



Australian Government
Inspector-General of Taxation

Inspector-General of Taxation

ANNUAL REPORT
2015–16

Inspector-General of Taxation

Annual Report 2015–16

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Australian Government

Inspector-General of Taxation

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28 September 2016

The Hon Kelly O'Dwyer MP
Minister for Revenue and Financial Services
Parliament House
Canberra ACT 2600

Dear Minister for Revenue and Financial Services

I am pleased to present to you the Annual Report of the Inspector-General of Taxation (IGT) for the year ended 30 June 2016. This report has been prepared in accordance with section 41 of the *Inspector-General of Taxation Act 2003* (the IGT Act).

In addition, and as required by the *Commonwealth Fraud Control Framework*, I certify that I am satisfied that the IGT has in place appropriate fraud control mechanisms that meet the IGT's needs and that comply with the guidance applying in 2015-16.

Yours sincerely

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

Ali Noroozi
Inspector-General of Taxation

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PART 1: OVERVIEW

INSPECTOR-GENERAL OF TAXATION REPORT



This year has been one of the busiest years that the office of the Inspector-General of Taxation (IGT) has experienced since its inception in 2003. It has also been the most productive. I am delighted to report that we have met the challenges of establishing and developing a 'single port of call' for addressing taxpayer complaints and conducting broader reviews into tax administration.

The work to embed the complaints handling function was a significant focus for this year. Our primary goal was to provide high quality service to taxpayers and tax practitioners. The foundation for achieving this goal is the calibre and capability of our staff. Accordingly, the progressive recruitment of tax specialist complaints service staff has been a key part of our strategy.

We have also provided a considerable range of skills training to our staff consistent with our ethos of continuous improvement. This was designed to also bolster the development and expansion of our programme of conducting broader reviews. We were able to commence the remaining two broader reviews from our existing work programme during the year.

We have also undertaken considerable project work to expand and improve our internal systems, policies and processes as well as those aspects that interface with other agencies with whom we engage regularly.

I am highly appreciative of my staff who have toiled hard to meet the challenges of this year, undertaking significant workloads and providing strong professional and consistent service to the community.

It was also pleasing that the House of Representatives Standing Committee on Tax and Revenue (the Committee), in its Inquiry into the External Scrutiny of the Australian Taxation Office (the Inquiry), recognised the distinctive role of my office and the improvements that it has generated. I welcome the findings of the Inquiry and will discuss its observations and recommendations later in this report.

The sections that follow explore some of the areas highlighted above in more detail as well as a number of other matters.

Complaints handling service

For the 2015–16 financial year, we have received a total of 2148 complaints of which over 95 per cent have been processed and finalised within the same period. Work continues in the following year on the remainder. Of the finalised cases, almost 80 per cent were finalised within 15 business days of receipt. It is also noteworthy that almost 40 per cent of all complaints were resolved by my staff without the involvement of the Australian Taxation Office (ATO) or Tax Practitioners Board (TPB).

The most common issues which were raised in complaints involve:

- the ATO's debt collection action, for example decision making and communications regarding such matters as payment arrangements and garnishee notices (23% of all issues raised);
- ATO delays in responding to activity statement and income tax return issues (19% of all issues raised); and
- the ATO's audit activities, for example auditors' reasons for decisions and their engagement with taxpayers (11% of all issues raised).

I expect an increase in the number and complexity of complaints as the role of my office and satisfaction with our service becomes more widely known. More details regarding the number and types of complaints are provided in Part 2 of this report.

In the course of resolving complaints, my staff may make non-binding determinations which, although cannot compel the ATO or TPB to take any particular action, are persuasive. In the majority of cases, the relevant agencies have responded by taking action consistent with these determinations. The community feedback has also been positive.

One example was provided during a Parliamentary Committee hearing in which Mr Irons MP explained that one of his constituents had been unsuccessful in obtaining his \$230,000 Goods and Services Tax (GST) refund after dealing with the ATO over a 14 month period. However, his constituent was successful in having the refund paid within 12 days of raising a complaint with my office.¹

Typically, complainants express their concerns that the ATO or TPB had acted unfairly or adopted a process which although fair resulted in an unfair outcome as it failed to take into account their individual circumstances.

For example, in a complaint concerning the renegotiation of an arrangement to pay a tax debt, the taxpayer felt that the ATO did not understand that the payment arrangement, to which the ATO was prepared to agree, would adversely affect his business' credit rating. Such an adverse rating would impact his ability to earn income to pay the debt. My staff engaged with the relevant ATO officers on this issue and focused their attention on alternative options for a sustainable payment arrangement. As a result, the ATO undertook to vary the taxpayer's payment arrangement in a way that was satisfactory to both parties.

Such examples demonstrate that the IGT's complaints handling service is achieving equitable outcomes as well as promoting confidence in the administration of the tax system, especially for those who do not have the resources or knowledge to navigate the complexities of the system. Without this service, it would be very difficult for those in most need of assistance to assess the potential options for resolution or obtain independent assurance of the action taken by the agencies.

1 Commonwealth, *Australian Taxation Office Annual Report 2015*, House of Representatives Standing Committee on Tax and Revenue, Wednesday, 24 February 2016, p. 8 (Mr Steve Irons MP).

I am also pleased that complaint cases are presenting opportunities to gain 'real-time' insight into emerging issues of concern. Such work brings my office closer to our goal of moving quickly to address problems before they escalate into major causes of discontent.

For example, in a complaint concerning a tax agent's difficulties in accessing ATO communications which were sent to their clients directly via MyGov, my staff facilitated on-site discussions between the tax agent and key ATO personnel to better understand the concerns and explore potential remedial actions. As a result, the ATO agreed to implement some of the changes suggested by the tax agent which improved the reliability of the tax agent client correspondence list.

More examples of the improvements and insights resulting from complaint cases are provided in Part 2 of this report.

Features of the tax complaints handling process

The transfer of the tax complaints handling function to my office in the previous year had afforded my office, the ATO and TPB with opportunities to redesign the complaints handling process. The new process includes a number of features which improve the taxpayer experience as well as the interaction of my office with the ATO and TPB. Some of the main features of this process are as follows:

1. Complaints may be lodged through a number of channels, including a smartform on our website, a dedicated telephone line, by mail, facsimile or through referrals from other government agencies including the ATO or the TPB themselves. On occasions, complaints may be made to parliamentarians whom we have encouraged to direct such complainants to us.
2. Receipt of complaints is generally acknowledged within 48 hours and details of the officer managing the case, including a direct telephone number, are provided. Moreover, messages left on the IGT complaints voicemail are returned on the next business day with IGT officers assisting taxpayers to set out the details of their complaints.
3. All complaints are captured, with any supporting documentation, and analysed for resolution. This minimises the resource impacts on the ATO whilst also reducing the need for the taxpayer to provide the same material multiple times.

4. The complainant is provided with an option to have the matter addressed directly by the ATO or the TPB where the complainants have not availed themselves of the relevant agency's own complaints resolution processes. If this option is undertaken, the IGT refers the complaint to the ATO or TPB complaint sections in the form of a Complaint Investigation Notice (CIN) which sets out the key questions and issues needing to be addressed. These complainants are informed that if they remain unsatisfied with the ATO's or TPB's handling of their matter, they can re-approach the IGT.
5. Pursuant to the amended IGT Act², the IGT is empowered to ask taxpayers to provide their Tax File Numbers (TFNs) when lodging complaints, which was not previously available to the Commonwealth Ombudsman (Ombudsman). The ability to request and provide TFNs enhances the ability of the ATO to quickly identify taxpayers on its systems to correctly pinpoint issues and identify options to resolve the matter.
6. The IGT formally tracks all complaints including those which are referred to the ATO. This provides independent assurance to taxpayers and tax practitioners that their matters have been registered and will be dealt with by an identifiable officer who is accountable for the management of their complaint.
7. The IGT Complaints and Review Team are tax specialists who are able to engage meaningfully with taxpayers and ATO officers to identify the key issues for attention and highlight opportunities for resolution.
8. 'Early Assessment Meetings' or 'EAMs' take place between IGT and the ATO or TPB. EAMs are 15-minute discussions, held within three to five business days after a CIN has been referred to the ATO or TPB, to narrow the areas of focus in the CIN, provide an opportunity for the ATO or TPB to surface additional facts or issues and agree on actions to be taken by whom and when. The aim is to ensure that only necessary inquiry and investigation is undertaken to expedite processing time and minimise related costs.

2 *Inspector-General of Taxation Act 2003.*

9. Through ongoing discussions between the IGT and the ATO, common areas of complaints are identified. Examples of such areas include delays in issuing Australian Business Numbers (ABNs) or delayed refund issues. These areas of complaint are generally capable of streamlined resolution processes. Such cases are handled efficiently and effectively through pre-agreed processes with the IGT intervening only in exceptional cases.
10. In more complex cases, the IGT engages directly with ATO senior management to provide 'early warning' of emerging risks and opportunities to address cases with sensitive issues through an escalation process that seeks to promptly explore options for resolution.
11. The IGT continues to engage on a weekly basis with the ATO and monthly with the TPB on how each agency can improve their side of the process to deliver optimal outcomes to the community while minimising costs.

Feedback on the complaints handling process

The experience of taxpayers and their representatives in dealing with the complaints handling process is a critical factor not only for improving our service but also for voluntary compliance with the tax system. Taxpayers' perceptions of fairness of the tax system, including our complaints handling service, has been found to be a major factor in achieving high levels of voluntary compliance.³

We have sought feedback from complainants on our services to identify opportunities to improve their experience. I am pleased to note that the majority of the feedback provided has been positive particularly in relation to my staff's professional and empathetic engagement with complainants in what can be a distressing experience for many.

The insights gained from complainants' feedback have also highlighted areas which may provide opportunity for improvement. We have been working on these areas and will continue to do so, whilst seeking feedback on an ongoing basis to further focus and prioritise refinement of the complaints handling processes.

3 Stephan Muehlbacher, Erich Kirchler and Herbert Schwarzenberger, 'Voluntary versus enforced tax compliance: empirical evidence for the "slippery slope" framework' (2011) 32 *European Journal of Law and Economics* 89-97, p 95.

New staff recruitment

The transfer of the complaints handling function to the IGT has required my office to recruit more tax specialists and to train them in the skills which are required to deliver an effective and efficient service. Such recruitment has been conducted in tranches to preserve my office's professional and collegiate culture that seeks to continually improve taxpayers' experience and the administration of the tax system more generally.

I am pleased that the recruitment which has taken place so far has resulted in a strong core team. This core team is well placed to assist new staff who will be recruited in the remaining recruitment tranches to be held in the next financial year.



Parliamentary Inquiry into the external scrutiny of the ATO

The Committee announced its Inquiry into the scrutiny arrangements that apply to the ATO with particular focus on removing inefficiency and duplication, reducing cost to government and the 'earned autonomy principle'.⁴

To assist the Committee, I had made two submissions⁵ to the Inquiry and appeared in one of its hearings together with other scrutineers of the ATO.

On 5 May 2016, the Committee tabled its report on the Inquiry.⁶

4 House of Representatives Standing Committee on Tax and Revenue, 'New inquiry into scrutiny of the Tax Office', (Media Release), 9 February 2016.

5 Available on the IGT website at <www.igt.gov.au>.

6 House of Representatives Standing Committee on Tax and Revenue, *External scrutiny of the Australian Taxation Office* (April 2016) p xi.

The Committee has noted that the scrutiny arrangements applying to the ATO are similar to that of comparable jurisdictions.⁷ It also recognised the important role of the IGT:

*The Committee would like to say up front that it believes that the office of Inspector-General should continue. This office has proven its worth through quality reviews that have improved the ATO's operations and the position of taxpayers, especially given its small size relative to the ATO. Further, it has strong support among almost all stakeholders. The Committee puts this down to the fact that the Inspector-General has built strong relationships with taxpayers and tax practitioners.*⁸

*... the complexity of the tax system, and the substantial resources and powers of the ATO, mean that a role for the Inspector-General, or at least a scrutineer that pledges to reach out to taxpayers, should continue for the foreseeable future.*⁹

The Committee also noted:

...that the cost of external scrutiny provides a good return on investment for Australia. This return flows directly to the ATO, and indirectly to Government, the Parliament, and Australian businesses and individuals. It also flows to foreign investors through increased confidence in Australian tax system administration. Scrutiny is an investment in the tax system, not a cost.

*..... the costs of scrutiny need to be kept in perspective relative to the size of the ATO and its importance to the economy [noting] that the resources available to the Inspector-General ... were 'not substantial' ...*¹⁰

In addition, the Committee has asserted 'that the ATO has overstated the extent of duplication and that the extent of any duplication if it does occur is minimal.'¹¹

7 *ibid*, p xvi.

8 *ibid*, p 31.

9 *ibid*, p 44.

10 *ibid*, pp 31-32.

11 *ibid*, p 27.

The report made five recommendations primarily focused on improving communication and awareness, two of which were directed to the ATO and my office. Two other recommendations were addressed to the three scrutineer agencies, namely the Australian National Audit Office (ANAO), the Ombudsman and the IGT.

I welcome the Committee's observations and recommendations which largely reflect my office's submissions to the Committee as well as the work that we had previously undertaken cooperatively with the ATO, the TPB and our fellow scrutineers. Work is underway to implement these recommendations.

Completed broader reviews

My office also continued the work on the four remaining reviews which were announced on my current work programme. It should be noted that for a significant part of the year my office had either only eight staff or was training new staff. As a result, focus was placed on establishing the complaints handling function. Work on the reviews also progressed albeit not at the same pace as in prior years.

As at 30 June 2016, two reviews were finalised, namely the *Debt collection and Tax practitioners reviews*¹², which are outlined below.

A total of 27 recommendations were made in these reviews 24 of which the ATO agreed with either in whole, in part or in principle. It is interesting to note that some parts of recommendations with which the ATO disagreed were later implemented by the ATO. Examples of such implementation are provided in the *Tax practitioners review* section below.

Debt collection review

The *Debt collection review* was prompted by concerns raised by individuals, small business, tax and insolvency practitioners as well as their representative bodies. Broadly, these concerns related to the ATO's ability to recover tax debts effectively whilst ensuring that its actions were proportionate to the circumstances of the affected taxpayers.

12 IGT, *Debt Collection* (2015); IGT, *The Australian Taxation Office's services and support for tax practitioners* (2015).

During the review, the ATO acknowledged that its previous approach to debt collection could be improved as it involved a linear process for debt recovery which generally relied upon a series of escalated actions. Prior to the commencement of this review, the ATO had begun developing a programme of work to explore alternatives and improve its recovery action.

Given that the ATO's new programme of work would take some time to be fully implemented and bear fruit, the IGT made a number of recommendations as interim measures. One of these measures proposed a focus on the main debt holdings which are owed by individuals and micro businesses. These two taxpayer segments account for approximately 60 per cent (\$12.3 billion) of total collectable tax debt. Another interim measure proposed that the ATO take more frequent and proportionate debt recovery action to minimise the necessity for taking firmer action at a later time.

The ATO's new overarching strategic focus is to design actions that reduce overall debt holdings by using taxpayer behavioural analysis to prevent debts arising and, where they do arise, taking the most effective recovery action at the most appropriate time. This was consistent with recommendations made in previous IGT reviews where the use of behavioural analysis was a common theme. The IGT continues to endorse such an approach.

The IGT also identified a need to ensure ATO officers have the appropriate level of expertise and experience to handle taxpayer cases and fulfil procedural requirements. Recommendations, seeking greater top-down supervision, were also made.

Overall, the IGT made 19 recommendations with 16 of which the ATO has agreed, agreed in principle or agreed in part. The ATO has disagreed with two recommendations and considered that one recommendation was a matter for Government. One of the disagreed recommendations required the ATO to merge its Debt Business Line into the Compliance Group although the ATO has indicated it would consider such a merger as part of its broader cultural and structural change.

Tax practitioners review

The *Tax practitioners review* was undertaken in response to concerns raised by tax practitioners about access and adequacy of ATO support and services and, more generally, the relationship between tax practitioners and the ATO. This relationship is critical to the self-assessment system particularly given the high degree of taxpayer reliance on tax practitioners.

A key underlying cause of the strain on the ATO-tax practitioner relationship has been the reliability and functionality of the ATO Portals – gateways through which tax practitioners can use a range of ATO services. The ATO Portals have been described as an indispensable tool of trade but, in recent years, tax practitioners believe the Portals' unreliability has resulted in productivity loss, missed deadlines, irrecoverable costs as well as damage to their relationships with clients.

The ATO has acknowledged the concerns with the ATO Portals and aims to address them in the long term by migrating to a 'more functional software platform and flexible online system.' However, such a migration causes further uneasiness for tax practitioners because of their previous experience with the ATO's deployment of new technology. In this regard, the IGT took comfort from the ATO's approach to maintaining the current ATO Portals and operating them in parallel with the new system.

The ATO has estimated the migration to occur within the next two years, during which time any work on the current ATO Portals will be limited to maintenance and stability assurance. Therefore, it is likely that some of the tax practitioner concerns and frustration may persist in the short term.

Tax practitioners had also raised concerns with the delays and quality of support provided on the ATO's website and telephone services. In this regard, the IGT recommended improved ATO telephone services by maintaining shorter wait times, having technically proficient staff to answer calls, simplifying the proof of identity processes and improving the ATO's website by taking into account tax practitioners' needs.

Specific concerns were also raised with the transparency of the ATO's new approach to the Lodgment Program. As a result, I had made recommendations to provide sufficient information to enable tax practitioners to independently verify the accuracy of the ATO's calculation of their lodgement performance.

A total of eight recommendations were made with which the ATO agreed in full or in part. However, it should be noted that aspects of recommendations with which the ATO had disagreed were later implemented.

For example, the ATO disagreed with the recommendation to delay the retirement of the electronic lodgment service (ELS) until after consultation with the tax practitioner community (recommendation 4.2(e)). However, the ATO later extended the availability of the ELS until at least March 2017 and stated that it would consult with the tax profession on transition from the ELS to Standard Business Reporting (SBR)-enabled lodgment services.¹³

Another example was my recommendation to the ATO to develop an interactive website assistance facility, 'web chat', to which the ATO disagreed (recommendation 4.3(b)). However, the ATO later released a web chat facility in March 2016¹⁴, called 'Alex'.

Reviews in progress

At 30 June 2016, two reviews were in progress and their findings will be provided in next year's annual report. These reviews are outlined below.

Taxpayers' Charter and taxpayer protections review

This review commenced as a result of ongoing stakeholder concerns with the adequacy of the ATO's *Taxpayers' Charter*¹⁵ and taxpayer protections. Particular concerns were raised with respect to enforceable remedies for defective ATO administration, commitment to procedural fairness and adherence to the model litigant obligations.¹⁶

In addition to some cases which have received significant media attention¹⁷, the Ombudsman had previously noted that aggrieved taxpayers do not receive the remedy they desire¹⁸ and I have highlighted these concerns as emerging issues in previous reports.

13 Australian Taxation Office, 'Consultation on ELS to SBR transition' (16 December 2015), <www.ato.gov.au>.

14 Australian Taxation Office, 'A better online experience' (18 March 2016), <www.ato.gov.au>.

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

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

17 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>.

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

The review is also considering international developments as well as the emergence of taxpayer rights in the context of cross-border information exchanges.

Employer obligations audit review

Stakeholders had raised concerns with the ATO's compliance activities with respect to employers' obligations, including determinations of contractor or employee status, taxpayers' access to avenues of appeal, responding to employee complaints, incorrect assessments and, more generally, the ATO's unwillingness to engage on issues. These concerns are said to result in additional and unwarranted costs for employers and uncertainty for employees.

Broader concerns were also raised with the costs that employers incur in complying with the tax and superannuation laws in their capacity as employers in addition to those costs incurred in their capacity as a taxpayer.

Accordingly, the review will examine the above concerns in the context of pay-as-you-go withholding, fringe benefits tax, superannuation guarantee and the ATO's engagement with both employees and employers.

Government policy initiatives following IGT recommendations

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 IGT report. Other improvements may require changes to policy and the Government to make legislative changes over time.

In 2015–16, actions relating to IGT recommendations to Government included:

- providing a \$100 tax offset¹⁹ to small businesses for purchasing SBR-enabled software – paragraph 4.86 of the *Tax practitioners review* identified that the intended benefits of the SBR itself may not be realised without the uptake of SBR-enabled software by tax practitioners' clients and recommendation 4.2(c) in the same review recommended incentives to tax practitioners for the uptake of SBR-enabled software; and

¹⁹ Assistant Treasurer, 'Streamlining business reporting with single touch payroll,' (Media Release 21 December 2015).

- the issuance of public binding advice on recently enacted law through the ‘Law Companion Guidelines’ – although an ATO initiative, in recommendation 2.3 of the *Self-assessment review*²⁰, I recommended to the Government to consider requiring the ATO to synchronise its public binding advice with the enactment of substantial new tax law.

STAKEHOLDERS

The Federal Parliament

As representatives of the Australian community, Members of Parliament and Senators are well placed to identify concerns affecting their constituents. Through annual public hearings or direct contact with my office, matters of concern in tax administration are raised with us and I am grateful for this assistance.

The IGT Act also provides for parliamentary bodies to make requests for reviews to be undertaken on tax administration topics.²¹

The activities of Parliament also assist the community to understand the operations of government agencies. As discussed above, the House of Representatives Standing Committee on Tax and Revenue’s Inquiry into the external scrutiny of the ATO has provided greater community understanding of the scrutiny arrangements that apply to the ATO and their benefit.

As stated earlier, the IGT has also directly encouraged Members of Parliament and Senators to refer any complaints they receive about the ATO or the TPB to my office. The IGT has already processed a number of such complaints.

External stakeholders

I would also like to thank the many taxpayers, tax practitioners, their respective representative bodies and academics who bring matters 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.

²⁰ IGT, *Review into improving the self-assessment system* (2013).

²¹ Paragraph 8(3)(d) of the *Inspector General of Taxation Act 2003*.

The contribution of external stakeholders has been growing as they become better acquainted with the work of my office and further expansion in this regard is likely with the anticipated increase in the use of the complaints handling service.

I have also been asked to present and provide input into the work of our external stakeholders in the past year. For example, I provided a submission to the Federal Court of Australia regarding the implementation of its *Taxation National Practice Area Practice Note* and the *Central Practice Note*²² on the potential impacts for the conduct of tax litigation.

Public sector stakeholders

The IGT continues to engage and consult with the Commonwealth Auditor-General (Auditor-General) and Ombudsman to foster closer collaboration in areas of mutual interest and minimise any potential duplication of efforts. The success of this collaboration is reflected in the Committee's observation, mentioned earlier, that 'the extent of any duplication if it does occur is minimal'.²³

In line with the recommendations of the Committee in its Inquiry mentioned earlier, I have also committed to continue working with the Auditor-General and the Ombudsman to improve communication and cooperate on matters of relevance and mutual interest. For example, on the Ombudsman's behalf, my office hosted a briefing by the ATO on the MyGov Relationship and the Authorisation Manager facility.²⁴

My office also shares observations with the ANAO on topics in scoping audit and review work. As an example and within the boundaries of our respective legislation, the ANAO and my office shared observations on the ATO's measurement of service commitments which relate to issues being examined in both the IGT's *Taxpayers' Charter and protections review* and the ANAO's potential performance audit on service commitments.²⁵

22 IGT, Submission to Federal Court of Australia, *Taxation NPA Practice Note and the Central Practice Note*, 25 November 2015.

23 Above n 6, p 27.

24 This facility will provide electronic registration and authentication of a citizen's authorisation for a representative to deal with Federal Government agencies on their behalf.

25 ANAO, *Audit Work Program – July 2015*, (2015) p 135.

My office continues to share observations with other scrutineers on tax administration issues of mutual interest. For example, the Australian Small Business and Family Enterprise Ombudsman and my office have shared observations on the ATO's approach to ABN applications for small business operators and the impact that cancellation of ABNs have on such businesses. These discussions help to ensure that my office is aware of whole of government initiatives when identifying improvements to the tax system.

I am grateful for the assistance that my office has received from the above agencies. I would also like to thank the Treasury, who deliver a number of services to us as well as being a partner in many aspects of our core functions, and current and former Treasurers, Assistant Treasurers and Ministers for Small Business and their respective staff.

Lastly, I thank the ATO and the TPB and their personnel for the professional assistance my office has received. It is important to appreciate that a degree of tension should exist between an administrator and the scrutineering function which, when 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 but it is also important to ensure that a constructive relationship with the ATO and the TPB is maintained. In line with the recommendations resulting from the Committee's Inquiry, both the Commissioner and myself, as well as our senior executive staff, are currently working together to improve communication between our respective offices and to enhance our collaborative efforts to deliver continual improvements to the administration of the tax system.

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 agencies including New Zealand's Inland Revenue Department, the United Kingdom's Her Majesty's Revenue and Customs, the USA's Internal Revenue Service and the Canada Revenue Agency. Such engagement provides useful insights into common tax administration issues for our reviews into areas such as debt collection and the *Taxpayers' Charter*. It can also 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 engages with the broader international tax administration community by presenting papers at international conferences which provide insights into tax administration in the Australian context,²⁶ contributing to the work of international bodies, such as the International Bureau of Fiscal Documentation's report²⁷ on taxpayer rights as well as examining the research, insights and findings of the Organisation for Economic Co-operation and Development (OECD) for a broader international perspective.

FUTURE DIRECTIONS

New programme of review work

Development of a new programme of reviews will commence in the first half of the next financial year. Similar to previous work programmes, I will consult with the broader community to identify and prioritise the tax administration issues of most concern. The development of the work programme will also be informed by themes emerging from our complaints handling service.

As my office gains more experience with complaints handling and more definitive conclusions can be drawn in terms of emerging themes, future work programmes are likely to have increased reliance on such conclusions.

As mentioned above, another key focus for my office in the coming year will be to complete the tranches of recruitment and training of additional staff to achieve a more effective and efficient complaints handling service. As a result, the number and scope of topics for review in the next financial year will be balanced against this service commitment to taxpayers and the community more broadly.

Ali Noroozi
Inspector-General of Taxation

²⁶ International Conference on Taxpayer Rights, *The Role of Inspector-General of Taxation in Australia* (2015).

²⁷ International Bureau of Fiscal Documentation, *The protection of taxpayer rights in Australia* (2015).

ROLE

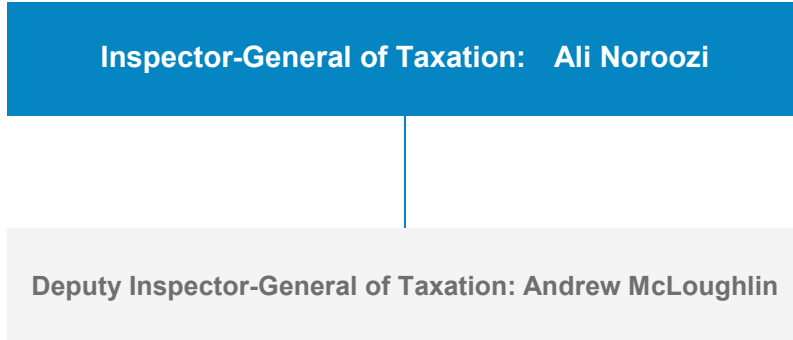
Our role is to improve tax administration through investigation of tax complaints, conducting broader reviews, public reporting and independent advice to Government and its relevant agencies.

Our objectives are to:

- Establish and maintain an effective and efficient complaints handling function;
- Identify and prioritise areas of tax administration for improvement; and
- Conduct reviews and make recommendations for improvement to Government, the ATO and the TPB.

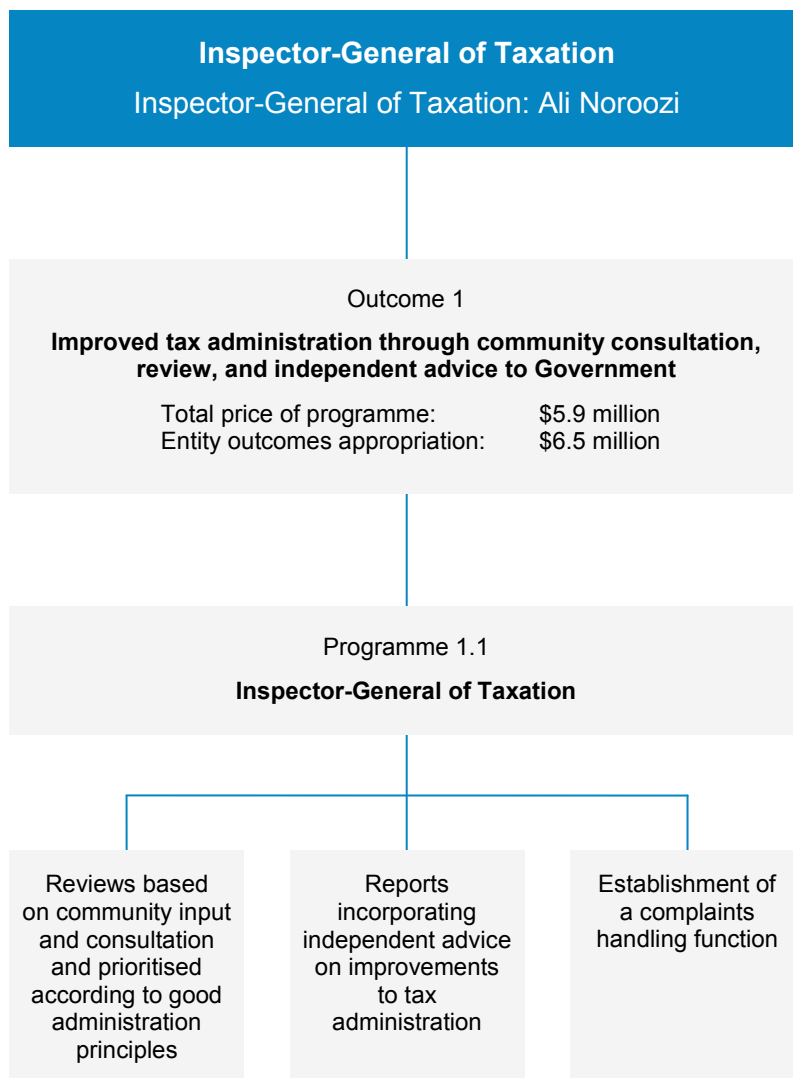
ORGANISATIONAL STRUCTURE

Figure 1: Inspector-General of Taxation executive structure



OUTCOME AND PROGRAMME STRUCTURE

Figure 2: Outcome and programme structure



APPENDIX 1 — EXPENSES FOR OUTCOMES

Table A1: Expenses for Inspector-General of Taxation outcomes

Outcome 1: Improved tax administration through investigation of complaints, conducting reviews, public reporting and independent advice to Government and its relevant entities.	Budget	Actual	Variation
	2015-16	2015-16	2015-16
	\$'000	\$'000	\$'000
	(a)	(b)	(a - b)
Program 1.1: Inspector-General of Taxation			
Departmental expenses			
Departmental appropriations ¹	6,532	5,630	902
Expenses not requiring appropriation in the budget year	29	306	(277)
Total expenses for Outcome 1	6,561	5,936	625

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

	2014-15	2015-16
Average staffing level (number)	14	34

APPENDIX 2 — AGENCY RESOURCE STATEMENT

Table A2: Inspector-General of Taxation resource statement for 2015–16 as at Budget May 2015

	Actual available appropriation 2015-16 \$'000	Payments made 2015-16 \$'000	Balance remaining 2015-16 \$'000
	(a)	(b)	(a - b)
Departmental			
Ordinary annual services ¹			
Departmental appropriation ²	10,853	5,607	5,246
Total ordinary annual services	10,853	5,607	5,246
Other services - departmental non-operating			
Equity injections ³	1,006	427	(579)
Total other services - departmental non-operating	1,006	427	(579)
Total net resourcing and payments for the IGT	11,859	6,034	4,667

(1) *Appropriation Act (No. 1) 2015-16*. This may also include prior-year departmental appropriation and section 74 relevant agency receipts.

(2) Includes an amount of \$0.029 million for the Departmental Capital Budget. For accounting purposes this amount has been designated as 'contributions by owners'.

(3) *Appropriation Act (No. 2) 2015-16*. This includes prior-year equity injection appropriation of \$0.808 million (*Appropriation Act No. 6 2014-15*).

PART 2: PERFORMANCE REPORT

Part 2 of this report is divided into two sections:

- the statement of performance, and
- analysis of the IGT's financial performance

during the 2015–16 financial year.

PERFORMANCE STATEMENT

The statement of performance measures and assesses the IGT's performance in fulfilling its purpose and key objectives.

The purpose of the IGT is to improve tax administration with key objectives being:

1. establish and maintain an effective and efficient complaints handling function;
2. identify and prioritise areas of tax administration for improvement; and
3. conduct reviews and make recommendations for improvement to Government, the ATO and the TPB.

These key objectives are monitored by performance measures, the results of which are included in the following sections:

Objective 1 — Establish and maintain an effective and efficient complaints handling function

As discussed in Part 1, on 1 May 2015, the Government transferred the tax complaints handling function to the IGT. Work was then carried out to establish this function within the IGT by recruiting and training tax specialist staff as well as developing an information technological and service delivery platform together with appropriate systems and procedures.

The effective and efficient resolution of complaints demands a flexible process and approach. Some complaints require investigations by the IGT whilst others may be resolved, for example, by simply providing the appropriate information. The key features of this process are set out in Part 1.

The complaints handling process is continually refined as improvement opportunities are identified through internal processes as well as through feedback from the community, ATO and TPB. Examples of such improvements in the 2015–16 financial year include the completion of a major phase in the staged development of our information and communications technology systems which will provide greater efficiencies and an enhanced complainant experience.

The IGT’s performance in establishing and maintaining an effective and efficient complaints handling function for the 2015–16 financial year was assessed against three measures. These assessments are set out in the following sections. It is acknowledged that there are additional or alternative ways to carry out such measurements. These will be considered as part of our planning process for the future.

Performance measure — Complaints received compared to complaints actioned

In total, 2232 complaints were handled by the IGT during the 2015–16 financial year, over 95 per cent of which were resolved during the same period— see Table 1 below.

Of the complaints received during the 2015–16 financial year, 2111 related to the ATO (95%), 54 related to the TPB (2%) and 67 related to other matters (3%), for example, those outside of the IGT’s jurisdiction to consider.

Table 1: Numbers of complaints received and resolved, by agency

Agency	Complaints received			Complaints resolved
	Received in 2014–15	Received in 2015–16	Total handled during 2015–16	Total resolved in 2015–16
ATO	79	2032	2111	2014
TPB	4	50	54	54
Other	1	66	67	65
Total	84	2148	2232	2133

Every complaint received by the IGT is managed by a specific IGT officer for action. The officer contacts the complainant to better understand their concerns and preferred outcomes at the outset of the complaints handling process.

The specific action taken in each complaint case depends upon its history, the nature of issues raised and the outcomes sought.

Generally, there are two types of outcomes sought. Firstly, complainants may seek information or independent advice and assurance in relation to ATO or TPB actions. In many of these cases, IGT officers are able to provide appropriate information, advice and assurance without needing to involve the ATO or TPB. In the 2015–16 financial year, IGT staff resolved approximately 40 per cent of such complaints.

Secondly, complainants may seek a review of ATO or TPB actions or decisions which they consider to be inappropriate or unfair. These complaints require ATO or TPB involvement and are initiated by way of an investigation.

Investigations allow the IGT to obtain information from the ATO or TPB which would otherwise be unavailable due to the tax law secrecy provisions. The IGT may also serve formal notices requiring employees of the ATO or TPB to provide information relevant to the IGT's investigations.²⁸ In the 2015–16 financial year, no such notices were issued.

In total, 1388 investigations were undertaken by the IGT during the 2015–16 financial year. Over 93 per cent of these were finalised during the same period – see Table 2 below.

99 per cent of the investigations commenced during the 2015–16 financial year related to the ATO with the remaining being TPB-related.

Table 2: Total numbers of investigations commenced and completed, by agency

Agency	Investigations commenced			Investigations completed
	Commenced in 2014–15	Commenced in 2015–16	Total undertaken in 2015–16	Completed in 2015–16
ATO	69	1307	1376	1285
TPB	4	8	12	12
Total	73	1315	1388	1297

²⁸ Section 9 of the *Ombudsman Act 1976* which operates by virtue of section 15 of the *Inspector-General of Taxation Act 2003*.

Performance measure — Proportion of complaints that are actioned promptly

Complaints may be lodged through the IGT's website as well as by telephone, post, email and facsimile. The website or telephone is the preferred means of lodgement as taxpayers and their representatives are prompted for all of the information needed to action the complaint quickly.

The IGT aims to acknowledge all complaints, generally within 2 business days of receipt, as such acknowledgement provides assurance that concerns have been received and will be considered.

Throughout the handling of a complaint case, the IGT case officers maintain communication with the complainant, including immediately after relevant inquiries and investigations have been completed. Such contact ensures that, before a finalisation letter is issued to the complainant, the main issues of concern have been addressed and appropriate resolution options have been explored.

The IGT aims to promptly resolve cases and issue a finalisation letter within 15 business days. However, more complex cases may require more time to resolve.

In 92 per cent of complaint cases received during the 2015–16 financial year, the IGT issued a finalisation letter within 15 business days of receiving the complaint.

After a finalisation letter is issued, complainants are provided a further 10 business days as an opportunity to raise any further issues for consideration before the complaint case is formally closed. For the 2015–16 financial year, the IGT formally closed 78 per cent of cases within 15 business days of receiving the complaint.

Performance measure — Feedback provided on the complaints handling process from complainants, the ATO and the TPB

The IGT continues to receive positive feedback and support from community stakeholders on its complaints handling role in the tax system. Whilst not every complainant has obtained their desired outcome, feedback has reflected the effectiveness of the IGT in facilitating the resolution of complaints. Examples of such feedback were provided in Part 1. Further examples of positive feedback are provided below:

Example 1

A taxpayer was involved in a marriage breakdown and took action which he believed had resulted in someone taking their own life. Following these events, he found it difficult to keep his affairs in good order, including meeting his obligations under the tax laws. After a number of years, he took steps to 'get his life back on track' and approached a tax practitioner to help him fix up his finances, including the repayment of his outstanding tax debts and meeting his tax obligations going forward.

The tax agent worked out that the tax debt also included interest and penalties which had been automatically applied over the years and now totalled more than the primary tax debts. The taxpayer could pay his primary tax debts, however, he did not have the financial capacity to also pay the penalties and accrued interest in full. The tax agent approached the ATO with a payment proposal that highlighted the merit in remitting some of the penalties and interest so that the taxpayer could 'get back on track' with his tax affairs and his life. The ATO, however, declined to remit any amounts and required payment in full due to the taxpayer's poor compliance history. The tax practitioner approached the IGT for assistance as he had reached an impasse.

The IGT registered the complaint with the ATO and highlighted the life events which contributed to the non-payment of the tax debts and resulting accrual of interest and penalties as well as the taxpayer's recent efforts to address his debts. During these discussions, the ATO agreed to reconsider the payment proposal and contacted the tax agent. A mutually satisfactory solution was reached and the tax agent has since emailed the IGT, stating that it 'would not have been possible without your assistance. Once again thank you very much for your assistance.'

Example 2

A taxpayer became aware that a person they knew had not declared all of their income in their tax returns. They provided information to the ATO about this undeclared income. The taxpayer did not see any ATO action taken on their information and they approached the ATO again asking for confirmation that the action that had been taken. The ATO explained that as the information related to another taxpayer's tax affairs, the secrecy provisions would prevent it from disclosing what action was taken. The taxpayer lodged a complaint with the IGT as they believed that the ATO should at least confirm if anything was being done.

The IGT investigated the matter and asked the ATO to provide records which would confirm that it had considered the information appropriately and in accordance with its procedures. As a result, the ATO identified that the taxpayer's information had not been forwarded to the correct area within the ATO for consideration. Accordingly, the information was redirected to the correct area promptly and the IGT examined the records to confirm that the information was now being appropriately considered. The IGT informed the taxpayer of its investigation and that the ATO was now appropriately addressing the matter. Although the taxpayer understood that the IGT could not divulge what action was being taken, they were happy that an independent party had reviewed the situation.

Example 3

The ATO started sending electronic correspondence to taxpayers via their online MyGov accounts and a number of tax practitioners began receiving calls from their clients asking about such correspondence. However, these practitioners were not aware that correspondence had issued as the MyGov platform did not allow tax practitioner access to their clients' MyGov accounts. The practitioners were embarrassed and considered that it had damaged their reputation because their clients had employed them to deal with the ATO on their behalf. They were also concerned that their clients may assume that their representative had reviewed the correspondence and therefore their clients may not feel the need to respond or even raise the issue with their representative.

To address these concerns, the ATO created a facility for the tax practitioner to receive a list of correspondence issued – the 'client correspondence list' or CCL. Some tax practitioners, however, found the CCL difficult to access and download. They also noticed that the dates that the CCL listed for some correspondence did not match the actual date that the correspondence was sent by the ATO. They raised their concerns with the ATO. However, the ATO initially considered that the practitioners may not know how to use the CCL properly. Some of these practitioners raised the issue with the IGT.

The IGT commenced an investigation and, as a first step, organised and facilitated a meeting between the relevant ATO officers and tax practitioners at one of the practitioner's premises. The tax practitioner provided a number of examples of what had transpired and the resulting impacts on their business. The ATO officers discussed these examples with the practitioner to better appreciate the impacts on their business as well as exploring what could have caused the events and what could be done to resolve or minimise the adverse effects.

Following the meeting, the IGT and ATO continued discussions to explore what could be done and the ATO proposed changes which would address some of the issues, including the concerns with the accuracy of the dates on the CCL. The IGT contacted the tax practitioner to seek their views on the changes and they agreed that the changes would be of benefit, notwithstanding their desire for further changes to be made. Thereafter, the IGT obtained the ATO's commitment to the proposed changes and obtained regular ATO updates on their progress in implementing those changes. The changes were completed as part of the upgrade to the CCL in late 2015–16. Tax practitioners have since provided positive feedback on the improvements.

Complainants have expressed high levels of satisfaction on the ease with which complaints can be made with the IGT. They have been particularly impressed with the courtesy and professionalism of IGT staff and their willingness to take the time to listen to complainants.

Furthermore, a high proportion of a sample of complainants have indicated that they are likely to use the IGT's complaints handling service again in the future should the need arise.

During ongoing communications with the ATO and TPB, the two agencies have also provided positive feedback as well as suggested refinements to the IGT's complaints handling process.

Objective 2 — Identify and prioritise areas for improvement

In prior years, the IGT has relied on public consultation as a primary means of identifying tax administration issues of concern and prioritising topics for review in developing his work programme. As noted in Part 1, it is expected that themes emerging from the IGT's complaints handling function will increasingly inform the IGT's work programme in the future.

Performance measure — Issues identified from complaints

The most common issues arising in complaint cases during the 2015–16 financial year are outlined in Table 3 below:

Table 3: Top 5 issues raised in complaints

Type of issues	Approximate percentage of all issues raised
ATO debt collection actions, including ATO garnishee notices, bankruptcy actions, payment arrangement negotiations, debt release applications and other related collection actions of the ATO or third parties contracted by the ATO.	23%
Lodgment and processing issues, including delayed tax credits and assessments as well as and problems with lodging tax returns or activity statements.	19%
ATO audit and review actions, including the scope of information gathering and investigation powers used during ATO audits, taxpayer disagreements with ATO adjustments and amendments and objection processes.	11%
Superannuation issues, including superannuation guarantee payments made by employers, excess contributions tax, lost superannuation and other superannuation related issues.	6%
Dissatisfaction with how the ATO had handled a complaint.	5%

Some issues mentioned in the table above have been examined in recent IGT reviews. For example, the IGT's recent *Debt collection* review examined many of the debt issues in the table above and made recommendations for improvement. The changes flowing from the ATO's implementation of agreed recommendations may take time to produce results.

Performance measure — Consultation with stakeholders on broader reviews

The IGT consults with the community, which include taxpayers, tax practitioners and their representative bodies, particularly during the development of his work programme and the conduct of subsequent reviews.

As mentioned in Part 1, the IGT also consults with the Government and its agencies such as the ATO, TPB, ANAO, Ombudsman and Treasury. Interactions with parliamentarians take place mainly through committees such as the House of Representatives Standing Committee on Tax and Revenue. At an international level, the IGT exchanges views and information with his counterparts, revenue agencies and other relevant international organisations such as the OECD.

The IGT also encourages public engagement on broader issues of interest through the media (including social media) and the IGT website as well as presenting at and participating in conferences, seminars and local tax practitioner discussion groups.

Key events at which the IGT and his staff have made presentations during this financial year are set out in Table 4 below. Participation at such events provides the public with yet another avenue for raising matters of concern and increases the IGT's awareness of key emerging issues.

Table 4: IGT speaking engagements in 2015–16

Speaking engagements				
Date	Organisation	Type of function	Location	
23 July 2015	Australia Indonesia Partnership for Economic Governance (AIPEG)	Discussion Group	Sydney	
29 July 2015	CPA Australia	Discussion Group	Springwood	
11 August 2015	Curtin University	Seminar	Perth	
12 August 2015	PwC	Discussion Group	Perth	
12 August 2015	Australian Institute of Administrative Law	Seminar	Perth	
13 August 2015	The Tax Institute	Conference	Perth	
17 August 2015	Chartered Accountants Australia and New Zealand	Discussion Group	Sydney	
19 August 2015	CPA Australia	Discussion Group	Central Coast	
21 August 2015	AIPEG	Seminar	Sydney	

Table 4: IGT speaking engagements in 2015–16 (continued)

Speaking engagements			
Date	Organisation	Type of function	Location
19 August 2015	CPA Australia	Discussion Group	Central Coast
21 August 2015	AIPEG	Seminar	Sydney
26 August 2015	Uniting Bookkeepers	Discussion Group	Newcastle
4 September 2015	Valuers of Equities and Other Securities Panel	Seminar	Sydney
17 October 2015	Law Council of Australia	Conference	Melbourne
4 November 2015	The University of the Third Age	Seminar	Canberra
18 November 2015	International Quality & Productivity Centre	Summit	Sydney
19 November 2015	The National Taxpayer Advocate of the U.S. Internal Revenue Service	Conference	Washington DC USA
7 December 2015	AIPEG	Seminar	Sydney
10 December 2015	Taxpayers Australia	Discussion Group	Melbourne
16 March 2016	H&R Block	Conference	Adelaide
31 March 2016	UNSW	Conference	Sydney
18 April 2016	Uniting Bookkeepers	Discussion Group	Newcastle
10 May 2016	Tax Practitioners Board	Conference	Sydney
27 May 2016	Institute of Public Accountants	Conference	Tasmania
3 June 2016	Minerals Council of Australia	Forum	Melbourne
8 June 2016	International Monetary Fund	Discussion Group	Washington DC USA
20–21 June 2016	Corporate Tax Association	Conference	Sydney

Objective 3 — Conduct of reviews and recommendations for improvement

The conduct and management of reviews is determined by the bespoke nature of each review as well as the priorities afforded by various parties. Ministerial direction and requests from the Commissioner of Taxation (Commissioner) or parliamentary committees are also factors that need to be considered in selecting topics for review.

During the 2015–16 financial year, the IGT publicly released reports of two reviews and commenced the remaining two reviews on his then current work programme. These last two reviews are in the final stages of completion and expected to be released in 2016–17 financial year.

Table 5, below, lists the reviews conducted during the 2015–16 financial year and their status at 30 June 2016.²⁹ These reviews are described in Part 1 of this report. Further details on these reviews are available on the IGT website, www.igt.gov.au.

Table 5: IGT reviews and their status at 30 June 2016

IGT review	Status at 30 June 2016
Debt collection	Report publicly released
The Australian Taxation Office's services and support for tax practitioners	Report publicly released
Review into the ATO's employer obligation compliance activities	In progress
Review into the Taxpayers' Charter and taxpayer protections	In progress

The IGT's performance in conducting reviews and making recommendations for improvement is measured with regard to the two following performance measures which are discussed together below.

Performance measures — Recommendations for improvement and their implementation

The reports of IGT reviews contain recommendations for improvement together with the relevant agencies' responses.

The ATO and TPB have statutory independence in their respective jurisdictions. The IGT does not hold any powers to direct the Commissioner or the TPB in this regard. Historically, however, the vast majority of the IGT's recommendations have been accepted in full or in part. This trend continues with respect to reviews publicly released in the 2015–16 financial year – refer to Table 6 below. No reviews were conducted into the TPB's activities in this financial year.

²⁹ Since 1 May 2015, the IGT's reviews have been conducted under paragraphs 7(1)(c) and (d) of the *Inspector-General of Taxation Act 2003* which provide for the power to investigate systems established by the ATO, TPB or the taxation laws.

Table 6: Recommendations in publicly released IGT reports during 2015–16

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
Debt collection	16	1	2
ATO's services and support for tax practitioners	8	0	0
Total	24	1	2

The above recommendations and IGT observations leading to those recommendations are outlined in Part 1. More details are available in the relevant reports which are available on the IGT website, www.igt.gov.au.

The IGT's recommendations for improvement may be implemented in several ways. Firstly, recommendations made for Government consideration generally require legislative change. Examples of Government's action which addresses such recommendation are provided in Part 1 of this report.

Secondly, recommendations which are made to the ATO or TPB for administrative change may be agreed and implemented by the relevant agency during an IGT review or following the release of the relevant report. The ATO's implementation of agreed recommendations is assured by its audit and risk committee. The IGT may conduct follow up reviews where there is a compelling reason to do so.

Thirdly, recommendations with which the ATO or TPB have disagreed, in full or in part, may later be substantively implemented by the relevant agency over time. Examples of the ATO's implementation of such recommendations are provided in Part 1.

Analysis of performance against purpose

As the forgoing demonstrates, the IGT has continued to seek improvements to tax administration by fulfilling his twin roles of providing an effective complaints handling function and conducting broader reviews. In doing so, a number of ancillary achievements have also been realised.

One of the major achievements, as mentioned in Part 1, was the development of a much larger work force, with the appropriate talent and qualities, to fulfil the IGT's expanded role. During the course of the 2015–16 financial year, the total number of IGT staff increased from 8 to 24.

The foundation for achieving the IGT's objectives efficiently and effectively is the recruitment, development and retention of professionals with strong taxation knowledge and experience. They should also share the IGT's values of a collegiate work culture, be dedicated to the principles of improvement and have a personal commitment to service. Accordingly, considerable time and resources was devoted to the selection and development of both existing and new staff in this financial year.

Other ancillary achievements during the 2015–16 financial year include completion of major phases of the IGT's business systems improvement project. The focus was primarily on improving the information technology and service delivery platform software which is used to handle complaints and record interactions with the public, ATO and TPB.

The development of the expanded workforce and the improved business systems have resulted in a strong organisational performance particularly in the tax complaints handling function of the IGT.

Statutory statement

I, Ali Noroozi, as the accountable authority of the IGT, present the above 2015–16 annual performance statement of the IGT, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, this annual performance statement is based on properly maintained records, accurately reflects the performance of the entity and complies with subsection 39(2) of the PGPA Act.

FINANCIAL PERFORMANCE

The IGT received an unmodified audit report on the 2015–16 financial statements from the Australian National Audit Office (ANAO). These statements can be found in Part 4 of this report.

The IGT ended 2015–16 with an attributable surplus of \$888,021 (after adjusting for depreciation and changes in asset revaluation), compared to a surplus of \$283,651 in 2014–15.

The entity 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 Accountable Authority (AA), the IGT is responsible for the operation and performance of his office pursuant to the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The corporate governance practices of the IGT office are designed to take into account its small office environment by aligning or adapting its administrative and governance processes with those of the Treasury. This approach also provides synergistic benefits under the Service Level Agreement (SLA) entered into by the two agencies. A range of policies, plans and procedures is in place to support these governance arrangements.

The IGT and the Deputy IGT together act as the agency Executive (the Executive) and oversee these arrangements.

The IGT Audit and Risk Committee is also an important element of the governance structure. The committee is appointed by the IGT and its membership is independent of the Executive.

Fraud prevention and control

The IGT Fraud Control Plan accords with the *Commonwealth Fraud Control Framework* and the ANAO Better Practice Guide, *Fraud Control in Australian Government Entities*.

The IGT Fraud Risk Assessment forms the basis of the Fraud Control Plan and has been developed with appropriate controls, prevention, detection and investigation, and reporting standards.

The IGT has undertaken all reasonable measures to minimise the incidence of fraud and to investigate and recover the proceeds of fraud against the agency. No cases of fraud were identified in 2015–16. The IGT reports fraud information data annually to the Minister and to the Australian Institute of Criminology.

Audit and Risk Committee

As noted above, the Audit and Risk Committee is independent of management and provides valuable assurance and advice by reporting to the AA. The committee met on two occasions during 2015–16.

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 office environment provides for regular and continual discussion of performance with staff. Since all staff report directly to either the Deputy IGT or the General Manager, they have direct involvement with the IGT and are provided with ongoing informal feedback on their performance.

Corporate planning and reporting

Corporate planning and reporting is undertaken by the Executive throughout the year.

The Deputy IGT as Chief Finance Officer (CFO) is responsible, with input from the IGT (as AA), for executive management of the portfolio budget statements and financial activities. Corporate governance, management and compliance reporting is completed as required and overseen by the CFO.

As noted earlier, the IGT has a comprehensive SLA with the Treasury. Accordingly, financial and management activities, such as accounting preparation and processing, is undertaken by the Treasury.

For the IGT's work programme of reviews and the role of tax complaints handling, reference should be made to Parts 1 and 2 of this report.

Risk management

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

The key components of the risk management framework are as follows:

- Accountable Authority's Instructions (AAIs) provide the policy and procedural framework for resource management in the IGT office and put into effect the requirements of the PGPA Act. They also contain topics relating specifically to risk management and internal accountability.
- The Fraud Control Plan complies with the *Commonwealth Fraud Control Framework* developed under the PGPA Act.
- The Business Continuity Plan includes processes for identifying and assessing risks and contingency plans for events that could 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 programme is based on the Risk Management Standard AS/NZS ISO 31000:2009 and will measure the IGT's performance in implementing risk management processes and policies against the national benchmark.

The IGT's AAIs, 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 the Australian Government Digital Service Standard, 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 programmes and staff notices circulated to Treasury and IGT officers and also available through the Treasury intranet.

Compliance reporting

No statements pursuant to section 19(1)(e) of the PGPA Act were issued in 2015–16.

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 policies, plans and procedures such as the AAIs 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 the annual financial statement audit 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 IGT's internal audit activities are carried out pursuant to the SLA with Treasury. The IGT Audit and Risk Committee may seek input directly from Treasury regarding such activities.

Reports on the operations of the IGT

There were no reports in 2015–16 on the operations of the IGT issued by the Auditor-General (other than the report on financial statements contained in Part 4), a parliamentary committee (other than that referred to in Part 1) or the Ombudsman. There was no agency capability reviews regarding the IGT in 2015–16.

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, as a small office, seeks to promote 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 within 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 been utilising 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 staff member.

Employment agreements

IGT non-SES staff are employed under an enterprise agreement pursuant to the *Fair Work Act 2009*.

Table 7: Salary scales — non-SES

Classification	30 June 2016	
	Minimum	Maximum
	\$	\$
APS5	72,844	77,508
APS6	82,170	99,551
EL1	107,182	122,950
EL2	130,919	150,250

The IGT may provide alternative remuneration arrangements in specific circumstances.

At 30 June 2016, one permanent SES employee was engaged under an employment agreement and one was engaged under a determination.

Table 8: Salary scales — SES

Classification	30 June 2016	
	Minimum	Maximum
	\$	\$
SES Band 1	195,474	227,184
SES Band 2	239,579	280,415

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 competency. Opportunity exists under the IGT Act to second staff to the office.

Learning and development

The IGT's employment management policies reinforce the IGT's commitment to staff learning and development. As well as providing internal agency staff training on 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.

As mentioned in Part 1, the IGT has provided a considerable range of skills training for staff in this financial year to bolster the development and expansion of its complaints handling and broader review functions.

Staffing information

Table 9 details the number of staff employed in the IGT office, by classification and gender. The IGT is a statutory appointee. All other staff are employed under the *Public Service Act 1999* and are required to apply APS Values.

Table 9: Operative staff by classification and gender
(as at 30 June 2016)

Classification	Male	Female	Total
APS3		1	1
APS4	1		1
APS5	5	2	7
APS6	4	1	5
EL1	1	2	3
EL2	3	1	4
SES Band 1	1		1
SES Band 2	1		1
Inspector-General	1		1
Total	17	7	24

Note: 23 IGT staff are employed on an ongoing full-time basis, with 1 staff member employed on a non-going full-time basis. All staff are employed in the IGT's Sydney office.

PROCUREMENT AND ASSETS MANAGEMENT

Procurement

The IGT adopts the Treasury's policies for procurement and utilises the Treasury's services under the SLA. For example, IT procurement is undertaken by the Treasury IT Procurement Unit. Accordingly, these policies and procedures are consistent with the IGT's AAs 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.

The IGT supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprise (SME) and Small Enterprise participation statistics are available on the Department of Finance's website: www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts.

Consistent with paragraph 5.4 of the CPRs and through adoption of the Treasury's procurement policies, the agency provides appropriate opportunities for SMEs to compete and ensures that SMEs are not unfairly discriminated against. For example, the Treasury uses the Commonwealth Contracting Suite for low-risk procurements valued under \$200,000. Many small businesses do not have the sufficient scale, skills or resources to prepare complex tender documents. Using this suite, which has simple and consistent contract terms and insurance requirements, simplifies this process and makes it easier for SMEs to bid for work.

Assets management

The IGT has an asset management framework which includes:

- a register of all assets which are subject to an annual stocktake;
- the Treasury asset management guide which sets out the Treasury's policies and asset management guidelines for the day-to-day care and custody of assets;³⁰ and
- a capital management plan that sets out the IGT's longer term asset requirements and funding sources for ongoing asset replacement and investment. This is integrated with the strategic planning and capital budget process that occurs before the beginning of each financial year in conjunction with the IGT's annual operating budget process.

30 Further details on the IGT's asset policies are in Note 2.2A of the IGT's Financial Statements.

CONSULTANCIES

The IGT 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 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 PGPA Act and related regulations including the CPRs and relevant internal policies.

During 2015–16, three new consultancy contracts were entered involving total actual expenditure of \$72,757. These consultancies were engaged to provide specialist expertise not available within the IGT or to provide independent assessment as needed. Selection and engagement of two of these consultancies was by Limited Tender and the third by Open Tender.

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website, www.tender.gov.au.

AUSTRALIAN NATIONAL AUDIT OFFICE ACCESS CLAUSES

The IGT is required to provide details of any contract entered during 2015–16 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. The result has been a quite diverse workforce. 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 10: Operative staff by equal employment opportunity target group (as at 30 June 2016)

Classification	Female	Born Overseas	ESL	AATSI	Disability
APS3	1				
APS4		1	1		
APS5	2	3	3		
APS6	1	2	4		
EL1	2	2	2		
EL2	1	3	2		
SES Band 1					
SES Band 2					
Inspector-General		1	1		
Total	7	12	13	0	0

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 progress reports was published in 2014, and can be found at www.dss.gov.au.

PART 4: FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Minister for Revenue and Financial Services

I have audited the accompanying annual financial statements of the Inspector-General of Taxation for the year ended 30 June 2016, which comprise:

- Statement by the Inspector-General of Taxation and Chief Finance Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements comprising significant accounting policies and other explanatory information.

Opinion

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

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Inspector-General of Taxation as at 30 June 2016 and its financial performance and cash flows for the year then ended.

Inspector-General of Taxation's Responsibility for the Financial Statements

The Inspector-General of Taxation is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act and is also responsible for such internal control as the Inspector-General of Taxation determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

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

Independence

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

Australian National Audit Office



Clea Lewis
Executive Director

Delegate of the Auditor-General

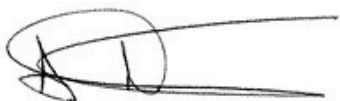
Canberra
20 September 2016

THE INSPECTOR-GENERAL OF TAXATION

Statement by the Inspector-General of Taxation and Chief Finance Officer

In our opinion, the attached financial statements for the year ended 30 June 2016 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Inspector-General of Taxation will be able to pay its debts as and when they fall due.



Ali Noroozi
Inspector-General of Taxation
20 September 2016



Andrew McLoughlin
Chief Finance Officer
20 September 2016

Statement of Comprehensive Income

for the period ended 30 June 2016

	Notes	2016 \$	2015 \$
NET COST OF SERVICES			
Expenses			
Employee benefits	1.1A	3,089,685	1,774,824
Suppliers	1.1B	2,600,420	866,787
Depreciation and amortisation		245,571	43,261
Finance costs	1.1C	-	5,814
Total Expenses		5,935,676	2,690,686
LESS:			
Own-Source Income			
Own-source revenue			
ANAO audit services received free of charge		60,000	60,000
Total own-source revenue		60,000	60,000
Gains			
Resources received free of charge		-	39,368
Gains from reversal of make-good provision		-	99,232
Total gains		-	138,600
Total own-source income		60,000	198,600
Net cost of services		(5,875,676)	(2,492,086)
Revenue from Government	1.2A	6,503,000	2,788,000
Surplus / (Deficit) attributable to the Australian Government		627,324	295,914
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserves		15,126	(55,524)
Total other comprehensive income		15,126	(55,524)
Total comprehensive income / (loss) attributable to the Australian Government		642,450	240,390

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

Statement of Financial Position

as at 30 June 2016

	Notes	2016 \$	2015 \$
ASSETS			
Financial assets			
Cash and cash equivalents		109,063	113,832
Trade and other receivables	2.1A	5,417,003	4,216,071
Total financial assets		5,526,066	4,329,903
Non-financial assets			
Property, plant and equipment	2.2A	169,050	13,664
Leasehold improvements	2.2A	169,276	44,948
Intangibles	2.2A	248,698	247,561
Other non-financial assets	2.2B	-	25,135
Total non-financial assets		587,024	331,308
Total assets		6,113,090	4,661,211
LIABILITIES			
Payables			
Suppliers	2.3A	35,192	71,306
Other payables	2.3B	10,923	57,780
Total payables		46,115	129,086
Provisions			
Employee provisions	3.1A	1,035,185	489,466
Other provisions	2.4A	119,681	-
Total provisions		1,154,866	489,466
Total liabilities		1,200,981	618,552
Net assets		4,912,109	4,042,659
EQUITY			
Contributed equity		1,202,573	975,573
Reserves		397,535	382,409
Retained surplus		3,312,001	2,684,677
Total equity		4,912,109	4,042,659

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

Accounting Policy

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.

Statement of Changes in Equity

for the period ended 30 June 2016

	2016	2015
	\$	\$
CONTRIBUTED EQUITY		
Opening balance		
Balance carried forward from previous period	975,573	137,573
Adjusted opening balance	975,573	137,573
Transactions with owners		
Contributions by owners		
Departmental capital budget appropriation	29,000	30,000
Equity injection appropriation	198,000	808,000
Total transactions with owners	227,000	838,000
Closing balance as at 30 June	1,202,573	975,573
RETAINED EARNINGS		
Opening balance		
Balance carried forward from previous period	2,684,677	2,354,472
Adjustment to prior year entitlements	-	34,291
Adjusted opening balance	2,684,677	2,388,763
Comprehensive income		
Surplus/(deficit) for the period	627,324	295,914
Total comprehensive income	627,324	295,914
Closing balance as at 30 June	3,312,001	2,684,677
ASSET REVALUATION RESERVES		
Opening balance		
Balance carried forward from previous period	382,409	437,933
Adjusted opening balance	382,409	437,933
Comprehensive income		
Other comprehensive income		
Revaluations	15,126	(55,524)
Total comprehensive income	15,126	(55,524)
Closing balance as at 30 June	397,535	382,409
TOTAL EQUITY		
Opening balance		
Balance carried forward from previous period	4,042,659	2,929,978
Adjustment to prior year entitlements	-	34,291
Adjusted opening balance	4,042,659	2,964,269
Comprehensive income		
Surplus/(deficit) for the period	627,324	295,914
Other comprehensive income		
Revaluations	15,126	(55,524)
Total comprehensive income	642,450	240,390
Transactions with owners		
Contributions by owners		
Departmental capital budget appropriation	29,000	30,000
Equity injection appropriation	198,000	808,000
Total transactions with owners	227,000	838,000
Closing balance as at 30 June	4,912,109	4,042,659

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

Accounting Policy

Equity injections

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

Cash Flow Statement
for the period ended 30 June 2016

	Notes	2016 \$	2015 \$
OPERATING ACTIVITIES			
Cash received			
Appropriations		5,018,018	2,528,902
s74 receipts received		494,365	644
Other cash received		6,058	-
Net GST received		98,738	56,829
Total cash received		5,617,179	2,586,375
Cash used			
Employees		2,860,584	1,709,107
Suppliers		2,767,051	808,455
Total cash used		5,627,635	2,517,562
Net cash from (used by) operating activities	4.3	(10,456)	68,813
INVESTING ACTIVITIES			
Cash used			
Purchase of property, plant and equipment		511,296	256,098
Total cash used		511,296	256,098
Net cash from (used by) investing activities		(511,296)	(256,098)
FINANCING ACTIVITIES			
Cash received			
Contributed equity		516,983	256,098
Total cash received		516,983	256,098
Net cash from (used by) financing activities		516,983	256,098
Net increase (decrease) in cash held		(4,769)	68,813
Cash at the beginning of the reporting period		113,832	45,019
Cash at the end of the reporting period		109,063	113,832

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

Notes to and forming part of the financial statements

for the period ended 30 June 2016

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OVERVIEW

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 investigation of complaints, conducting reviews, public reporting and independent advice to Government and its relevant entities'.

Entity 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 entity in its own right.

The *Inspector-General of Taxation Act 2003 as amended* (the Act) established an independent statutory entity to:

- improve the administration of taxation laws for the benefit of all taxpayers, tax practitioners and other entities; and
- provide independent advice to the government on the administration of taxation laws; and
- investigate complaints by taxpayers, tax practitioners or other entities about the administration of taxation laws; and
- investigate administrative action taken under taxation laws, including systemic issues, that affect taxpayers, tax practitioners or other entities.

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

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

Basis of preparation of the financial statements

The financial statements are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* and are general purpose financial statements.

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

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FPR) for reporting periods ending on or after 1 July 2015; 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.

Significant accounting judgements and estimates

In the process of applying the accounting policies listed in this note, IGT has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- the liability for long service leave has been determined by reference to FFR 24 using the shorthand method.
- the employee provision has been determined with reference to standard parameters provided by the Department of Finance, expected tenure of staff, future salary movements and the future discount rates.
- the fair value of leasehold improvements and property, plant and equipment has been taken to be the market value of similar properties or depreciated replacement value as determined by an independent valuer.

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.

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. There have been no new accounting standards, amendments to standards and interpretations issued prior to the signing of the statement and were applicable to the current period have had a material effect on the IGT's financial statements.

Future Australian Accounting Standard requirements

The following revised standards were issued by the Australian Accounting Standards Board prior to the signing of the statement by the accountable authority and chief finance officer, which are expected to have a material impact on the entity’s financial statements for the future reporting period(s):

Standard	Application date for the entity	Nature of impending changes in accounting policy and likely impact on initial application
AASB 124 – Related Party Disclosures & AASB 1049 – Whole of Government and General Government Sector Financial Reporting	1 July 2016	Extending related party disclosures to not-for-profit public sector entities. The amendments are applied prospectively as of the beginning of the annual reporting period in which the standard is initially applied.
AASB 9 – Financial Instruments	1 January 2018	Key changes are: <ul style="list-style-type: none"> - requirements for impairment of financial assets based on a three-stage ‘expected loss’ approach; - addition of a third measurement category for debt instruments ‘fair value through other comprehensive income’; - expansion of disclosures required in relation to credit risk.
AASB 16 – Leases	1 January 2019	Requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months. Leases will be initially measured on a present value basis and includes non-cancellable lease payments.

Taxation

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

Breach of Section 83 of the Constitution

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. The Department of Finance provided information to all agencies in 2011 regarding the need for risk assessments in relation to compliance with statutory conditions on payments from special appropriations, including special accounts.

The IGT has continued to review its exposure to risks of not complying with statutory conditions on payments from appropriations and testings have identified no payments were made in contravention of section 83 of the Constitution.

Events after the Reporting Period

There are no known events occurring after the reporting period that could impact on the financial statements.

1. DEPARTMENTAL FINANCIAL PERFORMANCE

This section analyses the financial performance of the Inspector-General of Taxation for the year ended 2016

1.1. Expenses

	2016	2015
	\$	\$
Note 1.1A: Employee Benefits		
Wages and salaries	2,310,978	1,376,193
Superannuation:		
Defined contribution plans	209,908	102,992
Defined benefit plans	136,489	96,627
Leave and other entitlements	414,621	192,315
Other employee expenses	17,689	6,697
Total employee benefits	3,089,685	1,774,824

Accounting Policy

Accounting policies for employee related expenses are contained in Note 3: People and Relationships.

	2016	2015
	\$	\$
Note 1.1B: Suppliers		
Goods and services supplied or rendered		
Consultants, contractors and secondees	247,450	42,314
Travel	128,673	86,107
Service level agreement with Treasury	509,944	247,885
Fees - Audit, Membership and Other	72,372	66,525
Property operating expenses	171,305	20,013
Advertising and printing	13,979	4,905
Seminars and conferences	69,939	19,219
Subscriptions and periodicals	12,393	9,485
Information communication technology	709,326	40,875
Other	320,158	28,000
Total goods and services supplied or rendered	2,255,539	565,328
Goods supplied	333,551	13,330
Services rendered	1,921,988	551,998
Total goods and services supplied or rendered	2,255,539	565,328
Other suppliers		
Operating lease rentals		
External parties		
Minimum lease payments	329,497	293,263
Workers compensation expenses	15,384	8,196
Total other suppliers	344,881	301,459
Total suppliers	2,600,420	866,787

Lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within 1 year	490,012	27,642
Between 1 to 5 years	122,503	-
Total operating lease commitments	612,515	27,642

Accounting Policy**Leases**

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

The IGT does not currently hold any assets under finance lease.

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

Note 1.1C: Finance costs

Unwinding of discount	-	5,814
Total finance costs	-	5,814

Accounting Policy

All borrowing costs are expensed as incurred.

1.2. Income

	2016	2015
	\$	\$
Note 1.2A: Revenue from Government		
Appropriations		
Departmental appropriations	6,503,000	2,788,000
Total revenue from Government	6,503,000	2,788,000

Accounting Policy**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 entity 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.

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 entity 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.

2. DEPARTMENTAL FINANCIAL POSITION

This section analyses the Inspector-General of Taxation assets used to generate financial performance and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section

2.1. Financial Assets

	2016 \$	2015 \$
Note 2.1A: Trade and other receivables		
Appropriations Receivable:		
From operational funding	5,051,307	3,566,324
From capital funding	351,919	641,902
Total appropriations receivable	5,403,226	4,208,226
Other receivables:		
GST receivable from the Australian Taxation Office	13,777	7,845
Total other receivables	13,777	7,845
Total trade and other receivables (gross)	5,417,003	4,216,071
Total trade and other receivables (net)¹	5,417,003	4,216,071

1. All receivables are expected to be recovered within 12 months.

2.2. Non-Financial Assets

Note 2.2A: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles (2016)

	Plant and equipment \$	Leasehold improvements \$	Computer software \$	Total \$
As at 1 July 2015				
Gross book value	34,382	63,304	256,098	353,784
Accumulated depreciation and impairment	(20,718)	(18,356)	(8,537)	(47,611)
Total as at 1 July 2015	13,664	44,948	247,561	306,173
Additions				
By purchase	198,790	258,193	54,313	511,296
Revaluations	20,810	(5,684)	-	15,126
Depreciation expense	(64,214)	(125,792)	(55,565)	(245,571)
Transfers	-	(2,389)	2,389	-
Total as at 30 June 2016	169,050	169,276	248,698	587,024
Total as at 30 June 2016 represented by:				
Gross book value	169,050	169,276	315,572	653,898
Accumulated depreciation and impairment	-	-	(66,874)	(66,874)
Total as at 30 June 2016	169,050	169,276	248,698	587,024

No indicators of impairment were found for leasehold improvements, plant and equipment or computer software.

No leasehold improvements, plant and equipment and computer software are expected to be sold or disposed of in the next 12 months.

All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 5.3.

Note 2.2A: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles (2015)

	Plant and equipment \$	Leasehold improvements \$	Computer software \$	Total \$
As at 1 July 2014				
Gross book value	34,382	156,274	-	190,656
Accumulated depreciation and impairment	(14,023)	(27,773)	-	(41,796)
Total as at 1 July 2014	20,359	128,501	-	148,860
Additions				
By purchase	-	-	256,098	256,098
Revaluations	-	(55,524)	-	(55,524)
Depreciation expense	(6,695)	(28,029)	(8,537)	(43,261)
Total as at 30 June 2015	13,664	44,948	247,561	306,173
Total as at 30 June 2014 represented by:				
Gross book value	34,382	63,304	256,098	353,784
Accumulated depreciation and impairment	(20,718)	(18,356)	(8,537)	(47,611)
Total as at 30 June 2015	13,664	44,948	247,561	306,173

Accounting Policy**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 entity's accounts immediately prior to the restructuring.

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.

Revaluations

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 do not differ materially with the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets. A fair value review was undertaken by the independent valuer at 30 June 2016 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 is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus or deficit. Revaluation decrements for a class of assets are recognised directly through surplus or deficit except to the extent that they reverse a previous revaluation increment for that class.

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

Depreciation

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to the entity 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:

	2016	2015
Property, plant and equipment	1-15 years	3-10 years
Leasehold improvements	Lease term	Lease term

Impairment

All assets were assessed for impairment as at 30 June 2016. 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. No indicators of impairment were found for non-financial assets as at 30 June 2016 (2015: nil).

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.

Intangibles

The IGT's intangibles comprise purchased software for internal use. These assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life, being 5 years (2015: 5 years).

All software assets were assessed for indications of impairment at 30 June 2016. No indicators of impairment were identified as at 30 June 2016 (2015: none).

	2016	2015
	\$	\$
Note 2.2B: Other non-financial assets		
Prepayments	-	25,135
Total other non-financial assets	-	25,135

2.3. Payables

	2016	2015
	\$	\$
Note 2.3A: Suppliers		
Trade creditors	35,192	71,306
Total suppliers	35,192	71,306
Note 2.3B: Other payables		
Wages and salaries	9,420	49,067
Superannuation	1,503	6,535
Rent payable	-	2,178
Total other payables¹	10,923	57,780

Settlement is usually made within 30 days.

1. All payables are expected to be settled within 12 months.

2.4. Provisions

	2016	2015
	\$	\$
Note 2.4A: Other provisions		
Provision for lease incentive	119,681	-
Total other provisions	119,681	-
Other provisions expected to be settled		
No more than 12 months	95,745	-
More than 12 months	23,936	-
Total other provisions	119,681	-
Provision for restoration obligation		
As at 1 July 2015	-	93,418
Re-statement of 'Make Good'	-	(99,232)
Unwinding of discount or change in discount rate	-	5,814
Total as at 30 June 2016	-	-

1. Provision for lease incentive will be spread evenly over the remaining life of the leased premises.

3. PEOPLE AND RELATIONSHIPS

This section describes a range of employment and post-employment benefits provided to our people and our relationships with other key people.

3.1. Employee Provisions

	2016	2015
	\$	\$
Note 3.1A: Employee provisions		
Leave	1,035,185	489,466
Total employee provisions	1,035,185	489,466
Employee provisions expected to be settled		
No more than 12 months	464,092	216,375
More than 12 months	571,093	273,091
Total employee provisions	1,035,185	489,466

Accounting Policy

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 entity 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 entity'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 entity 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 entity 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 entity 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 entity 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.

3.2. Senior Management Personnel Remuneration

	2016	2015
	\$	\$
Short-term employee benefits		
Salary	819,690	782,219
Allowances	796	1,814
Total short-term employee benefits	820,486	784,033
Post-employment benefits		
Superannuation	96,961	92,289
Total post-employment benefits	96,961	92,289
Other long-term benefits		
Annual leave accrued	97,254	69,314
Long-service leave	33,913	39,703
Total other long-term benefits	131,167	109,017
Total senior executive remuneration expenses	1,048,614	985,339

The total number of senior management personnel that are included in the above table is three (2015: 3).

4. FUNDING

This section identifies the Inspector-General of Taxation funding structure.

4.1. Appropriations

Note 4.1A: Annual appropriations ('recoverable GST exclusive')
Annual appropriations for 2016

	PGPA Act					Variance ¹ \$
	Appropriation Act \$	Section 74 Receipts \$	Section 75 Transfers \$	Total appropriation \$	Appropriation applied in 2016 (current and prior years) \$	
Departmental						
Ordinary annual services	6,503,000	494,365	-	6,997,365	(5,517,151)	1,480,214
Capital Budget	29,000	-	-	29,000	(90,000)	(61,000)
Other Services						
Equity	198,000	-	-	198,000	(426,983)	(228,983)
Total departmental	6,730,000	494,365	-	7,224,365	(6,034,134)	1,190,231

Notes:

- Variance due to lower than anticipated expenditure relating to the Tax Complaints Handling Function. Prior year capital budget and equity funds were applied in 2015-16.

Annual appropriations for 2015

	Appropriation Act		PGPA Act		Total appropriation	Appropriation applied in 2015 (current and prior years)	Variance
	Annual Appropriation	Section 74 Receipts	Section 75 Transfers	Total			
	\$	\$	\$	\$	\$	\$	\$
Departmental							
Ordinary annual services	3,329,000	644	-	3,329,644	(2,460,089)	869,555	
Capital Budget	30,000	-	-	30,000	-	30,000	
Other Services							
Equity	808,000	-	-	808,000	(256,098)	551,902	
Total departmental	4,167,000	644	-	4,167,644	(2,716,187)	1,451,457	

Notes:

1. Variance reflects the permanently withheld funding and lower than anticipated expenditure concerning the transfer of the Tax Complaints Handling function from the Commonwealth Ombudsman.
2. The original budget provided for increased funding (\$0.7 million) associated with the transfer of the Tax Complaints Handling function from the Commonwealth Ombudsman. As at 30 June 2015, the legislation required to effect this change had not passed Parliament and as a result, the associated funding was permanently withheld (\$0.5 million).

Note 4.1B: Unspent annual appropriations

	2016	2015
	\$	\$
Departmental		
Appropriation Act (No. 1) 2012-13	-	30,000
Appropriation Act (No. 1) 2013-14 ²	1,000	1,477,226
Appropriation Act (No. 1) 2014-15 ^{1,3}	541,000	2,803,930
Appropriation Act (No. 3) 2014-15	-	551,902
Appropriation Act (No. 6) 2014-15	124,919	-
Appropriation Act (No. 1) 2015-16 ¹	5,159,370	-
Appropriation Act (No. 1) 2015-16 (DCB)	29,000	-
Appropriation Act (No. 2) 2015-16	198,000	-
Total departmental	6,053,289	4,863,058

1. Cash held amounts (2016: \$109,063, 2015:\$113,832) are included in Appropriation Act (No. 1) for the relevant year.
2. Includes quarantined funds of \$1,000.
3. Includes funds of \$541,000 that have been permanently withheld under s51 of the PGPA Act.

4.2. Net Cash Appropriation Arrangements

	2016	2015
	\$	\$
Total comprehensive income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations and other comprehensive income¹	888,021	283,651
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	(245,571)	(43,261)
Total comprehensive income (loss) - as per the Statement of Comprehensive Income	642,450	240,390

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.

4.3. Cash Flow Reconciliation

	2016	2015
	\$	\$
Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow statement	109,063	113,832
Statement of financial position	109,063	113,832
Discrepancy	-	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(5,875,676)	(2,492,086)
Add revenue from Government	6,503,000	2,788,000
Adjustments for non-cash items		
Depreciation / amortisation	245,571	43,261
Finance costs	-	5,814
Re-measurement of lease payable	-	47,555
Movements in assets and liabilities		
Assets		
(Increase) / decrease in net receivables	(1,490,915)	(258,416)
(Increase) / decrease in prepayments	25,135	12,709
Liabilities		
Increase / (decrease) in employee provisions	545,719	61,740
Increase / (decrease) in other payables	(46,857)	(43,579)
Increase / (decrease) in supplier payables	(36,114)	3,047
increase / (decrease) in other provisions	119,681	(99,232)
Net cash from / (used by) operating activities	(10,456)	68,813

5. MANAGING UNCERTAINTIES

This section analyses how the Inspector-General of Taxation manages financial risks within its operating environment.

5.1. Contingent Assets and Liabilities

There were no quantifiable contingent assets or liabilities in 2016 (2015: \$0).

Accounting Policy

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.

5.2. Financial Instruments

	2016	2015
	\$	\$
Note 5.2A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	109,063	113,832
Total loans and receivables	109,063	113,832
Total financial assets	109,063	113,832
Financial Liabilities		
Liabilities at amortised cost		
Payables - suppliers	35,192	71,306
Total liabilities at amortised cost	35,192	71,306
Total financial liabilities	35,192	71,306

There was no interest income from financial assets not at fair value through profit and loss in 2016 (2015: nil).

Accounting Policy**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.

Accounting Policy**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).

Note 5.2B: Fair value of financial instruments

		Carrying amount 2016	Fair value 2016	Carrying amount 2015	Fair value 2015
	Notes	\$	\$	\$	\$
Financial Assets					
Cash and cash equivalents		109,063	109,063	113,832	113,832
Total		109,063	109,063	113,832	113,832
Financial Liabilities					
Suppliers payable	2.3A	35,192	35,192	71,306	71,306
Total		35,192	35,192	71,306	71,306

Note 5.2C: 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 (2016: \$0 and 2015: \$0). The agency has assessed the risk of default on payment and has made no allocations to doubtful debts in 2016 (2015: \$0).

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

	2016 \$	2015 \$
Financial assets carried at amount not best representing maximum exposure to credit risk		
Cash and cash equivalents	109,063	113,832
Total financial assets carried at amount not best representing maximum exposure to credit risk	109,063	113,832
Financial liabilities carried at amount not best representing maximum exposure to credit risk		
Supplier payables	35,192	71,306
Total financial liabilities carried at amount not best representing maximum exposure to credit risk	35,192	71,306

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

	Not past due nor impaired 2016 \$	Not past due nor impaired 2015 \$	Past due or impaired 2016 \$	Past due or impaired 2015 \$
Loans and receivables				
Cash and cash equivalents	109,063	113,832	-	-
Total	109,063	113,832	-	-

Note 5.2D: 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 2016 or 2015.

Maturities for non-derivative financial liabilities 2016

	On demand	Within 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	\$	\$	\$	\$	\$	\$
Liabilities at amortised cost						
Payables - suppliers	-	35,192	-	-	-	35,192
Total	-	35,192	-	-	-	35,192

Maturities for non-derivative financial liabilities 2015

	On demand	Within 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	\$	\$	\$	\$	\$	\$
Liabilities at amortised cost						
Payables - suppliers	-	71,306	-	-	-	71,306
Total	-	71,306	-	-	-	71,306

Note 5.2E: 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.

5.3. 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 5.3A: Fair Value Measurements, Valuation Techniques and Inputs Used

	Fair value measurements at the end of the reporting period		For Levels 2 and 3 fair value measurements		Inputs used
	2016 \$	2015 \$	Category (Level 1, 2 or 3)	Valuation technique(s) ¹	
Non-financial assets					
Property, plant and equipment	28,250	-	Level 2	Market	Prices and other relevant information generated by market transactions involving furniture assets were considered.
Property, plant and equipment	140,800	13,664	Level 3	Depreciated Replacement Cost	Current prices for substitute assets has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the assets under consideration.
Leasehold improvements	169,276	44,948	Level 3	Depreciated Replacement Cost	Current costs per square metre of floor area relevant to the location of the asset. Physical depreciation and obsolescence has been determined based on the term of the associated lease.
Total non-financial assets	338,326	58,612			

1. Valuations are based on advice from independent certified practicing valuers. There has been no change in this method from prior years.
2. There have been transfers of plant and equipment and leasehold improvements assets into level 2 during the year. This is due to a change in their valuation technique from depreciated replacement cost to the market approach.
3. A reconciliation of movements in leasehold improvements and plant and equipment has been included in Note 2.2A: Non-Financial Assets.

Note 5.3B: Reconciliation for recurring Level 3 fair value measurements**Recurring Level 3 fair value measurements - reconciliation for assets**

	Non-financial assets		Total 2016
	Plant and equipment 2016	Leasehold improvements 2016	
Opening balance	\$ 13,664	\$ 44,948	\$ 58,612
Purchases	155,386	124,328	279,714
Transfers out of Level 3	(28,250)	-	(28,250)
Closing balance	140,800	169,276	310,076

Accounting Policy**Fair value measurements - valuation processes**

IGT engaged the service of the Australian Valuation Solutions (AVS) to conduct a detailed external valuation of all non-financial assets at 30 June 2016 and has relied upon those outcomes to establish carrying amounts. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. Comprehensive valuations are carried out at least once every three years. AVS has provided written assurance to IGT that the models developed are in compliance with AASB 13.

Fair Value Measurement

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

6. OTHER INFORMATION

6.1. Reporting of Outcomes

	Outcome 1	
	2016	2015
	\$	\$
Departmental		
Expenses	5,935,676	2,690,686
Own-source income	60,000	60,000
Gains	-	138,600
Net cost/(contribution) of outcome delivery	5,875,676	2,492,086
Assets	6,113,090	4,661,211
Liabilities	1,200,981	618,552
Net assets	4,912,109	4,042,659

Net costs shown include intra-government costs that are eliminated in calculating the actual Budget outcome

7. BUDGETARY REPORTS AND EXPLANATION OF MAJOR VARIANCES

7.1. Departmental Budgetary Reports

Note 7.1A: Departmental Budgetary Reports

Statement of Comprehensive Income

for the period ended 30 June 2016

	Actual	Budget estimate	
	2016	Original 2016	Variance 2016
	\$	\$	\$
NET COST OF SERVICES			
Expenses			
Employee benefits	3,089,685	5,207,000	(2,117,315)
Suppliers	2,600,420	1,296,000	1,304,420
Depreciation and amortisation	245,571	29,000	216,571
Total Expenses	5,935,676	6,532,000	(596,324)
LESS:			
Own-Source Income			
Own-source revenue			
ANAO audit services received free of charge	60,000	-	60,000
Total own-source revenue	60,000	-	60,000
Total own-source income	60,000	-	60,000
Net cost of services	(5,875,676)	(6,532,000)	656,324
Revenue from Government	6,503,000	6,503,000	-
Surplus / (Deficit) attributable to the Australian Government	627,324	(29,000)	656,324
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserves	15,126	-	15,126
Total other comprehensive income	15,126	-	15,126
Total comprehensive income / (loss) attributable to the Australian Government	642,450	(29,000)	671,450

Explanations of major variances	Affected line items
The original budget provided for increased funding associated with the Tax Complaints Handling function. A phased approach to implementing the function resulted in lower than anticipated employee numbers as at 30 June 2016.	Employee benefits
Increased supplier expenditure in 2015-16 related to a focus on enhancing IGT's capabilities and operational efficacy throughout the year.	Supplier expenses
Increased expenditure on infrastructure to implement and operate the tax complaints handling function resulted in higher than anticipated depreciation for the year.	Depreciation and amortisation

Statement of Financial Position
as at 30 June 2016

	Actual	Budget estimate	
	2016	Original	Variance
	\$	2016	2016
		\$	\$
ASSETS			
Financial assets			
Cash and cash equivalents	109,063	45,000	64,063
Trade and other receivables	5,417,003	3,376,000	2,041,003
Total financial assets	5,526,066	3,421,000	2,105,066
Non-financial assets			
Land and Buildings	169,276	217,000	(47,724)
Infrastructure, plant and equipment	169,050	937,000	(767,950)
Intangibles	248,698	-	248,698
Other non-financial assets	-	38,000	(38,000)
Total non-financial assets	587,024	1,192,000	(604,976)
Total assets	6,113,090	4,613,000	1,500,090
LIABILITIES			
Payables			
Suppliers	35,192	68,000	(32,808)
Other payables	10,923	36,000	(25,077)
Total payables	46,115	104,000	(57,885)
Provisions			
Employee provisions	1,035,185	480,000	555,185
Other provisions	119,681	93,000	26,681
Total provisions	1,154,866	573,000	581,866
Total liabilities	1,200,981	677,000	523,981
Net assets	4,912,109	3,936,000	976,109
EQUITY			
Contributed equity	1,202,573	1,201,000	1,573
Reserves	397,535	438,000	(40,465)
Retained surplus	3,312,001	2,297,000	1,015,001
Total equity	4,912,109	3,936,000	976,109

Explanations of major variances

Affected line items

The original budget provided for increased funding associated with the Tax Complaints Handling function. A phased approach to implementing the function, along with the higher than expected operating surplus, resulted in appropriation receivables being higher than expected for 2015-16.

Trade and other receivables
Retained surplus

The value of infrastructure, plant and equipment is less than budgeted due to lower than anticipated expenditure on office fitout following the commencement of a new lease in 2015-16.

Infrastructure, plant and
equipment

Employee provisions were higher than budgeted as a result of changes in the bond rate.

Employee provisions

Cash Flow Statement
for the period ended 30 June 2016

	Actual	Budget estimate	
	2016 \$	Original 2016 \$	Variance 2016 \$
OPERATING ACTIVITIES			
Cash received			
Appropriations	5,018,018	6,503,000	(1,484,982)
Other cash received	500,423	-	500,423
Net GST received	98,738	-	98,738
Total cash received	5,617,179	6,503,000	(885,821)
Cash used			
Employees	2,860,584	5,207,000	(2,346,416)
Suppliers	2,767,051	1,296,000	1,471,051
Total cash used	5,627,635	6,503,000	(875,365)
Net cash from (used by) operating activities	(10,456)	-	(10,456)
INVESTING ACTIVITIES			
Cash used			
Purchase of plant and equipment	511,296	227,000	284,296
Total cash used	511,296	227,000	284,296
Net cash from (used by) investing activities	(511,296)	(227,000)	(284,296)
FINANCING ACTIVITIES			
Cash received			
Contributed equity	516,983	-	516,983
Capital injection	-	227,000	(227,000)
Total cash received	516,983	227,000	289,983
Net cash from (used by) financing activities	516,983	227,000	289,983
Net increase (decrease) in cash held	(4,769)	-	(4,769)
Cash at the beginning of the reporting period	113,832	45,000	68,832
Cash at the end of the reporting period	109,063	45,000	64,063

Explanations of major variances	Affected line items
The original budget provided for increased funding associated with the Tax Complaints Handling function. A phased approach to implementing the function resulted in higher than anticipated appropriation receivable as at 30 June 2016.	Appropriations Employees
Other cash received was higher than budgeted due to the receipt of a lease incentive contribution and the transfer of entitlements for employees who commenced with IGT in 2015-16.	Other cash received
Increased supplier expenditure in 2015-16 related to a focus on enhancing IGT's capabilities and operational efficacy throughout the year.	Suppliers
Prior year equity reserves were used to fund increased purchases of plant and equipment in 2015-16.	Net cash from (used by) investing activities Net cash from (used by) financing activities

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* (WHS Act). During 2015–16, the IGT received no accident and incident reports. No notices were given under sections 90, 191, 195 or 198 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 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.

ADVERTISING AND MARKET RESEARCH

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

Table 11: Advertising costs for 2015–16

Purpose	Vendor	
Recruitment advertising	Dentsu Mitchell Media Australia Pty Ltd	974
Calling for submissions for reviews	Dentsu Mitchell Media Australia Pty Ltd	9,152
Total		10,126

No market research or campaign advertising costs were incurred during 2015–16.

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 programmes are administered by the IGT.

LIST OF REQUIREMENTS

PGPA Rule Reference	Part of Report (Page/s)	Description	Requirement
17AD(g)	Letter of transmittal		
17AI	iii	A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory
17AD(h)	Aids to access		
17AJ(a)	v–vi	Table of contents.	Mandatory
17AJ(b)	93	Alphabetical index.	Mandatory
17AJ(c)	89–90	Glossary of abbreviations and acronyms.	Mandatory
17AJ(d)	82–88	List of requirements.	Mandatory
17AJ(e)	ii	Details of contact officer.	Mandatory
17AJ(f)	ii, 89	Entity's website address.	Mandatory
17AJ(g)	ii	Electronic address of report.	Mandatory
17AD(a)	Review by accountable authority		
17AD(a)	1–17	A review by the accountable authority of the entity.	Mandatory

PGPA Rule Reference	Part of Report (Page/s)	Description	Requirement
17AD(b)	Overview of the entity		
17AE(1)(a)(i)	18	A description of the role and functions of the entity.	Mandatory
17AE(1)(a)(ii)	19	A description of the organisational structure of the entity.	Mandatory
17AE(1)(a)(iii)	20	A description of the outcomes and programmes administered by the entity.	Mandatory
17AE(1)(a)(iv)	23, 91	A description of the purposes of the entity as included in corporate plan.	Mandatory
17AE(1)(b)	N/A	An outline of the structure of the portfolio of the entity.	Portfolio departments - mandatory
17AE(2)	N/A	Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, Mandatory
17AD(c)	Report on the Performance of the entity		
	Annual performance Statements		
17AD(c)(i); 16F	23–34	Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory
17AD(c)(ii)	Report on Financial Performance		
17AF(1)(a)	34	A discussion and analysis of the entity's financial performance.	Mandatory
17AF(1)(b)	21–22	A table summarising the total resources and total payments of the entity.	Mandatory
17AF(2)	N/A	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results.	If applicable, Mandatory.

PGPA Rule Reference	Part of Report (Page/s)	Description	Requirement
17AD(d)	Management and Accountability		
	Corporate Governance		
17AG(2)(a)	35–37	Information on compliance with section 10 (fraud systems).	Mandatory
17AG(2)(b)(i)	iii	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory
17AG(2)(b)(ii)	iii	A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place.	Mandatory
17AG(2)(b)(iii)	iii	A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory
17AG(2)(c)	iii, 19, 35–38	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory
17AG(2)(d) – (e)	38	A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance.	If applicable, Mandatory
	External Scrutiny		
17AG(3)	38–39	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory
17AG(3)(a)	39	Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, Mandatory
17AG(3)(b)	39	Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, Mandatory
17AG(3)(c)	39	Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory
	Management of Human Resources		
17AG(4)(a)	39–41	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory

PGPA Rule Reference	Part of Report (Page/s)	Description	Requirement
17AG(4)(b)	40–41, 44	<p>Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following:</p> <ul style="list-style-type: none"> • Statistics on staffing classification level; • Statistics on full-time employees; • Statistics on part-time employees; • Statistics on gender; • Statistics on staff location; • Statistics on employees who identify as Indigenous. 	Mandatory
17AG(4)(c)	40	Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> .	Mandatory
17AG(4)(c)(i)	40	Information on the number of SES and non-SES employees covered by agreements, etc, identified in paragraph 17AG(4)(c).	Mandatory
17AG(4)(c)(ii)	40	The salary ranges available for APS employees by classification level.	Mandatory
17AG(4)(c)(iii)	41	A description of non-salary benefits provided to employees.	Mandatory
17AG(4)(d)(i)	N/A	Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory
17AG(4)(d)(ii)	N/A	Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory
17AG(4)(d)(iii)	N/A	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory
17AG(4)(d)(iv)	N/A	Information on aggregate amount of performance payments.	If applicable, Mandatory
Assets Management			
17AG(5)	42	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, mandatory
Purchasing			
17AG(6)	41–42	An assessment of entity performance against the <i>Commonwealth Procurement Rules</i> .	Mandatory

PGPA Rule Reference	Part of Report (Page/s)	Description	Requirement
Consultants			
17AG(7)(a)	43	A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST).	Mandatory
17AG(7)(b)	43	A statement that “During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million]”.	Mandatory
17AG(7)(c)	43	A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory
17AG(7)(d)	43	A statement that “Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website.”	Mandatory
Australian National Audit Office Access Clauses			
17AG(8)	43	If an entity entered into a contract with a value of more than \$100,000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor’s premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, Mandatory
Exempt contracts			
17AG(9)	43	If an entity entered into a contract or there is a standing offer with a value greater than \$10,000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, Mandatory

PGPA Rule Reference	Part of Report (Page/s)	Description	Requirement
Small business			
17AG(10)(a)	42	A statement that “[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance’s website.”	Mandatory
17AG(10)(b)	42	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory
17AG(10)(c)	N/A	If the entity is considered by the Department administered by the Finance Minister as material in nature—a statement that “[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury’s website.”	If applicable, Mandatory
Financial Statements			
17AD(e)	45–79	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory
17AD(f)	Other Mandatory Information		
17AH(1)(a)(i)	N/A	If the entity conducted advertising campaigns, a statement that “During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity’s website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance’s website.”	If applicable, Mandatory
17AH(1)(a)(ii)	81	If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, Mandatory
17AH(1)(b)	N/A	A statement that “Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity’s website].”	If applicable, Mandatory
17AH(1)(c)	44	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory
17AH(1)(d)	81	Website reference to where the entity’s Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory

PGPA Rule Reference	Part of Report (Page/s)	Description	Requirement
17AH(1)(e)	N/A	Correction of material errors in previous annual report	If applicable, mandatory
17AH(2)	81–82	Information required by other legislation	Mandatory

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 Australian Constitution 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	<p>The process by which agencies are directed and controlled. It is generally understood to encompass authority, accountability, stewardship, leadership, direction and control.</p> <p>The PGPA Act establishes a coherent system of governance and accountability for public resources, with an emphasis on planning, performance and reporting. It is the primary piece of Commonwealth resource management legislation.</p> <p>The PGPA Act applies to all Commonwealth entities and Commonwealth companies. A list of Commonwealth entities and companies can be found at:</p> <p>www.finance.gov.au/sites/default/files/pgpa_flipchart.pdf?v=2.</p>
IGT website	<p>The IGT website can be found at:</p> <p>www.igt.gov.au.</p>
Operations	The 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)	The Budget related papers detailing budget initiatives and explanations of appropriations specified by outcome and program by each agency within a portfolio.
Programmes	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

AA	Accountable Authority
AAI	Accountable Authority's Instructions
ABN	Australian Business Number
ATSI	Aboriginal and Torres Strait Islander
Auditor-General	Commonwealth Auditor-General
ANAO	Australian National Audit Office
APS	Australian Public Service
ATO	Australian Taxation Office
CFO	Chief Finance Officer
CIN	Complaint Investigation Notice
Commissioner	Commissioner of Taxation
Committee	House of Representatives Standing Committee on Tax and Revenue
CPRs	Commonwealth Procurement Rules
EL1	Executive Level 1
EL2	Executive Level 2
ESL	English as a Second Language
FOI Act	<i>Freedom of Information Act 1982</i>
GST	Goods and Services Tax
IGT	Inspector-General of Taxation
IGT Act	<i>Inspector-General of Taxation Act 2003</i>
Inquiry	Inquiry into the External Scrutiny of the Australian Taxation Office
IT	Information Technology
OECD	Organisation for Economic Co-operation and Development
Ombudsman	Commonwealth Ombudsman
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
SBR	Standard Business Reporting
SES	Senior Executive Service
SLA	Service Level Agreement
Tax Practitioners	Tax agents and business activity statement agents
TPB	Tax Practitioners Board

APPENDIX 3 – PERFORMANCE CRITERIA

The purpose, key objectives and performance measures set out in the IGT's *Corporate Plan* align with the outcome, deliverables and key performance indicators in the Portfolio Budget Statement for the IGT – see Table 6 below.

Table 12: Alignment of Portfolio Budget Statement and Corporate Plan performance criteria

Portfolio Budget Statement	Corporate Plan
<p>Outcome</p> <p>Improved tax administration through community consultation, review, and independent advice to Government</p>	<p>Purpose</p> <p>Our role is to improve tax administration through investigation of tax complaints, conducting broader reviews, public reporting and independent advice to Government and its relevant agencies</p>
<p>Deliverable 1</p> <p>Establishment of a complaints handling function</p>	<p>Objective 1</p> <p>Establish and maintain an effective and efficient complaints handling function</p>
<p>Deliverable 2</p> <p>Reports incorporating independent advice on improvements to tax administration</p>	<p>Objective 3</p> <p>Conduct reviews and make recommendations for improvement to Government, the ATO and the TPB</p>
<p>Deliverable 3</p> <p>Reviews based on community input and consultation with other relevant entities, prioritised according to good administration principles</p>	<p>Objective 2</p> <p>Identify and prioritise areas of tax administration for improvement</p>
<p>Performance indicator (Deliverable 1)</p> <p>The effective establishment of the complaints handling function</p>	<p>Performance measure (Objective 1)</p> <p>Complaints received compared to complaints actioned by the IGT</p> <p>Proportion of complaints that are actioned promptly</p> <p>Performance measure (Objective 2)</p> <p>Issues identified from complaints</p>
<p>Performance indicator (Deliverable 1)</p> <p>Positive feedback and continued support from community stakeholders including taxpayers, tax practitioners, other citizens and relevant government entities</p>	<p>Performance measure (Objective 1)</p> <p>Feedback provided on the complaints handling process from complainants, the ATO and the TPB</p>

Portfolio Budget Statement	Corporate Plan
<p>Performance indicator (Deliverable 2)</p> <p>Recommendations for improvements in tax administration agreed and implemented by the ATO or adopted by the Government</p>	<p>Performance measure (Objective 2)</p> <p>Consultation with stakeholders on broader reviews</p> <p>Performance measure (Objective 3)</p> <p>Recommendations made to address recurring issues arising in complaints as well as broad concerns raised during wider consultation</p> <p>Implementation of recommendations agreed to by the ATO and the TPB</p>

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