capital Budget \$              | Appropriations reduced <sup>2</sup> \$ | Section 32 \$   | Total Capital Budget Appropriations \$ | Payments for non-financial assets <sup>3</sup> \$ | Payments for other purposes \$ |
| Departmental Ordinary annual services Capital Budget <sup>1</sup> | 30,000                                | -                                      | -   | 30,000                                 | 1,930   | 55,484                         |
|   |                                       |  |   |  |   | 57,414                         |
|   |                                       |  |   |  |   | (27,414)                       |

**Notes:**

1. Departmental Capital Budgets are appropriated through Appropriation Acts (No. 1, 3, 5). They form part of ordinary annual services and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriation, please see Table A: Annual appropriations.
2. Appropriations reduced under Appropriation Acts (No. 1, 3, 5) 2013-14: sections 10, 11, 12 and 15 or via a determination by the Finance Minister.
3. Payments made on non-financial assets include purchase of assets, expenditure on assets which has been capitalised, and costs incurred to make good an asset to its original condition.

|   | 2012-13 Capital Budget Appropriations |  | Capital Budget Appropriations applied in 2013 (current and prior years) |  |   |                                |
|---|---------------------------------------|--|---|--|---|--------------------------------|
|   | <i>Appropriation Act</i>              | <i>FMA Act</i>                         |   |  |   |                                |
|   | Annual Capital Budget \$              | Appropriations reduced <sup>2</sup> \$ | Section 32 \$   | Total Capital Budget Appropriations \$ | Payments for non-financial assets <sup>3</sup> \$ | Payments for other purposes \$ |
| Departmental Ordinary annual services Capital Budget <sup>1</sup> | 30,000                                | -                                      | -   | 30,000                                 | 16,896  | -                              |
|   |                                       |  |   |  |   | 16,896                         |
|   |                                       |  |   |  |   | 13,104                         |

**Note 16: Appropriations (continued)****Note 16C: Unspent annual appropriations**

|  | 2014             | 2013             |
|--|------------------|------------------|
|  | \$               | \$               |
| <b>Departmental</b>                            |                  |                  |
| Appropriation Act (No. 1) 2010-11              | -                | 175,937          |
| Appropriation Act (No. 1) 2011-12              | -                | 1,701,933        |
| Appropriation Act (No. 1) 2012-13 <sup>1</sup> | 719,226          | 1,282,278        |
| Appropriation Act (No. 1) 2013-14 <sup>1</sup> | 2,692,019        | -                |
| <b>Total departmental</b>                      | <b>3,411,245</b> | <b>3,160,148</b> |

1. Cash held amounts (2014: \$45,019, 2013: \$98,052) are included in Appropriation Act (No. 1) for the relevant year. The comparative has been adjusted to reflect the cash held amount at 30 June 2013.

**Note 17: Compensation and Debt Relief**

|   | 2014 | 2013 |
|---|------|------|
|   | \$   | \$   |
| <b>Departmental</b>   |      |      |
| No 'Act of Grace' expenses were expended during the reporting period (2013: No expenses).   | -    | -    |
| No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the Financial Management and Accountability Act 1997 (2013: No waiver).                    | -    | -    |
| No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period (2013: No payments).                              | -    | -    |
| No ex-gratia payments were provided for during the reporting period (2013: No payments).  | -    | -    |
| No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the Public Service Act 1999 (PS Act) during the reporting period (2013: No payments). | -    | -    |

## Note 18: Reporting of Outcomes

### Note 18A: Net Cost of Outcome Delivery

|  | Outcome 1        |                  |
|--|------------------|------------------|
|  | 2014             | 2013             |
|  | \$               | \$               |
| <b>Departmental</b>                                |                  |                  |
| Expenses   | 2,723,487        | 2,601,497        |
| Gains  | 88,346           | 32,800           |
| <b>Net cost/(contribution) of outcome delivery</b> | <b>2,635,141</b> | <b>2,568,697</b> |

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

### Note 18B: Major Classes of Departmental Expense Income Assets and Liabilities by Outcome

|                                     | Outcome 1        |                  |
|-------------------------------------|------------------|------------------|
|                                     | 2014             | 2013             |
|                                     | \$               | \$               |
| <b>Expenses</b>                     |                  |                  |
| Employee benefits                   | 1,836,693        | 1,645,744        |
| Suppliers                           | 842,241          | 879,441          |
| Finance costs                       | 2,757            | 1,657            |
| Depreciation and amortisation       | 41,796           | 74,410           |
| Write down and impairment of assets | -                | 245              |
| <b>Total expenses</b>               | <b>2,723,487</b> | <b>2,601,497</b> |
| <b>Income</b>                       |                  |                  |
| Income from Government              | 2,626,000        | 2,622,000        |
| Gains                               | 88,346           | 32,800           |
| <b>Total revenues</b>               | <b>2,714,346</b> | <b>2,654,800</b> |
| <b>Assets</b>                       |                  |                  |
| <b>Financial assets</b>             |                  |                  |
| Cash and cash equivalents           | 45,019           | 98,052           |
| Receivables                         | 3,375,753        | 3,071,018        |
| <b>Non-financial assets</b>         |                  |                  |
| Property, plant and equipment       | 20,359           | 34,382           |
| Leasehold improvements              | 128,501          | 154,344          |
| Other non-financial assets          | 37,844           | 22,900           |
| <b>Total assets</b>                 | <b>3,607,476</b> | <b>3,380,696</b> |
| <b>Liabilities</b>                  |                  |                  |
| Payables                            | 156,354          | 66,307           |
| Provisions                          | 521,144          | 389,472          |
| <b>Total liabilities</b>            | <b>677,498</b>   | <b>455,779</b>   |

## Note 19: Net Cash Appropriation Arrangements

|  | 2014            | 2013     |
|--|-----------------|----------|
|  | \$              | \$       |
| <b>Total comprehensive income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations and other comprehensive income<sup>1</sup></b> | <b>28,925</b>   | 266,191  |
| Plus: depreciation/amortisation expenses previously funded through revenue appropriation   | <b>(41,796)</b> | (74,410) |
| <b>Total comprehensive income (loss) — as per the Statement of Comprehensive Income</b>  | <b>(12,871)</b> | 191,781  |

1. From 2010-11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.





# PART 5:

## OTHER INFORMATION

### WORK HEALTH AND SAFETY

The IGT office fosters and maintains a safe and healthy working environment in accordance with the *Work Health and Safety Act 2011* (the WHS Act). During 2013–14, the IGT received no accident and incident reports. No notices were given under sections 90, 191 and 195 of the WHS Act.

### INFORMATION PUBLICATION SCHEME

Agencies subject to the FOI Act are required to publish information as part of the Information Publication Scheme (IPS). This requirement is set out in Part II of the FOI Act so that each agency must include on its website a plan showing what information it publishes in accordance with the IPS requirements.

The IGT’s IPS plan can be found at [www.igt.gov.au](http://www.igt.gov.au).

### ADVERTISING AND MARKET RESEARCH

The IGT’s advertising costs for reporting purposes are outlined in the table below:

Table 8: Advertising costs for 2013–14

| Purpose              | Vendor                   | Cost (\$)     |
|----------------------|--------------------------|---------------|
| Business advertising | Adcorp Australia Limited | 17,232        |
| <b>Total</b>         |                          | <b>17,232</b> |

The IGT incurred the above non-campaign advertising costs to invite members of the public to make submission on the IGT’s work program and specific IGT reviews. No market research costs were incurred during 2013–14.

## **ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PERFORMANCE**

The IGT office pursues measures to improve its overall environmental performance. The owner of the leased office premises has active energy, waste management and water conservation strategies. The IGT recycles paper and cardboard products.

The IGT reports to Government annually on the agency's energy performance.

## **DISCRETIONARY GRANTS**

No discretionary grant programs are administered by the IGT.

## LIST OF REQUIREMENTS

| Part of report        | Description   | Requirement                       | Page(s) |
|-----------------------|---|-----------------------------------|---------|
|                       | Letter of transmittal   | Mandatory                         | iii     |
|                       | Table of contents   | Mandatory                         | v       |
|                       | Index   | Mandatory                         | 93      |
|                       | Glossary  | Mandatory                         | 89–91   |
|                       | Contact officer(s)  | Mandatory                         | ii      |
|                       | Internet home page address and Internet address for report  | Mandatory                         | ii      |
| Review by Agency Head |   |                                   |         |
|                       | Review by Agency Head   | Mandatory                         | 1–12    |
|                       | Summary of significant issues and developments  | Suggested                         | 1–12    |
|                       | Overview of agency's performance and financial results  | Suggested                         | 1–17    |
|                       | Outlook for following year  | Suggested                         | 6–9     |
|                       | Significant issues and developments — portfolio   | Portfolio departments — suggested | N/A     |
| Agency Overview       |   |                                   |         |
|                       | Role and functions  | Mandatory                         | 13      |
|                       | Organisational structure  | Mandatory                         | 15      |
|                       | Outcome and program structure   | Mandatory                         | 14      |
|                       | Where outcome and program structures differ from PB Statements/PAES or other portfolio statements accompanying any other additional appropriation bills (other portfolio statements), details of variation and reasons for change | Mandatory                         | N/A     |
|                       | Portfolio structure   | Portfolio departments — mandatory | N/A     |
| Report on Performance |   |                                   |         |
|                       | Review of performance during the year in relation to programs and contribution to outcomes  | Mandatory                         | 19–25   |
|                       | Actual performance in relation to deliverables and KPIs set out in PB Statements/PAES or other portfolio statements   | Mandatory                         | 20–25   |
|                       | Where performance targets differ from the PBS/PAES, details of both former and new targets, and reasons for the change  | Mandatory                         | N/A     |
|                       | Narrative discussion and analysis of performance  | Mandatory                         | 19–25   |

| Part of report            | Description  | Requirement              | Page(s)        |
|---------------------------|--|--------------------------|----------------|
|                           | Trend information  | Mandatory                | 2–10, 24–25    |
|                           | Significant changes in nature of principal functions/ services   | Suggested                | N/A            |
|                           | Performance of purchaser/provider arrangements   | If applicable, suggested | N/A            |
|                           | Factors, events or trends influencing departmental performance   | Suggested                | 8–9            |
|                           | Contribution of risk management in achieving objectives  | Suggested                | 28–30          |
|                           | Social inclusion outcomes  | If applicable, mandatory | N/A            |
|                           | Performance against service charter customer service standards, complaints data, and the agency's response to complaints                 | If applicable, mandatory | N/A            |
|                           | Discussion and analysis of the agency's financial performance  | Mandatory                | 25             |
|                           | Discussion of any significant changes from the prior year, from budget or anticipated to have a significant impact on future operations. | Mandatory                | N/A            |
|                           | Agency resource statement and summary resource tables by outcomes  | Mandatory                | 16–17          |
| Management Accountability |  |                          |                |
| Corporate Governance      |  |                          |                |
|                           | Agency heads are required to certify that their agency comply with the Commonwealth Fraud Control Guidelines.                            | Mandatory                | iii            |
|                           | Statement of the main corporate governance practices in place  | Mandatory                | 27–30          |
|                           | Names of the senior executive and their responsibilities   | Suggested                | iii, 15, 27–28 |
|                           | Senior management committees and their roles   | Suggested                | 27–28          |
|                           | Corporate and operational planning and associated performance reporting and review   | Suggested                | 28             |
|                           | Approach adopted to identify areas of significant financial or operational risk  | Suggested                | 28–30          |
|                           | Policy and practices on the establishment and maintenance of appropriate ethical standards   | Suggested                | 30             |
|                           | How nature and amount of remuneration for SES officers is determined   | Suggested                | 31–32          |

| Part of report                                  | Description  | Requirement              | Page(s) |
|---|--|--------------------------|---------|
| External Scrutiny                               |  |                          |         |
|   | Significant developments in external scrutiny  | Mandatory                | 30      |
|   | Judicial decisions and decisions of administrative tribunals   | Mandatory                | 30      |
|   | Reports by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman  | Mandatory                | 30      |
| Management of Human Resources                   |  |                          |         |
|   | Assessment of effectiveness in managing and developing human resources to achieve departmental objectives  | Mandatory                | 31–33   |
|   | Workforce planning, staff turnover and retention   | Suggested                | 32–33   |
|   | Impact and features of enterprise or collective agreements, individual flexibility arrangements (IFAs), determinations, common law contracts and AWAs  | Suggested                | 31–32   |
|   | Training and development undertaken and its impact   | Suggested                | 32      |
|   | Work health and safety performance   | Suggested                | 83      |
|   | Productivity gains   | Suggested                | N/A     |
|   | Statistics on staffing   | Mandatory                | 33, 35  |
|   | Enterprise or collective agreements, IFAs, determinations, common law contracts and AWAs   | Mandatory                | 31–32   |
|   | Performance pay  | Mandatory                | 31–32   |
| Assets Management                               | Assessment of effectiveness of assets management   | If applicable, mandatory | 33      |
| Purchasing                                      | Assessment of purchasing against core policies and principles  | Mandatory                | 33      |
| Consultants                                     | The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website. | Mandatory                | 34      |
| Australian National Audit Office Access Clauses | Absence of provisions in contracts allowing access by the Auditor-General  | Mandatory                | 34      |
| Exempt Contracts                                | Contracts exempt from AusTender  | Mandatory                | 34      |

| Part of report              | Description  | Requirement              | Page(s) |
|-----------------------------|--|--------------------------|---------|
| Financial Statements        | Financial Statements   | Mandatory                | 37–81   |
| Other mandatory information |  |                          |         |
|                             | Work health and safety (Schedule 2, Part 4 of the <i>Work Health and Safety Act 2011</i> )   | Mandatory                | 83      |
|                             | Advertising and Market Research (section 311A of the <i>Commonwealth Electoral Act 1918</i> ) and statement on advertising campaigns                           | Mandatory                | 83      |
|                             | Ecologically sustainable development and environmental performance (section 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i> ) | Mandatory                | 84      |
|                             | Compliance with the agency's obligations under the <i>Carer Recognition Act 2010</i>   | If applicable, mandatory | N/A     |
|                             | Grant programs   | Mandatory                | 84      |
|                             | Disability reporting — explicit and transparent reference to agency-level information available through other reporting mechanisms                             | Mandatory                | 35      |
|                             | Information Publication Scheme statement   | Mandatory                | 83      |
|                             | Correction of material errors in previous annual report  | If applicable, mandatory | N/A     |
|                             | List of Requirements   | Mandatory                | 85–88   |

## GLOSSARY

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



## SHORTENED FORMS

| AASB    | Australian Accounting Standards Board                   |
|---------|---|
| AATSI   | Aboriginal and Torres Strait Islander                   |
| ANAO    | Australian National Audit Office                        |
| APS     | Australian Public Service                               |
| ATO     | Australian Taxation Office                              |
| CEIs    | Chief Executive Instructions                            |
| CEO     | Chief Executive Officer                                 |
| CFO     | Chief Finance Officer                                   |
| CPA     | CPA Australia   |
| CPRs    | Commonwealth Procurement Rules                          |
| CTA     | Corporate Tax Association                               |
| DCB     | Departmental Capital Budgets                            |
| ECT     | Excess Contributions Tax                                |
| EL1     | Executive Level 1                                       |
| ESL     | English as a Second Language                            |
| FMA Act | <i>Financial Management and Accountability Act 1997</i> |
| FMOs    | Finance Minister's Orders                               |
| FOI Act | <i>Freedom of Information Act 1982</i>                  |
| GST     | Goods and Services Tax                                  |
| ICAA    | Institute of Chartered Accountants in Australia         |
| IGT     | Inspector-General of Taxation                           |
| IGT Act | <i>Inspector-General of Taxation Act 2003</i>           |
| IPS     | Information Publication Scheme                          |
| IT      | Information Technology                                  |
| OECD    | Organisation for Economic Co-operation and Development  |
| PS Act  | <i>Public Service Act 1999</i>                          |

|         |   |
|---------|---|
|         |   |
| PSS     | Public Sector Superannuation Scheme                   |
| PSSap   | Public Sector Superannuation Scheme accumulation plan |
| SES     | Senior Executive Service                              |
| SLA     | Service Level Agreement                               |
| WHS Act | <i>Work Health and Safety Act 2011</i>                |



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