

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

10 – 11 February 2010

Question: aet 34

Topic: \$25 Million Deficit

Hansard Page: Written

Senator EGGLESTON asked:

1. Can you explain the reason for the \$25 million deficit reported for the last financial year?
2. Have you had budget problems in the past?
3. How does the ATO plan to rectify the situation?

Answer:

1. The ATO incurred an operating loss of \$25.8 million (before income tax) in 2008-09 which represents an 0.8 per cent overspend against budget.

The primary reason for the loss in 2008-09 was the continuing impact of the largely self-funded Change Program. Additional costs were incurred following delays in finalising this program and as a result of integrating additional legislative requirements including significant reforms to superannuation systems. The superannuation reforms were announced by the former Howard Government on 9 May 2006 with a start date of 1 July 2007. These delays increased costs as the ATO had to maintain legacy systems for longer than originally anticipated. In addition the ATO, like other Australian Public Service departments, was required to fund efficiency dividends including those associated with the Gershon review, over and above the efficiencies implicit in wage increases associated with the ATO's new agency agreement.

2. The ATO's financial results over the last four years are set out below:
 - 2005-06 - \$8.4 million operating loss before income tax
 - 2006-07 - \$61.3 million operating surplus before income tax
 - 2007-08 - \$127.0 million operating loss before income tax, and
 - 2008-09 - \$25.8 million operating loss before income tax.
3. The ATO is currently on track to finish 2009-10 within budget and will not incur a further operating loss this year. To achieve this result, a range of strategies have been put in place to improve the ATO's financial management processes and to provide a better overview of projected expenditure patterns. Included in these strategies is better monitoring of the extra costs of information technology and Change Program expenditure. The deployment of the integrated core processing system means that the ATO does not have to maintain all aspects of its legacy system.

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The ATO has also continued to promote a series of thrift initiatives including improved utilisation of video conferencing facilities to help reduce travel related costs as well as closer monitoring of recruitment and other staff related costs to help mitigate any future losses. The ATO has also reviewed its corporate functions and developed a national property strategy to identify efficiencies.