



THE HON PETER DUTTON MP
MINISTER FOR REVENUE AND ASSISTANT TREASURER

18 JAN 2007

Mr D Vos AM
Inspector-General of Taxation
GPO Box 551
SYDNEY NSW 2001

David,
Dear Inspector-General

I am pleased to provide you with the Government's Statement of Expectations for the Inspector-General of Taxation.

This Statement is part of the implementation of the Government's response to the *Review of the Corporate Governance of Statutory Authorities and Office Holders* authored by Mr John Uhrig (the Uhrig Report).

The Uhrig Report identified ways in which the governance of Commonwealth portfolio bodies may be improved, and recommended options for increasing transparency and accountability as well as ensuring well-defined responsibilities and clear relationships between portfolio bodies and other arms of Government.

The Government is issuing a Statement of Expectations to portfolio bodies, within the powers provided under legislative frameworks and taking into account statutory and judicial independence, and requesting that portfolio bodies respond with a Statement of Intent. I look forward to receiving your Statement of Intent within two months of you receiving this Statement of Expectations. In the interest of public accountability, both of these documents will be made public. It is my intention that the Statement of Expectations will be reviewed as circumstances require.

This Statement of Expectations outlines the Government's expectations with regards to your role and responsibilities, your relationship with the Government, your priorities, issues of transparency and accountability and operational issues. As recognised by the Uhrig Report, I have taken into account the nature of your role as outlined in the *Inspector-General of Taxation Act 2003* (the Inspector-General Act) in making this Statement.

Roles and responsibilities of the Inspector-General of Taxation

The overall objective of the Inspector-General Act is to improve the administration of tax laws for the benefit of all taxpayers. The functions of the Inspector-General are set out in section 7 of the Inspector-General Act. They are to review systems established by the Australian Taxation Office to administer tax laws, to review systems established by tax

laws to the extent those systems deal with administrative matters and to report on those reviews to Treasury ministers. However, you cannot review rules imposing or creating an obligation to pay an amount or the quantification of such an amount. The focus of your reviews is to be limited to administration systems, rather than individual taxpayer matters or the handling of particular cases.

Relationship with the Minister

The Government recognises your discretion to set your work programme, subject to any directions to conduct a review given by a Treasury minister under subsection 8(2) of the Inspector-General Act. It is important that you provide me, and other Treasury ministers, with accurate and timely information on the conduct of your reviews, related activities such as public submissions and speeches, and any other information on matters relating to the administration of your office for which the Government is accountable to Parliament.

Relationship with Treasury

The Government accepted the Uhrig Report recommendation that portfolio bodies should provide information to portfolio secretaries in parallel to that information provided to ministers. All information, briefings, press releases and correspondence the Inspector-General provides to ministers should be copied to the Secretary to the Treasury.

The role of Treasury is to support and advise me and the other Treasury ministers in our responsibilities by being the principal source of advice on a wide range of issues, including taxation, excise and superannuation policy and the design of relevant legislation. Treasury is also responsible for providing advice to Treasury ministers on issues relating to the administration of the Inspector-General Act. It is important you support this role by providing the Secretary to the Treasury with the timely briefings on any significant issues related to your activities.

I note that informal working arrangements currently exist between Treasury and your office. I would ask that these arrangements be formalised to ensure that good working arrangements are maintained and reviewed on a regular basis. These working arrangements will reflect Treasury's role as outlined above, and should be in place by 31 March 2007.

Inspector-General of Taxation priorities, transparency and accountability

I am aware of your role in initiating reviews and that others may make suggestions to you on what may be an appropriate area to review. I also note that you are required to consult with the Commonwealth Ombudsman and the Commonwealth Auditor-General, at least once a year, to assist in setting your work programme. I look forward to receiving written reports on the outcomes of the reviews undertaken and any recommendations that you think appropriate concerning how the systems reviewed could be improved.

With regard to accountability, I note your responsibility for the preparation of annual reports to Parliament. Your activities are also subject to reviews by Parliamentary Committees, the Commonwealth Ombudsman, the Australian National Audit Office and the Privacy Commissioner to the extent of their legislative authority.

Operational issues

I recognise you employ staff under the *Public Service Act 1999* which requires all office holders and their staff to uphold and promote the Australian Public Service values.

I note that the executive management governance template and the *Financial Management and Accountability Act 1997* will continue to apply to the Inspector-General of Taxation. This governance and financial structure is well suited to the Inspector-General's management model and role as part of the Commonwealth financial framework.

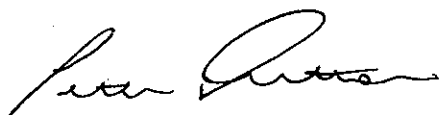
It is Government policy that all departments and portfolio bodies should continue to improve efficiency in their operations and demonstrate value for money for the services that they deliver. I expect that you will continue to seek opportunities to achieve outcomes in a cost-effective manner.

Conclusion

The Government's expectation is that the Inspector-General of Taxation will be a high-performing and responsive agency and will review and enhance the above arrangements as necessary to maintain the highest standards of corporate governance, accountability and transparency.

I have copied this correspondence to the Prime Minister, the Treasurer, the Parliamentary Secretary to the Treasurer and the Minister for Finance and Administration.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Dutton', written in a cursive style.

PETER DUTTON