



Australian Government
Inspector-General of Taxation

IGT

ANNUAL REPORT 2017-18



Inspector-General of Taxation

Annual Report 2017–18

September 2018

© Commonwealth of Australia 2018

ISSN 2204-0897 (p)

ISSN 2204-0900 (w)

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

Mr Peter Glass
GPO Box 551
SYDNEY NSW 2001

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



Australian Government
Inspector-General of Taxation

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

GPO Box 551
Sydney NSW 2001

25 September 2018

The Hon Stuart Robert MP
Assistant Treasurer
Parliament House
Canberra ACT 2600

Dear Assistant Treasurer

I am pleased to present to you the Annual Report of the Inspector-General of Taxation (IGT) for the year ended 30 June 2018. This report has been prepared for the purposes of section 46 of the *Public Governance, Performance and Accountability Act 2013* and in accordance with section 41 of the *Inspector-General of Taxation Act 2003*.

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 2017–18.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Ali Noroozi', with a stylized flourish extending to the right.

Ali Noroozi
Inspector-General of Taxation

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INSPECTOR-GENERAL OF TAXATION REPORT



This will be my last Annual Report as the Inspector-General of Taxation (IGT), marking my tenth and final year of service. Accordingly, I have taken the opportunity to reflect on the evolution of the IGT and our successes during my tenure.

Prompted by legitimate concerns which were raised regarding the Australian Taxation Office's (ATO) dealings with taxpayers, the IGT was established in 2003 as an independent adviser who would play an important part in achieving a fairer tax administration system.¹ The newly created statutory authority was given strong investigative powers to examine the operation of the system and its advice, in the form of 'reports', were required to be publicly released as a means of strengthening its independence as well as enhancing accountability and transparency of the system.²

At the time of the creation of the IGT, there was both a degree of excitement and a level of concern regarding the challenges it would face in seeking to achieve its laudable and lofty aims, particularly given its relative size to that of the ATO. The IGT was the smallest of agencies while the ATO was one of the largest, with vastly greater budget and extraordinary powers that permeate the entire fabric of Australian society — one publication likened it to a David and Goliath battle.³

1 Senator the Hon Helen Coonan, former Minister for Revenue and Assistant Treasurer, 'A New Tax Advocate' (Media Release C62/02, 29 May 2002).

2 See, for example, Senate Economics Legislation Committee, *Inquiry into Inspector-General of Taxation Bill 2002* (2002) pp 26–27.

3 Australian Institute of Company Directors, 'David vs the Taxation Goliath', *Company Director Magazine* (October 2003).

When I took the reins in 2008, the IGT was becoming established amongst tax professionals as an independent advocate for improvements to the tax system, but in the wake of the 2007 election uncertainty hung over its future.⁴ The agency was very young and the concept of a specialist, independent scrutineer was not well-appreciated. Since that time, the IGT has become a mainstay in the tax landscape, both domestically and internationally, and has played a major role in delivering improvements and reshaping the administration of the Australian tax system. The office has grown over four times in size and the role has become that of an ombudsman with respect to tax administration. The most significant legacies that I leave behind are the establishment of an efficient and effective complaints handling function within the IGT, the move to creating a separate appeals area within the ATO and a large volume of high quality reports into many aspects of tax administration.

Comprehensive IGT reviews into systemic tax administration issues over the last 10 years have been a major force in prompting significant improvements. During my tenure, we have completed almost 35 reviews canvassing a broad range of issues, including ATO 'U-turns', debt collection, tax disputes, rulings, audits, transfer pricing, services and support for tax practitioners, alternative dispute resolution, penalties and taxpayer rights. Enduring benefits from these reviews include increased certainty about prospective application of ATO advice as well as improved dispute resolution by the separation of the objection function from the compliance area⁵ and the establishment of an in-house facilitation service which saves taxpayers, on average, \$50,000.⁶ Other improvements deliver compliance cost savings for both taxpayers and the ATO – for example, strike rates for compliance activities using cash economy benchmarking has been doubled with fewer small businesses being unnecessarily subjected to audits.⁷

In addition to the improvements flowing from IGT recommendations, our reviews have become more widely recognised as a source of evidence-based assurance regarding ATO actions.⁸ Such independent assurance has sometimes been likened to a 'safety valve' as it promotes fairness, assuages concerns and builds confidence in the administration of the tax system – critical factors for the efficient and effective

⁴ The amalgamation of the IGT within an existing agency was proposed as part of Labor's \$3 billion Savings Plan announced on 2 March 2007.

⁵ An improvement made following recommendation 1(b) in the IGT's *The Management of Tax Disputes* (2015).

⁶ In-house facilitation was a service to implement recommendation 3.6 in the IGT's *Review into the ATO's use of early and alternative dispute resolution* (2012); See also Commissioner of Taxation, *Annual Report 2016–17* (2017) p 65.

⁷ The implementation of recommendation 4.1 in the IGT's *Review into the ATO's use of benchmarking to target the cash economy* (2012).

⁸ See, for, example the IGT's *Review into the ATO's Change Program* (2010) which commenced in 2009 at the direction of the former Minister following substantial public criticism of the ATO's information and communications technology changes.

operation of a self-assessment tax system. A recent example includes the request from the Senate Economics References Committee for the IGT to investigate the ATO's fraud control management (the *Fraud review*) following public concerns relating to allegations of tax fraud, Operation Elbrus,⁹ which may have been linked to abuse of position by a public official.

The Government has also required the IGT to perform an assurance role. For example I was directed to investigate the ATO's \$756 million program to overhaul its information and communications technology platform.¹⁰ More recently, the IGT has also acted promptly to address community concerns, by announcing the *Garnishee review*¹¹ following a joint Fairfax-ABC Four Corners investigation¹² which, amongst other things, brought into question the ATO's debt collection practices particularly with respect to small businesses.

The Commissioner of Taxation (Commissioner) has also requested the IGT to conduct several reviews in the past.¹³ More recently, we have accepted a request to conduct a review into the future of the tax profession¹⁴ – a forward looking review to address future challenges and realise potential benefits arising from technological, social, policy and regulatory changes ahead.

The broad range and the transparent reporting of the reviews have significantly bolstered community support for the work of the IGT. This has led to increased input into these reviews from small businesses and individual taxpayers, as well as larger taxpayers, tax professionals, professional bodies and industry associations. The result is more comprehensive reports with fulsome and practical outcomes.

Although the IGT reviews have been delivering systemic improvements and fulfilling an assurance role effectively, we were unable to address specific taxpayer issues on a real time basis until 1 May 2015 when the Government transferred the tax complaints handling function to the IGT. The IGT had publicly advocated for such a measure since 2011.¹⁵ The IGT's remit was also broadened to the administrative actions of the Tax

9 IGT, 'Review into the ATO's fraud control management: Terms of reference' (2017) <www.igt.gov.au>.

10 IGT, *Review into the ATO's Change Program* (2010), chapter 2.

11 IGT, 'Review into the ATO's use of Garnishee Notices: Terms of reference' (2018) <www.igt.gov.au>.

12 Adele Ferguson, Lesley Robinson and Lucy Carter, 'It's malicious and it's vengeful', *ABC news* (7 April 2018) <www.abc.net.au>; ABC, 'Mongrel bunch of bastards' *4 Corners* (television program aired on 9 April 2018) <www.abc.com.au>.

13 For example, IGT, *Review of aspects of the Australian Taxation Office's administration of private binding rulings* (2010) and IGT, *Review into the ATO's use of early and alternative dispute resolution* (2012).

14 IGT, 'Review into the Future of the Tax Profession: Terms of reference' (2017) <www.igt.gov.au>.

15 IGT, 'Submission to the Tax Forum' (October 2011) <www.igt.gov.au>.

Practitioners Board (TPB).¹⁶ As a result, the IGT has effectively become the taxation ombudsman.

To date, we have handled over 7,000 complaints from a range of tax professionals and taxpayers including vulnerable individuals and small businesses. In the 2017–18 financial year, the number of complaints increased by 7 per cent and 12 per cent compared with the prior two financial years. Notwithstanding such increase, we continue to acknowledge the vast majority of complaints within two business days and finalise them within 15 business days. The community feedback has been overwhelmingly positive. We have consistently achieved a satisfaction rating of 80 per cent – a testament to the hard work and dedication of our team of tax specialists.

There is a growing awareness of our complaints handling service as reports of its success spreads amongst the community. However, more needs to be done to ensure that taxpayers, particularly the most vulnerable individuals and small businesses, know where to turn when they are most in need of specialist assistance to address their concerns with the actions of the ATO or TPB. Accordingly, we are putting in place a communications strategy to reach more taxpayers. This strategy includes a social media plan which is currently being implemented as well as other measures which we have already put in place such as a quarterly newsletter and delivering presentations to tax professionals and taxpayers in public forums across the country including in regional areas.

Both the complaints handling service and the review function are important for improving tax administration and their co-location in one agency delivers critical synergies. Themes emerging from complaints allow more timely identification and investigation of potential systemic issues. In this financial year alone, insights from complaints data led to two reviews and an own initiative investigation¹⁷ being conducted and completed. Analyses of complaints data have also resulted in the identification of opportunities for improvements which the ATO has agreed to implement without the need to conduct reviews (Agreed Business Improvements, ABIs).

Correspondingly, the implementation of recommendations arising from systemic reviews may address many complaints that may otherwise arise. In addition, these reviews provide more detailed understanding of the operation of specific ATO systems

¹⁶ See Australian Government, *Budget Paper No. 2, Part 2: Expense Measures* (May 2014).

¹⁷ IGT, *Review into Aspects of the Pay As You Go Instalments System* (2018); IGT, *GST Refunds* (2018); and IGT, 'ATO's management of tax evasion referrals from the community' (which was subsumed into the *Fraud review*).

and processes for IGT staff, allowing them to better assist taxpayers with their complaints.

Improvements, such as those outlined above, have led to greater recognition of the importance of the IGT's role in improving the tax administration system. For example, the House of Representatives Standing Committee on Tax and Revenue in its 2016 *Inquiry into the External Scrutiny of the Australian Taxation Office* confirmed that the quality of IGT work had improved ATO operations, generated strong support amongst stakeholders and provided 'a good return on investment for Australia' which 'flows directly to the ATO, and indirectly to Government, the Parliament, and Australian businesses and individuals'.¹⁸

More broadly, during my tenure, a trend has been emerging to bolster accountability in complex areas of public administration by creating more independent and specialist ombudsmen or Inspectors-General. In marking this trend, I had the pleasure to host the inaugural meeting of Australia's Inspectors-General, together with their Deputies. Internationally, there is also an increase in the number of independent specialist scrutineers of revenue authorities.¹⁹

The IGT has also made its mark in the international tax community, particularly in taxpayer rights circles²⁰ – for example, the IGT was invited to present and provide insights at taxpayer rights forums in Latin America, Europe and New Zealand.²¹ In addition to sharing our knowledge and expertise, we also benefit immensely from such interaction as we gain fresh ideas and learn from overseas experience. Such learnings have led to recommendations for improvements in our reviews.²²

18 House of Representatives Standing Committee on Tax and Revenue, *External Scrutiny of the Australian Taxation Office* (April 2016), p 31.

19 For example, Canada's Office of the Taxpayers' Ombudsman which was created in 2008 and South Africa's Office of the Tax Ombudsman which was created in 2013.

20 IGT, *The Protection of Taxpayer Rights in Australia: Report for the International Bureau of Fiscal Documentation* (2015) <www.igt.gov.au>.

21 Ali Noroozi, 'Developing early warning and intervention systems' (Presentation at the 3rd International Conference on Taxpayer Rights, The Netherlands, 2–4 May 2018); Ali Noroozi, 'Taxpayer advocates offices - achievements and challenges' (Presentation at the Taxpayer Advocacy Offices International Meeting (Defensa del Contribuyente y del Usuario Aduanero), Colombia, 2 August 2018); Ali Noroozi, 'Taxpayers' rights, complaints and administration issues from an Australian perspective' (Presentation at the Tax conference - Taxpayers' rights and obligations in a changing tax world, New Zealand, 6 September 2018).

22 For example, IGT, *The Management of Tax Disputes* (2015), p 120.

Since the transfer of the complaints handling function in 2015, the IGT has also been involved in the international ombudsmen community and public-private sector complaints handling circles.²³

As set out above, there have been significant achievements over the last ten years. However, such success and greater awareness of the IGT are increasingly presenting challenges too. For example, if the number and complexity of the complaints continue to grow, or accelerate at a more rapid rate, we may not be able to meet our service standards and the number of broader or systemic reviews conducted may be impacted.

I am proud to leave the IGT in a very strong position. Perhaps, my greatest achievement is the firm establishment of the IGT as a trusted, independent and specialist scrutineer who has an integral role in improving the tax administration system for all Australians. These accomplishments would not have been possible without the support and confidence of the tax profession in the IGT.

I am also indebted to my staff who have worked tirelessly, in the face of considerable challenges, to fulfil our goals. Working with them has been the most rewarding part of my role.

COMPLETED REVIEWS

As at 30 June 2018, three reviews were finalised, namely the *PAYG instalments review*, the *GST refunds review* and the *Fraud review*.

Review into Aspects of the Pay As You Go Instalments System

The report of *PAYG instalments review* was publicly released on 23 January 2018 and was our first review undertaken in response to insights drawn from our complaints handling service. The review had also received stakeholder support during consultation on the IGT work program.

A key focus of this review was the lack of individual taxpayers' awareness and understanding of the PAYG instalments system. They appeared to be unclear as to why they had been entered into the system, its requirements and exemptions, its interaction with the annual income tax system and the support tools available to them. Accordingly, the IGT had recommended a number of improvements to the ATO's taxpayer communication and guidance materials as well as internal staff education and support.

23 In 2017, the IGT became a member of the International Ombudsman Institute and the Australasian and Pacific Ombudsman Region; IGT staff, 'Improving Trust – Tax Complaints Case Studies' (Presentation at 27th Annual Society of Consumer Affairs Professionals (SOCAP) Australia International Symposium, Sydney, 23–25 August 2017).

The major underlying source of stakeholders' concerns arose from confusion caused by the interaction between the ATO's accounting systems that resulted in administrative issues including, the non-receipt of ATO communications and unnecessary debt collection action. Recommendation was made for the ATO, as a longer term goal, to consider using a single integrated accounting system for administering the income tax and PAYG instalments regimes. In the interim, a number of additional recommendations were made and aimed at improving the ATO's processes.

The review also examined stakeholders' concerns regarding the ATO's criteria for entering individuals into the PAYG instalments system, administration of penalties and interest as well as the inclusion of statutory income in calculating the instalment rate. Overall, the IGT had made seven recommendations (comprising 22 parts) of which the ATO agreed in full with six recommendations and in part with the other (or agreement with 21 out of 22 parts).

Review into GST Refunds

This review was also prompted by insights drawn from our complaints handling service and supported by stakeholders during our work program consultation process.

Overall, the IGT found that the ATO's administration of Goods and Services Tax (GST) refunds operated efficiently with the vast majority of refunds released without being stopped for verification. Moreover, where refunds were stopped, the majority were processed and released within 14 or 28 days.

However, some opportunities for improvement were identified, including developing a framework for continuous improvement of the ATO's automated risk assessment tools which has been achieving a strike rate of only 26.7 per cent. Furthermore, the IGT had identified that the ATO can streamline its instructions and guidance to staff when interacting with taxpayers, taking into account their circumstances and the adverse financial impacts that delayed refunds can have on their cash flow.

Although fraud risks in the precious metals industry is considered in the *Fraud review*, this review also specifically examined the ATO's use of GST refund retention to address such risks. Concerns were raised about the intensity and length of the verification process in such cases. In this regard, there seemed to be a mismatch in expectations between the actions taken by the ATO and taxpayers' understanding of the process. Accordingly, a recommendation was made to strike a balance between ensuring refunds are released expeditiously in the majority of cases while affording the ATO sufficient time and power to address fraud risks, the seriousness of which has been established.

In total, the IGT made five recommendations (comprising 16 parts) with all of which the ATO agreed in full or in part (11 out of 16 parts).

Review into the ATO's fraud control management

As mentioned earlier, the *Fraud review* was commenced at the request of the Senate Economics References Committee following the events relating to Operation Elbrus and allegations of tax fraud that may be linked to abuse of position by a public official. These events had attracted significant media attention and led to calls for an independent review of the ATO's fraud control framework to ensure that its practices reflect the standards befitting of such a key institution.

The review focused on the ATO's practices and procedures for the prevention and detection as well as addressing risks of internal fraud. In particular, the review examined key prevention controls including the management of conflicts of interest, senior ATO officer intervention in individual cases and those performing medium to high risk roles in the ATO. The manner in which the ATO's Fraud Prevention and Internal Investigations unit detects and investigates internal fraud or potential fraud was also considered as well as relevant ATO governance, structure and oversight arrangements.

In addition, the review examined aspects of the ATO's management of the risks posed by external parties who seek to exploit the tax system and commit fraud against the Commonwealth, in particular those attracting criminal sanctions. In this regard, the IGT examined certain areas and conducted case studies to identify areas for improvement which would complement other recent initiatives aimed at addressing tax and financial crime, for example the Phoenix and Black Economy Taskforces.

The review also incorporated the findings from an IGT 'own initiative' investigation into the ATO's handling of tax evasion referrals that had already been commenced as a result of complaints made by dissatisfied individuals who had made such referrals to the ATO.

As the report of the review contained a recommendation to the Government, it was transmitted to the Minister for Revenue and Financial Services on 22 June 2018 for release within 25 Parliamentary sitting days.²⁴ Accordingly, the findings of the review will be described in more detail in next year's Annual Report.

24 Section 18 of the *Inspector-General of Taxation Act 2003*.

REVIEWS IN PROGRESS

Review into the Australian Taxation Office's use of Garnishee Notices

As mentioned earlier, the *Garnishee review* was commenced on 16 May 2018, following a joint Fairfax-ABC Four Corners investigation²⁵ which brought into question the ATO's debt collection practices. This investigation included allegations by current and former ATO staff about inappropriate use of ATO powers to issue garnishee notices and extracting payment particularly from small business taxpayers.

This review will examine the above allegations and explore the themes arising from related complaints made to the IGT in recent years. Furthermore, it will consider the ATO's implementation of specific recommendations made in the 2015 IGT *Debt Collection review*.²⁶

As at 30 June 2018, this review has been substantially progressed.

Review into the Future of the Tax Profession

The *Future of the tax profession review* was undertaken in response to a request from the Commissioner as well as concerns raised by stakeholders within the tax profession, particularly tax practitioners, through our complaints handling service and in our other engagements with the tax profession.

In 2014, the IGT undertook a review into the *ATO's services and support for tax practitioners*.²⁷ That review largely examined the ATO's relationship with, and services provided to, tax practitioners. This review is not intended to be a follow up to the 2014 review but, rather, it is forward looking and examines the impending technological, social, policy and regulatory changes which will have a lasting impact on the tax profession. It will seek to address the challenges ahead and realise potential benefits for tax practitioners, the ATO and the TPB as well as the broader community.

As at 30 June 2018, this review is nearing finalisation and its findings will be described in more detail in next year's Annual Report.

ADOPTION OF IGT RECOMMENDATIONS

As mentioned earlier, the reviews and other activities of my office result in both immediate and longer-term improvements. Some of these improvements require

²⁵ Above n 11 and 12.

²⁶ IGT, *Debt Collection* (2015).

²⁷ IGT, *The Australian Taxation Office's services and support for tax practitioners* (2015).

administrative action to which the ATO generally responds within each report. Other improvements may require changes to policy and the Government to make legislative changes over time.

In 2017–18, government actions relating to IGT recommendations included:

- the commencement of a review by the Board of Taxation on the compliance costs associated with fringe benefits tax obligations,²⁸ in accordance with recommendation 3.3 of the *Employer obligations review*;²⁹ and
- the extension of the Taxable Payments Reporting System (TPRS),³⁰ to contractors in the cleaning and courier industries³¹ as well as the security, road freight, and information technology (IT) industries³² consistent with recommendation 3.4 of the *Employer obligations review*.³³

In 2017–18, the ATO also took actions consistent with IGT recommendations with which it did not initially agree. These actions included:

- improving the search functionality of edited versions of private rulings, available on the ATO Legal database,³⁴ in line with recommendation 6 of the *Private binding rulings review*;³⁵
- commencing random audits in relation to work-related expenses,³⁶ consistent with the IGT views expressed in chapter 8 of the *Compliance risk assessment tools review*;³⁷ and
- trialling of pre-assessment reviews for certain small businesses³⁸ consistent with recommendation 1(a) in the *Tax disputes review*.³⁹

28 The Board of Taxation, 'CEO Update – March 2018' (2018) <www.taxboard.gov.au>.

29 IGT, *Review into the ATO's employer obligations compliance activities* (2016).

30 Generally, the TPRS is a system which requires taxpayers in identified industries to report to the ATO payments that they had made to others.

31 Australian Government, *Budget 2017–18*, Part 2: Expense Measures (May 2017).

32 Australian Government, *Budget 2018–19*, Budget Measures (May 2018).

33 Above n 29.

34 ATO, Communication to the IGT, 4 December 2017.

35 IGT, *Review into aspects of the ATO's administration of private binding rulings* (2010).

36 Nassim Khadem, 'ATO starts random audits of deductions', *Sydney Morning Herald*, 1 March 2018.

37 IGT, *Review into aspects of the ATO's use of compliance risk assessment tools* (2014).

38 Commonwealth, Senate Economics Legislation Committee, *Proof Committee Hansard – Estimates*, 30 May 2018, p 6 (Commissioner of Taxation).

39 Above n 22.

COMPLAINTS HANDLING SERVICE

In the 2017–18 financial year, awareness of our complaints handling service has steadily grown as evidenced by an increase in both the number and the complexity of complaint cases that we have received.

We received 2405 complaints during the 2017–18 financial year — approximately a 7 per cent increase from the previous financial year. 88 per cent of these complaints were finalised within the year and work will continue on the remainder in the following year.

The most common issues which were raised in these complaint cases concerned the ATO's:

- debt collection action including payment arrangements, quantifying debts, garnishing amounts from taxpayers' accounts, offsetting credits against debts and issuing demand letters;
- processing delays with lodgements and difficulties such as the application of credits to taxpayer debts;
- delays in making payments to taxpayers, such as tax refunds, and remitting superannuation amounts to superannuation funds;
- audits and internal review activities, including concerns with decision making, case selection and information gathering; and
- communications, including the conduct of ATO contact centre staff, written correspondence, website and publications.

Table 1 below shows the proportion of complaints that relate to the above issues as a percentage of total complaints.

Table 1: The five most common issues raised in complaints during 2017–18

Type of issues	Approximate percentage of all issues raised
Debt collection	24%
Lodgement and processing issues	14%
Outstanding or delayed payments	10%
Audit and review activities	8%
ATO communications	8%

Agreed Business Improvements

As mentioned earlier, opportunities to make broader improvement to the tax administration system may be identified during the investigation of complaint cases without the need to conduct a broader review. ABIs arise when we reach agreement with the ATO or the TPB on how such improvements may be reached without the need for further work by the IGT, such as conducting a review. We track ABIs until they are implemented.

During 2017-18, the ATO had agreed to 12 ABIs and the TPB had agreed to 5. In this financial year, the ATO has implemented 16 ABIs, which include some agreed to in the previous financial year, whilst the TPB has implemented three. Further detail is provided in the Performance Report section of this report.

Feedback on the complaints handling service

We engaged ORIMA Research Pty Ltd (ORIMA) to conduct an independent survey to evaluate the performance of our complaints handling service. The results of this survey have consistently been very positive, indicating a satisfaction rating of 80 per cent with our service and staff. This result includes feedback from complainants who did not achieve their desired outcomes.

During this financial year, we have also implemented an automated telephone survey to gather feedback contemporaneously from complainants who had their concerns addressed in their initial phone call with our office. Forty per cent of such callers participated in the survey and of those who participated, 95 per cent reported satisfaction with the service and would use it again.

More detailed results of the above surveys are provided in the Performance Report section of this report.

ASSISTANCE TO PARLIAMENTARY COMMITTEES AND OTHER GOVERNMENT AGENCIES

During 2017-18, we drew upon our complaints handling and review experience to assist parliamentary committees and other government agencies to examine issues that interact with the tax and superannuation systems.

Submission to the Inquiry into the ATO's 2016-17 Annual Report

On 6 December 2017, the House of Representatives Standing Committee on Tax and Revenue commenced an *Inquiry into the ATO's 2016-17 Annual Report*.⁴⁰ In February 2018, we made a written submission to this Inquiry that identified tax debt collection and reporting, lodgement compliance, dispute resolution as well as services and support for tax practitioners as four key areas which may benefit from further exploration by the Committee.

Submission on proposed Transparency of Business Tax Debt measures

On 11 January 2018, the Minister for Revenue and Financial Services released draft legislation and explanatory materials, for public consultation, which would facilitate the reporting of tax debt information of businesses, who do not effectively engage with the ATO to manage their debts, to registered credit reporting bureaus.⁴¹ The materials envisaged a new legislatively enshrined role for the IGT to operate as an independent safeguard that can provide assurance to taxpayers with respect to the administration of these measures.

In February 2018, we made a detailed submission to the Treasury that suggested improvements aimed at ensuring that the measures operate equitably and that the legislative intent is fulfilled. The submission stressed the importance for taxpayers to be informed of their right to lodge a complaint with our office and avail themselves of our services as an independent safeguard. Amongst other things, the submission also commented on the need for further clarification in relation to the provision of notice to taxpayers as well as the need to expand the definition of effective engagement.

Submission to the Treasury Secretary's Investigation into Small Business Dealings with the ATO

In May 2018, we provided detailed input to assist the Treasury Secretary with his investigation into *Small Business Dealings with the ATO*. This investigation was prompted by a request from the Minister for Revenue and Financial Services⁴² following the earlier-mentioned joint Fairfax-ABC Four Corners investigation.

40 House of Representatives Standing Committee on Tax and Revenue, '2017 Annual Report of the Australian Taxation Office' (2017) <www.aph.gov.au>.

41 The Hon Kelly O'Dwyer, Minister for Revenue and Financial Services, 'Transparency of business tax debts' (Media Release, 11 January 2018) <www.treasury.gov.au>.

42 Ferguson A and Khadem N, 'Coalition, Labor to probe ATO over 'scandalous' revelations' *Sydney Morning Herald* (10 April 2018) which refers to O'Dwyer, K, the Hon Minister for revenue and Financial Services.

STAKEHOLDER ENGAGEMENT

The tax profession and the broader community

We continued to engage with taxpayers, tax professionals and their representative bodies whilst conducting reviews and through our complaints handling service. In this financial year, the *Future of the tax profession review* has necessitated more discussions with the tax profession to ensure that the full range of views is captured and appropriately addressed. We have also presented to discussion group meetings of suburban and regionally based tax practitioners as well as those in capital cities.

We also continue to present and participate in a range of events to further raise awareness of the IGT and the services that we provide amongst taxpayers and tax professionals. A full list of IGT speaking engagements is set out in the Performance Report section of this report.

In this financial year, we have also commenced a broader communications strategy to increase awareness of IGT services available to all Australians. The initial stages of this strategy have included the launch of a quarterly newsletter, *IGoT! News*, which has provided updates on our work such as the progress of our reviews, trends in complaints and other significant aspects of our work.

The next stage of our communications strategy, which commenced in this financial year, is to increase our presence on social media to raise awareness of our services for those who require it the most such as vulnerable individuals and small businesses.

Public sector stakeholders

We continue to engage and consult with the Commonwealth Auditor-General (Auditor-General) and the Commonwealth Ombudsman (Ombudsman) on matters of mutual relevance and interest to minimise potential duplication in our scrutineering activities.

As mentioned earlier, in March 2018, we also hosted a meeting of the Inspectors-General from across Australia to share knowledge and experience, including innovative ideas and best practice models. These meetings will now take place periodically.

We have also continued to develop and foster relationships with other government agencies including the Attorney-General's Department, the Australian Federal Police, and the Office of the Commonwealth Director of Public Prosecutions. The assistance that we have received from these agencies was particularly useful in conducting the *Fraud review*. More broadly, interactions with the wider Australian Public Service

(APS) ensure that we are aware of the whole-of-government ramifications when identifying improvements to the tax system.

In this financial year we have also fostered closer collaboration with the Australian Small Business and Family Enterprise Ombudsman (ASBFEO) as approximately 25 per cent of complaints lodged with our office are from small businesses. In this financial year, we have also assisted 45 small business taxpayers who were referred to us by the ASBFEO.

Constructive engagement with the ATO and the TPB is crucial whilst the independence of the IGT, as a scrutineer, must be maintained. In this respect, communications between our respective offices continue to be professional, frank, and lead to improvements to the system.

We have also worked closely with the Treasury, who provides us with a number of services and is a partner in many aspects of our core functions, as well as the Minister and her staff.

International stakeholders

We continue to work closely with our counterparts and revenue agencies in the United States, United Kingdom, Canada, New Zealand and Mexico. In this financial year, in conducting current reviews, we have also engaged with revenue agencies in a number of other jurisdictions including the Netherlands, Sweden, Estonia, Finland and Singapore. Such engagement provides useful insights and often results in the development of innovative solutions in the Australian context. We are grateful for the assistance that we have received and will continue to build and foster these relationships in the years to come.

We have also been active on taxpayer rights issues at a global level. We continue to work with the International Bureau of Fiscal Documentation and the International Law Association in this regard as well as presenting and participating in key forums.

We are also involved in the international community of ombudsmen and scrutineers through our membership with International Ombudsman Institute.

FUTURE DIRECTIONS

In the coming months, the IGT will focus on completing the two remaining reviews, namely the *Future of the tax profession review* and the *Garnishee review*. A new work program of reviews will have to be developed in the next calendar year – it is appropriate that this task is carried out by my successor.

Looking further ahead, the demand for IGT services is likely to grow as awareness of these services is increasing in the community. It may accelerate further as our communications strategy is fully implemented and bears fruit. Accordingly, in the absence of additional resources, further efficiencies in the manner the IGT work is carried out will have to be sought and difficult decisions may have to be made regarding our service standard in terms of resolution of complaints and the number of broader reviews that may be conducted.

A handwritten signature in black ink, consisting of a stylized 'A' followed by a long horizontal stroke and a small loop at the end.

Ali Noroozi
Inspector-General of Taxation

ROLE

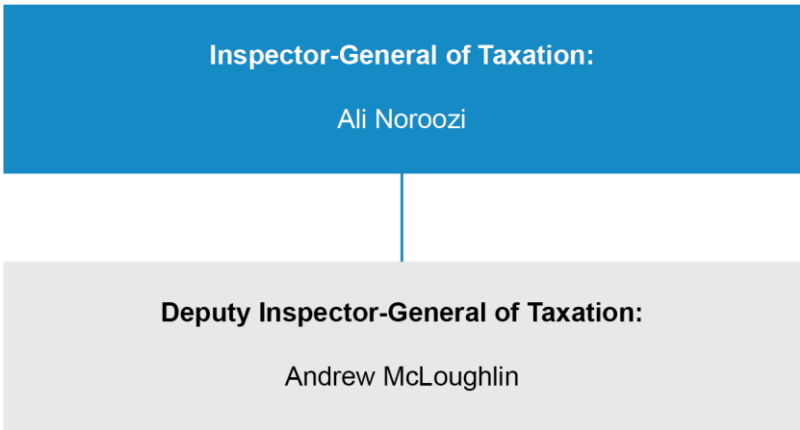
Our role is to improve tax administration through the investigation of tax complaints, conducting broader reviews, public reporting and independent advice to Government and its relevant agencies.

Our objectives are to:

- 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.

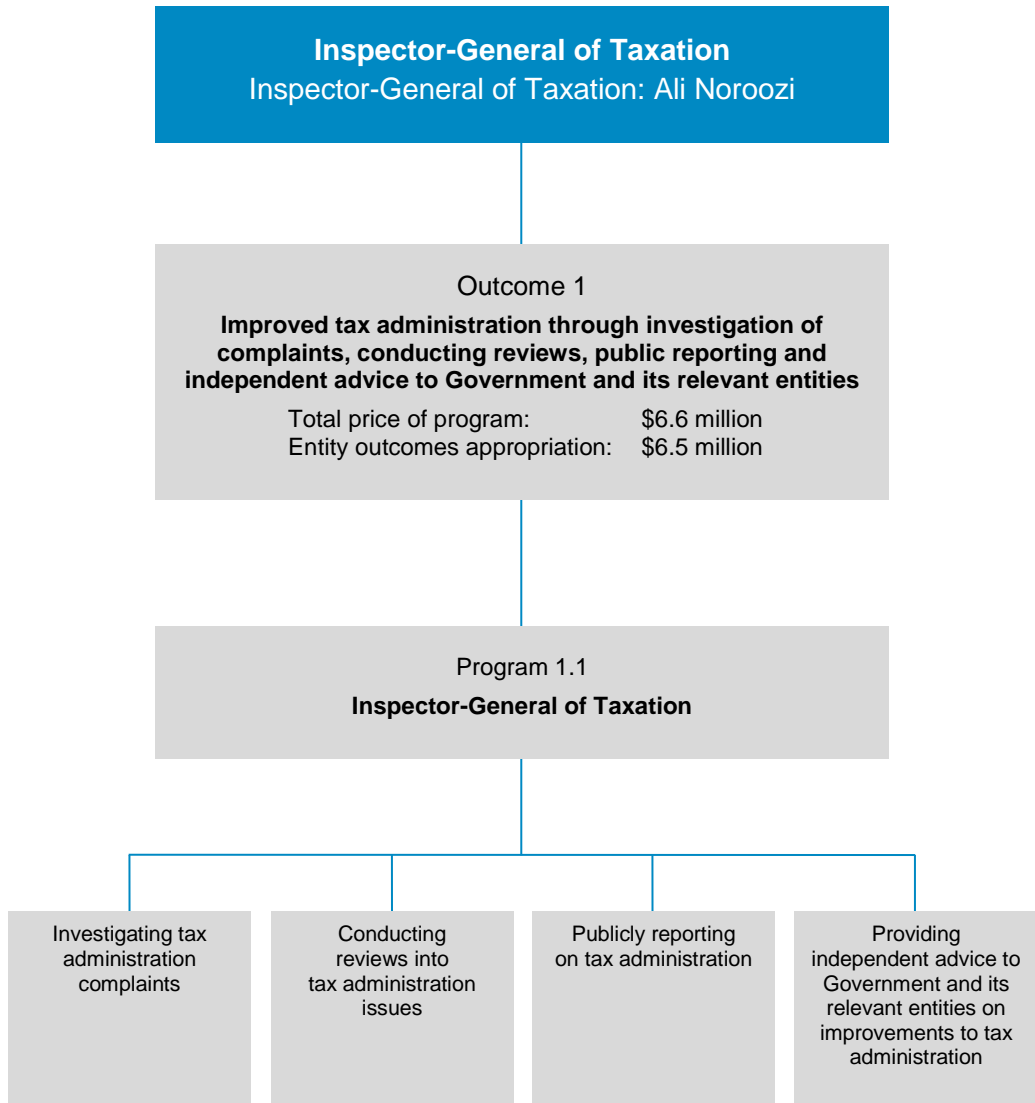
ORGANISATIONAL STRUCTURE

Figure 1: Inspector-General of Taxation executive structure



OUTCOME AND PROGRAM STRUCTURE

Figure 2: Outcome and program 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
	2017-18	2017-18	2017-18
	\$'000	\$'000	\$'000
	(a)	(b)	(a - b)
Program 1.1: Inspector-General of Taxation			
Departmental expenses			
Departmental appropriations ⁽¹⁾	6,475	6,122	353
Expenses not requiring appropriation in the budget year	30	479	(449)
Total expenses for Outcome 1	6,505	6,601	(96)
	2017-18	2016-17	
Average staffing level (number)	35	34	

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

APPENDIX 2 — AGENCY RESOURCE STATEMENT

Table A2: Inspector-General of Taxation resource statement for 2017–18 as at Budget May 2017

	Actual available appropriation \$'000 (a)	Payments made 2017-18 \$'000 (b)	Balance remaining 2017-18 \$'000 (a - b)
Departmental			
Ordinary annual services ⁽¹⁾			
Departmental appropriation ⁽²⁾	12,720	7,034	5,686
Total ordinary annual services	12,720	7,034	5,686
Other services - departmental non-operating			
Equity injections ⁽³⁾	-	-	-
Total other services - departmental non-operating	-	-	-
Total net resourcing and payments for the IGT	12,720	7,034	5,686

(1) Appropriation Act (No. 1) 2017-18. 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) No equity injections for 2017-18.

PERFORMANCE REPORT

The performance report for the 2017–18 financial year is divided into the following two sections:

- the performance statement; and
- the analysis of the IGT's financial performance.

The IGT's commitment to performance measurement and analysis is central and ongoing. Our consideration and monitoring of our deliverables and performance measures underpin our annual corporate planning process as well as our day-to-day service delivery to the community.

PERFORMANCE STATEMENT

This statement measures and assesses the IGT's performance in fulfilling our purpose and our key deliverables.

The purpose of the IGT is to improve tax administration by providing the following deliverables:

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

These deliverables are monitored and assessed by reference to the performance measures, the results of which are included in the following sections.

Deliverable 1 — Effective handling of tax administration complaints

The effectiveness of the IGT's tax complaints handling function was assessed against the following five performance measures:

- the number of complaints received compared to complaints completed;
- feedback received from stakeholders about the IGT's complaints handling function;
- feedback from the ATO and the TPB about the IGT's complaints handling function;

- feedback from staff about the IGT's complaints handling function; and
- the percentage of complaints not requiring an internal review of the original decision.

Each of these measures is further discussed below.

Performance measure — Number of complaints received compared to complaints completed

In the 2017–18 financial year, the IGT received a total of 2405 complaints with 88 per cent resolved in the same period – see Table 2 below.

Of the complaints received during this financial year, 2185 related to the ATO (91 per cent), 70 related to the TPB (3 per cent) and 150 related to other matters (6 per cent), for example, referrals to other jurisdictions for consideration.

Table 2: Numbers of complaints received and resolved

Agency	Complaints received			Complaints resolved
	Carried forward from 2016–17	Received in 2017–18	Total handled in 2017–18	Total resolved in 2017–18
ATO	149	2185	2334	2055
TPB	4	70	74	66
Other	1	150	151	142
Total	154	2405	2559	2263

Every complaint is allocated to a dedicated IGT officer. Before proceeding with a complaint, the officer makes initial contact with the complainant to better understand their concerns and preferred outcomes as well as to determine the most appropriate action to be taken.

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 in a complaint.

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 2017–18 year, over 40 per cent of all complaints were resolved by IGT staff in this manner.

Secondly, complainants may seek a review of ATO or TPB actions or decisions relating to the tax administration system that 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 to taxpayers due to the tax law secrecy provisions. If required, the IGT may also serve formal notices requiring officers of the ATO or TPB to provide information relevant to the IGT's investigations.⁴³ In the 2017–18 financial year, no such notices were issued.

In total, 1555 investigations were undertaken by the IGT during this financial year. Approximately 99 per cent of the investigations commenced this financial year related to the ATO with the remainder relating to the TPB.

Over 86 per cent of all investigations undertaken in the 2017–18 financial year were completed during the same period – see Table 3 below.

Table 3: Numbers of investigations commenced and completed

Agency	Investigations commenced			Investigations completed
	Carried forward ⁴⁴ from 2016–17	Commenced in 2017–18	Total undertaken in 2017–18	Completed in 2017–18
ATO	106	1427	1533	1325
TPB	4	18	22	18
Total	110	1445	1555	1343

Performance measure — Feedback provided by stakeholders about the IGT's complaints handling function

The IGT is committed to providing and maintaining a high standard of service in our interactions with the community and values feedback received from complainants. In this regard, our work has included engaging ORIMA Research Pty Ltd (ORIMA) to conduct independent surveys to evaluate the performance of the IGT's complaints handling service.

⁴³ Section 9 of the *Ombudsman Act 1976* which operates by virtue of section 15 of the *Inspector-General of Taxation Act 2003*.

⁴⁴ Note: 23 investigations which were reported in the 2016–17 annual report as having been commenced in that year have been recategorised as having been commenced in this financial year. This is due to the ATO recording the investigation notice as having been received in this financial year and the desire to align ATO reported figures.

Approximately 55 per cent of the complainants who were contacted by ORIMA provided feedback. This represents an increase from the 40 per cent and 51 per cent of complainants who responded in the two previous years respectively.

The feedback received in the survey continues to demonstrate high levels of satisfaction. Table 4 below shows that in 2017–18, 80 per cent of survey respondents reported overall satisfaction with the complaints handling service, 59 per cent reported overall satisfaction with the outcome of their complaint and 91 per cent reported satisfaction with the professionalism of IGT staff.

Table 4: Complaints handling feedback survey results

Views of IGT's complaints handling service	Proportion satisfied	Proportion dissatisfied
Overall satisfaction with the IGT's complaints handling service	80%	14%
Overall satisfaction with the outcome of the complaint	59%	27%
Professionalism of IGT staff	91%	5%

The results of the survey reflect the effectiveness of our role in facilitating the resolution of complaints. Whilst not every complainant achieved their preferred outcome, many have still expressed high levels of satisfaction with the IGT's complaints handling service and the professionalism of our staff. In particular, it should be noted that of the complainants that were dissatisfied with the outcome of their complaint, approximately 40 per cent expressed that they would still use the complaints handling service in the future.

The survey also provided opportunities for the IGT to further improve performance to meet the service expectations of the community. One such area that requires improvement is awareness of the IGT's role as the taxation ombudsman particularly amongst vulnerable taxpayers including unrepresented individuals and small businesses. To address this, as stated earlier, we are implementing a communications strategy which includes a quarterly newsletter, increasing the IGT's presence on social media and presenting at appropriate forums including in regional centres.

In May 2018, the IGT also established an automated survey to obtain contemporaneous feedback from complainants whose concerns were resolved over the telephone. Such complainants were invited to participate in the survey after they had completed their telephone call with IGT officers. Of the 40 per cent who took part in this survey, 95 per cent expressed satisfaction and willingness to use the IGT complaints handling service again. This is another positive outcome for the community as well as the IGT.

IGT officers also receive feedback directly from complainants. During the 2017–18 financial year, 190 complainants provided such feedback of which 86 per cent were positive in nature. The majority of the positive feedback received was directed at the specific IGT officer managing the complaint and expressed overall satisfaction with the officer's professionalism, helpfulness and quality of service. Such positive comments were made irrespective of whether they had achieved their preferred outcome.

Examples of cases in which positive feedback was given are provided below:

Example 1

A small business owner lodged a complaint with the IGT expressing concern that the ATO had failed to refund his business' GST credits totalling approximately \$50,000, despite the ATO's agreement to do so some months prior. The ATO had instead applied the GST credits against the taxpayer's existing debt which was being repaid through a payment arrangement.

During the IGT investigation, ATO officers explained that they had advised the taxpayer's tax agent that, as a term of the payment arrangement, future credits on the business' account would be offset against the debt. The IGT officer reviewed the ATO's systems, including the recordings of the relevant telephone conversations, and confirmed that such advice had been given. However, the IGT officer sought the ATO's agreement to refund the retained credits as the size of the retained credits would have had a significant impact on the cash flow of the taxpayer's business and the taxpayer had continued to make repayments in accordance with his payment arrangement.

As a result of the IGT investigation, the ATO agreed to refund the GST credits and the taxpayer commented: "I really, really appreciate the help and it has gone as smoothly as I could have hoped. We've finally got an outcome after 3 or 4 months [in dealing with the ATO]"

Example 2

A tax practitioner approached the IGT to seek assistance regarding the ATO's approach to collecting tax debts from his client. The ATO and his client had previously agreed to a payment arrangement for a tax debt that had remained unpaid for some time as well as another tax debt that would have become due and payable shortly. Under this arrangement, the ATO agreed to not take any debt recovery action as long as the client paid the agreed instalments. The taxpayer had been paying these amounts. However, after a couple of months, the ATO issued a Director Penalty Notice (DPN) to the client as an ATO officer had made an error in calculating the amount of the instalments, i.e. the ATO had not included the recently raised debt in the calculations. Whilst the ATO apologised for the error and agreed to a new payment arrangement that included the recently raised debt, it declined to withdraw the DPN as it believed that it had been validly issued.

Example 2 (continued)

The IGT commenced an investigation. Initially, the ATO confirmed its unwillingness to withdraw the DPN and advised that it would not take further debt collection action if the new payment arrangement was honoured. The IGT considered such action disproportionate in the circumstances and asked the ATO's internal technical advisers to consider the fairness in maintaining a DPN in such unique circumstances.

As a result, the ATO reconsidered the matter and agreed to withdraw the DPN.

Example 3

A disability support pensioner approached the IGT for assistance after the ATO had offset her income tax refund against a re-raised debt from 2003. She explained that she was previously not aware of the debt and had intended to use the refund to purchase a mobility scooter as her current one was no longer serviceable.

During the IGT's investigation, the ATO agreed to reverse the offset and returned the income tax refund to the pensioner. In addition, the ATO agreed to an affordable payment arrangement for the debt. The pensioner was very grateful as a new scooter could be purchased so that she could do her daily activities and maintain a reasonable quality of life.

Example 4

A small business owner lodged a complaint with the IGT concerning the ATO's refusal to provide him a \$14,000 refund from Business Activity Statements (BASs) that were lodged more than four years late due to difficult life events and a mental illness that he was suffering from at the time. At that time, he had asked the ATO for an extension of time to lodge the BASs, however, the ATO did not grant such an extension and now would not process the late-lodged BASs.

During the IGT's investigation, the ATO agreed to reconsider its position after it was pointed out that the law would allow the ATO to refund GST credits that had accrued before 2012 if the ATO had received a notification of an entitlement to a refund. As a result, the ATO concluded that the complainant's deferral lodgement request was such a notification and paid the \$14,000 refund to the complainant.

Performance measure — Feedback from the ATO and the TPB about the IGT's complaints handling function

IGT and ATO senior officers engage directly to discuss the progress of complaint investigations, the effectiveness of the complaints handling service and other complaint related matters on a weekly basis. These meetings provide a forum for the IGT and the ATO to exchange professional and independent real time feedback on the complaints handling service and identify improvement opportunities.

The IGT also engages with the TPB as required, which is reflective of the smaller proportion of complaints that are received regarding TPB actions.

As a result of our ongoing communications with the ATO and TPB during the 2017–18 financial year, the IGT has continued to receive positive feedback regarding our tax complaints handling service. An example of such feedback concerned the IGT's early identification of an increased number of complaints about the ATO's processing of Tax File Number applications in January 2018. ATO senior officers acknowledged the value of the IGT complaints handling service in assisting the ATO to quickly identify the issue and take action.

Performance measure — Feedback from staff about the IGT's complaints handling function

The IGT complaints handling staff attend regular internal training and analysis forums where staff provide real time feedback as well as discuss innovative ideas and potential improvements. In addition to these forums, staff submit improvement opportunities for consideration, prioritisation and action on a range of matters that may assist them to better perform their role.

Performance measure — Percentage of complaints not requiring an internal review of the original decision

The IGT seeks to maintain the high standards of its complaints handling service. IGT case officers' decisions are reviewed by other more senior officers before finalisation to ensure decisions are based on sound principles and transparently communicated to the complainant as well as the ATO or TPB. Such communication demonstrates accountability for IGT officers in individual cases and empowers complainants in their dealings with the tax administration system.

Complainants are also provided opportunity to seek clarification of IGT decisions to ensure that they clearly understand the reasoning and appreciate that all relevant views and information were considered. They are also made aware of their right to request a review of the initial IGT decisions which would be conducted by an officer who was not previously involved in the complaint investigation.

Of the 2263 cases finalised in the 2017–18 financial year, 13 requests for internal review were made to the IGT. Of these requests, six were withdrawn by the complainants after initial discussions with IGT staff, who were able to clarify matters for the complainant, and two did not progress to a review due to inadequate further information being provided by the complainant. The remaining five requests did lead to a review — the original IGT decision was upheld in three of them whilst two are still ongoing.

Deliverable 2 — Identify and prioritise areas of tax administration for improvement

The themes emerging from complaint cases, international trends as well as the discussions in stakeholder forums and input captured throughout the year assist the IGT to identify tax administration issues of greatest community concern or significance in achieving a fairer, more efficient and transparent tax administration system.

Prior to the establishment of the IGT complaints handling service and the IGT effectively becoming the taxation ombudsman, public consultation was the primary means of identifying and prioritising topics for review in developing the work program of our systemic reviews. However, in recent years, the themes emerging from our complaints handling service are increasingly becoming the major source for identifying the topics of future reviews. For example, the *GST refunds* and *PAYG instalments reviews* as well as the IGT's first own initiative investigation into the *ATO's management of tax evasion referrals* reflect this trend.

Performance measure — Issues identified from complaints for further review

As mentioned above, complaints data is a rich source for analysis and identification of themes and areas where broader reviews may be usefully employed to deal with recurring issues. However, broader review is only one of a number of different ways in which recurring issues may be appropriately addressed.

In some instances, the ATO or TPB may acknowledge an issue identified by the IGT during the course of a complaints investigation and an ABI may emerge without the need to conduct a broader IGT review. Another possibility is that the ATO or TPB may acknowledge an issue but offer to conduct their own review before the IGT takes further action. For example, the ATO carried out its own review of its use of Fraud or Evasion opinions⁴⁵ after a number of IGT complaint investigations revealed there were matters that needed to be addressed.⁴⁶

Where themes arising from IGT complaint investigations are not otherwise addressed, they are further tested during the development of the IGT work program and may lead to a broad review following processes of prioritisation and topic selection.

⁴⁵ See McIlory T, 'Australian Taxation Office overhauls fraud and evasion procedures' (*Australian Financial Review* (17 May 2018) <www.afr.com.au>; Where the Commissioner forms an opinion that a taxpayer may have engaged in fraud or evasion, the ATO may examine and amend assessments outside of standard periods of review (typically 4 years).

⁴⁶ See IGT, 'Work Program 2017' (2017) <www.igt.gov.au>.

Situations may arise where issues are identified that require immediate action. In these circumstances the legislation⁴⁷ allows the IGT to commence investigation on his own initiative. In this financial year, the IGT commenced two such investigations, namely the *Garnishee review* and the investigation into the *ATO's management of tax evasion referrals*.

Performance measure — Issues identified from stakeholder forums

The IGT extensively consults with the broader community, which includes taxpayers, tax practitioners and their representative bodies, particularly when developing our work program and in conducting reviews. The IGT also consults with the Government and its agencies, such as the ATO, TPB, Australian National Audit Office (ANAO), Ombudsman and Treasury. Input is also sought from the Minister as well as parliamentary committees.

The IGT also captures areas of concern during the year through broader engagement with the public such as through the media (including social media), the IGT website as well as presenting at or participating in conferences, seminars and tax practitioner discussion groups. Table 5 below lists the IGT's speaking engagements for the 2017–18 financial year.

Table 5: IGT speaking engagements during 2017–18

Speaking engagements			
Date	Organisation	Type of function	Location
4 July 2017	NSW Ombudsman	Discussion Group	Sydney
2 August 2017	CPA Australia	Discussion Group	Newcastle
8 August 2017	Chartered Accountants Australia and New Zealand (CAANZ)	Discussion Group	Melbourne
16 August 2017	CPA Australia	Discussion Group	Gosford
16 August 2017	Institute of Public Accountants (IPA)	Discussion Group	Sydney
23 August 2017	Society of Consumer Affairs Professionals	Symposium	Sydney
5 September 2017	IPA	Discussion Group	Sydney
12 September 2017	Law Council of Australia (LCA)	Discussion Group	Brisbane
15 September 2017	Carnegie Mellon University	Discussion Group	Adelaide
4 October 2017	MTA Accounting	Discussion Group	Ballarat
5 October 2017	Law Institute of Victoria	Discussion Group	Melbourne

47 Subsection 8(1) of the *Inspector-General of Taxation Act 2003*.

Table 5: IGT speaking engagements during 2017–18 (continued)

Speaking engagements			
Date	Organisation	Type of function	Location
27 October 2017	LCA	Workshop	Sunshine Coast
1 November 2017	CPA Australia	Discussion Group	Sydney
3 November 2017	IPA	Conference	Sydney
21 November 2017	Association of Taxation and Management Accountants	Discussion Group	Sydney
22 November 2017	Deloitte	Roundtable Discussion	Brisbane
23 November 2017	La Trobe University and Edith Cowan University	Symposium	Melbourne
27 November 2017	Ernst & Young	Discussion Group	Perth
29 November 2017	Australian and Pacific Ombudsman Region	Roundtable Discussion	Perth
29 November 2017	CPA Australia	Discussion Group	Sydney
19 January 2018	Australian Tax Teacher's Association	Conference	Melbourne
16 March 2018	The Tax Institute	Conference	Carins
5 April 2018	UNSW	Conference	Sydney
3 May 2018	National Taxpayer Advocate, IRS International Bureau of Fiscal Documentation	Conference	Amsterdam
30 May 2018	CAANZ	Practice Forum	Brisbane
15 June 2018	CAANZ	Practice Forum	Sydney
18 June 2018	CAANZ	Practice Forum	Adelaide

Performance measure — Issues identified from investigations requested by the Minister, Parliament, parliamentary committees or relevant agencies

The Minister, Parliament and parliamentary committees of either House of Parliament, including Joint Committees, as well as the Commissioner and the TPB may request the IGT to undertake a review.⁴⁸ Two such reviews were conducted during the 2017–18 financial year, namely the *Future of the tax profession review*, which the Commissioner had requested, and the *Fraud review* which was requested by the Senate Economics References Committee. More information is provided on these reviews in the previous chapter.

48 Subsection 8(3) of the *Inspector-General of Taxation Act 2003*.

The IGT may also respond to requests for submission from the Minister, Parliamentary committees and other government agencies. In this financial year, the IGT made submissions to the House of Representatives Standing Committee on Tax and Revenue's *Inquiry into the ATO's 2016–17 Annual Report*,⁴⁹ the Treasury's public consultation on the proposed Tax Debt Transparency Measures⁵⁰ as well as the Secretary of Treasury's investigation into *Small Business Dealings with the ATO*.⁵¹ More details regarding these requests is provided in the previous chapter and copies of the submissions are available at www.igt.gov.au.

Performance measure — Prioritise identified issues

Following analysis of the feedback received from broad-ranging consultation with the community as well as complaints data, the IGT prioritises identified issues by assessing their relative impact on delivering a fairer, more efficient and transparent tax administration. Other relevant factors which are also considered include available resources and the competing priorities faced such as ministerial direction to undertake a review and co-ordination with the activities of other government agencies.

The issues which have been prioritised for broader review are identified in the IGT's publicly announced work program. Following this announcement, however, there may be a need to reprioritise the topics for review to enable the IGT to respond to emerging issues expeditiously. For example, the IGT was required to re-prioritise his work program to enable him to quickly commence the *Fraud* and *Garnishee reviews* and address concerns that impacted the community's confidence in the administration of the tax system.

Deliverable 3 — Conduct reviews and make independent recommendations for improvement

The conduct of reviews is determined by the bespoke nature of each review and generally involves a consideration of submissions made by stakeholders as well as investigation of ATO or TPB systems. The review process requires detailed research and analysis, including international comparisons with comparable jurisdictions, to identify best practice for areas requiring improvement and to develop the necessary recommendations. A continual focus of each review is the ongoing engagement and consultation with the ATO and TPB throughout the review cycle, both at the operative and senior management levels.

49 Above n 40.

50 Above n 41.

51 Above n 42.

Performance measure — Conduct reviews and investigate identified issues

During the 2017–18 financial year, the IGT completed three reviews, namely the *PAYG instalments*, *GST refund* and *Fraud reviews*. We publicly released the report of the *PAYG instalment review* whilst the reports of the other two were transmitted to the Minister for release as they contained recommendations to Government.⁵²

Two reviews are still in progress namely the *Garnishee* and the *Future of the tax profession reviews*. Table 6, below, lists all reviews and their status as at 30 June 2018.⁵³ They have been outlined earlier in this report and are described in more detail on the IGT website, www.igt.gov.au.

Table 6: IGT reviews and their status at 30 June 2018

IGT review	Status at 30 June 2018
Aspects of the Pay As You Go Instalments System	Report publicly released
GST Refunds	Report transmitted to Minister
ATO's fraud control management	Report transmitted to Minister
Future of the Tax Profession	In progress
ATO's use of Garnishee Notices	In progress

Performance measure — Report the findings and recommendations of the reviews

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

The ATO and TPB have statutory independence in their respective jurisdictions. The IGT is also an independent statutory appointment, but is not empowered to direct the Commissioner or the TPB. Historically, the vast majority of the IGT's recommendations are accepted in full or in part. This trend continued in this financial year with the ATO agreeing to all 7 recommendations in the *PAYG instalment review* either in full or in part. No reviews into the TPB's activities were completed this year.

Recommendations for improvement to taxation administration may be effectively implemented in five ways.

Firstly, recommendations made for government policy consideration generally require legislative change.

⁵² IGT, *GST Refunds* (2018).

⁵³ IGT reviews are 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.

Secondly, recommendations 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 may have initially disagreed, in full or in part, may later be substantively implemented by the relevant agency. Some examples of the adoption and implementation of the IGT's recommendations have been included earlier in this report.

Fourthly, IGT recommendations may be subsequently adopted by others, for example the Black Economy Taskforce report that was released this financial year recommended the expansion of the TPRS which is consistent with recommendation made by the IGT in the *Employer obligations review*.⁵⁴

Lastly, as mentioned earlier, the ATO or TPB may acknowledge an issue identified by the IGT, during the course of a complaints investigation, and an ABI may emerge without the need to conduct a broader IGT review. In the 2017–18 financial year, the ATO had agreed to 12 ABIs and the TPB had agreed to 5. As shown in Table 7 below, the ATO has implemented 16 ABIs, which include some agreed to in the previous financial year, whilst the TPB has implemented three.

Table 7: Implementation status of Agreed Business Improvements

Agency	Number of Agreed Business Improvements			
	Carried forward from 2016–17	Created in 2017–18	Implemented in 2017–18	In progress as at 30 June 2018
ATO	15	12	16	11
TPB	0	5	3	2
Total	15	17	19	13

Analysis of performance against purpose

As evidenced above, the IGT has continued to fulfil his central purpose of improving the tax administration system by providing an effective complaints handling service to the community, identifying issues which require further investigation as well as conducting reviews into the prioritised issues and making independent recommendations for improvement.

54 Above n 29.

This view is also supported by the demand which the IGT continues to experience for our tax specialist expertise both in terms of assistance in resolving taxpayer and tax practitioner complaints about the ATO and the TPB and conducting broader reviews to improve tax administration, provide assurance to the community and foster confidence in the tax system. The increasing demand for IGT services continues to present challenges particularly in relation to allocation of resources. In this financial year, the flexibility of service delivery was improved to meet those challenges in the face of growing numbers and complexity of complaints particularly from vulnerable individuals and small business as well as events that required the IGT's assurance to bolster confidence in the administration of the tax system.

Statutory statement

I, Ali Noroozi, as the Accountable Authority of the IGT, present the above 2017-18 annual performance statement of the IGT, as required under subsection 39(1) 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 2017-18 financial statements from the ANAO. These statements are reproduced in full later in this report.

The IGT ended 2017-18 with an attributable surplus of \$353,731, compared to a surplus of \$483,620 in 2016-17.

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

MANAGEMENT AND ACCOUNTABILITY

CORPORATE GOVERNANCE

As a public office holder, the IGT reports and is accountable to the Minister for meeting his statutory role. Pursuant to the PGPA Act, the IGT, as the Accountable Authority (AA), also has responsibility for the operation and performance of his office. He has issued Accountable Authority Instructions (AAIs) that provide for certain delegations.

The IGT corporate governance practices consist of a range of policies, plans and procedures. Taking into account the small office environment of the IGT, these practices are aligned or adapted from those of the Treasury who provide a number of key services to the IGT pursuant to a Service Level Agreement (SLA) between the two agencies.

The IGT and the Deputy IGT together act as the agency Executive (the Executive) and oversee these arrangements. Committees are established to undertake certain administrative requirements and for the purpose of conducting research and analysis as well as making recommendation.

The IGT Audit and Risk Committee is also an important element of the governance structure. This committee is appointed by the IGT as required by the PGPA Act. Its membership is fully independent of the Executive and governed by its own charter established by the AA.

Fraud prevention and control

The IGT Fraud Control Plan accords with the *Commonwealth Fraud Control Framework*.

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 2017-18. The IGT reports fraud information data annually to the Australian Institute of Criminology.

Audit and Risk Committee

The IGT Audit and Risk Committee is an important element of the governance structure. The committee provides valuable assurance and advice by reporting to the AA.

The committee is appointed by the AA as required by the PGPA Act. Its membership is fully independent of the Executive and is governed by its own charter established by the AA. The committee met on two occasions during 2017–18.

Remuneration Committee

The IGT and the Deputy IGT comprise the Remuneration Committee. The IGT has an enterprise agreement with non-Senior Executive Service (SES) staff under the *Fair Work Act 2009*.

The IGT's Performance Management System provides for performance being reviewed, for remuneration purposes, on a six-monthly basis for all staff except for SES and Executive Level (EL) staff who are reviewed annually. The small office environment provides for regular and continual discussion of performance with staff. As all staff report directly to either the Deputy IGT or the General Manager and have direct involvement with the IGT, they are provided with ongoing informal feedback on their performance.

Corporate planning and reporting

The IGT Corporate Plan⁵⁵ is an integral part of our performance framework and is directly linked to the 2017–18 Portfolio Budget Statements, the Risk Management Framework and the Annual Performance Statement.

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 also completed as required and overseen by the CFO.

As noted earlier, the IGT has a SLA with the Treasury that provides for a comprehensive range of services. These services include financial and management activities, such as accounting preparation and processing.

55 IGT, *Corporate Plan 2017–18* (2017) <www.igt.gov.au>.

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 IGT generally seeks to align its policies with the Treasury (as service provider under the SLA) to reduce operational risk and to promote efficiency.

The key components of the Risk Management Framework are as follows:

- AAI's 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 that specifically relate 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 program is based on the Risk Management Standard AS/NZS ISO 31000:2009 and measures 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 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 programs and staff notices circulated to Treasury and IGT officers and also available through the Treasury intranet.

Compliance reporting

No statements pursuant to paragraph 19(1)(e) of the PGPA Act were issued in 2017–18.

Ethical standards and accountability

The IGT embraces the 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 Commonwealth Auditor-General (Auditor-General). 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 the Treasury. The IGT Audit and Risk Committee may seek input directly from the Treasury regarding such activities.

Reports on the operations of the IGT

There were no reports in 2017–18 on the operations of the IGT issued by the Auditor-General (other than the report on financial statements which are reproduced later in this report), a parliamentary committee or the Ombudsman. There were also no agency capability reviews undertaken.

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 at more senior levels may be available in the wider public service/professional environment. Staff are encouraged and supported to provide their best performance while in the service of the IGT.

Performance management

The Performance Management System is based on an annual performance cycle with a formal six-monthly review for all staff except SES and EL staff whose performance is subject to formal annual review and an informal half-yearly review.

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 8 below sets out the salary range paid to such staff, by classification.

Table 8: Salary scales — non-SES staff

Classification	30 June 2018	
	Minimum	Maximum
	\$	\$
APS3	59,761	63,252
APS5	75,046	79,851
APS6	84,654	102,560
EL1	110,422	126,666
EL2	134,876	154,792

The IGT may provide alternative remuneration arrangements in specific circumstances.

At 30 June 2018, one permanent SES employee was engaged under an employment agreement and one was engaged under a determination. The table below sets out the salary range paid to such staff, by classification.

Table 9: Salary scales — SES staff

Classification	30 June 2018	
	Minimum	Maximum
	\$	\$
SES Band 1	201,382	234,051
SES Band 2	246,821	288,890

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 form 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. Internal staff training is provided on a periodic basis and the IGT supports staff members who wish to undertake further education, including postgraduate courses or specific development activities where appropriate, pursuant to relevant policy and guidelines.

Staffing information

Table 10 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 the APS Values.

Table 10: Operative staff by classification and gender
(30 June 2018)

Classification	Male	Female	Total
APS3		1	1
APS5		2	2
APS6	12	3	15
EL1	2	3	5
EL2	2	1	3
SES Band 1	1		1
SES Band 2	1		1
Inspector-General	1		1
Total	19	10	29

Note: Staff employment basis is, full-time ongoing 27, part-time ongoing 1 and non-ongoing 1. All are located in a single 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 AAIs 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 that 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 at 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's policies and asset management guidelines for the day-to-day care and custody of assets;⁵⁶ 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.

CONSULTANCIES

The IGT engages consultants where there is a requirement for specialist expertise or independent research and assessment. 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.

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

During 2017–18, three new consultancy contracts were entered into involving total actual expenditure of \$82,184. Selection of two of these consultancies was by Limited Tender and the remaining one by Open Tender. Two of these new consultancies ended during the financial year. In addition, four ongoing consultancy contracts were active during the period, involving total actual expenditure of \$77,969. Three of these contracts concluded in this financial year. Selection of two of these ongoing consultancies was by Limited Tender, and the other two by Open Tender.

The above consultants were engaged to provide specialist expertise not available within the IGT. Four of these consultants provided services relating to the relocation to new premises. The remaining three consultants provided independent evaluation of the agency complaints handling service, advice and assistance in implementing the communications strategy (mentioned in the overview section of this report) and other limited professional services.

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 2017–18 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 earlier, recruits its small workforce based on candidates' skills and experience, demonstrated competency, relative merit as well as relevant APS policy and guidelines. In doing so, it is mindful of the need for workplace diversity in terms of gender, age and ethnicity. Table 11 below demonstrates the significant level of diversity achieved in the IGT office.

Table 11: Operative staff by equal employment opportunity target group
(30 June 2018)

Classification	Female	Born Overseas	ESL	ATSI	Disability
APS3	1				
APS5	2	1	2		
APS6	3	5	9		
EL1	3	3	3		
EL2	1	3	2		
SES Band 1					
SES Band 2					
Inspector-General		1	1		
Total	10	13	17	0	0

The IGT evaluates the Treasury's policies and plans regarding workplace diversity and continues to consider options available to a small agency. For example, last year, the IGT published the *Gender Equality Action Plan 2017–2019*,⁵⁷ which contributes to the government initiative to improve gender equality and diversity within the APS, and continues to work towards its realisation.⁵⁸

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.

⁵⁷ IGT, *Gender Equality Action Plan 2017–2019* (2017) <www.igt.gov.au>.

⁵⁸ Australian Government, *Balancing the Future: Australian Public Service Gender Equality Strategy 2016–19* (2016) <www.apsc.gov.au>.

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Assistant Treasurer

Opinion

In my opinion, the financial statements of the Inspector-General of Taxation for the year ended 30 June 2018:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements 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 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the Inspector-General of Taxation, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- 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 and forming part of the financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Inspector-General of Taxation in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate, to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Inspector-General of Taxation 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 – Reduced Disclosure Requirements and the rules made under that Act. The Inspector-General of Taxation 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.

In preparing the financial statements, the Inspector-General of Taxation is responsible for assessing the Inspector-General of Taxation's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Inspector-General of Taxation is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Bola Oyetunji

Senior Executive Director

Delegate of the Auditor-General

Canberra

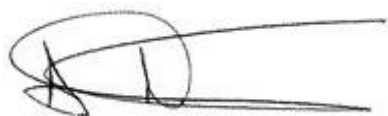
17 September 2018

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 2018 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.

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

Ali Noroozi
Inspector-General of Taxation
17 September 2018

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

Andrew McLoughlin
Chief Finance Officer
17 September 2018

Statement of Comprehensive Income for the period ended 30 June 2018

	Notes	2018 \$	2017 \$
NET COST OF SERVICES			
Expenses			
Employee benefits	1.1A	4,319,203	3,788,206
Suppliers	1.1B	1,863,025	2,215,747
Depreciation and amortisation	2.2A	417,502	297,184
Write-down and impairment of assets	1.1C	1,171	137,427
Total Expenses		6,600,901	6,438,564
Own-source revenue			
ANAO audit services received free of charge		60,000	60,000
Other revenue ¹		2,130	-
Total own-source revenue		62,130	60,000
Net cost of services		(6,538,771)	(6,378,564)
Revenue from Government	1.2A	6,475,000	6,565,000
Surplus / (Deficit)		(63,771)	186,436
Total comprehensive income / (loss)		(63,771)	186,436

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

1. Other revenue relates to the sale of fully depreciated non-financial assets, identified as a result of the move to the new premises at Kent Street. IGT have undertaken a cost-benefit analysis to identify the best outcome from the sale of these assets.

Statement of Financial Position

as at 30 June 2018

	Notes	2018 \$	2017 \$
ASSETS			
Financial assets			
Cash and cash equivalents		56,053	13,192
Trade and other receivables	2.1A	5,166,391	5,757,209
Total financial assets		5,222,444	5,770,401
Non-financial assets			
Property, plant and equipment	2.2A	248,957	312,604
Leasehold improvements	2.2A	1,246,056	1,309,712
Computer software	2.2A	208,739	182,054
Prepayments	2.2B	83,166	113,910
Total non-financial assets		1,786,918	1,918,280
Total assets		7,009,362	7,688,681
LIABILITIES			
Payables			
Suppliers	2.3A	140,428	993,046
Other payables	2.3B	84,235	31,966
Total payables		224,663	1,025,012
Provisions			
Employee provisions	3.1A	1,474,399	1,224,020
Other provisions	2.4A	162,000	312,104
Total provisions		1,636,399	1,536,124
Total liabilities		1,861,062	2,561,136
Net assets		5,148,300	5,127,545
EQUITY			
Contributed equity		1,260,573	1,231,573
Reserves		453,061	397,535
Retained surplus		3,434,666	3,498,437
Total equity		5,148,300	5,127,545

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

Statement of Changes in Equity

for the period ended 30 June 2018

	2018 \$	2017 \$
CONTRIBUTED EQUITY		
Opening balance		
Balance carried forward from previous period	1,231,573	1,202,573
Adjusted opening balance	1,231,573	1,202,573
Transactions with owners		
Distributions to owners		
Return on capital ¹	(1,000)	-
Contributions by owners		
Departmental capital budget appropriation	30,000	29,000
Total transactions with owners	29,000	29,000
Closing balance as at 30 June	1,260,573	1,231,573
RETAINED EARNINGS		
Opening balance		
Balance carried forward from previous period	3,498,437	3,312,001
Adjusted opening balance	3,498,437	3,312,001
Comprehensive income		
Surplus/(deficit) for the period	(63,771)	186,436
Total comprehensive income	(63,771)	186,436
Closing balance as at 30 June	3,434,666	3,498,437
ASSET REVALUATION RESERVES		
Opening balance		
Balance carried forward from previous period	397,535	397,535
Adjustment to prior year ²	55,526	-
Adjusted opening balance	453,061	397,535
Closing balance as at 30 June	453,061	397,535
TOTAL EQUITY		
Opening balance		
Balance carried forward from previous period	5,127,545	4,912,109
Adjustment to prior year entitlements ²	55,526	-
Adjusted opening balance	5,183,071	4,912,109
Comprehensive income		
Surplus/(deficit) for the period	(63,771)	186,436
Total comprehensive income	(63,771)	186,436
Transactions with owners		
Distributions to owners		
Return on capital ¹	(1,000)	-
Contributions by owners		
Departmental capital budget appropriation	30,000	29,000
Total transactions with owners	29,000	29,000
Closing balance as at 30 June	5,148,300	5,127,545

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

1. Appropriation Act (No. 1) 2013-14 was repealed in 2017-18. Refer to Note 4.1B Unspent annual appropriation table for further detail.
2. During the financial year, it was identified that the make-good asset for the previous lease was omitted from the asset register in the 2013-14 year but was de-recognised in the 2014-15 year, resulting in an understatement of the asset revaluation reserve. The opening balance of the 2016-17 financial statements has been adjusted to reflect the true position of the leasehold improvement and asset revaluation reserve. This has been reflected in Note 2.2 Non-financial assets.

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 2018

	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Cash received		
Appropriations	7,005,000	5,895,639
S74 receipts received	76,462	58,442
GST received	304,878	128,716
Total cash received	7,386,340	6,082,797
Cash used		
Employees	4,130,855	3,582,592
Suppliers	2,978,062	1,325,038
GST paid	1,033	-
Total cash used	7,109,950	4,907,630
Net cash from (used by) operating activities	276,390	1,175,167
INVESTING ACTIVITIES		
Cash used		
Purchase of plant and equipment	-	316,544
Purchase of leasehold improvements	167,539	1,335,413
Purchase of computer software	94,990	-
Total cash used	262,529	1,651,957
Net cash from (used by) investing activities	(262,529)	(1,651,957)
FINANCING ACTIVITIES		
Cash received		
Contributed equity	29,000	380,919
Total cash received	29,000	380,919
Net cash from (used by) financing activities	29,000	380,919
Net increase (decrease) in cash held	42,861	(95,871)
Cash and cash equivalents at the beginning of the reporting period	13,192	109,063
Cash and cash equivalents at the end of the reporting period	56,053	13,192

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 2018

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OVERVIEW

Basis of preparation of the financial statements

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The Financial Statements have been prepared in accordance with:

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR)* for the reporting periods ending on or after 1 July 2015;
- Australian Accounting Standards and interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets 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.

Significant accounting judgements and estimates

In the process of applying the accounting policies listed in this note, the Inspector-General of Taxation (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 FRR 24 *Employee benefits*, which allows the use of the shorthand method for entities with less than 1,000 full-time equivalent employees.
- the employee provision has been determined with reference to the IGT's expected tenure of staff and future salary movements and standard parameters (future discount rates) provided by the Department of Finance.
- 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.

New 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 standards, amended standards or interpretations that were issued prior to the signing of the statement and were applicable to the current reporting period and 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 Financial Officer, which are expected to have a material impact on the entity's financial statements for the future reporting period(s):

Standard	Summary of changes	Effective date
AASB 16 - Leases	<p>AASB 16 removes the classification of leases as either operating leases or finance leases - for the lessee - effectively treating all leases as finance leases. AASB 16 requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.</p> <p>AASB 16 requires enhanced disclosures for both lessees and lessors to improve information disclosed about an entity's exposure to leases.</p>	1 January 2019

Taxation

The entity is exempt from all forms of taxation except for Fringe Benefits Tax and Goods and Services Tax (GST).

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 2018.

1.1. Expenses

	2018	2017
	\$	\$
Note 1.1A: Employee benefits		
Wages and salaries	3,353,389	2,902,379
Superannuation:		
Defined contribution plans	163,419	301,368
Defined benefit plans	362,155	155,524
Leave and other entitlements	416,362	409,690
Other employee expenses	23,878	19,245
Total employee benefits	4,319,203	3,788,206

Accounting Policy

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

	2018	2017
	\$	\$
Note 1.1B: Suppliers		
Goods and services supplied or rendered		
Consultants, contractors and secondees	225,516	463,430
Travel	139,432	131,622
Service level agreement with Treasury	611,249	509,943
Fees - audit, membership and other	76,516	72,728
Property operating expenses	164,054	204,138
Advertising and printing	40,118	13,917
Seminars and conferences	62,713	84,634
Subscriptions and periodicals	22,446	16,480
Information communication technology	38,713	54,679
Other	46,235	259,106
Total goods and services supplied or rendered	1,426,992	1,810,677
Goods supplied	59,003	38,682
Services rendered	1,367,989	1,771,995
Total goods and services supplied or rendered	1,426,992	1,810,677
Other Suppliers		
Operating lease rentals	430,285	388,856
Workers compensation expenses	5,748	16,214
Total other suppliers	436,033	405,070
Total suppliers	1,863,025	2,215,747

	2018	2017
	\$	\$
Lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	452,468	485,560
Between 1 to 5 years ¹	1,994,062	2,387,338
Total operating lease commitments	2,446,530	2,872,898

1. The office is located in Kent Street, Sydney. The lease commenced on 1 June 2017 for a period of 6 years. There is an option to extend the lease for 4 years. The annual review of the lease is a fixed percentage increase. A lease incentive of \$568,416, in the form of reduced rental instalments, has been provided.

Accounting Policy

Leases

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: Write-down and impairment of assets

Plant and equipment	1,171	135,038
Computer software	-	2,389
Total write-down and impairment of assets	1,171	137,427

1.2. Income

	2018	2017
	\$	\$
Note 1.2A: Revenue from Government		
Appropriations		
Departmental appropriations	6,475,000	6,565,000
Total revenue from Government	6,475,000	6,565,000

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 other revenue 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.

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

	2018 \$	2017 \$
Note 2.1A: Trade and other receivables		
Appropriations Receivable:		
From operational funding	5,132,226	5,662,226
Total appropriations receivable	5,132,226	5,662,226
Other receivables:		
GST receivable from the Australian Taxation Office	34,165	94,983
Total other receivables	34,165	94,983
Total trade and other receivables (gross)	5,166,391	5,757,209
Total trade and other receivables (net)	5,166,391	5,757,209

Accounting Policy

Loan and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments and 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.

2.2. Non-Financial Assets

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

	Plant and equipment	Leasehold improvements	Computer Software	Total
	\$	\$	\$	\$
As at 1 July 2017				
Gross book value	318,144	1,504,689	310,411	2,133,244
Opening balance adjustment ¹		55,523		55,523
Accumulated depreciation, amortisation and impairment	(5,540)	(194,977)	(128,357)	(328,874)
Total as at 1 July 2017	312,604	1,365,235	182,054	1,859,893
Additions	-	167,539	94,993	262,532
Depreciation and amortisation expense	(63,647)	(285,547)	(68,308)	(417,502)
Disposals	-	(1,171)	-	(1,171)
Total as at 30 June 2018	248,957	1,246,056	208,739	1,703,752
Total as at 30 June 2018 represented by:				
Gross book value	318,144	1,502,951	405,404	2,226,499
Accumulated depreciation, amortisation and impairment	(69,187)	(256,895)	(196,665)	(522,747)
Total as at 30 June 2018	248,957	1,246,056	208,739	1,703,752

1. During the financial year, it was identified that the make-good asset for the previous lease was omitted from the asset register in the 2013-14 year but was de-recognised in the 2014-15 year, resulting in an understatement of the asset revaluation reserve. Opening balance of the 2016-17 financial statements has been adjusted to reflect the true position of the leasehold improvement and asset revaluation reserve. This has been reflected in Statement of Changes in Equity.

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

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 income 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. Cost is considered an acceptable fair value proxy for assets under construction. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially with the assets' fair values as at the reporting date.

Accounting Policy

Revaluations (continued)

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 for make-good relating to leasehold improvements as at 30 June 2018.

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 last revaluation date was 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:

	2018	2017
Plant and equipment	1-15 years	1-15 years
Leasehold improvements	Lease term	Lease term

Impairment

All assets were assessed for impairment as at 30 June 2018. 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 2018 (2017: 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 (2017: 5 years).

All software assets were assessed for indications of impairment at 30 June 2018. No indicators of impairment were identified as at 30 June 2018 (2017: none).

Fair value measurements – validation processes

The IGT engaged the service of the Jones Lang LaSalle Incorporated (JLL) to conduct a fair value confirmation of all non-financial assets at 30 June 2018 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. JLL has provided written assurance to the IGT that the models developed are in compliance with AASB 13.

There has been no change in the valuation method.

Fair Value Measurement

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

	2018	2017
	\$	\$
Note 2.2B: Prepayments		
Prepayments	83,166	113,910
Total prepayments	83,166	113,910
Prepayments are expected to be recovered		
No more than 12 months	83,166	113,910
More than 12 months	-	-
Total prepayments	83,166	113,910

2.3. Payables

	2018	2017
	\$	\$
Note 2.3A: Suppliers		
Trade creditors	140,428	993,046
Total suppliers	140,428	993,046
Note 2.3B: Other payables		
Wages and salaries	25,260	24,065
Superannuation	4,002	3,637
FBT payable	1,161	
Rent payable	53,812	4,264
Total other payables	84,235	31,966
Other payables expected to be settled		
No more than 12 months	30,423	31,966
More than 12 months	53,812	-
Total other payables	84,235	31,966

Settlement is usually made within 30 days.

2.4. Provisions

	Provision for onerous lease ¹	Provision for make good ²
	\$	\$
Note 2.4A: Other provisions		
As at 1 July 2017	150,104	162,000
Additional provisions made	-	-
Amounts reversed	-	-
Amounts used	(150,104)	-
Unwinding of discount or change in discount rate	-	-
Total as at 30 June 2018	-	162,000

1. The early relocation of the IGT staff out of the existing accommodation in the Bridge Street Office constituted an onerous contract in the form of an abandoned lease.

2. Relates to the lease agreement for Kent Street, Sydney.

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

	2018	2017
	\$	\$
Note 3.1A: Employee provisions		
Leave	1,474,399	1,224,020
Total employee provisions	1,474,399	1,224,020
Employee provisions expected to be settled		
No more than 12 months	862,732	652,927
More than 12 months	611,667	571,093
Total employee provisions	1,474,399	1,224,020

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. Key Management Personnel Remuneration

Key management personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of IGT. The IGT has determined the key management personnel to be the Portfolio Ministers, Inspector-General of Taxation and Deputy Inspector-General of Taxation. Key management personnel remuneration is reported in the table below:

	2018	2017
	\$	\$
Short-term employee benefits	703,816	627,965
Post-employment benefits	63,782	62,849
Other long-term benefits	116,707	104,908
Termination benefits	-	-
Total key executive remuneration expenses	884,305	795,722

The total number of key management personnel that are included in the above table is 2. (2017:2)

The above key management personnel remuneration excludes the remuneration and other benefits of the Treasurer and other Portfolio Ministers. Their remuneration is set by the Remuneration Tribunal and is not paid by the IGT.

3.3. Related Party Disclosures

Related party relationships:

The IGT is an Australian Government controlled entity. Related parties to the IGT are key management personnel including the Portfolio Minister and Executive, and other Australian Government entities.

Transactions with related parties:

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes, receipt of a Medicare rebate or higher education loans. These transactions have not been separately disclosed in this note.

Significant transactions with related parties can include:

- the payments of grants or loans;
- purchases of goods and services;
- asset purchases, sales transfers or leases;
- debts forgiven; and
- guarantees.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the IGT, it has been determined that there are no related party transactions to be separately disclosed. (2017: none)

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 2018

	Appropriation Act Annual Appropriation \$	PGPA Act		Total appropriation \$	Appropriation applied in 2018 (current and prior years) \$	Variance ¹ \$
		Section 74 \$	Section 75 \$			
Departmental						
Ordinary annual services	6,475,000	76,462	-	6,551,462	(7,004,000)	(452,538)
Capital budget	30,000	-	-	30,000	(30,000)	-
Other services						
Equity	-	-	-	-	-	-
Total departmental	6,505,000	76,462	-	6,581,462	(7,034,000)	(452,538)

1. Variance due to anticipated expenditure relating to the Tax Complaints Handling Function from prior year being realised in current year.

Annual appropriations for 2017

	Appropriation Act Annual Appropriation \$	PGPA Act		Total appropriation \$	Appropriation applied in 2017 (current and prior years) \$	Variance ¹ \$
		Section 74 \$	Section 75 \$			
Departmental						
Ordinary annual services	6,565,000	58,442	-	6,623,442	(5,968,747)	654,695
Capital budget	29,000	-	-	29,000	(58,000)	(29,000)
Other services						
Equity	-	-	-	-	(322,919)	(322,919)
Total departmental	6,594,000	58,442	-	6,652,442	(6,349,666)	302,776

1. Variance due to lower than anticipated expenditure relating to the Tax Complaints Handling Function. Prior year capital budget and equity funds were applied in 2016-17 for the fitout of the IGT's new premises.

Note 4.1B: Unspent annual appropriations

	2018	2017
	\$	\$
Departmental		
Appropriation Act (No. 1) 2013-14 ¹	-	1,000
Appropriation Act (No. 1) 2014-15 ²	-	541,000
Supply Act (No.1) 2016-17	-	1,832,226
Appropriation Act (No. 1) 2016-17 ³	-	3,842,192
Appropriation Act (No. 1) 2017-18	5,188,279	-
Total departmental	5,188,279	6,216,418

1. Includes quarantined funds of \$1,000, repealed in 2017-18.

2. Includes funds of \$541,000 that have been permanently withheld under s51 of the PGPA Act.

3. Cash held amounts (2018: \$56,053, 2017: \$13,192) are included in Appropriation Act (No. 1) for the relevant year.

4.2. Net Cash Appropriation Arrangements

	2018	2017
	\$	\$
Total comprehensive income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations and other comprehensive income¹	353,731	483,620
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	(417,502)	(297,184)
Total comprehensive income (loss) - as per the Statement of Comprehensive Income	(63,771)	186,436

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.

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 2018 (2017: \$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

	2018	2017
	\$	\$
Note 5.2A: Categories of financial instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	56,053	13,192
Total loans and receivables	56,053	13,192
Total financial assets	56,053	13,192
Financial Liabilities		
Liabilities at amortised cost		
Payables - suppliers	140,428	993,046
Total liabilities at amortised cost	140,428	993,046
Total financial liabilities	140,428	993,046

There was no interest income from financial assets not at fair value through profit and loss in 2018 (2017: 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.

Accounting Policy (continued)

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.

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).

6. BUDGETARY REPORTS AND EXPLANATION OF MAJOR VARIANCES

6.1. Departmental Budgetary Reports

Note 6.1A: Departmental budgetary reports

Statement of Comprehensive Income

for the period ended 30 June 2018

	Actual	Budget estimate	
	2018	Original	Variance
	2018	2018	2018
	\$	\$	\$
NET COST OF SERVICES			
Expenses			
Employee benefits	4,319,203	4,269,000	50,203
Suppliers	1,863,025	2,226,000	(362,975)
Depreciation and amortisation	417,502	352,000	65,502
Write-down and impairment of assets	1,171	-	1,171
Total Expenses	6,600,901	6,847,000	(246,099)
LESS:			
Own-Source Income			
Own-source revenue			
ANAO audit services received free of charge	60,000	-	60,000
Other revenue	2,130	-	2,130
Total own-source revenue	62,130	-	2,130
Total own-source income	62,130	-	62,130
Net cost of services	(6,538,771)	(6,847,000)	308,229
Revenue from Government	6,475,000	6,495,000	(20,000)
Surplus / (Deficit) attributable to the Australian Government	(63,771)	(352,000)	288,229
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserves	-	-	-
Total other comprehensive income	-	-	-
Total comprehensive income / (loss) attributable to the Australian Government	(63,771)	(352,000)	288,229

1. IGT's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2017-18 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2018. Explanations of major variances (that are greater than +/- 10 per cent of the original budget for a line item and greater than +/- \$250,000) are provided below.

Explanations of major variances	Affected line items
The expected phased expenses in Tax Complaints Handling function have been delayed, resulting in decrease from budget.	Suppliers

Statement of Financial Position

as at 30 June 2018

	Actual	Budget estimate	
	2018	Original	Variance
	2018	2018	2018
	\$	\$	\$
ASSETS			
Financial assets			
Cash and cash equivalents	56,053	109,000	(52,947)
Trade and other receivables	5,166,391	3,940,000	1,226,391
Total financial assets	5,222,444	4,049,000	1,173,444
Non-financial assets			
Land and buildings	1,246,056	1,240,000	6,056
Infrastructure, plant and equipment	248,957	80,000	168,957
Intangibles	208,739	120,000	88,739
Other non-financial assets	83,166	-	83,166
Total non-financial assets	1,786,918	1,440,000	346,918
Total assets	7,009,362	5,489,000	1,520,362
LIABILITIES			
Payables			
Suppliers	140,428	35,000	105,428
Other payables	84,235	120,000	(35,765)
Total payables	224,663	155,000	69,663
Provisions			
Employee provisions	1,474,399	1,046,000	428,399
Other provisions	162,000	-	162,000
Total provisions	1,636,399	1,046,000	590,399
Total liabilities	1,861,062	1,201,000	660,062
Net assets	5,148,300	4,288,000	860,300
EQUITY			
Contributed equity	1,260,573	1,260,000	573
Reserves	453,061	398,000	55,061
Retained surplus	3,434,666	2,630,000	804,666
Total equity	5,148,300	4,288,000	860,300

1. IGT's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2017-18 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2018. Explanations of major variances (that are greater than +/- 10 per cent of the original budget for a line item and greater than +/- \$250,000) are provided below.

Explanations of major variances	Affected line items
The expected phased expenses in Tax Complaints Handling function have been delayed, resulting in lower employee numbers than budgeted and higher appropriation receivables as at 30 June 2018.	Trade and other receivables Retained surplus
Employee provisions were higher than budgeted as a result of changes in IGT's staffing (e.g. numbers of employees and length of service)	Employee provisions

Cash Flow Statement

for the period ended 30 June 2018

	Actual	Budget estimate	
	2018	Original 2018	Variance 2018
	\$	\$	\$
OPERATING ACTIVITIES			
Cash received			
Appropriations	7,005,000	6,495,000	510,000
S74 receipts received	76,462	-	76,462
Net GST received	304,878	-	304,878
Total cash received	7,386,340	6,495,000	891,340
Cash used			
Employees	4,130,855	4,269,000	(138,145)
Suppliers	2,978,062	2,226,000	752,062
Section 31 receipts transferred to OPA	-	-	-
GST paid	1,033	-	(1,033)
Total cash used	7,109,950	6,495,000	612,884
Net cash from (used by) operating activities	276,390	-	278,456
INVESTING ACTIVITIES			
Cash used			
Purchase of plant and equipment	-	30,000	(30,000)
Purchase of leasehold improvements	167,539	-	167,539
Purchase of computer software	94,990	-	94,990
Total cash used	262,529	30,000	(30,000)
Net cash from (used by) investing activities	(262,529)	(30,000)	30,000
FINANCING ACTIVITIES			
Cash received			
Contributed equity	29,000	30,000	(1,000)
Total cash received	29,000	30,000	(1,000)
Net cash from (used by) financing activities	29,000	30,000	(1,000)
Net increase (decrease) in cash held	42,861	-	307,456
Cash at the beginning of the reporting period	13,192	109,000	(95,808)
Cash at the end of the reporting period	56,053	109,000	(52,947)

1. IGT's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2017-18 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2018. Explanations of major variances (that are greater than +/- 10 per cent of the original budget for a line item and greater than +/- \$250,000) are provided below.

Explanations of major variances	Affected line items
Increase of supplier expense in 2017-18 is due to finalising the move to Kent Street premises and office fit-out.	Appropriations cash received and Supplier expenses

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 2017–18, 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 and states 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 12: Advertising costs for 2017–18

Purpose	Vendor	Cost (\$)
Calling for submissions to the work program and reviews	Dentsu x Australia Pty Ltd	23,663
Total		23,663

No market research or campaign advertising costs were incurred during 2017–18.

ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PERFORMANCE

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

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

DISCRETIONARY GRANTS

No discretionary grant programs are administered by the IGT.

LIST OF REQUIREMENTS

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)	85	Alphabetical index.	Mandatory
17AJ(c)	81–82	Glossary of abbreviations and acronyms.	Mandatory
17AJ(d)	76–80	List of requirements.	Mandatory
17AJ(e)	ii	Details of contact officer.	Mandatory
17AJ(f)	ii	Entity's website address.	Mandatory
17AJ(g)	ii	Electronic address of report.	Mandatory
17AD(a)	Review by accountable authority		
17AD(a)	1–16	A review by the accountable authority of the entity.	Mandatory
17AD(b)	Overview of the entity		
17AE(1)(a)(i)	17, 23–36	A description of the role and functions of the entity.	Mandatory
17AE(1)(a)(ii)	18	A description of the organisational structure of the entity.	Mandatory
17AE(1)(a)(iii)	19	A description of the outcomes and programmes administered by the entity.	Mandatory
17AE(1)(a)(iv)	23	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

PGPA Rule Reference	Part of Report (Page/s)	Description	Requirement
17AD(c)	Report on the Performance of the entity		
	<i>Annual Performance Statements</i>		
17AD(c)(i); 16F	23–36	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)	36, 47–73	A discussion and analysis of the entity's financial performance.	Mandatory
17AF(1)(b)	20–21	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
17AD(d)	Management and Accountability		
	<i>Corporate Governance</i>		
17AG(2)(a)	39	Information on compliance with section 10 (fraud systems).	Mandatory
17AG(2)(b)(i)	iii, 39	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory
17AG(2)(b)(ii)	iii, 39	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, 39	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)	18, 37–40	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory
17AG(2)(d) – (e)	40	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
	<i>External Scrutiny</i>		
17AG(3)	40–41	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory

PGPA Rule Reference	Part of Report (Page/s)	Description	Requirement
External Scrutiny (continued)			
17AG(3)(a)	41	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)	41	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)	41	Information on any capability reviews on the entity that were released during the period.	If applicable, mandatory
Management of Human Resources			
17AG(4)(a)	41–43	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory
17AG(4)(b)	42–43	Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following: <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; and • Statistics on employees who identify as Indigenous. 	Mandatory
17AG(4)(c)	41–43	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)	43	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)	42	The salary ranges available for APS employees by classification level.	Mandatory
17AG(4)(c)(iii)	42	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)	43–44	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, mandatory

PGPA Rule Reference	Part of Report (Page/s)	Description	Requirement
Purchasing			
17AG(6)	43–44	An assessment of entity performance against the <i>Commonwealth Procurement Rules</i> .	Mandatory
Consultants			
17AG(7)(a)	45	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)	45	A statement that “ <i>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].</i> ”	Mandatory
17AG(7)(c)	44–45	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)	45	A statement that “ <i>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</i> ”.	Mandatory
Australian National Audit Office Access Clauses			
17AG(8)	45	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)	45	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)	43	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)	44	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)	47–73	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)	75	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)	46	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory
17AH(1)(d)	75	Website reference to where the entity’s Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory
17AH(1)(e)	N/A	Correction of material errors in previous annual report.	If applicable, mandatory
17AH(2)	75–76	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: www.finance.gov.au/sites/default/files/pgpa_flipchart.pdf?v=2.</p>
IGT website	The IGT website can be found at: www.igt.gov.au .
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 Instructions
ABI	Agreed Business Improvements
APS	Australian Public Service
ASBFEO	Australian Small Business and Family Enterprise Ombudsman
ATO	Australian Taxation Office
Auditor-General	Commonwealth Auditor-General
CFO	Chief Finance Officer
Commissioner	Commissioner of Taxation
CPRs	Commonwealth Procurement Rules
EL	Executive Level
the Executive	the IGT and the Deputy IGT
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>
IT	Information Technology
MoU	Memorandum of Understanding
Ombudsman	Commonwealth Ombudsman
ORIMA	ORIMA Research Pty Ltd
PAYG	Pay As You Go
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
SES	Senior Executive Service
SLA	Service Level Agreement
TPB	Tax Practitioners Board
TPRS	Taxable Payments Reporting System

APPENDIX 3 – PERFORMANCE CRITERIA

The purpose, deliverables and performance measures set out in the IGT's *Corporate Plan* align with the outcome, performance criteria and targets in the Portfolio Budget Statement for the IGT – see Table 13 below.

Table 13: Alignment of Portfolio Budget Statement and Corporate Plan performance criteria

Portfolio Budget Statement	Corporate Plan
Outcome Improved tax administration through investigation of complaints, conducting reviews, public reporting and independent advice to Government and its relevant entities	Purpose Our role is to improve tax administration through: maintaining an effective and efficient complaints handling function; identifying and prioritising areas of tax administration requiring improvement; conducting reviews and making recommendations for improvement to Government, the ATO and the TPB
Performance criterion 1 Effective handling of tax administration complaints	Deliverable 1 Effective handling of tax administration complaints
Performance criterion 2 Efficient conduct of reviews into tax administration issues	Deliverable 2 Identify and prioritise areas of tax administration for improvement Deliverable 3 Conduct reviews and make independent recommendations for improvement to Government, the ATO and the TPB
Performance criterion 3 Publication of reports on tax administration Performance criterion 4 Independent advice to Government and relevant entities on improvements to tax administration	Deliverable 3 Conduct reviews and make independent recommendations for improvement to Government, the ATO and the TPB
Target 1 Tax administration complaint responses	Performance measure (Deliverable 1) Measuring efficiency through such means as the percentage of complaints received compared to complaints completed Performance measure (Deliverable 2) Issues identified from complaints for further review

Table 13: Alignment of Portfolio Budget Statement and Corporate Plan performance criteria (continued)

Portfolio Budget Statement	Corporate Plan
Target 2 Positive feedback on complaints handling and broader reviews from community stakeholders including taxpayers, tax practitioners, other citizens and relevant Government entities	Performance measure (Deliverable 1) Feedback provided by stakeholders about the IGT's complaints handling function through such means as surveys, consultative forums and case studies Feedback from the ATO and the TPB about the IGT's complaints handling function (via regular inter-agency meetings) Feedback from staff about the IGT's complaints handling function (via internal complaints meetings) Measuring efficiency through such means as the percentage of complaints received compared to complaints completed Measuring the effectiveness of our decisions through such means as the percentage of complaints not requiring an internal review of the original decision
Target 3 Areas of tax administration for improvement identified and prioritised through complaints handling and stakeholder consultation	Performance measure (Deliverable 2) Emerging themes identified from our complaints handling function Issues identified from stakeholder forums, such as consultation undertaken to develop our work program Issues identified from investigations directed by the Minister or requested by Parliament, Parliamentary Committees, the Commissioner of Taxation or the TPB Prioritise identified issues Performance measure (Deliverable 3) Conduct reviews and investigate identified issues
Target 4 Reviews, reports and recommendations on areas of tax administration identified for improvement	Performance measure (Deliverable 3) Report the findings and recommendations of the reviews

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