



Australian Government
Inspector-General of Taxation

Inspector-General of Taxation

Annual Report
2012–13

September 2013

Inspector-General of Taxation

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30 September, 2013

Senator the Hon Arthur Sinodinos AO
Assistant Treasurer
Parliament House
Canberra ACT 2600

Dear Minister

I have pleasure in presenting to you the Annual Report of the Inspector-General of Taxation (IGT) for the year ended 30 June 2013. The Report has been prepared in accordance with section 41 of the *Inspector-General of Taxation Act 2003* (the IGT Act).

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

In addition, and as required by the Commonwealth Fraud Control Guidelines, I certify that I am satisfied that the IGT has in place appropriate fraud control mechanisms that meet the IGT's needs and comply with the guidelines applying in 2012-13.

Yours sincerely

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

Ali Noroozi
Inspector-General of Taxation

CONTENTS

PART 1: OVERVIEW	1
Inspector-General of Taxation report	1
Reflections	1
Key outcomes and observations	3
Review roundup	8
The road ahead	9
Stakeholders	10
Corporate statement	12
PART 2: PERFORMANCE REPORT	17
Reviews conducted during the financial year	17
Outcome 1 Improved tax administration through community consultation, review, and independent advice to Government	19
Output 1.1.1 Issues identification, work program and review action	21
Output 1.1.2 Independent advice to Government — tax laws administration	26
Financial performance	27
PART 3: MANAGEMENT AND ACCOUNTABILITY	29
Corporate governance	29
External scrutiny	32
Management of human resources	33
Procurement and assets management	35
Consultancies	36
Australian National Audit Office access clauses	37
Exempt contracts	37
Workplace diversity	37
PART 4: FINANCIAL STATEMENTS	39
PART 5: OTHER INFORMATION	85
Work health and safety	85
Information publication scheme	85
Advertising and market research	85
Ecologically sustainable development and environmental performance	86
Discretionary grants	86
List of requirements	87
Glossary	91
Acronyms	92
Index	95

LIST OF TABLES

Table A1: Expenses for Inspector-General of Taxation outcomes	15
Table A2: Inspector-General of Taxation resource statement for 2012–13.....	16
Table 1: IGT reviews and their status as at 30 June 2013	17
Table 2: Key speaking engagements.....	24
Table 3: Recommendations in publicly released IGT reports during 2012–13.....	27
Table 4: Salary scales — non-SES.....	34
Table 5: Salary scales — SES	34
Table 6: Operative staff by classification and gender	35
Table 7: Operative staff by Equal Employment Opportunity target group	37
Table 8: Advertising costs for 2012–13.....	85

LIST OF FIGURES

Figure 1: Outcome and program structure.....	13
Figure 2: Inspector-General of Taxation management structure	14

PART 1: OVERVIEW

INSPECTOR-GENERAL OF TAXATION REPORT



The past year marked the 10-year anniversary of my office. It provided an appropriate opportunity to reflect on our achievements, learnings and future directions. It was also a fitting time to express my gratitude to our many and diverse stakeholders, without whose significant contributions the successes of the office would not have been possible.

REFLECTIONS

The position of the Inspector-General of Taxation (IGT) was created in response to taxpayer concerns about the administration of the tax system. These concerns reached a crescendo in the aftermath of the so-called mass marketed schemes which were promoted in the 1990s.

Australians generally appreciate their obligation to pay taxes and the role that the Australian Taxation Office (ATO) has to play in this regard but they also expect

fairness and transparency. The relationship between taxpayers and the ATO can be sorely tested where perceptions and actual outcomes do not align with these expectations. Such tensions have certainly arisen on a number of occasions in the past 20 years or so.

The role of the IGT is to investigate systemic issues relating to tax administration and make recommendations for improving the system for all Australians. Addressing perceptions of inequity or lack of transparency forms a significant part of this role.

The IGT has been likened to a 'safety valve' for the administration of the tax system, providing a source of accountability, confidence and integrity.

The IGT has moved onward and upward from its early origins. Resulting improvements to tax administration may be very public on occasions, bringing about major changes to the system. On other occasions, the improvements are made less publicly, delivering better outcomes in the background.

In the initial years, there was a significant focus on reviewing issues relating to the Goods and Services Tax (GST). As this tax was relatively new at the time, perhaps this is not so surprising. As time has moved on, the IGT has conducted a range of reviews into different aspects of the administration of taxation and superannuation systems.

I would now like to reflect on some more recent IGT reviews that I believe have been publicly recognised for their contribution:

[Review into the ATO's administration of the Superannuation Guarantee Charge](#)

This was the IGT's first review into the important area of superannuation administration. It also marked an organisational change in the dynamics between my office and the ATO with increased levels of cooperation providing a blueprint for developing both administrative and policy recommendations for improvement.

[Review into the ATO's use of benchmarking to target the cash economy \(benchmarking review\)](#)

The review engaged small business taxpayers and their tax agents to address their concerns regarding the ATO's benchmarking-based compliance action. The review marked a strong uptake in recognition and understanding of the IGT's role to an expanded audience whose awareness of the office had been hitherto quite limited.

Review into the ATO's use of early and Alternative Dispute Resolution (ADR review)

The *ADR review* took place due to taxpayer and tax practitioner representations as well as at the ATO's own request. It involved consultation with a very wide range of stakeholders, including academics and the judiciary. It has provided a major impetus for, and has accelerated, the ATO's work in this area.

Review into improving the self assessment system (self assessment review)

Comprehensive reviews such as this are a challenge for any office. This review sought to address a very wide range of issues raised by the full spectrum of taxpayers – from individual to the largest business taxpayers. The report contains 33 recommendations almost half of which are policy related and addressed to the Government. The review naturally had a number of follow up points which may be the subject of partial or comprehensive reviews in the future. For example, as already indicated in my current work program, I may conduct a *review of the ATO's services and support for tax practitioners (tax practitioner review)*.

Other reviews and submissions

Other major reviews that the IGT has undertaken in recent times also include *reviews into the ATO's Change Program*, the so-called 'U-turns',¹ *compliance approaches to SMEs*² and *large business compliance*.³

In addition to the above major reviews, the IGT has made significant *submissions to the Australia's Future Tax System review (Henry review)* and the *October 2011 Tax Forum*. The recommendations contained in these submissions have been influential in shaping the debate and bringing about structural change in our tax administration.

KEY OUTCOMES AND OBSERVATIONS

The nature of the role of the IGT, which is reviewing systemic tax administration issues and reporting to Government, necessitates a broad range of activities and interactions. The key outcomes flowing from these activities are highlighted below.

¹ Review into delayed or changed ATO views on significant issues.

² Review into the ATO's compliance approaches to small and medium enterprises with annual turnovers between \$100 million and \$250 million and high wealth individuals.

³ Review into the ATO's large business risk review and audit policies, procedures and practices.

Ten-year anniversary

On 30 April 2013, my office celebrated 10 years of service to the Australian community. Based on representations from key stakeholders, it is fair to say that the impact of the office has far exceeded original expectations.

Strong support for the continued role of the IGT was received in speeches made by the Assistant Treasurer, Secretary of the Treasury and the Commissioner of Taxation. The event was also attended by Board of Taxation members, academics, representatives of the professional bodies and the judiciary as well as a broad spectrum of tax practitioners and taxpayers that had significantly contributed to the work of the office.

I took this opportunity to release a new booklet that provides the community with a simple and easy to understand guide about my office and how to engage with us. It sets out our motto: 'Consult, Review, Advise, Improve'. We consult widely, conduct considered reviews and publicly advise on improvements to the tax system. The booklet is designed to promote access to my office for a broader audience including individual and small business taxpayers.

The key to my office's continuing success is consultation. We have always been open to listen to stakeholders' concerns and ideas for improvement and we work hard with the ATO and Treasury to better understand these concerns and to design lasting improvements.

It is also interesting to note that there is increasing international support for specialist scrutineering functions, such as those of my office, as an important means to enhance the accountability and transparency of tax administration.

Evolution of the IGT–ATO relationship

There has been a gradual shift in the ATO's perceptions of the IGT and increasingly the ATO is appreciating that, in addition to being a scrutineer, my office can also play a role as an independent consultant.

Such a shift more clearly recognises that my office is able to engage with external stakeholders and the ATO in an unbiased, candid and evidentiary-based dialogue to identify improvement opportunities. Accordingly, I have observed that the ATO has begun to harness the consultative aspect of my role to provide:

- valuable input into internal review assurance processes and draw on IGT expertise to identify potential systemic issues; and

- an independent check on ATO process controls and ATO business objectives in designing or implementing administrative systems.

For example, the Commissioner recently consulted with me on his proposal to implement an independent review function for certain tax disputes. Although this ATO proposal did not implement any particular IGT recommendations, it was informed by my *submission to the October 2011 Tax Forum*, recommendation 6.1 of the *ADR review* and recommendation 9.3 of the *large business compliance review*.⁴ I highlighted the risks as well as benefits of such a function and these were considered in the ATO's design.

Improving implementation of IGT recommendations

My office continues to work collaboratively with ATO senior management to firmly establish an efficient assurance process for the implementation of agreed recommendations contained in my review reports.

The ATO has instituted an internal assurance function under the auspices of its audit committee that oversees the effective implementation of agreed IGT recommendations. The ATO has further supported this initiative by publishing the agreed IGT recommendations along with their implementation status on its website which is periodically updated.

Prior to these initiatives, the IGT would originate a formal follow up review to assess the effectiveness of the ATO's implementation of agreed recommendations contained in earlier IGT reviews.

Under the new approach, the IGT provides an advisory function before the ATO's implementation plan is finalised. This dialogue facilitates a closer alignment of views on implementation, allowing consideration of issues which may only come to light at this stage of the process.

Addressing specific issues outside the formal review process

From time to time, discrete and specific issues are raised with my office which may have merit but do not justify a review in their own right or cannot otherwise be included in a wider review. Nevertheless, these issues may deserve attention. Consequently, the IGT has begun a process of writing to the ATO advising them of

⁴ Review into the ATO's large business risk review and audit policies, procedures and practices.

such issues and, where possible, developing improvements without the conduct of a formal detailed review.

Recent examples where the IGT has raised specific issues with the ATO for formal response include the following:

- taxpayers being inadvertently led to use commercial services as opposed to the free ATO service for lodging income tax returns electronically; and
- ATO call centres not being open outside of business hours, the very times when individual and small business taxpayers are often better able to consider their tax obligations and may be in need of assistance.

I will be seeking to make more use of this avenue in future where appropriately discrete and specific systemic issues are raised with my office.

International revenue and scrutineer body interaction

My office continues to draw on strong ties with other countries' revenue authorities and associated scrutineer bodies to better inform us of new international developments and potential improvement opportunities for tax administration in Australia.

For example, I consulted the United Kingdom's HM Revenue and Customs and the United States' Internal Revenue Service on their approaches to transfer pricing in the course of my *review into the ATO's management of transfer pricing matters (transfer pricing review)* as well as their approach to issues relevant to other IGT reviews.

I have also been invited to provide my insights on tax administration through presentations at international tax conferences which are also a useful source of information and ideas.

International and Australian taxation academic interaction

My office also continues to foster closer relationship with academics engaged in the field of tax law and tax administration both within Australia and internationally. The IGT values the independent insights, experiences and innovations that they bring to bear in developing and testing options to improve tax administration. Our involvement with academics includes presenting and participating in their conferences as well as consulting with them on specific IGT reviews.

Interaction with government organisations

My office continues to interact with other government organisations particularly in relation to relevant IGT reviews. For example, the *self assessment review* involved interaction with Treasury and the Board of Taxation to ensure that recommendations on changed approaches were fully informed of broader government initiatives.

Emerging themes in tax administration

Emerging themes that I have previously highlighted continue to maintain their significance. These themes include: timeliness of delivery, ATO staff capability, increasing ATO appetite for information, certainty of outcomes and compliance costs.

A current theme that is gaining momentum in a number of jurisdictions is a bill of rights for taxpayers. The issue before us is whether the current *Taxpayers' Charter*, which is an ATO administrative document, is sufficient or whether we should seek a legislative bill of rights with enforceable remedies. A related issue that continues to be raised with the IGT is whether the current compensation schemes for aggrieved taxpayers are adequate and administered appropriately.

Another emerging theme is the increasing need to conduct significant valuation work. Whilst market value and arm's length price may be sound economic concepts, their use in tax legislation has necessitated much valuation work for both taxpayers and revenue authorities alike. This may be explored as part of one of my announced but not yet commenced reviews.⁵

Anti-avoidance measures are another topic that has been a focus for revenue authorities, the tax profession and taxpayers. In my current work program, I have also indicated that I may conduct a *review of the ATO's administration of the general anti-avoidance rules (GAAR review)*.

A number of other emerging themes are largely covered by my current work program. For example, issues of base erosion and profit shifting are largely covered from an administrative perspective in the *transfer pricing review*. Similarly, revenue authorities' risk-based approach to compliance is covered in my *review into aspects of the ATO's use of compliance risk assessment tools (risk review)*.

⁵ Review of the ATO's interaction with the Australian Valuation Office.

REVIEW ROUNDUP

Two reviews were in progress at the start of the 2012–13 financial year, with an additional seven commenced during the year. By year end, two reviews were complete, four are significantly advanced and the remaining three are in the final stages.

Both of the completed review reports were publicly released. Additionally, one review report completed in the previous year was publicly released this year.

The first report to be publicly released this year was the report of the *ADR review*. The review found that approximately 90 per cent of applications for review of tax matters at the Administrative Appeals Tribunal are resolved prior to hearing. This indicated that there was significant opportunity for greater engagement to resolve disputes earlier and reduce unnecessary costs for taxpayers and the ATO alike.

The report contains certain recommendations which are aimed at:

- bringing early engagement and ADR to the forefront of ATO dispute resolution efforts and only litigating cases which turn on genuine and fundamental disputes as to law and where there is a public benefit in having the matters judicially determined;
- the ATO publishing a clear statement of its expectations of taxpayers and ATO staff when engaging in ADR as well as enhancing the skills and understanding of both parties of the different types of ADR; and
- identifying opportunities for continuous improvement through implementing processes to provide feedback on the use of ADR in the tax dispute context.

The second report released this year was the report of the *benchmarking review*. Stakeholders generally supported benchmarks as a risk identification tool, however, concerns were raised with how they were developed and used in ATO compliance activities.

The review determined that many of the concerns related to the transparency of the process. As a result, I have recommended that the input data and methodology used to develop the benchmarks be made public and independent third party assurance on the methodology be sought.

The review also found that of over 7600 benchmarking audits, the ATO made adjustments in only 24 per cent of cases. Consequently recommendations have been

made to improve the ATO's risk identification and audit processes including the evidentiary requirements to support audit decisions.

The last report released this year was the report of the *self assessment review*. It arose largely due to an emerging global trend amongst revenue agencies to bring compliance activities forward and, in some cases, prior to lodgement of returns. It has been likened to a pendulum swinging back from pure self assessment to a quasi-full assessment system, without many of the perceived benefits of the former regime.

The 33 recommendations in the report seek to improve taxpayer certainty, reduce compliance costs and rebalance taxpayer protections. A key area identified for improvement, amongst others, is the augmentation of existing public consultation processes with tripartite tax law design teams (comprising ATO and Treasury senior officials as well as paid external tax experts) who would provide advice on the proposed tax law, relevant explanatory memoranda and the nature and timing of ATO advice.

I have also made recommendations relating to key features of the current self assessment regime including, the penalties and interest regime, the Commissioner's administrative discretion, amendment periods and the ATO's advice framework.

The ATO has already commenced a process of implementing the agreed recommendations to all of the above three reports.

The remaining seven reviews were announced in my current work program and significant work has been done on each of them this year. The three that are in their final stages are the *risk*, *ITRIP*⁶ and *data matching*⁷ reviews. The other four are the *penalties*⁸, *superannuation excess contributions tax*,⁹ *follow-up*¹⁰ and *transfer pricing reviews*.

THE ROAD AHEAD

As already mentioned, there is one review on the current work program that will commence before the calendar year end. This is the ATO's interactions with the Australian Valuation Office.

6 Review into the ATO's compliance approach to individual taxpayers – income tax refund integrity program.

7 Review into the ATO's compliance approach to individual taxpayers – use of data matching.

8 Review into the ATO's administration of penalties.

9 Review into the ATO's compliance approach to individual taxpayers – superannuation excess contributions tax.

10 Review of the ATO's implementation of agreed recommendations arising out of reports published between August 2009 and November 2010.

There are also two further reviews that I have indicated I may conduct either as part of this work program or in a future work program. These are the *GAAR* and *tax practitioner reviews*.

It may be necessary to delay the commencement of these reviews to allow the ATO more time to apply recent relevant legislative amendments in the case of the *GAAR review* and to fully implement its *Tax Practitioner Action Plan 2011 – 15* in respect of the *tax practitioner review*.

I will commence consultation on a new work program in the next calendar year. I welcome submissions from a broad spectrum of taxpayers and tax professionals.

The review selection for the work program is shaped by the scope and objectives of the relevant governing legislation, IGT resources, stakeholder consultations and submissions. Whilst all submissions are given due consideration, priority is given to those review topics which are aimed at enhancing the fairness, transparency, efficiency and simplicity of tax administration for the benefit of all taxpayers.

STAKEHOLDERS

External stakeholders

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

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

Public sector stakeholders

The Commonwealth Auditor-General and the Commonwealth Ombudsman also scrutinise the ATO from their perspectives. The roles of each of their agencies are different but there is potential for some overlap. I am required to consult with both these agencies at least annually in developing my work program.¹¹ Furthermore,

¹¹ Subsection 9(2) of the IGT Act.

pursuant to a recommendation by the Joint Committee of Public Accounts and Audit,¹² the three agencies formally agreed, in the previous financial year, to meet annually to share information and consider broadly the ATO review activity.

Accordingly, the three agencies have met as part of their respective annual planning processes. Review activity will continue to be undertaken as appropriate, within the boundaries of our respective legislative frameworks.

I appreciate the assistance that my office has received from these agencies.

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

I would also like to thank Treasury as another partner in this relationship and also the Assistant Treasurer and his staff for their support.

Ali Noroozi
Inspector-General of Taxation

¹² Joint Committee of Public Accounts and Audit, Parliament of Australia, *Report 426: Ninth Annual Public Hearing with the Commissioner of Taxation* (2011), p 32.

CORPORATE STATEMENT

Role, function, outcome and output structure

The IGT Act established an independent statutory agency to review:

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

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

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

Figure 1: Outcome and program structure

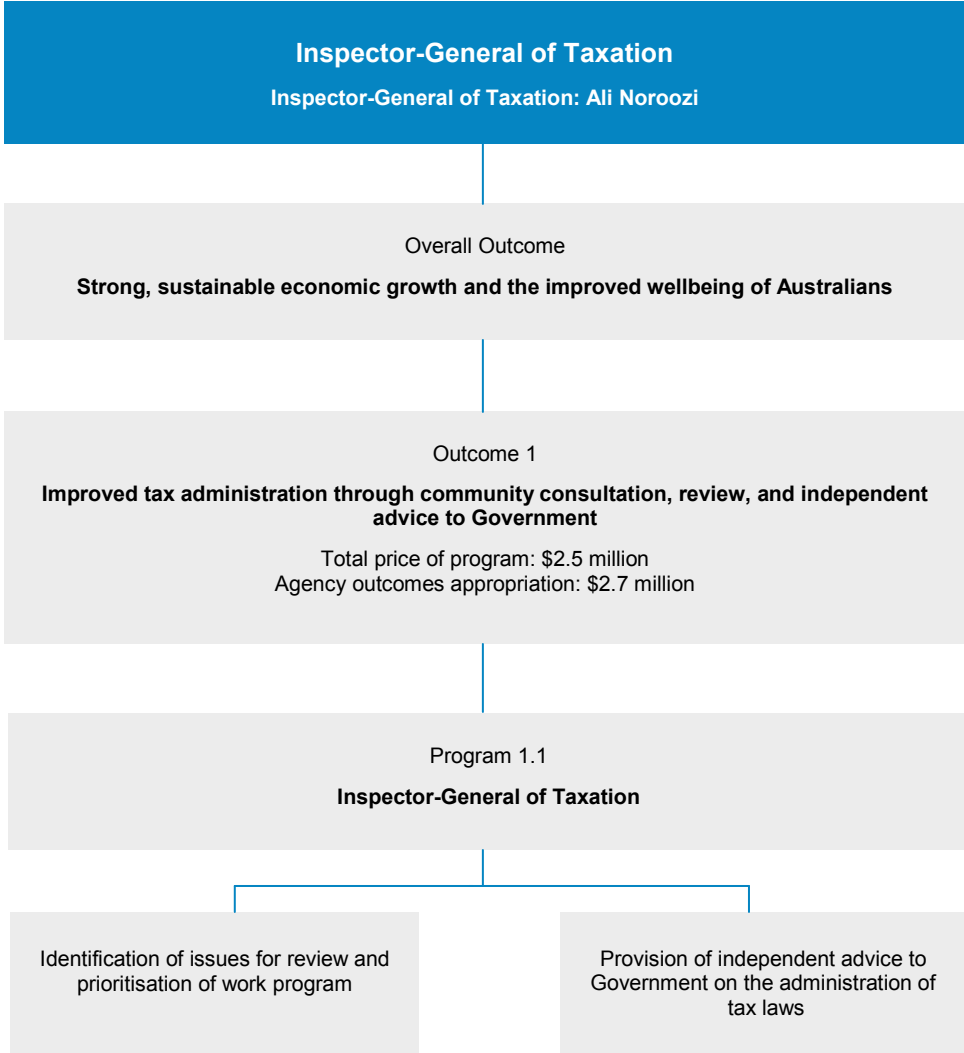
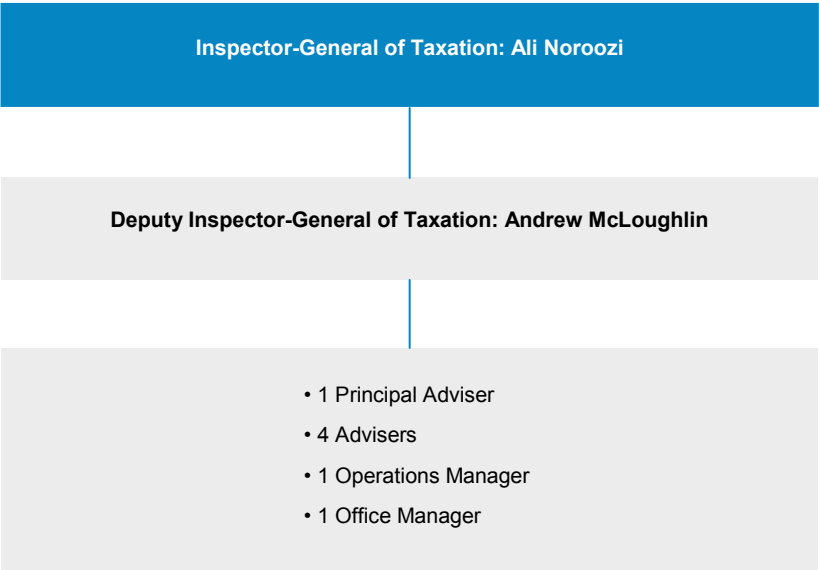


Figure 2: Inspector-General of Taxation management structure



APPENDIX 1 — EXPENSES FOR OUTCOMES

Table A1: Expenses for Inspector-General of Taxation outcomes

Outcome 1:	Budget	Actual Expenses	Variation
<i>Improved tax administration through community consultation, review, and independent advice to Government</i>	2012-13	2012-13	2012-13
	\$'000	\$'000	\$'000
	(a)	(b)	(a)-(b)
Program 1.1: Inspector-General of Taxation			
Departmental expenses			
Departmental appropriation ¹	2,622	2,602	20
Gains	33	-	33
Expenses not requiring appropriation in the Budget Year	30	17	13
Total for Program 1.1	2,685	2,619	66
Price of departmental outputs	-	-	-
Total estimated resourcing	2,685	2,619	66
Total expenses for Outcome 1	2,685	2,619	66

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

	2011-12	2012-13
Average staffing level (number)²	11	10

² Portfolio Budget Statement 2012-13.

APPENDIX 2 — AGENCY RESOURCE STATEMENT

Table A2: Inspector-General of Taxation resource statement for 2012–13
as at Budget May 2012

	Actual available appropriation	Payments made	Balance
	2012-13 \$'000 (a)	2012-13 \$'000 (b)	2012-13 \$'000 (a)-(b)
Ordinary Annual Services¹			
Departmental appropriation ²	5,566	2,526	3,040
Total	5,566	2,526	3,040
Total ordinary annual services	5,566	2,526	3,040
Total Available Annual Appropriations and payments	5,566	2,526	3,040
Total resourcing and payments	5,566	2,526	3,040
Total net resourcing and payments for Inspector-General of Taxation	5,566	2,526	3,040

¹ Appropriation Bill (No1) 2012-13. This may also include Prior Year departmental appropriation and s.31 relevant agency receipts.

² Includes an amount of \$0.03 million in 2012–13 for the Departmental Capital Budget. For accounting purposes this amount has been designated as 'contributions by owners'.

PART 2: PERFORMANCE REPORT

The performance report for the IGT is divided into two sections:

- **Reviews conducted during the financial year**

A brief description of reviews conducted during the financial year ending 30 June 2013; and

- **Outcome 1 — Improved tax administration through community consultation, review, and independent advice to Government**

The role of the IGT, key strategies, specific outputs and related performance.

REVIEWS CONDUCTED DURING THE FINANCIAL YEAR

The following table lists the reviews conducted during the 2012–13 financial year.

Table 1: IGT reviews and their status as at 30 June 2013

IGT reviews	Status as at 30 June 2013
Review into the ATO's use of early and Alternative Dispute Resolution	Report publicly released
Review into the ATO's use of benchmarking to target the cash economy	Report publicly released
Review into improving the self assessment system	Report publicly released
Review into the ATO's management of transfer pricing matters	In progress
Review into aspects of the ATO's use of compliance risk assessment tools	Final stages of review
Review into the ATO's administration of penalties	In progress
Review into the ATO's compliance approach to individual taxpayers — income tax refund integrity program	Final stages of review
Review into the ATO's compliance approach to individual taxpayers — use of data matching	Final stages of review

Table 1: IGT reviews and their status as at 30 June 2013 (continued)

IGT reviews	Status as at 30 June 2013
Review into the ATO's compliance approach to individual taxpayers — superannuation excess contributions tax	In progress
Review into the ATO's implementation of agreed recommendations arising out of reports published between August 2009 and November 2010	In progress

The reviews that were completed and the reports of which have been released publically during this financial year, namely: the *ADR*, *benchmarking* and *self assessment reviews*, have been described in Part 1 of this report.

A brief description of the reviews that were commenced during this financial year is set out below:

- *Review into the ATO's management of transfer pricing matters* – This review was undertaken as a result of stakeholders' concerns with the ATO's transfer pricing capability, public advice and guidance as well as compliance approaches, processes and practices.
- *Review into aspects of the ATO's use of compliance risk assessment tools* – Concerns were raised with the accuracy, relevance, and reliability of inputs into the ATO's risk assessment processes as well as the design and adequacy of the ATO's risk management framework to provide effective and accurate predictions of non-compliance. Concerns were also raised with linking the output of this framework and ATO compliance approaches. Stakeholders also questioned whether the frequency, intensity and formality of resulting compliance activities were commensurate with the risk posed by relevant taxpayers. These are the main issues being explored in this review.
- *Review into the ATO's administration of penalties* – This review was undertaken as a result of stakeholders' concerns that a significant proportion of initial penalty decisions appeared to be reduced on internal and external review. It was also asserted that such decisions imply that there may be gaps in the ATO's capability in this area or that there may be a lack of transparency or due process. Questions were also raised in relation to the ATO's communication and timeliness. Significantly, a number of stakeholders questioned whether the ATO's administration of the penalty regime reflected the underlying purpose of the regime and whether there was sufficient stratification of penalty rates in that regime.
- *Review into the ATO's compliance approach to individual taxpayers – income tax refund integrity program* – This review was undertaken as a result of stakeholders'

concerns regarding delayed income tax refunds arising from the ATO's Income Tax Refund Integrity Program (ITRIP), the perceived disproportionate impact of these delays on taxpayers and tax agents and the adequacy of the ATO's communications.

- *Review into the ATO's compliance approach to individual taxpayers – use of data matching* – This review focuses on stakeholder concerns with the ATO's use of third party data in verifying the information provided by taxpayers in their returns, the appropriateness of ATO actions resulting from identified discrepancies, the sufficiency of ATO communications and the costs borne by taxpayers and tax agents in dealing with the ATO to resolve associated disputes.
- *Review into the ATO's compliance approach to individual taxpayers – superannuation excess contributions tax (ECT)* – This review was undertaken as a result of stakeholders' concerns about the difficulty in understanding the basis for ECT liability determinations, the ATO's consideration of taxpayer-provided information, the insufficiency of public guidance and perceptions that ECT provisions are being administered in a punitive manner for breaches which may be beyond the taxpayer's control.
- *Review into the ATO's implementation of agreed recommendations arising out of reports published between August 2009 and November 2010* – The six IGT reports which are the subject of this review are the *reviews into the ATO's administration of public binding advice, the underlying causes and the management of objections to ATO decisions, the non-lodgement of individual income tax returns, aspects of the ATO's settlement of active compliance activities, delayed or changed ATO views on significant issues (the so-called 'U-turns' review) and the ATO's administration of the Superannuation Guarantee Charge.*

The IGT can make more comment on these reviews, when they are completed and publicly released by the Minister.

More details on progress of reviews and access to publicly released reports are available on the IGT website, www.igt.gov.au.

OUTCOME 1

IMPROVED TAX ADMINISTRATION THROUGH COMMUNITY CONSULTATION, REVIEW, AND INDEPENDENT ADVICE TO GOVERNMENT

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

Key strategies to achieve Outcome 1 are:

- undertake community consultation, research and other processes to identify and prioritise areas of tax administration requiring improvement;
- call for submissions to the review of the identified areas and stimulate input by, for example, issuing terms of reference and similar materials;
- build on approaches that increase the ATO's involvement and contribution to review processes and outcomes;
- selectively engage external expertise and undertake overseas comparisons to enhance capabilities and objectivity for appropriate reviews;
- review identified areas and provide independent advice and recommendations for improvements to Government and/or the ATO; and
- create broader public awareness of the IGT as an avenue to raise tax administration issues to ensure that all major concerns are captured, particularly from small businesses and individuals, through such means as participation in conferences and seminars, media, the IGT website and the *IGT 10th anniversary 2003–13* booklet.

The IGT has two outputs which are derived from statutory requirements. These are:

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

The scope of the work program is determined by the IGT. However, the IGT Act also provides that the Minister may direct that a matter be included on the work program and that the IGT may consider requests to conduct reviews from:

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

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

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

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

Second, and more commonly, the Commissioner may independently address systemic issues identified by the IGT during a review or following the release of a review report by the Minister.

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

OUTPUT 1.1.1

ISSUES IDENTIFICATION, WORK PROGRAM AND REVIEW ACTION

Issues identification

The IGT is in constant dialogue with the broader tax community. Issues are regularly raised by stakeholders through this dialogue. The IGT then works through these issues and assesses what action is required. Some issues are more appropriately addressed by other government agencies and these are referred to them. Issues that are then appropriate for consideration by the IGT are placed on a potential work program list – this process is discussed in more detail in the next section.

Work program

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

Topics on the potential work program list that are not included on the final work program are maintained on the IGT reserve list. Topics on the reserve list may be elevated into the active work program where opportunity and resource availability combine to allow review.

The IGT periodically refreshes his work program to ensure it remains focussed on the community's main concerns. In this respect, the IGT will commence consultation on his

forward work program early in 2014. The topics for future review will be announced following this consultation.

The new work program must be flexible in actioning specific reviews to take account of competing priorities that may arise due to various factors.

Ministerial direction is a factor. The Minister has previously directed the IGT to undertake several reviews, including the so-called '*U-turns*' review and the *review into the ATO's Change Program*.

Government agency reviews are also a factor. This arises where other agencies announce or consider reviews that may have a degree of overlap with a proposed IGT review. In these circumstances, it would be more efficient for the IGT to defer making a decision to commence such a review until the insights of the other agency's review are made available. In particular, as discussed in Part 1, one of the main purposes of the annual meeting amongst the Commonwealth Auditor-General, the Commonwealth Ombudsman and the IGT is to ensure any such overlaps of our respective reviews are avoided.

Resourcing is another factor. A review's timing and scope is also very difficult to pin-point as they are often determined by the bespoke nature of each undertaking as well as the priorities afforded by various parties and the small nature of the IGT office. The IGT actively seeks to mitigate the tension between the need for flexibility and undue delay through regular project management review.

Work program details including updates can be located on the IGT website.

Review action

The next step is to action the specific review and thereafter finalise that review by reporting to the Minister with findings and recommendations for improvement.

To action a specific review, the IGT publishes on his website the terms of reference for the review along with submission guidelines or consultation plans. These materials invite submissions from interested parties.

Following the receipt of submissions, the IGT obtains relevant information and considers the emerging issues. Views are formulated and discussed with the ATO and other interested parties. This ensures that recommendations for improvement are evidentiary-based and consider relevant stakeholders' views.

Descriptions of the review action that took place during this financial year are set out in the 'Reviews conducted during the financial year' section above and in Part 1.

Performance information

Reviews in progress at the start of, or commenced during, the financial year

At the start of the 2012–13 financial year, the *benchmarking* and *self assessment* reviews were in progress.

An additional seven reviews were commenced during the year:

- *review into the ATO's management of transfer pricing matters;*
- *review into aspects of the ATO's use of compliance risk assessment tools;*
- *review into the ATO's administration of penalties;*
- *review into the ATO's compliance approach to individual taxpayers – income tax refund integrity program;*
- *review into the ATO's compliance approach to individual taxpayers – use of data matching;*
- *review into the ATO's compliance approach to individual taxpayers – superannuation excess contributions tax; and*
- *review into the ATO's implementation of agreed recommendations arising out of reports published between August 2009 and November 2010.*

Reviews finalised

By year end, the *benchmarking* and *self assessment* reviews were finalised.

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

Reviews in progress as at the end of the financial year

The IGT has seven reviews in the stages of completion as at 30 June 2013. As the reviews are in progress the IGT is not in a position to report details on findings or recommendations at this time. These reviews are:

- *review into the ATO's management of transfer pricing matters;*
- *review into aspects of the ATO's use of compliance risk assessment tools;*
- *review into the ATO's administration of penalties;*

- *review into the ATO's compliance approach to individual taxpayers – income tax refund integrity program;*
- *review into the ATO's compliance approach to individual taxpayers – use of data matching;*
- *review into the ATO's compliance approach to individual taxpayers – superannuation excess contributions tax; and*
- *review into the ATO's implementation of agreed recommendations arising out of reports published between August 2009 and November 2010.*

Conferences and seminars

During the 2012–13 financial year, the IGT has addressed a number of conferences and seminars, consistent with our key strategy of creating broader public awareness of the IGT as an avenue to raise tax administration issues. Attendance and participation in these various engagements has also allowed the IGT to undertake comparisons with our foreign counterparts, which have enhanced our capabilities and objectivity.

The key speaking engagements undertaken during the 2012–13 financial year are set out in the table below.

Table 2: Key speaking engagements

Date	Organisation	Type of function	Location
2 July 2012	The Institute of Chartered Accountants in England and Wales	Seminar	UK
13 July 2012	The Institute of Chartered Accountants in Australia (ICAA)	Seminar	Adelaide
13 July 2012	Carnegie Mellon University	Convocation	Adelaide
18 July 2012	Deloitte	Presentation to Tax Partners and Directors	Sydney
17 August 2012	Greenwoods & Freehills	Seminar : Alternative Dispute Resolution	Melbourne
21 August 2012	Greenwoods & Freehills	Seminar: Alternative Dispute Resolution	Sydney
27 August 2012	CCH Australia	Corporate Tax Advisers Network Event (CTMN): ATO Round Table	Melbourne
30 August 2012	Curtin University	Lecture	Canberra
9 October 2012	The Tax Institute	Seminar	Sydney
11 October 2012	The Tax Institute	The Tax Institute's 51 st Victorian State Convention	Lorne
28 October 2012	Law Council of Australia	Law Council of Australia's Annual Tax Workshop 2012	Melbourne

Table 2: Key speaking engagements (continued)

Date	Organisation	Type of function	Location
8 November 2012	CCH Australia	CCH Gateway Forum	Perth
8 November 2012	University of Sydney	Master of Taxation Administration Presentation	Sydney
9 November 2012	American Bar Association	International Tax Enforcement Conference	USA
13 November 2012	CCH Australia	CCH Gateway Forum	Brisbane
15 November 2012	CCH Australia	CCH Gateway Forum	Sydney
16 November 2012	CCH Australia	CCH Gateway Forum	Newcastle
19 November 2012	PricewaterhouseCoopers (PwC)	PwC Discussion Group Luncheon	Sydney
21 November 2012	CCH Australia	CCH Gateway Forum	Adelaide
22 November 2012	CCH Australia	CCH Gateway Forum	Melbourne
23 November 2012	ICAA	ICAA National Tax Conference	Sydney
29 November 2012	PwC	PwC Discussion Group Luncheon	Melbourne
13 February 2013	Institute of Public Accountants (IPA)	IPA Burwood Professional Development Forum	Sydney
14 February 2013	The Tax Institute	Financial Services Taxation Conference	Gold Coast
26 February 2013	Akolade	Australasian Transfer Pricing Forum 2013	Sydney
11 March 2013	CPA Australia	CPA Innerwest Accountants Discussion Group	Sydney
12 March 2013	PwC	PwC Luncheon Presentation	Perth
12 March 2013	Curtin University	Lecture	Perth
26 March 2013	The Tax Institute	International Tax Directors Forum	Sydney
28 March 2013	Deloitte	Property Heads of Tax Luncheon	Sydney
18 April 2013	CEO Forum Group	International CFO Forum	Melbourne
22 April 2013	ATAX, University of New South Wales (UNSW)	ATAX 25 th Anniversary GST Conference	Brisbane
17 May 2013	University of Melbourne	Comparative GAAR Conference	Melbourne
18 June 2013	Corporate Tax Association (CTA)	CTA's 2013 Annual Convention	Melbourne

OUTPUT 1.1.2

INDEPENDENT ADVICE TO GOVERNMENT — TAX LAWS ADMINISTRATION

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

The review reports detail IGT findings and outline recommendations for the improvement of tax administration. Review reports are provided to the Minister after providing the Commissioner of Taxation with the opportunity to make a submission — see section 25 of the IGT Act.

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

Performance information

The following information sets out the action taken in relation to IGT review reports.

Reports with the Minister as at the start of and during the financial year

At the start of the 2012–13 financial year, the report of the *ADR review* was with the Minister.

During the 2012–13 financial year, the reports of the *benchmarking review* (sent on 16 July 2012) and *self assessment review* (sent on 24 August 2012) were delivered to the Minister.

Reports publicly released by the Minister during the financial year

During the 2012–13 financial year, the Minister publicly released the reports of the *ADR*, *benchmarking* and *self assessment reviews* on 31 July 2012, 4 October 2012 and 13 February 2013, respectively.

Copies of publicly released reports can be obtained from the IGT website.

Reports remaining with the Minister as at the end of the financial year

There are no reports remaining with the Minister as at the end of the 2012–13 financial year.

Outcomes

Historically, the Commissioner of Taxation has accepted fully or in part the vast majority of the IGT's recommendations. This trend continues for reviews publicly released in 2012–13, with the Commissioner accepting fully or in part 46 of the 48 recommendations made to the ATO – refer to Table 3 below.

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

Table 3: Recommendations in publicly released IGT reports during 2012–13

IGT review	Number of recommendations accepted fully, in part or in principle by the ATO	Number of recommendations requiring Government consideration	Number of recommendations disagreed by the ATO
Review into the ATO's use of early and Alternative Dispute Resolution	20	1	1
Review into the ATO's use of benchmarking to target the cash economy	11	0	0
Review into improving the self assessment system	15 ^a	19 ^a	1
Total	46	20	2

(a) 33 recommendations were made in this review; however, two recommendations contain parts requiring consideration by both the ATO and the Government.

FINANCIAL PERFORMANCE

The IGT received an unmodified audit report on the 2012–13 financial statements from the Australian National Audit Office. These statements can be found in Part 4 of this report.

The IGT ended 2012–13 with a surplus of \$53,303 compared with a surplus of \$373,762 in 2011–12.

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

PART 3:

MANAGEMENT AND ACCOUNTABILITY

CORPORATE GOVERNANCE

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

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

The IGT as CEO and the Deputy IGT as Chief Finance Officer (CFO) together act as the agency Executive (the Executive). They have developed a range of governance policies, plans and procedures appropriate to the agency's staffing level of nine people, as at 30 June 2013, operating out of a single office location.

Fraud Prevention and Control

No cases of fraud were reported to the Australian Federal Police in 2012–13.

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

The IGT office:

- has prepared fraud risk assessments and fraud control plans;
- has appropriate fraud control, prevention, detection, investigation, reporting and data collection procedures and processes in place;
- reports annual fraud data information to the Australian Institute of Criminology; and

- has taken all reasonable measures to minimise the incidence of fraud and to investigate and recover the proceeds of fraud against the agency.

Audit and Risk Committee

Pursuant to section 46 of the FMA Act, the IGT continues to maintain an Audit and Risk Committee. The Committee is independent and provides valuable assurance and advice to the CEO. The Committee met on three occasions during 2012–13.

Remuneration Committee

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

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

Corporate planning and reporting

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

Corporate reporting is reviewed and overseen by the Executive.

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

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

For the IGT's work program review reporting, reference should be made to Part 2.

Risk management

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

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

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

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

Information technology

The IGT has strategies in place to ensure that risks associated with the delivery of information technology (IT) services are identified and managed. The IGT office utilises 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
- the Website Development Standards and Guidelines which are based on Australian Government Information Management Office Guidelines, the Information Security Manual and Defence Signals Directorate Guidelines. The standards ensure compliance with best practice in relation to website security.

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

Ethical standards and accountability

The IGT embraces Australian Public Service (APS) values and this is reflected in relevant corporate documents.

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

EXTERNAL SCRUTINY

Audit

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

Internal audits

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

Reports on the operations of the IGT

There were no reports in 2012–13 on the operations of the IGT by the Auditor-General (other than the report on financial statements contained in Part 4), a Parliamentary committee or the Commonwealth Ombudsman. There was no agency capability review regarding the IGT in 2012–13.

Judicial, administrative tribunal or Australian Information Commissioner decisions

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

MANAGEMENT OF HUMAN RESOURCES

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

Performance management

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

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

Employment agreements

All IGT staff are employed under an employment agreement. The employment terms and conditions are consistent for all staff within the IGT office. Employment conditions and remuneration are determined by reference to the Employment Guidelines which incorporates a pay model (see Tables 4 and 5 for salary scales for non-SES and SES staff, as at 30 June 2013). This arrangement provides underlying consistency for all employees while providing flexibility in recognising individual circumstances. In 2011, non-SES staff entered into an enterprise agreement under the *Fair Work Act 2009*.

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

Table 4: Salary scales — non-SES

Classification	30 June 2013	
	Minimum	Maximum
	\$	\$
APS5	68,997	73,414
EL1	101,522	116,457
EL2	124,006	142,316

The IGT may provide alternative remuneration arrangements in specific circumstances.

At 30 June 2013, there was one permanent SES employee in the IGT office engaged under an employment agreement.

Table 5: Salary scales — SES

Classification	30 June 2013	
	Minimum	Maximum
	\$	\$
SES Band 2	226,900	265,576

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

Workplace relations

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

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

Recruitment and succession planning

The IGT recruits staff based on merit and current competence. The ability to make an immediate contribution to the role of the IGT is very important particularly given the small size of his office. The opportunity exists under the IGT Act to second staff to the office. The IGT also takes part in graduate development through secondee arrangements within the APS. During 2012–13, there was one such secondee.

Learning and development

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

Staffing information

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

Table 6: Operative staff by classification and gender
(as at 30 June 2013)

Classification	Male	Female	Total
APS5		1	1
EL1	5		5
EL2	1		1
SES Band 2	1		1
Inspector-General	1		1
Total	8	1	9

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

PROCUREMENT AND ASSETS MANAGEMENT

Procurement

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

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

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

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

Assets management

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

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

CONSULTANCIES

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

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

During 2012-13, consultancy contracts were entered into that involved total actual expenditure of \$156,564 (inclusive of GST). Information on contracts and consultancies is available on the AusTender website www.tenders.gov.au

AUSTRALIAN NATIONAL AUDIT OFFICE ACCESS CLAUSES

The IGT is required to provide details of any contract entered during 2012-13 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*.

WORKPLACE DIVERSITY

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

**Table 7: Operative staff by Equal Employment Opportunity target group
(as at 30 June 2013)**

Classification	Female	Born Overseas	ESL	AATSI	Disability
APS 5	1		1		
EL1		3	2		
EL2					
SES Band 2					
Inspector-General		1	1		
Total	1	4	4	0	0

Disability Action Plan

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

The Commonwealth's new National Disability Strategy sets out a ten year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high level two-yearly report will track progress

against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. The first of these reports will be available in 2014 at www.fahcsia.gov.au.

The Commonwealth's Social Inclusion Measurement and Reporting Strategy includes some disability reporting in the *How Australia is Faring* report and, where appropriate, in agency Annual Reports. More information on social inclusion can be found at www.socialinclusion.gov.au.

Indigenous Employment Strategy

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

PART 4: FINANCIAL STATEMENTS

Independent Auditor’s Report 40

Statement by the Chief Executive Officer and Chief Finance Officer 42

Financial statements..... 43

Notes to and forming part of the financial statements 49



INDEPENDENT AUDITOR'S REPORT

To the Assistant Treasurer

I have audited the accompanying financial statements of the Inspector-General of Taxation for the year ended 30 June 2013, which comprise: a Statement by the Chief Executive and Chief Financial Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; and Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

Chief Executive's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Independence

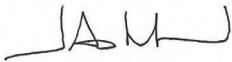
In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Inspector-General of Taxation's financial position as at 30 June 2013 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



Jocelyn Ashford

Executive Director

Delegate of the Auditor-General

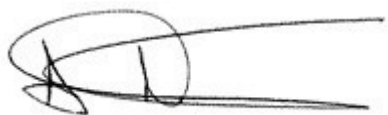
Canberra

2 August 2013

INSPECTOR-GENERAL OF TAXATION

STATEMENT BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCE OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2013 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

A stylized signature in black ink, featuring a large loop and a long horizontal stroke.

Ali Noroozi
Inspector-General of Taxation
2 August 2013

A stylized signature in black ink, featuring a large loop and a long horizontal stroke.

Andrew McLoughlin
Chief Finance Officer
2 August 2013

Statement of comprehensive income
for the period ended 30 June 2013

	Notes	2013 \$	2012 \$
EXPENSES			
Employee benefits	3A	1,645,744	1,402,220
Suppliers	3B	879,441	819,781
Depreciation and amortisation	3C	74,410	116,168
Finance costs	3D	1,657	2,754
Write-down and impairment of assets	3E	245	1,061
Total expenses		2,601,497	2,341,984
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Other revenue	4A	-	4,746
Total own-source revenue		-	4,746
Gains			
Other gains	4B	32,800	25,000
Total gains		32,800	25,000
Total own-source income		32,800	29,746
Net cost of services		2,568,697	2,312,238
Revenue from Government	4C	2,622,000	2,686,000
Surplus on continuing operations		53,303	373,762
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation reserve		138,478	-
Total other comprehensive income		138,478	-
Total comprehensive income		191,781	373,762

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

Balance sheet

as at 30 June 2013

	Notes	2013 \$	2012 \$
ASSETS			
Financial assets			
Cash and cash equivalents	5A	98,052	37,479
Trade and other receivables	5B	3,071,018	2,939,220
Total financial assets		3,169,070	2,976,699
Non-financial assets			
Property, plant and equipment	6A,6C	34,382	48,490
Leasehold improvements	6B,6C	154,344	59,518
Other non-financial assets	6D	22,900	26,876
Total non-financial assets		211,626	134,884
Total assets		3,380,696	3,111,583
LIABILITIES			
Payables			
Suppliers	7A	27,434	39,297
Other payables	7B	38,873	37,637
Total payables		66,307	76,934
Provisions			
Employee provisions	8A	302,541	246,237
Other provisions	8B	86,931	94,323
Total provisions		389,472	340,560
Total liabilities		455,779	417,494
Net assets		2,924,917	2,694,089
EQUITY			
Contributed equity		107,573	77,573
Reserves		441,663	294,138
Retained surplus		2,375,681	2,322,378
Total equity		2,924,917	2,694,089

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

Cash flow statement

for the period ended 30 June 2013

	Notes	2013 \$	2012 \$
OPERATING ACTIVITIES			
Cash received			
Appropriations		2,504,360	2,231,910
Other cash received		-	311
Net GST received		82,632	70,953
Total cash received		2,586,992	2,303,174
Cash used			
Employees		(1,575,005)	(1,290,681)
Suppliers		(934,518)	(941,974)
Section 31 receipts transferred to OPA		-	(36,427)
Total cash used		(2,509,523)	(2,269,082)
Net cash from (used by) operating activities	9	77,469	34,092
INVESTING ACTIVITIES			
Cash used			
Purchase of property, plant and equipment		(16,896)	(17,782)
Total cash used		(16,896)	(17,782)
Net cash from (used by) investing activities		(16,896)	(17,782)
FINANCING ACTIVITIES			
Cash received			
Contributed equity		-	-
Total cash received		-	-
Net cash from (used by) financing activities		-	-
Net increase in cash held		60,573	16,310
Cash and cash equivalents at the beginning of the reporting period		37,479	21,169
Cash and cash equivalents at the end of the reporting period	5A	98,052	37,479

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

**Statement of changes in equity
for the period ended 30 June 2013**

	Retained earnings		Asset revaluation surplus		Contributed equity		Total equity	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance								
Balance carried forward from previous period	2,322,378	1,948,616	294,138	294,138	77,573	39,573	2,694,089	2,282,327
Adjustment to prior year entitlements	-	-	-	-	-	-	-	-
Adjusted opening balance	2,322,378	1,948,616	294,138	294,138	77,573	39,573	2,694,089	2,282,327
Comprehensive income								
Revaluations	-	-	138,478	-	-	-	138,478	-
Re-statement of 'Make Good'	-	-	9,047	-	-	-	9,047	-
Surplus for the period	53,303	373,762					53,303	373,762
Total comprehensive income	53,303	373,762	147,525	-	-	-	200,828	373,762
Transactions with owners								
Contributions by owners								
Departmental capital budget	-	-	-	-	30,000	38,000	30,000	38,000
Sub-total transactions with owners	-	-	-	-	30,000	38,000	30,000	38,000
Closing balance at 30 June	2,375,681	2,322,378	441,663	294,138	107,573	77,573	2,924,917	2,694,089

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

Schedule of commitments as at 30 June 2013

	2013 \$	2012 \$
BY TYPE		
Commitments receivable		
Net GST recoverable on commitments	132,921	155,928
Total commitments receivable	132,921	155,928
Commitments payable		
Other commitments		
Operating leases ¹	1,462,136	1,715,215
Other commitments ²	-	-
Total other commitments	1,462,136	1,715,215
Total commitments payable	1,462,136	1,715,215
Net commitments by type	1,329,215	1,559,287
BY MATURITY		
Commitments receivable		
Other commitments receivable		
One year or less	21,059	22,753
From one to five years	95,855	91,283
Over five years	16,007	41,892
Total other commitments receivable	132,921	155,928
Total commitments receivable	132,921	155,928
Commitments payable		
Operating lease commitments		
One year or less	231,644	250,286
From one to five years	1,054,416	1,004,118
Over five years	176,076	460,811
Total operating lease commitments	1,462,136	1,715,215
Other commitments		
One year or less	-	-
From one to five years	-	-
Over five years	-	-
Total other commitments	-	-
Total commitments payable	1,462,136	1,715,215
Net commitments by maturity	1,329,215	1,559,287

Note: Commitments are GST inclusive where relevant.

Note	Nature of lease	General description of leasing arrangements
1	Leases for office accommodation	The agreement allows annual fixed rental increases. The agency has entered into a further lease at the current premises in 2013.
Note	Description	General description of the agreement
2	Service Agreement for the provision of office services	The agreement is a fixed rate over the term. This agreement is currently undergoing renewal for a further period.

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

Schedule of contingencies
as at 30 June 2013

	2013	2012
	\$	\$
Contingent assets	-	-
Contingent liabilities	-	-
Net contingent assets (liabilities)	-	-

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

Notes to and forming part of the financial statements for the year ended 30 June 2013

Note 1: Summary of significant accounting policies

1.1 Objectives of the Inspector-General of Taxation

The Inspector-General of Taxation (IGT) is an Australian Government controlled entity. It is a not-for-profit entity. The objective of the Inspector-General of Taxation is to improve the administration of the tax laws for the benefit of all taxpayers. The IGT is structured to meet one outcome:

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

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

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

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

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

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

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

1.2 Basis of preparation of financial statements

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

The financial statements have been prepared in accordance with:

- Finance Minister's Orders (FMO) for reporting periods ending on or after 1 July 2012; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

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

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

1.3 Significant accounting judgements and estimates

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

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

1.4 New Australian Accounting Standards

Adoption of new Australian Accounting Standard requirements

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

Future Australian Accounting Standard requirements

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

1.5 Revenue

Revenue from Government

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

Appropriations receivable are recognised at their nominal amounts.

Other types of revenue

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

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

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

Receivables for services, which have 30 day terms, are recognised at the nominal amounts due, less any impairment allowance amount. Collectability of debts is

reviewed at the end of the reporting period. Provisions are made when collectability of the debt is no longer probable.

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

1.6 Gains

Resources received free of charge

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

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

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

Sale of assets

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

1.7 Transactions with the Government as owner

Equity injections

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

1.8 Employee benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months of the end of the reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

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

Leave

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

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

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

Separation and redundancy

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

Superannuation

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

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

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

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

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

1.9 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased non-current assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

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

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

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

1.10 Borrowing costs

All borrowing costs are expensed as incurred.

1.11 Cash

Cash is recognised at its nominal amount.

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

1.12 Financial assets

The IGT classifies its financial assets in the following categories:

- 'loans and receivables'.

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

Loans and receivables

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

Impairment of financial assets

Financial assets are assessed for impairment at each balance date.

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

1.13 Financial liabilities

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

Other financial liabilities

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

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

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

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

1.14 Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the Balance Sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an asset or liability in respect of which

the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain, and contingent liabilities are recognised when settlement is greater than remote.

1.15 Acquisition of assets

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

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

1.16 Property, plant and equipment (PP&E)

Asset recognition threshold

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

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

Revaluations

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

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

Following initial recognition at cost, property plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying

amounts of assets do not differ materially with the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

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

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

Depreciation

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

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

	2012-13	2011-12
Property, plant and equipment	3-10 years	3-10 years
Leasehold improvements	Lease term	Lease term

Impairment

All assets were assessed for impairment at 30 June 2013. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

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

1.17 Taxation

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

1.18 Williams v Commonwealth

The Australian Government continues to have regard to developments in case law, including the High Court's most recent decision on Commonwealth expenditure in *Williams v Commonwealth* (2012) 288 ALR 410, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

Note 2: Events after the reporting period

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

Note 3: Expenses

	2013 \$	2012 \$
Note 3A: Employee benefits		
Wages and salaries	1,306,571	1,106,359
Superannuation:		
Defined contribution plans	92,606	74,140
Defined benefit plans	86,832	66,331
Leave and other entitlements	150,425	148,099
Other employee expenses	9,310	7,291
Total employee benefits	1,645,744	1,402,220
Note 3B: Suppliers		
Goods and services		
Consultants and contractors	156,482	137,484
Travel	108,447	142,358
Service Level Agreement with Treasury	117,107	116,450
Advertising and printing	41,434	28,660
Seminars and conferences	6,020	9,867
Subscriptions and periodicals	8,861	10,191
Other	146,118	77,138
Total goods and services	584,469	522,148
Goods and services are made up of:		
Provision of goods - related entities	959	6,492
Provision of goods - external parties	221,593	37,391
Rendering of services - related entities	39,583	159,989
Rendering of services - external parties	322,334	318,276
Total goods and services	584,469	522,148
Other supplier expenses		
Operating lease rentals - external parties		
Minimum lease payments	289,681	292,342
Workers compensation expenses	5,291	5,291
Total other supplier expenses	294,972	297,633
Total supplier expenses	879,441	819,781
Note 3C: Depreciation and Amortisation		
Depreciation:		
Property, plant and equipment	40,525	58,485
Total depreciation	40,525	58,485
Amortisation:		
Leasehold improvements - Make Good provision	33,885	57,683
Total amortisation	33,885	57,683
Total depreciation and amortisation	74,410	116,168

Note 3: Expenses (continued)

	2013	2012
	\$	\$
Note 3D: Finance costs		
Unwinding of discount	1,657	2,754
Total finance costs	1,657	2,754
Note 3E: Write-down and impairment of assets		
Asset write-downs	245	1,061
Total write-down of assets	245	1,061

Note 4: Income

	2013	2012
	\$	\$
Own-Source Revenue		
Note 4A: Other revenue		
Other revenue	-	4,746
Total other revenue	-	4,746
Gains		
Note 4B: Other gains		
Lease incentive received	-	-
Resources received free of charge	32,800	25,000
Total other gains	32,800	25,000
Revenue from Government		
Note 4C: Revenue from Government		
Appropriations:		
Departmental appropriations	2,622,000	2,686,000
Total revenue from Government	2,622,000	2,686,000

Note 5: Financial assets

	2013	2012
	\$	\$
Note 5A: Cash and cash equivalents		
Cash on hand or on deposit	98,052	37,479
Total cash and cash equivalents	98,052	37,479
Note 5B: Trade and other receivables		
Goods and services:		
Goods and services - related entities	-	-
Total receivables for goods and services	-	-
Appropriations receivable:		
Section 31 appropriations receivable	97,125	97,125
For existing programs	2,964,973	2,817,332
Total appropriations receivable	3,062,098	2,914,457
Other receivables:		
GST receivable from the Australian Taxation Office	8,920	20,328
Other	-	4,435
Total other receivables	8,920	24,763
Total trade and other receivables (gross)	3,071,018	2,939,220
Less impairment allowance account:		
Goods and services	-	-
Total impairment allowance account	-	-
Total trade and other receivables (net)	3,071,018	2,939,220
Receivables are expected to be recovered in:		
No more than 12 months	3,071,018	24,763
More than 12 months	-	2,914,456
Total trade and other receivables (net)	3,071,018	2,939,220
Receivables are aged as follows:		
Not overdue	3,071,018	24,763
Overdue by:		
0 to 30 days	-	-
31 to 60 days	-	-
61 to 90 days	-	-
more than 90 days	-	2,914,456
Total receivables (gross)	3,071,018	2,939,220

Note 6: Non-financial assets

	2013 \$	2012 \$
Note 6A: Property, plant and equipment		
Property, plant and equipment:		
Fair value	34,382	63,033
Accumulated depreciation	-	(14,543)
Total property, plant and equipment	34,382	48,490
Note 6B: Leasehold improvements		
Leasehold improvements:		
Fair value	154,344	161,143
Accumulated amortisation	-	(101,625)
Total leasehold improvements	154,344	59,518

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

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

All property, plant and equipment are at valuation as at 30 June 2013 in accordance with the agency's revaluation policy (note 1.16). The revaluation to 'Fair Value' was conducted by an independent qualified valuer.

Note 6C: Reconciliation of the opening and closing balances of property, plant and equipment 2013

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

Note 6: Non-financial assets (continued)**Note 6C (Continued): Reconciliation of the opening and closing balances of property, plant and equipment 2012**

	Plant and equipment \$	Leasehold improvements \$	Total \$
As at 1 July 2011			
Gross book value	46,311	161,143	207,454
Accumulated depreciation and amortisation	-	-	-
Net book value 1 July 2011	46,311	161,143	207,454
Additions:	17,782	-	17,782
By purchase			
Revaluations	-	-	-
Depreciation and amortisation expense	(14,543)	(101,625)	(116,168)
Asset write-downs	(1,061)	-	(1,061)
Disposals:			
Other	-	-	-
Net book value 30 June 2012	48,489	59,518	108,007
Net book value as of 30 June 2012 represented by:			
Gross book value	63,032	161,143	224,175
Accumulated depreciation and amortisation	(14,543)	(101,625)	(116,168)
Net book value 30 June 2012	48,489	59,518	108,007

	2013 \$	2012 \$
Note 6D: Other non-financial assets		
Prepayments	22,900	26,876
Total other non-financial assets	22,900	26,876
All other non-financial assets are current assets.		
Total other financial assets - are expected to be recovered in:		
No more than 12 months	22,900	26,876
Total other non-financial assets	22,900	26,876

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

Note 7: Payables

	2013	2012
	\$	\$
Note 7A: Suppliers		
Trade creditors and accruals	27,434	39,297
Total supplier payables	27,434	39,297
Supplier payables expected to be settled within 12 months:		
Related entities	101	988
External parties	27,333	38,309
Total supplier payables	27,434	39,297
Settlement was usually made within 30 days.		
Note 7B: Other payables		
Wages and salaries	33,864	21,895
Superannuation	5,009	2,539
Lease incentive	-	13,203
Total other payables	38,873	37,637
Total other payables are expected to be settled in:		
No more than 12 months	38,873	37,637
More than 12 months	-	-
Total other payables	38,873	37,637

Note 8: Provisions

	2013	2012
	\$	\$
Note 8A: Employee provisions		
Leave	302,541	246,237
Total employee provisions	302,541	246,237
Employee provisions are expected to be settled in:		
No more than 12 months	115,207	69,973
More than 12 months	187,334	176,264
Total employee provisions	302,541	246,237
Note 8B: Other provisions		
Provision for restoration obligations	86,931	94,323
Total other provisions	86,931	94,323
Other provisions are expected to be settled in:		
No more than 12 months	86,931	94,323
Total other provisions	86,931	94,323
	2013	2012
	\$	\$
Provision for restoration obligations		
Carrying amount at 1 July	94,322	91,568
Re-statement of 'Make Good'	(9,047)	-
Unwinding of discount	1,657	2,754
Closing balance 30 June	86,931	94,322

The agency renewed the lease agreement for the current premises in 2013. The lease has a provision requiring restoration of the premises to its original condition at the conclusion of the lease. The agency has made a provision to reflect the present value of this obligation.

Note 9: Cash flow reconciliation

	2013	2012
	\$	\$
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash Flow Statement	98,052	37,479
Balance Sheet	98,052	37,479
Difference	-	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	2,568,697	2,312,238
Add revenue from Government	2,622,000	2,686,000
	53,303	373,762
Adjustments for non-cash items		
Depreciation and amortisation	74,410	116,168
Finance costs	1,657	2,754
Net write-down of non-financial assets	245	1,061
Changes in assets/liabilities		
(Increase)/decrease in net receivables	(101,797)	(504,164)
(Increase)/decrease in prepayments	3,976	(1,122)
Increase/(decrease) in supplier payables	(11,863)	(33,814)
Increase/(decrease) in other payables	1,235	(31,277)
Increase/(decrease) in employee provisions	57,655	110,721
Increase/(decrease) in other provisions	(1,351)	-
Net cash from (used by) operating activities	77,469	34,091

Note 10: Contingent assets and liabilities

There are no unquantifiable or significant remote contingencies.

Note 11: Senior executive remuneration

Note 11A: Senior Executive Remuneration Expenses for the Reporting Period

	2013	2012
	\$	\$
Short-term employee benefits:		
Salary	634,294	598,525
Annual leave accrued	50,811	45,694
Total short-term employee benefits	685,105	644,219
Post-employment benefits:		
Superannuation	54,767	52,300
Total post-employment benefits	54,767	52,300
Other long-term employee benefits:		
Long-service leave	21,870	11,787
Total other long-term employee benefits	21,870	11,787
Termination benefits	-	-
Total senior executive remuneration expense	761,742	708,306

Notes:

- Note 11A was prepared on an accruals basis (therefore the performance bonus expenses disclosed above may differ from the cash 'Bonus paid' in Note 11B).
- Note 11A excludes acting arrangements and part-year service where total remuneration expensed as a senior executive was less than \$180,000.

Note 11: Senior executive remuneration (continued)**Note 11B: Average Annual Reportable Remuneration Paid to Substantive Senior Executives during the Reporting Period.****Average annual reportable remuneration paid to substantive senior executives in 2013**

	Substantive senior executives	Reportable salary ²	Contributed superannuation ³	Reportable allowances ⁴	Bonus paid ⁵	Total reportable remuneration
	No.	\$	\$	\$	\$	\$
Average annual reportable remuneration¹						
Total reportable remuneration (including part-time arrangements):						
\$270,000 to \$299,999	1	248,065	36,874	-	-	284,939
\$360,000 to \$389,999	1	280,000	16,451	88,808	-	385,260
Total number of substantive senior executives	2					

Average annual reportable remuneration paid to substantive senior executives in 2012

	Substantive senior executives	Reportable salary ²	Contributed superannuation ³	Reportable allowances ⁴	Bonus paid ⁵	Total reportable remuneration
	No.	\$	\$	\$	\$	\$
Average annual reportable remuneration¹						
Total reportable remuneration (including part-time arrangements):						
\$270,000 to \$299,999	1	240,978	35,548	-	-	276,526
\$360,000 to \$389,999	1	254,580	15,762	92,546	-	362,888
Total number of substantive senior executives	2					

Notes:

1. This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
2. 'Reportable salary' includes the following: a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column); b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes); c) exempt foreign employment income; and d) salary sacrificed benefits.
3. The 'contributed superannuation' amount is the average cost to the entity for the provision of superannuation benefits to substantive senior executives in that reportable remuneration band during the reporting period.
4. 'Reportable allowances' are the average actual allowances paid.
5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.

Note 11: Senior executive remuneration (continued)

Note 11C: Average Annual Reportable Remuneration paid to Other Highly Paid Staff during the Reporting Period
Average annual reportable remuneration paid to other highly paid staff in 2013

	Other highly paid staff	Reportable salary ²	Contributed superannuation ³	Reportable allowances ⁴	Bonus paid ⁵	Total reportable remuneration
No.		\$	\$	\$	\$	\$
Average annual reportable remuneration ¹						
Total reportable remuneration (including part-time arrangements):	1	164,685	25,186	-	-	189,871
Total number of highly paid staff	1					

Average annual reportable remuneration paid to other highly paid staff in 2012

	Other highly paid staff	Reportable salary ²	Contributed superannuation ³	Reportable allowances ⁴	Bonus paid ⁵	Total reportable remuneration
No.		\$	\$	\$	\$	\$
Average annual reportable remuneration ¹						
Total reportable remuneration (including part-time arrangements):	-	-	-	-	-	-
Total number of highly paid staff	-					

Notes:

1. This table reports staff: a) who were employed by the entity during the reporting period; b) whose reportable remuneration was \$180,000 or more for the reporting period; and c) were not required to be disclosed in Table B. Each row is an averaged figure based on headcount for individuals in the band.
2. 'Reportable salary' includes the following: a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column); b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes); and c) exempt foreign employment income; and d) salary sacrificed benefits.
3. The 'contributed superannuation' amount is the average cost to the entity for the provision of superannuation benefits to other highly paid staff in that reportable remuneration band during the reporting period.
4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.

Note 12: Remuneration of auditors

	2013	2012
	\$	\$
Financial statement audit services were provided free of charge to the agency by the Australian National Audit Office (ANAO).		
Fair value of the services provided		
Financial statement audit services	32,800	25,000
Total	32,800	25,000

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

Note 13: Financial instruments

	2013	2012
	\$	\$
Note 13A: Categories of financial instruments		
Financial assets		
Loans and receivables:		
Cash and cash equivalents	98,052	37,479
Trade and other receivables	-	-
Carrying amount of financial assets	98,052	37,479
Financial liabilities		
At amortised cost:		
Other liabilities		
Payables - suppliers	27,434	39,297
Carrying amount of financial liabilities	27,434	39,297
Note 13B: Net income and expense from financial assets		
Loans and receivables		
Interest revenue	-	-
Net gain/(loss) from loans and receivables	-	-
Net gain/(loss) from financial assets	-	-
There was no interest income from financial assets not at fair value through profit and loss in the year ending 2013 (2012: NIL).		
Note 13C: Net income and expense from financial liabilities		
Financial liabilities - at amortised cost		
Interest expense	-	-
Net gain/(loss) from financial liabilities - at amortised cost	-	-
Net gain/(loss) from financial liabilities	-	-

There was no interest expense from financial liabilities not at fair value through profit and loss in the year ending 2013 (2012: NIL).

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

	Notes	2013		2012	
		Carrying amount	Fair value	Carrying amount	Fair value
		\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	5A	98,052	98,052	37,479	37,479
Receivables	5B	-	-	-	-
Total financial assets		98,052	98,052	37,479	37,479
Financial liabilities					
Supplier payables	7A	27,434	27,434	39,297	39,297
Total financial liabilities		27,434	27,434	39,297	39,297

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

Fair value measurements categorised by fair value hierarchy

The following table provides an analysis of financial instruments that are measured at fair value, by valuation method. The different levels are defined below:

Level 1: Fair value obtained from unadjusted quoted prices in active markets for identical instruments.

Level 2: Fair value derived from inputs other than quoted prices included within Level 1 that are observable for the instrument, either directly or indirectly.

Level 3: Fair value derived from inputs that are not based on observable market data.

Fair value heirarchy for financial assets

	Level 3		Total	
	2013	2012	2013	2012
Financial assets at fair value				
	-	-	-	-
Total	-	-	-	-

There was no transfer between levels.

Fair value heirarchy for financial liabilities

	Level 3		Total	
	2013	2012	2013	2012
Financial liabilities at fair value				
	-	-	-	-
Total	-	-	-	-

There was no transfer between levels.

Note 13: Financial instruments (continued)**Note 13D: Fair value of financial instruments (continued)****Reconciliation of Level 3 fair value hierarchy for financial assets**

	Financial assets at fair value		Total	
	2013	2012	2013	2012
	\$	\$	\$	\$
Opening balance				
Purchases	-	-	-	-
Closing balance	-	-	-	-

1. No gains or losses for the period have been recognised resulting from the Level 3 financial assets.

Reconciliation of Level 3 fair value hierarchy for financial liabilities

	Financial liabilities at fair value		Total	
	2013	2012	2013	2012
	\$	\$	\$	\$
Opening balance				
Purchases	-	-	-	-
Closing balance	-	-	-	-

1. No gains or losses for the period have been recognised resulting from the Level 3 financial liabilities.

Note 13E: Credit risk

The agency is exposed to minimal credit risk as receivables are cash and trade receivables.

The maximum exposure to credit risk is the risk that arises from the potential default of a debtor.

This amount is equal to the total amount of the trade receivables (2013: \$0, and 2012: \$0).

The agency has assessed the risk of the default on payment and has made no allocations to doubtful debts in 2013 (2012: NIL).

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

			2013	2012
			\$	\$
Financial assets				
Cash and cash equivalents	5A		98,052	37,479
Receivables	5B		-	-
Total financial assets			98,052	37,479
Financial liabilities				
Supplier payables	7A		27,434	39,297
Total financial liabilities			27,434	39,297

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

Note 13: Financial instruments (continued)**Note 13E: Credit risk (continued)****Credit quality of financial instruments not past due or individually determined as impaired**

	Not past due nor impaired 2013 \$	Not past due nor impaired 2012 \$	Past due or impaired 2013 \$	Past due or impaired 2012 \$
Loans and receivables				
Cash and cash equivalents	98,052	37,479	-	-
Trade receivables	-	-	-	-
Total	98,052	37,479	-	-

Ageing of financial assets that were past due but not impaired for 2013

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

Ageing of financial assets that were past due but not impaired for 2012

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

Note 13: Financial instruments (continued)**Note 13F: Liquidity risk**

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

Maturities for non-derivative financial liabilities 2013

	On Demand \$	Within 1 year \$	1 to 2 years \$	2 to 5 years \$	> 5 years \$	Total \$
Other liabilities						
Payables - suppliers	-	27,434	-	-	-	27,434
Total	-	27,434	-	-	-	27,434

Maturities for non-derivative financial liabilities 2012

	On Demand \$	Within 1 year \$	1 to 2 years \$	2 to 5 years \$	> 5 years \$	Total \$
Other liabilities						
Payables - suppliers	-	39,297	-	-	-	39,297
Total	-	39,297	-	-	-	39,297

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

The agency had no derivative financial liabilities in either 2013 or 2012.

Note 13G: Market risk

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

Note 14: Financial assets reconciliation

		2013	2012
		\$	\$
<u>Financial assets</u>	Notes		
Total financial assets as per balance sheet		3,169,070	2,976,699
Less: non-financial instrument components			
Appropriations receivable	5B	3,062,098	2,914,457
Other receivables	5B	8,920	24,763
Total non-financial instrument components		3,071,018	2,939,221
Total financial assets as per financial instruments note		98,052	37,477

Note 15: Appropriations**Table A: Annual appropriations (recoverable GST exclusive)**

	2013 Appropriations						Appropriation applied in 2013 (current and prior years)	Variance
	Appropriation Act		FMA Act					
	Annual Appropriation	Appropriations reduced ¹	Section 30	Section 31	Total appropriation			
	\$	\$	\$	\$	\$	\$	\$	\$
DEPARTMENTAL								
Ordinary annual services	2,664,000	-	82,632	-	-	2,746,632	2,504,360	242,272
Total departmental	2,664,000	-	82,632	-	-	2,746,632	2,504,360	242,272

Notes:

- Appropriations reduced under Appropriation Acts (No. 1, 3 & 5) 2012-13: sections 10, 11, and 12 and under Appropriation Acts (No. 2, 4 & 6) 2012-13: sections 12, 13 and 14. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. In 2013, there was no reduction in departmental and non-operating departmental appropriations.
- In 2012-13, there were no adjustments that met the recognition criteria of a formal addition or reduction in revenue (in accordance with FMO Div 101). On 29 June 2013, the Parliamentary Secretary to the Prime Minister sent a letter to the Finance Minister requesting a reduction to 2012-13 appropriations in almost all Government agencies. This letter is evidence of an adjustment made as a consequence of a decision of the Cabinet or Prime Minister under FMO 101.6 and is a formal reduction which reduces Appropriation Revenue. As at 26 July the determination is not on Comlaw, therefore at law the appropriation has not been amended during 2012-13 and the appropriation figures in the Tables are not amended.

Note 15: Appropriations (continued)**Table A: Annual appropriations (recoverable GST exclusive) continued**

	2012 Appropriations						Appropriation applied in 2012 (current and prior years)	Total appropriation	Variance
	Appropriation Act		FMA Act						
	Annual Appropriation	Appropriations reduced ¹	Section 30	Section 31					
	\$	\$	\$	\$	\$	\$	\$	\$	\$
DEPARTMENTAL									
Ordinary annual services	2,724,000	-	91,281	311		2,231,910	2,815,592	583,682	
Total departmental	2,724,000	-	91,281	311		2,231,910	2,815,592	583,682	

Notes:

- Appropriations reduced under Appropriation Acts (No. 1 & 3) 2011-12: sections 10, 11, 12 and 15 and under Appropriation Acts (No. 2 & 4) 2011-12: sections 12, 13, 14 and 17. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. In 2012, there was no reduction in departmental and non-operating departmental appropriations.
- In 2011-12, there were no adjustments that met the recognition criteria of a formal addition or reduction in revenue (in accordance with FMO Div 101).

Note 15: Appropriations (continued)**Table B: Departmental Capital Budgets (recoverable GST exclusive)**

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

Notes:

1. Departmental Capital Budgets are appropriated through Appropriation Acts (No. 1, 3 & 5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriations, please see Table A: Annual appropriations.

2. Appropriations reduced under Appropriation Acts (No. 1, 3 & 5) 2012-13: sections 10, 11, 12 and 15 or via a determination by the Finance Minister.

3. Payments made on non-financial assets include purchases of assets, expenditure on assets which have been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

Note 15: Appropriations (continued)**Table B: Departmental Capital Budgets (recoverable GST exclusive) (continued)**

	2012 Capital Budget Appropriations			Capital Budget Appropriations applied in 2012 (current and prior years)			
	Appropriation Act		FMA Act	Total Capital Budget Appropriations	Payments for non-financial assets ³	Payments for other purposes	Total payments
	Annual Capital Budget	Appropriations reduced ²	Section 32				
	\$	\$	\$	\$	\$	\$	\$
DEPARTMENTAL							
Ordinary annual services -							
Departmental Capital Budget ¹	38,000	-	-	38,000	17,782	-	17,782
							20,218

Notes:

1. Departmental Capital Budgets are appropriated through Appropriation Acts (No. 1, 3 & 5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriations, please see Table A: Annual appropriations.
2. Appropriations reduced under Appropriation Acts (No. 1, 3 & 5) 2011-12: sections 10, 11, 12 and 15 or via a determination by the Finance Minister.
3. Payments made on non-financial assets include purchases of assets, expenditure on assets which has been capitalized, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

Note 15: Appropriations (continued)**Table C: Unspent departmental annual appropriations (recoverable GST exclusive)**

Authority	2013 \$	2012 \$
DEPARTMENTAL		
<i>Appropriation Act (No. 1) 2004/05</i>	-	-
<i>Appropriation Act (No. 1) 2005/06</i>	-	729,000
<i>Appropriation Act (No. 1) 2006/07</i>	-	360,776
<i>Appropriation Act (No. 1) 2007/08</i>	-	285,335
<i>Appropriation Act (No. 1) 2008/09</i>	-	243,249
<i>Appropriation Act (No. 1) 2009/10</i>	-	-
<i>Appropriation Act (No. 1) 2010/11</i>	175,937	194,315
<i>Appropriation Act (No. 1) 2011/12</i>	1,701,933	1,101,782
<i>Appropriation Act (No. 1) 2012/13</i>	1,184,226	-
Total	3,062,096	2,914,457

Note 16: Compensation and Debt Relief

	2013	2012
	\$	\$
Compensation and Debt Relief - Departmental		
No 'Act of Grace' payments were expended during the reporting period.	-	-
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the Financial Management and Accountability Act 1997.	-	-
No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period.	-	-
No ex-gratia payments were provided for during the reporting period.	-	-
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the Public Service Act 1999 (PS Act) during the reporting period.	-	-

Note 17: Reporting of outcomes

The Inspector-General of Taxation has one outcome:

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

Note 17A: Net cost of outcome delivery

	2013	2012
	\$	\$
Departmental		
Expenses	2,601,497	2,341,984
Own-source income	-	4,746
Gains	32,800	25,000
Net cost of outcome delivery	2,568,697	2,312,238

Note 17: Reporting of outcomes (continued)**Note 17B: Major classes of departmental expenses, income, assets and liabilities by outcome**

Outcome 1	2013	2012
	\$	\$
Expenses		
Employees	1,645,744	1,402,220
Suppliers	879,441	819,781
Finance costs	1,657	2,754
Depreciation and amortisation	74,410	116,168
Write down of assets	245	1,061
Total	2,601,497	2,341,984
Income		
Income from Government	2,622,000	2,686,000
Other revenue	-	4,746
Gains	32,800	25,000
Total	2,654,800	2,715,746
Assets		
Financial assets:		
Cash and cash equivalents	98,052	37,479
Receivables	3,071,018	2,939,221
Non-financial assets:		
Property, plant and equipment	188,726	108,008
Other non-financial assets	22,900	26,877
Total	3,380,696	3,111,585
Liabilities		
Payables	66,307	76,934
Provisions	389,472	340,560
Total	455,779	417,494

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

Note 18: Net Cash Appropriation Arrangements

	2013	2012
	\$	\$
Total comprehensive income less depreciation/amortisation expenses previously funded through revenue appropriations¹	266,191	489,930
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	(74,410)	(116,168)
Total comprehensive income - as per the Statement of Comprehensive Income	191,781	373,762

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.

Note 19: Constitutional matters — section 83 advice**Compliance with Statutory Conditions for Payments from Consolidated Revenue Fund**

During 2012–13 additional legal advice was received that indicated there could be breaches of Section 83 under certain circumstances with payments for long service leave, goods and services tax and payments under determinations of the Remuneration Tribunal. The agency will review its processes and controls over payments for these items to minimise the possibility for future breaches as a result of these payments. The agency has determined that there is a low risk of the certain circumstances mentioned in the legal advice applying to the agency. The agency is not aware of any specific breaches of Section 83 in respect of these items.

PART 5:

OTHER INFORMATION

WORK HEALTH AND SAFETY

The IGT office fosters and maintains a safe and healthy working environment in accordance with the *Work Health and Safety Act 2011* (the WHS Act). During 2012–13, the IGT received no accident and incident reports. No notices were given under sections 90, 191 and 195 of the WHS Act.

INFORMATION PUBLICATION SCHEME

Agencies subject to the *Freedom of Information Act 1982* (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 has replaced the former requirement to publish a section 8 statement in an annual report. Each agency must publish a plan showing what information it publishes in accordance with the IPS requirements.

IGT’s IPS plan can be located at www.igt.gov.au.

ADVERTISING AND MARKET RESEARCH

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

Table 8: Advertising costs for 2012–13

Purpose	Vendor	Cost (\$)
Business advertising	Adcorp Australia Limited	40,299
Total		40,299

The IGT incurred the above advertising costs to invite members of the public to make submission on the IGT’s work program and specific IGT reviews. No market research costs were incurred during 2012–13.

ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PERFORMANCE

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

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

DISCRETIONARY GRANTS

No discretionary grant programs are administered by the IGT.

LIST OF REQUIREMENTS

Part of Report	Description	Requirement	Page(s)
	Letter of transmittal	Mandatory	iii
	Table of contents	Mandatory	v–vi
	Index	Mandatory	95
	Glossary	Mandatory	91
	Contact officer(s)	Mandatory	ii
	Internet home page address and Internet address for report	Mandatory	ii
Review by Agency Head			
	Review by Agency Head	Mandatory	1–11
	Summary of significant issues and developments	Suggested	1–11
	Overview of agency's performance and financial results	Suggested	1–16
	Outlook for following year	Suggested	9–10
	Significant issues and developments — portfolio	Portfolio departments — suggested	3–7
Agency Overview			
	Role and functions	Mandatory	12
	Organisational structure	Mandatory	14
	Outcome and program structure	Mandatory	13
	Where outcome and program structures differ from PB Statements/PAES or other portfolio statements accompanying any other additional appropriation bills (other portfolio statements), details of variation and reasons for change	Mandatory	N/A
	Portfolio structure	Portfolio departments — mandatory	N/A
Report on Performance			
	Review of performance during the year in relation to programs and contribution to outcomes	Mandatory	17–27
	Actual performance in relation to deliverables and KPIs set out in PB Statements/PAES or other portfolio statements	Mandatory	19–27
	Where performance targets differ from the PBS/PAES, details of both former and new targets, and reasons for the change	Mandatory	N/A

Part of Report	Description	Requirement	Page(s)
	Narrative discussion and analysis of performance	Mandatory	17–27
	Trend information	Mandatory	17–27
	Significant changes in nature of principal functions/ services	Suggested	N/A
	Performance of purchaser/ provider arrangements	If applicable, suggested	N/A
	Factors, events or trends influencing departmental performance	Suggested	17–27
	Contribution of risk management in achieving objectives	Suggested	31–32
	Social inclusion outcomes	If applicable, mandatory	N/A
	Performance against service charter customer service standards, complaints data, and the agency's response to complaints	If applicable, mandatory	N/A
	Discussion and analysis of the agency's financial performance	Mandatory	27
	Discussion of any significant changes from the prior year, from budget or anticipated to have a significant impact on future operations.	Mandatory	N/A
	Agency resource statement and summary resource tables by outcomes	Mandatory	15–16
Management Accountability			
Corporate Governance			
	Agency heads are required to certify that their agency comply with the Commonwealth Fraud Control Guidelines.	Mandatory	iii
	Statement of the main corporate governance practices in place	Mandatory	29–32
	Names of the senior executive and their responsibilities	Suggested	iii, 29–30
	Senior management committees and their roles	Suggested	29–30
	Corporate and operational planning and associated performance reporting and review	Suggested	30
	Approach adopted to identify areas of significant financial or operational risk	Suggested	31–32
	Policy and practices on the establishment and maintenance of appropriate ethical standards	Suggested	32
	How nature and amount of remuneration for SES officers is determined	Suggested	34

Part of Report	Description	Requirement	Page(s)
External Scrutiny			
	Significant developments in external scrutiny	Mandatory	32–33
	Judicial decisions and decisions of administrative tribunals	Mandatory	33
	Reports by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman	Mandatory	33
Management of Human Resources			
	Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory	33–35
	Workforce planning, staff turnover and retention	Suggested	35
	Impact and features of enterprise or collective agreements, individual flexibility arrangements (IFAs), determinations, common law contracts and AWAs	Suggested	34–35
	Training and development undertaken and its impact	Suggested	35
	Work health and safety performance	Suggested	85
	Productivity gains	Suggested	N/A
	Statistics on staffing	Mandatory	35–37
	Enterprise or collective agreements, IFAs, determinations, common law contracts and AWAs	Mandatory	34
	Performance pay	Mandatory	33–34
Assets Management	Assessment of effectiveness of assets management	If applicable, mandatory	36
Purchasing	Assessment of purchasing against core policies and principles	Mandatory	35–36
Consultants	The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website.	Mandatory	36
Australian National Audit Office Access Clauses	Absence of provisions in contracts allowing access by the Auditor-General	Mandatory	37

Part of Report	Description	Requirement	Page(s)
Exempt Contracts	Contracts exempt from AusTender	Mandatory	37
Financial Statements	Financial Statements	Mandatory	39–83
Other Mandatory Information			
	Work health and safety (Schedule 2, Part 4 of the <i>Work Health and Safety Act 2011</i>)	Mandatory	85
	Advertising and Market Research (Section 311A of the <i>Commonwealth Electoral Act 1918</i>) and statement on advertising campaigns	Mandatory	85
	Ecologically sustainable development and environmental performance (Section 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i>)	Mandatory	86
	Compliance with the agency's obligations under the <i>Carer Recognition Act 2010</i>	If applicable, mandatory	N/A
	Grant programs	Mandatory	86
	Disability reporting — explicit and transparent reference to agency-level information available through other reporting mechanisms	Mandatory	37–38
	Information Publication Scheme statement	Mandatory	85
	Correction of material errors in previous annual report	If applicable, mandatory	N/A
	List of Requirements	Mandatory	87–90

GLOSSARY

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

ACRONYMS

AASB	Australian Accounting Standards Board
AATSI	Aboriginal and Torres Strait Islander
ADR	Alternative Dispute Resolution
ANAO	Australian National Audit Office
APS	Australian Public Service
ATO	Australian Taxation Office
CDDA	Compensation for Detriment caused by Defective Administration
CEI	Chief Executive Instructions
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CPRs	Commonwealth Procurement Rules
CRF	Consolidated Revenue Fund
CTA	Corporate Tax Association
CTM	Corporate Tax Manager
DCB	Departmental Capital Budgets
ECT	Excess Contributions Tax
EL1	Executive Level 1
EL2	Executive Level 2
ESL	English as a Second Language
FMA Act	<i>Financial Management and Accountability Act 1997</i>
FOI	Freedom of Information
FOI Act	<i>Freedom of Information Act 1982</i>
FMO	Finance Minister's Orders
GAAR	General Anti-Avoidance Rules
GST	Goods and Services Tax

ICAA	Institute of Chartered Accountants in Australia
IGT	Inspector-General of Taxation
IGT Act	<i>Inspector-General of Taxation Act 2003</i>
IPA	Institute of Public Accountants
IPS	Information Publication Scheme
IT	Information Technology
JCPAA	Joint Committee of Public Accounts and Audit
PBS	Portfolio Budget Statements
PS Act	<i>Public Service Act 1999</i>
PSS	Public Sector Superannuation Scheme
PSSap	Public Sector Superannuation Scheme accumulation plan
PwC	PricewaterhouseCoopers
SAP	Substituted Accounting Period
SES	Senior Executive Service
SLA	Service Level Agreement
SME	Small and Medium Enterprise
TIA	The Tax Institute
UNSW	University of New South Wales
WHS Act	<i>Work Health and Safety Act 2011</i>

INDEX

A

Accountability, 32
Advertising and market research, 85
ANAO reports, 33
Assets management, 36
Audit, 32
Audit & Risk Committee, 30

C

Chief Executive's Instructions, 31
Consultancies, 36
Corporate governance, 29
Corporate planning and reporting, 30

D

Disability Action Plan, 37
Discretionary grants, 86

E

Employment agreements, 34
Environment report, 86
Ethical standards, 32
External scrutiny, 32

F

Freedom of information, 85

I

Information Publication Scheme, 85
Internal audits, 32
IT Disaster Recovery Plan, 31
IT Security Policy, 32

L

Learning and development, 35

M

Management of human resources, 33

O

Outcome 1 Overview, 19

P

Part 1 Overview, 1–11
Part 3 Management and accountability,
29–38
Part 4 Financial statements, 39–83
Part 5 Other information, 85–86
Performance management, 33
Procurement, 35

R

Recruitment, 35
Remuneration, 34
SES, 34
Remuneration committee, 30
Risk management, 31

S

Staffing information, 35
Succession planning, 35

W

Work health and safety, 85
Workplace diversity, 37
Workplace relations, 34

