INSPECTOR-GENERAL OF TAXATION

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Section 1: Agency overview and resources

1.1 STRATEGIC DIRECTION

The primary function of the Inspector-General of Taxation (IGT) is to improve the administration of the tax laws for the benefit of all taxpayers. This is to be achieved by reviewing both the systems established by the Australian Taxation Office (ATO) to administer the tax laws and the systems established by tax laws in relation to administrative matters. The Inspector-General's two outputs involve the identification of systemic issues and the provision of independent advice to government on the administration of the tax laws.

For 2008-09, the Inspector-General's strategic direction will be to maximise the advantage of the bridge between the community and tax administration that the role provides. This will include broadening the base of community input to the process of identifying systemic issues, and increasing focus on identifying improvements that will benefit the maximum number of taxpayers. The aim will be to encourage the broader community to help protect and improve the integrity of the tax system by using the independent channel of the Inspector-General to raise issues and have them transparently examined. Strategies for obtaining input and submissions from professional bodies and other representative stakeholder organisations will also be continued.

The Inspector-General also intends to extend successful strategies of engaging external expertise, particularly professional research expertise, as input to particular reviews.

The Inspector-General will also explore new strategies for undertaking reviews including joint projects with the ATO aimed at identifying and agreeing administrative improvements.

The Inspector-General expects to complete five formal reviews during 2008-09. A formal review will also be commenced of the extent to which the ATO has implemented agreed recommendations from Inspector-General reviews completed since July 2006. This would be the second such follow-up review and it would examine the extent to which the ATO has built upon the findings of the first review that 62 out of 65 agreed recommendations had been implemented.

1.2 AGENCY RESOURCE STATEMENT

Table 1.1 shows the total resources from all origins. The table summarises how resources will be applied to the IGT.

Table 1.1: Inspector-General of Taxation resource statement — Budget estimates for 2008-09 as at Budget May 2008

	Estimate of prior + year amounts available in 2008-09 $'000	Proposed at Budget = 2008-09 $'000	Total estimate 2008-09 $'000	Estimated appropriation available 2007-08 $'000
Ordinary annual services				
Departmental outputs				
Departmental outputs	1,882 [3]	2,167 [1]	4,049	2,178
Receipts from other sources (s31)	-	52 [2]	52	52
Total net resourcing for the IGT	**1,882**	**2,219**	**4,101**	**2,230**

1. Appropriation Bill (No.1) 2008-09.
2. Receipts received under s31 of the *Financial Management and Accountability Act 1997.*
3. Estimated adjusted balance carried forward from previous year for annual appropriations.

1.3 BUDGET MEASURES

Table 1.2: Inspector-General of Taxation 2008-09 Budget measures

The IGT does not have any Budget measures for 2008–09.

Section 2: Outcomes and planned performance

2.1 OUTCOMES AND PERFORMANCE INFORMATION

The Australian Government requires agencies to measure their intended and actual performance in terms of outcomes. Government outcomes are the results, impacts or consequences of actions by the Government on the Australian community.

The IGT's outcome is described below, specifying the performance indicators and targets used to assess and monitor the performance of the IGT in achieving government outcomes.

2.1.1 Outcome 1: Improved administration of the tax laws for the benefit of all taxpayers

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 (output 1.1.1); and
- to review identified areas and provide independent advice and recommendations to government on improvements to the administration of the tax laws (output 1.1.2).

The major projects and activities expected to be commenced and/or completed during 2008-09 include:

- completion of the following current reviews;
  - reviews into the ATO's Ability to Identify and Deal with Major, Complex Issues within Reasonable Timeframes (fourth summary report arising from three completed cases studies);
  - review into the ATO's administration of public binding advice;
  - review into the non-lodgement of income tax returns;
  - review into aspects of the ATO's settlement of active compliance activities; and
  - review into the underlying causes and the management of objections to the ATO's decisions.

- working positively with the ATO to gain agreement to systemic improvements identified by reviews;
- extensive consultation with professional bodies and societies that represent taxpayers, and with their advisors to update the IGT forward work program and establish review priorities;
- commencement of the following reviews on the IGT's forward work program (subject to being deferred if higher priority demands arise):
  - a follow up review into the ATO's implementation of agreed recommendations included in the six reports prepared by the IGT between June 2006 and December 2007;
  - the extent to which the ATO has fulfilled its obligation in a self-assessment system to provide adequate and contemporary guidance to taxpayers on matters it has publicly identified as a compliance risk;
  - the potential for increasing the use of guidelines that increase taxpayer certainty in areas of compliance focus;
  - the ATO's level of investment in staff that set legal precedents; and
  - the ATO's management of the Higher Education Loan Program.
- piloting new approaches to IGT review processes.

Outcome 1 resource statement

Table 2.1 provides additional detail of budget appropriations and the total resourcing for outcome 1.

Table 2.1: Total resources for outcome 1

Outcome 1: Improved administration of the tax laws for the benefit of all taxpayers	2008-09 Total estimate of available resources $'000	2007-08 Estimated actual $'000
Output group 1.1 - Inspector-General of Taxation		
Departmental outputs		
Output 1.1.1 - Identification of issues for review and prioritisation of work program	108	109
Output 1.1.2 - Provision of independent advice to the government on the administration of the tax laws	2,059	2,069
Receipts from other sources (s31)	52	52
Total resources for outcome 1	2,219	2,230

	2008-09	2007-08
Average staffing level (number)	7	7

Note: Departmental splits by output, are indicative estimates and may change in the course of the budget year as government priorities change.

Contributions to outcome 1

Output group 1.1 — Inspector-General of Taxation	
The key result to be achieved is the implementation by the ATO or by government of the Inspector-General's advice and recommendations for systemic improvements to tax administration. Components of output group 1.1 are: Output 1.1.1 — Identification of issues for review and prioritisation of work program; and Output 1.1.2 — Provision of independent advice to the government on the administration of the tax laws.	
Key performance indicators	2008-09 target
A publicly available prioritised forward work program of reviews.	Timely publishing of forward work program on the IGT website.
Completion of reviews recommending systemic improvements to tax administration.	Five reviews completed with substantive recommendations for systemic improvements.
Positive feedback and continued support from community stakeholders.	Significant number of submissions to reviews and continued stakeholder contribution through consultation processes. Community response to reviews and recommendations.
Recommendations are agreed and implemented by the ATO or the government.	Recommendations are agreed and implemented.

Section 3: Explanatory tables and budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of agency finances for the budget year 2008-09. It explains how budget plans are incorporated into the financial statements and provides further details of movements in administered funds, special accounts and government Indigenous expenditure.

3.1 EXPLANATORY TABLES

3.1.1 Reconciliation of total available appropriation and outcomes

The Agency Resource Statement (Table 1.1) details the total available appropriation available to the IGT from all sources. For departmental operating appropriations (outputs) this includes carry-forward amounts as well as amounts appropriated at budget. As the IGT incurs and is funded for future liabilities, generally depreciation and employee entitlements, the total amount of departmental operating appropriation available to the IGT is unlikely to be fully utilised in the budget year. The difference between the agency resource statements and the sum of all payments made at the departmental outputs level is the expected carry-forward amount of resources for the 2009-10 budget year, including amounts related to meeting future obligations to maintain the IGT's asset base and to meet employee entitlement liabilities.

Table 3.1.1: Reconciliation of total available appropriation and outcomes

	$'000
Total available departmental operating appropriation (outputs)	4,101
Less estimated payments in 2008-09	2,207
Estimated departmental outputs carried forward and available for 2009-10	1,894

3.1.2 Movement of administered funds between years

Table 3.1.2: Movement of administered funds between years

The IGT does not have any administered funds.

3.1.3 Special accounts

Table 3.1.3: Estimates of special account cash flows and balances

The IGT does not have any special accounts.

3.1.4 Australian Government Indigenous Expenditure

Table 3.1.4: 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 2008-09, 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. The cooperation and support of relevant Government agencies is also very important to the achievement of outcomes.

It is expected that for 2008-09, approximately 55 per cent of the budget allocation will be expended on employee costs, 25 per cent on office accommodation and corporate overheads, and 20 per cent on other direct costs associated with completing the work program. Employee costs are expected to rise gradually as a proportion of budget allocation in future years.

3.2.3 Budgeted financial statements tables

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

	Estimated actual 2007-08 $'000	Budget estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000	Forward estimate 2011-12 $'000
INCOME					
Revenue					
Revenues from Government	2,178	2,167	2,184	2,200	2,232
Rents	52	52	52	52	52
Other	4	-	-	-	-
Total revenue	2,234	2,219	2,236	2,252	2,284
Gains					
Other	18	18	18	18	18
Total gains	18	18	18	18	18
Total income	2,252	2,237	2,254	2,270	2,302
EXPENSE					
Employees	1,202	1,232	1,294	1,358	1,426
Suppliers	899	932	896	874	838
Depreciation and amortisation	67	73	64	38	38
Total expenses	2,168	2,237	2,254	2,270	2,302
Surplus (deficit) attributable to the Australian Government	84	-	-	-	-

Prepared on an Australian Accounting Standards basis.

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

	Estimated actual 2007-08 $'000	Budget estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000	Forward estimate 2011-12 $'000
ASSETS					
Financial assets					
Cash and equivalents	67	79	51	64	79
Trade and other receivables	1,827	1,828	1,827	1,827	1,827
Total financial assets	1,894	1,907	1,878	1,891	1,906
Non-financial assets					
Infrastructure, plant and equipment	98	63	37	37	37
Other	-	25	25	25	25
Total non-financial assets	98	88	62	62	62
Total assets	1,992	1,995	1,940	1,953	1,968
LIABILITIES					
Provisions					
Employees	252	264	276	290	304
Other	67	70	-	-	-
Total provisions	319	334	276	290	304
Payables					
Suppliers	62	50	53	52	53
Total payables	62	50	53	52	53
Total liabilities	381	384	329	342	357
Net assets	1,611	1,611	1,611	1,611	1,611
EQUITY					
Contributed equity	1	1	1	1	1
Retained surpluses or accumulated deficits	1,610	1,610	1,610	1,610	1,610
Total equity	1,611	1,611	1,611	1,611	1,611
Current assets	363	401	372	385	400
Non-current assets	1,629	1,594	1,568	1,568	1,568
Current liabilities	163	225	164	168	175
Non-current liabilities	218	159	165	174	182

Prepared on an Australian Accounting Standards basis.

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

	Estimated actual 2007-08 $'000	Budget estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000	Forward estimate 2011-12 $'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	1,983	2,167	2,184	2,200	2,232
Other	52	52	52	52	52
Total cash received	2,035	2,219	2,236	2,252	2,284
Cash used					
Employees	1,190	1,220	1,281	1,345	1,412
Suppliers	848	949	945	856	819
Total cash used	2,038	2,169	2,226	2,201	2,231
Net cash from or (used by) operating activities	(3)	50	10	51	53
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	-	38	38	38	38
Total cash used	-	38	38	38	38
Net cash from or (used by) investing activities	-	(38)	(38)	(38)	(38)
Net increase or (decrease) in cash held	(3)	12	(28)	13	15
Cash at the beginning of the reporting period	70	67	79	51	64
Cash at the end of the reporting period	67	79	51	64	79

Prepared on an Australian Accounting Standards basis.

Table 3.2.4: Departmental statement of changes in equity — summary of movement (Budget year 2008-09)

	Retained earnings $'000	Asset revaluation reserve $'000	Other reserves $'000	Contributed equity/ capital $'000	Total equity $'000
Opening balance as at 1 July 2008					
Balance carried forward from previous period	1,610	-	-	1	1,611
Estimated closing balance as at 30 June 2009	1,610	-	-	1	1,611

Prepared on an Australian Accounting Standards basis.

Table 3.2.5: Schedule of budgeted income and expenses administered on behalf of Government (for the period ended 30 June)

The IGT does not have any administered funds.

Table 3.2.6: Schedule of budgeted assets and liabilities administered on behalf of Government (as at 30 June)

The IGT does not have any administered funds.

Table 3.2.7: Schedule of budgeted administered cash flows (for the period ended 30 June)

The IGT does not have any administered funds.

3.2.4 Notes to the financial statements

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