

INSPECTOR-GENERAL OF TAXATION

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INSPECTOR-GENERAL OF TAXATION

Section 1: Agency overview and resources

1.1 STRATEGIC DIRECTION

The outcome of the Inspector-General of Taxation (IGT) is improved tax administration through community consultation, review and independent advice to government.

In 2008-09 the Inspector-General established a new work program for 2010-11 through a broad-based community consultation process which remains in effect for the 2010-11 year. The Inspector-General's strategic direction for 2010-11 will aim to improve review processes, timeliness and outcomes by:

- increasing opportunities for community input to reviews including drawing directly on contacts that contributed to the new work program;
- building on approaches that increase the Australian Taxation Office (ATO)'s involvement and contribution to review processes and outcomes; and
- continuing the selective use of external expertise and overseas comparisons to enhance capabilities and objectivity.

1.2 AGENCY RESOURCE STATEMENT

Table 1.1 shows the total resources from all origins. The table summarises how resources will be applied by outcome and by departmental classification.

Table 1.1: Inspector-General of Taxation resource statement — Budget estimates for 2010-11 as at Budget May 2010

	Estimate of prior year amounts available in 2010-11 \$'000	+	Proposed at Budget 2010-11 \$'000	=	Total estimate 2010-11 \$'000	Actual available appropriation 2009-10 \$'000
Ordinary annual services						
Departmental						
Prior year departmental carried forward	2,113	⁴	-		2,113	-
Departmental appropriation ³	-		2,172	¹	2,172	2,179
Receipts from other sources (s31)	-		52	²	52	52
Total net resourcing for the IGT	2,113		2,224		4,337	2,231

1. Appropriation Bill (No. 1) 2010-11.

2. Receipts received under s31 of the *Financial Management and Accountability Act 1997*.

3. Includes \$0.04 million in 2010-11 for the Departmental Capital Budget (also refer to Table 3.2.5).

4. Estimated adjusted balance carried from previous year for annual appropriations.

1.3 BUDGET MEASURES

The IGT does not have any Budget measures for 2010-11.

Section 2: Outcomes and planned performance

2.1 OUTCOMES AND PERFORMANCE INFORMATION

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Agencies deliver programs which are the Government actions taken to deliver the stated outcomes. Agencies are required to identify the programs which contribute to government outcomes over the budget and forward years.

The IGT's outcome is described below, specifying the strategy, program, objective, deliverables and key performance indicators used to assess and monitor the performance of the IGT.

Outcome 1: Improved tax administration through community consultation, review, and independent advice to Government

Outcome 1 Strategy

Key strategies to achieve Outcome 1 are:

- to undertake community consultation, research and other processes to identify and prioritise areas of tax administration that can be systemically improved;
- to call for submissions to review and to stimulate input by, for example, issuing discussion papers;
- to maintain a positive public profile for the IGT through participation in conferences and seminars;
- to build on approaches that increase the ATO's involvement and contribution to review processes and outcomes;
- to selectively engage external expertise and undertake overseas comparisons to enhance capabilities and objectivity for appropriate reviews; and
- to review identified areas and provide independent advice and recommendations to Government on improvements to the administration of the tax laws.

The major projects and activities expected to be commenced and/or completed during 2010-11 include:

- review of the private rulings system;

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- review into the ATO's administration of the Superannuation Guarantee Charge;
- review into the ATO's practices for finalising large company audits;
- review into the ATO's compliance focus on Small to Medium Enterprises;
- review into the ATO's administration of class rulings;
- review into the ATO's change program;
- follow-up review into the ATO's implementation of agreed IGT recommendations; and
- where necessary, undertake priority reserve list reviews such as ATO governance arrangements and outsourced debt collection.

Outcome 1 Budgeted expenses and resources

Table 2.1 provides an overview of the total expenses for Outcome 1 by program.

Table 2.1: Budgeted expenses and resources for Outcome 1

Outcome 1: Improved tax administration through community consultation, review, and independent advice to Government	2009-10 Estimated actual expenses \$'000	2010-11 Estimated expenses \$'000
Program 1.1: Inspector-General of Taxation		
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	2,179	2,172
Revenues from independent sources (s31)	52	52
Total expenses for Outcome 1	2,231	2,224
	2009-10	2010-11
Average staffing level (number)	7	7

Contributions to Outcome 1

Program 1.1: Inspector-General of Taxation

Program objective

The IGT has the following objectives:

- identify areas of tax administration where the community or other stakeholders believe that improvements should be made or issues reviewed. Prioritise areas for review in line with principles of good tax administration such as simplicity, transparency, efficiency and fairness, and within the IGT's resources and capability;
- consult with other agencies that review tax administration, particularly the Australian National Audit Office and the Commonwealth Ombudsman to foster cooperation and to avoid unnecessary duplication in review programs;
- review the priority areas and issues including the systems established by the ATO to administer the tax laws and the systems established by tax laws in relation to administrative matters, to identify systemic issues and viable improvements;
- provide independent advice to the government on systemic issues relating to any aspect of tax administration and make recommendations on improvements; and
- follow-up on the implementation of agreed recommendations.

Program expenses

There are no significant changes to estimates across the forward years.

Table 2.2: Program expenses

	2009-10 Revised budget \$'000	2010-11 Budget \$'000	2011-12 Forward year 1 \$'000	2012-13 Forward year 2 \$'000	2013-14 Forward year 3 \$'000
Annual departmental expenses					
Departmental items	2,231	2,224	2,247	2,271	2,292
Total program expenses	2,231	2,224	2,247	2,271	2,292

Program deliverables

The IGT has the following deliverables:

- a program of reviews based on community input and consultation with other relevant agencies, and prioritised in line with principles of good tax administration; and
- six completed reviews incorporating independent advice to Government on systemic issues and/or viable improvements to tax administration.

Program key performance indicators

The IGT has the following key performance indicators:

- positive feedback and continued support from community stakeholders including taxpayers, tax practitioners and relevant Government agencies; and
- recommendations for systemic improvements in tax administration agreed and implemented by the ATO and/or the Government.

Section 3: Explanatory tables and budgeted financial statements

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of agency finances for the budget year 2010-11. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and program expenses.

3.1 EXPLANATORY TABLES

3.1.1 Movement of administered funds between years

The IGT does not have any administered funds.

3.1.2 Special accounts

The IGT does not have any special accounts.

3.1.3 Australian Government Indigenous Expenditure

The IGT does not have any Australian Government Indigenous Expenditure.

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 Differences in agency resourcing and financial statements

There are no differences between agency resourcing and financial statements.

3.2.2 Analysis of budgeted financial statements

For 2010-11, the IGT is expected to consist of a statutory office holder and six staff. The IGT relies upon the support and contribution to reviews of many in the private sector, particularly professional associations and business groups. External expertise is also to be used to supplement internal capabilities.

3.2.3 Budgeted financial statements tables

Table 3.2.1: Budgeted departmental comprehensive income statement (for the period ended 30 June)

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
EXPENSES					
Employee benefits	1,360	1,307	1,318	1,321	1,342
Supplier	798	879	891	912	912
Depreciation and amortisation	73	38	38	38	38
Total expenses	2,231	2,224	2,247	2,271	2,292
LESS:					
OWN-SOURCE INCOME					
Revenue					
Other revenue	52	52	52	52	52
Total revenue	52	52	52	52	52
Total own-source income	52	52	52	52	52
Net cost of (contribution by) services	2,179	2,172	2,195	2,219	2,240
Appropriation revenue	2,133	2,134	2,157	2,181	2,202
Surplus (deficit) attributable to the Australian Government	(46)	(38)	(38)	(38)	(38)
Note: Reconciliation of operating result attributable to the agency					
	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000
Operating result attributable to the Australian Government	(46)	(38)	(38)	(38)	(38)
Plus non-appropriated expenses depreciation and amortisation expenses	46	38	38	38	38
Operating result attributable to IGT	-	-	-	-	-

Prepared on Australian Accounting Standards basis.

**Table 3.2.2: Budgeted departmental balance sheet
(as at 30 June)**

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
ASSETS					
Financial assets					
Cash and equivalents	31	44	59	59	59
Trade and other receivables	2,082	2,082	2,082	2,082	2,082
Total financial assets	2,113	2,126	2,141	2,141	2,141
Non-financial assets					
Infrastructure, plant and equipment	309	309	309	309	309
Other	2	2	2	2	2
Total non-financial assets	311	311	311	311	311
Total assets	2,424	2,437	2,452	2,452	2,452
LIABILITIES					
Provisions					
Employees	270	284	298	298	298
Other	133	133	133	133	133
Total provisions	403	417	431	431	431
Payables					
Suppliers	85	84	85	85	85
Total payables	85	84	85	85	85
Total liabilities	488	501	516	516	516
Net assets	1,936	1,936	1,936	1,936	1,936
EQUITY					
Reserves	248	248	248	248	248
Contributed equity	-	38	76	114	152
Retained surpluses or accumulated deficits	1,688	1,650	1,612	1,574	1,536
Total equity	1,936	1,936	1,936	1,936	1,936
Current assets	63	76	91	91	91
Non-current assets	2,361	2,361	2,361	2,361	2,361
Current liabilities	209	214	222	222	222
Non-current liabilities	279	287	294	294	294

Prepared on Australian Accounting Standards basis.

**Table 3.2.3: Budgeted departmental statement of cash flows
(for the period ended 30 June)**

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	2,133	2,134	2,157	2,181	2,202
Other	52	52	52	52	52
Total cash received	2,185	2,186	2,209	2,233	2,254
Cash used					
Employees	1,256	1,293	1,304	1,321	1,342
Suppliers	867	880	890	912	912
Total cash used	2,123	2,173	2,194	2,233	2,254
Net cash from or (used by) operating activities	62	13	15	-	-
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	38	38	38	38	38
Total cash used	38	38	38	38	38
Net cash from or (used by) investing activities	(38)	(38)	(38)	(38)	(38)
FINANCING ACTIVITIES					
Cash received					
Capital injections	-	38	38	38	38
Total cash received	-	38	38	38	38
Net cash from or (used by) financing activities	-	38	38	38	38
Net increase or (decrease) in cash held	24	13	15	-	-
Cash at the beginning of the reporting period	7	31	44	59	59
Cash at the end of the reporting period	31	44	59	59	59

Prepared on Australian Accounting Standards basis.

Table 3.2.4: Departmental statement of changes in equity — summary of movement (Budget year 2010-11)

	Retained surpluses \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2010					
Balance carried forward from previous period	1,688	247	1	-	1,936
Adjusted opening balance	1,688	247	1	-	1,936
Comprehensive income					
Surplus (deficit) for the period	(38)	-	-	-	(38)
Total comprehensive income recognised directly in equity	(38)	-	-	-	(38)
Transactions with owners					
Contributions by owners					
Appropriation (departmental capital budget)	-	-	-	38	38
Total transactions with owners	-	-	-	38	38
Estimated closing balance as at 30 June 2011	1,650	247	1	38	1,936

Prepared on Australian Accounting Standards basis.

Table 3.2.5: Departmental capital budget statement

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 - DCB	-	38	38	38	38
Total capital appropriations	-	38	38	38	38
Represented by:					
Purchase of non-financial assets	-	38	38	38	38
Total represented by	-	38	38	38	38
ACQUISITION OF NON-FINANCIAL ASSETS					
Funded by capital appropriation - DCB	-	38	38	38	38
Funded internally from departmental resources	38	-	-	-	-
TOTAL	38	38	38	38	38

Note: Under the net cash appropriation arrangements implemented as part of Operation Sunlight, agencies are no longer funded for depreciation, amortisation or make good expenses. Funding for these expenses have been replaced with a Departmental Capital Budget (DCB).

Prepared on Australian Accounting Standards basis.

Table 3.2.6: Statement of asset movements — departmental

	Buildings	Other infrastructure, plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2010				
Gross book value	-	355	-	355
less Accumulated depreciation/amortisation	-	46	-	46
Opening net book balance	-	309	-	309
Asset movements				
Additions	-	38	-	38
less Depreciation/amortisation expense	-	38	-	38
Total asset movements	-	-	-	-
As at 30 June 2011				
Gross book value	-	393	-	393
less Accumulated depreciation/amortisation	-	84	-	84
Closing net book balance	-	309	-	309

Prepared on Australian Accounting Standards basis.

3.2.4 Notes to the financial statements

The financial statements have been prepared on an Australian Accounting Standards basis.