

INSPECTOR-GENERAL OF TAXATION

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INSPECTOR-GENERAL OF TAXATION

Section 1: Overview

The *Inspector-General of Taxation Act 2003* established an independent statutory agency 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.

The Inspector-General of Taxation seeks to improve the administration of the tax laws for the benefit of all taxpayers. This is to be achieved by identifying and conducting reviews of systemic issues in the administration of the tax laws and providing independent advice to the Government.

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

1.1 SUMMARY OF AGENCY CONTRIBUTIONS TO OUTCOMES

The products and services delivered by the IGT which contribute to the achievement of outcomes are summarised in Table 1.1 and Figure 2 on page 253.

Table 1.1: Contribution to outcomes

Outcome	Description	Output groups
Outcome 1		
Improved administration of the tax laws for the benefit of all taxpayers	Identify and investigate systemic issues in tax administration to provide independent advice to government.	Output Group 1.1 Inspector-General of Taxation

Section 2: Resources for 2007-08

2.1 APPROPRIATIONS AND OTHER RESOURCES

The total appropriation (including capital appropriation) and other resources for the Inspector-General of Taxation (IGT) in the 2007-08 Budget is \$2.3 million.

Table 2.1 shows the total resources from all origins for 2007-08, including appropriations. The table summarises how resources will be applied by outcome and departmental classification.

Table 2.1: Appropriations and other resources 2007-08

Inspector-General of Taxation	Departmental				Administered				Total	
	Appropriation Bill No. 1 \$'000	Appropriation Bill No. 2 \$'000	Special Appropriation \$'000	Other resources \$'000	Appropriation Bill No. 1 \$'000	SPPs \$'000	Other \$'000	Special Appropriation \$'000		Other resources \$'000
Outcome 1										
Improved administration of the tax laws for the benefit of all taxpayers	2,188	-	-	82	-	-	-	-	-	
Total	2,188	-	-	82	-	-	-	-	-	

2.2 2007-08 BUDGET MEASURES

Table 2.2: Inspector-General of Taxation measures

The IGT does not have any 2007-08 Budget measures.

2.3 OTHER RESOURCES AVAILABLE TO BE USED

The following table provides details of resources obtained by the IGT for the provision of goods or services as well as resources received free of charge. These resources are approved for use by the IGT and are also included in Table 2.1.

Table 2.3: Other resources available to be used

	Estimated receipts 2006-07 \$'000	Budget estimate 2007-08 \$'000
Departmental other resources		
Goods and services	60	82
Total departmental other resources available to be used	60	82

Note: Departmental resources are collected under section 31 of the *Financial Management and Accountability Act 1997*.

2.4 MOVEMENT OF ADMINISTERED FUNDS

Table 2.4: Movement of administered funds between years

The IGT does not have any administered funds.

2.5 SPECIAL APPROPRIATIONS

Table 2.5: Estimates of expenses from special appropriations

The IGT does not have any special appropriations.

2.6 MOVEMENTS IN SPECIAL ACCOUNTS

Table 2.6: Estimates of special account cash flows and balances

The IGT does not have any special accounts.

Section 3: Outcomes

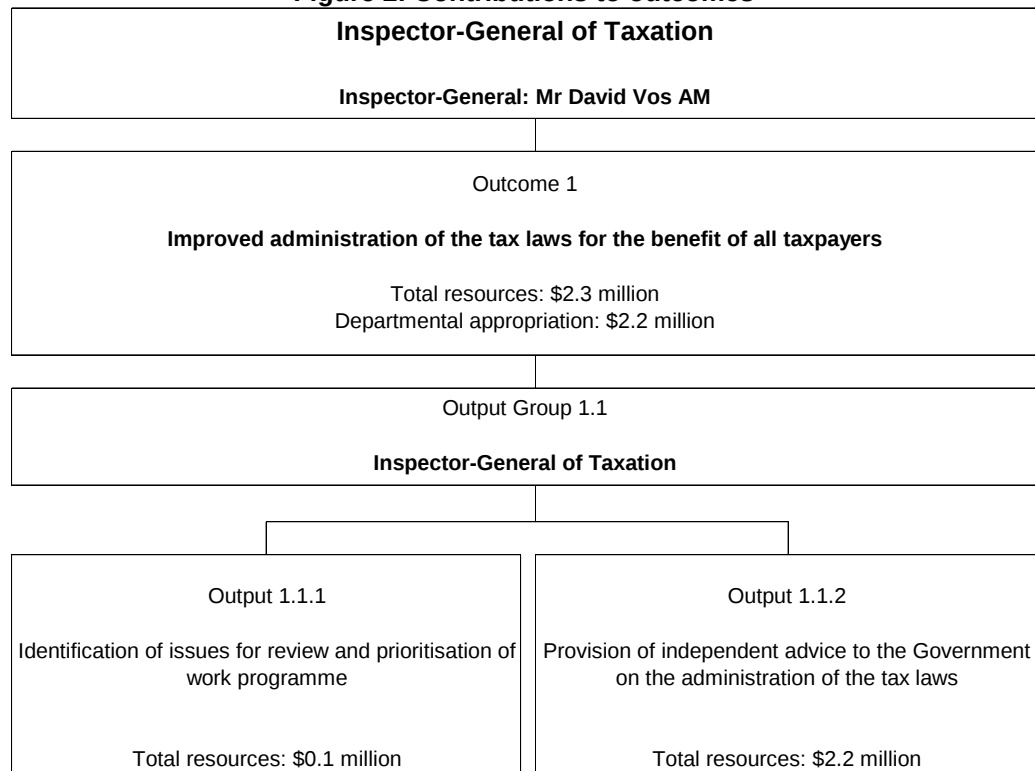
General government sector (GGS) agencies are required to plan, budget and report under an outcomes structure. GGS agencies produce outputs (departmental items) and also administer items on behalf of the Government (administered items).

This section summarises how the resources identified in Section 2 will be used to contribute to the outcome for the Inspector-General of Taxation (IGT). Key performance measures and performance evaluation activities are specified for the outcome.

3.1 SUMMARY OF OUTCOMES AND CONTRIBUTION TO OUTCOMES

The relationship between activities of the IGT and its outcome is summarised in the following figure.

Figure 2: Contributions to outcomes



The following table shows how the 2007-08 Budget appropriations translate to total resourcing for Outcome 1, including departmental appropriations and revenue from other sources.

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000
Departmental appropriations		
Output Group 1.1 - Inspector-General of Taxation		
Output 1.1.1 - Identification of issues for review and prioritisation of work programme	109	109
Output 1.1.2 - Provision of independent advice to the Government on the administration of the tax laws	2,061	2,079
Total departmental appropriations	2,170	2,188
Revenue from other sources		
Goods and services	60	82
Total revenue from other sources	60	82
Total resources	2,230	2,270
	2006-07	2007-08
Average staffing level (number)	7	7

The IGT does not have any 2007-08 Budget measures.

Administered activities

Departmental outputs

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

This is achieved by reviewing the systems established by the Australian Taxation Office to administer the tax laws and the systems established by tax laws in relation to administrative matters.

The IGT's two outputs derive from the statutory functions. These outputs involve, firstly, the identification of systemic issues for review and the prioritisation of the work programme and, secondly, the provision of independent advice to Government on the administration of the tax laws.

The scope of the work programme is determined by the identification and prioritisation of a systemic issue by the Inspector-General. However, the *Inspector-General of Taxation Act 2003* also provides that the Minister may direct that a matter be included on the work programme, and that the Inspector-General considers requests to conduct reviews from:

- the Minister (separate from the direction provision); or
- the Commissioner of Taxation; or
- 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.

Broad-based community involvement in the identification of issues and the opportunity for all stakeholders to provide submissions ensures that reviews undertaken are relevant and timely for all stakeholders. In view of this, the Inspector-General requires the flexibility to vary resourcing allocations so as to allow emerging and important systemic issues to be addressed in a manner that is timely and relevant to government.

The IGT has no power to direct the Commissioner of Taxation in the administration of the tax laws. The effectiveness with which the Inspector-General's advice to Government contributes to the achievement of the outcome may be difficult to assess. In some instances, the provision of advice to Government may lead to legislative change to address an identified systemic issue. However, on other occasions the Commissioner of Taxation may independently address a systemic issue identified by the IGT either as a result of undertaking a review, or following the release of a Review Report by the Minister or the publication of an Issues Paper or Work Programme by the Inspector-General.

3.2.4 Performance information for Outcome 1

Performance information for individual outputs and output groups relating to the IGT are summarised in Table 3.2.

Table 3.2: Performance information for Outcome 1

Performance indicators for individual outputs	
Output Group 1.1 - Inspector-General of Taxation	
Output 1.1.1 - Identification of issues for review and prioritisation of work programme	Quality: Broad-based community involvement in the identification of systemic issues in the administration of tax laws Reviews undertaken are relevant and timely for government and other stakeholders Price: \$0.1 million
Output 1.1.2 - Provision of independent advice to the Government on the administration of the tax laws	Quality: Reports, undertaken in accordance with required processes, are of a high standard, timely and useful to Government. Findings and recommendations achieve improved administration. Price: \$2.2 million

3.2.5 Evaluations for Outcome 1

Internal, informal monitoring of the IGT's performance and output is undertaken on a continuous basis.

Evaluation of actual levels of achievement will be shown in the IGT's 2007-08 Annual Report.

Section 4: Other reporting requirements

4.1 PURCHASER-PROVIDER ARRANGEMENTS

The Inspector-General of Taxation (IGT) does not have any purchaser-provider arrangements with any other Government agencies.

4.1.1 Cross agency overview

The IGT does not have any cross agency arrangements with any other Government agencies.

4.2 COST RECOVERY ARRANGEMENTS

The IGT does not have any cost recovery arrangements in place in respect of operational activities. Various organisations do provide travel and accommodation associated with some speaking engagements. The Inspector-General has negotiated a cost recovery/contra agreement with the Australian Reinsurance Pool Corporation in respect of office arrangements in Sydney and Canberra. While mutually beneficial to both organisations, the arrangement is revenue positive for the Inspector-General and the proceeds are covered by an agreement under section 31 of the *Financial Management and Accountability Act 1997*.

4.3 AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

Table 4.1: Australian Government Indigenous Expenditure

The IGT does not have any specific indigenous expenditure.

Section 5: Budgeted financial statements

5.1 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

For 2007-08, the office of the Inspector-General of Taxation (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. The cooperation and support of relevant Government agencies is also very important to the achievement of the outcome.

Budgeted departmental financial statements

It is expected that for 2007-08, approximately 50 per cent of the budget allocation will be expended on employee costs, 25 per cent on office accommodation and corporate overheads, and 25 per cent on direct costs associated with completion of the work programme. It is expected that this expenditure pattern will also continue in future years.

5.2 BUDGETED FINANCIAL STATEMENTS TABLES

**Table 5.1: Budgeted departmental income statement
(for the period ended 30 June)**

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
INCOME					
Revenue					
Revenues from Government	2,170	2,188	2,211	2,230	2,250
Goods and services	60	82	82	82	82
Total revenue	2,230	2,240	2,263	2,282	2,302
Total income	2,230	2,240	2,263	2,282	2,302
EXPENSE					
Employees	1,162	1,196	1,232	1,269	1,307
Suppliers	759	973	933	998	974
Depreciation and amortisation	66	101	128	45	51
Total expenses	1,987	2,240	2,263	2,282	2,302
Surplus or (deficit) attributable to the Australian Government	243	-	-	-	-

Table 5.2: Budgeted departmental balance sheet (as at 30 June)

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
ASSETS					
Financial assets					
Cash	65	136	231	240	259
Receivables	1,638	1,630	1,630	1,630	1,630
Total financial assets	1,703	1,766	1,861	1,870	1,889
Non-financial assets					
Infrastructure, plant and equipment	192	129	38	38	25
Other	3	-	-	-	-
Total non-financial assets	195	129	38	38	25
Total assets	1,898	1,895	1,899	1,908	1,914
LIABILITIES					
Provisions					
Employees	249	255	261	267	275
Other	63	63	63	63	63
Total provisions	312	318	324	330	338
Payables					
Suppliers	46	37	35	38	36
Total payables	46	37	35	38	36
Total liabilities	358	355	359	368	374
Net assets	1,540	1,540	1,540	1,540	1,540
EQUITY					
Retained surpluses	1,540	1,540	1,540	1,540	1,540
Total equity	1,540	1,540	1,540	1,540	1,540
Current assets	1,703	1,766	1,861	1,870	1,889
Non-current assets	195	129	38	38	25
Current liabilities	295	292	296	305	311
Non-current liabilities	63	63	63	63	63

**Table 5.3: Budgeted departmental statement of cash flows
(for the period ended 30 June)**

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	58	59	52	52	52
Appropriations	1,803	2,188	2,211	2,230	2,250
Total cash received	1,861	2,247	2,263	2,282	2,302
Cash used					
Employees	1,125	1,190	1,226	1,263	1,301
Suppliers	717	948	904	972	944
Total cash used	1,842	2,138	2,130	2,235	2,245
Net cash from or (used by) operating activities	19	109	133	47	57
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	16	38	38	38	38
Total cash used	16	38	38	38	38
Net cash from or (used by) investing activities	(16)	(38)	(38)	(38)	(38)
Net increase or (decrease) in cash held	3	71	95	9	19
Cash at the beginning of the reporting period	62	65	136	231	240
Cash at the end of the reporting period	65	136	231	240	259

Table 5.4: Departmental statement of changes in equity — summary of movement (Budget year 2007-08)

	Retained earnings \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Estimated opening balance as at 1 July 2007					
Balance carried forward from previous period	1,296	-	1	-	1,297
Estimated opening balance	1,296	-	1	-	1,297
Income and expense					
Surplus (deficit) for the period	243	-	-	-	243
Total income and expenses recognised directly in equity	243	-	-	-	243
Estimated closing balance as at 30 June 2008	1,539	-	1	-	1,540

Table 5.5: Departmental capital budget statement

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	-	-	-	-	-
Total loans	-	-	-	-	-
Total capital appropriations	-	-	-	-	-
Represented by:					
Purchase of non-financial assets	-	-	-	-	-
Other	-	-	-	-	-
Total represented by:	-	-	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	-	-	-	-	-
Funded internally by departmental resources	16	38	38	38	38
Total	16	38	38	38	38

Table 5.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2007-08)

	Land	Investment property	Buildings	Specialist military equipment	Other infrastructure plant and equipment	Heritage and cultural assets	Computer software	Other intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2007									
Gross book value	-	-	-	-	309	-	-	-	309
Accumulated depreciation	-	-	-	-	(117)	-	-	-	(117)
Opening net book value	-	-	-	-	192	-	-	-	192
Additions:									
by purchase	-	-	-	-	38	-	-	-	38
Depreciation/amortisation expense	-	-	-	-	(101)	-	-	-	(101)
As at 30 June 2008									
Gross book value	-	-	-	-	347	-	-	-	347
Accumulated depreciation	-	-	-	-	(218)	-	-	-	(218)
Estimated closing net book value	-	-	-	-	129	-	-	-	129

Table 5.7: Schedule of budgeted income and expenses administered on behalf of government (for the period ended 30 June)

The IGT does not have any administered items.

Table 5.8: Schedule of budgeted assets and liabilities administered on behalf of government (as at 30 June)

The IGT does not have any administered items.

Table 5.9: Schedule of budgeted administered cash flows (for the period ended 30 June)

The IGT does not have any administered items.

Table 5.10: Schedule of administered capital budget

The IGT does not have any administered items.

Table 5.11: Schedule of administered property, plant, equipment and intangibles – summary of movement (Budget year 2007-08)

The IGT does not have any administered items.

5.3 NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The budgeted financial statements have been prepared on an accrual basis in accordance with historical cost convention.

