

The Auditor-General
Auditor-General Report No.33 2020–21
Performance Audit

Administration of Parliamentary Expenses by the Independent Parliamentary Expenses Authority

[Independent Parliamentary Expenses Authority](#)

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Canberra ACT
29 March 2021

Dear Mr President
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in the Independent Parliamentary Expenses Authority. The report is titled *Administration of Parliamentary Expenses by the Independent Parliamentary Expenses Authority*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website — <http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, reading "Grant Hehir".

Grant Hehir
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office (ANAO). The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits, financial statement audits and assurance reviews of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Australian Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Audit snapshot

Auditor-General Report No.33 2020–21

Administration of Parliamentary Expenses by the Independent Parliamentary Expenses Authority



Why did we do this audit?

- ▶ Reforms to the parliamentary entitlements system were enacted in 2017–18, designed to increase clarity for parliamentarians, and transparency and accountability for the general public.
- ▶ As the Independent Parliamentary Expenses Authority (IPEA) has been operational for over three years, it is timely to review whether it undertook its legislative functions in an effective and efficient manner, and contributed to the intent of the 2017–18 reforms.



What did we find?

- ▶ IPEA's administration of parliamentary expenses has been largely effective.
- ▶ IPEA has been effective at providing travel advice to parliamentarians and processing travel claims.
- ▶ IPEA's assurance framework is not informed by an assessment of compliance risk and visibility over relevant expenses administered by other entities.
- ▶ IPEA's public reporting of parliamentary expenditure has contributed to improving the transparency of the expenses framework.



Key facts

- ▶ IPEA was established as an executive body on 3 April 2017, and as a statutory agency on 1 July 2017.
- ▶ The principles-based *Parliamentary Business Resources Act 2017* came into effect on 1 January 2018.
- ▶ In 2019–20, IPEA had an operational budget of \$14.2 million, and processed 143,176 travel claims.



What did we recommend?

- ▶ The Auditor-General made four recommendations to IPEA to strengthen:
 - ▶ business risk management;
 - ▶ compliance risk assessment;
 - ▶ assurance activity planning; and
 - ▶ performance measurement.
- ▶ IPEA agreed to all four recommendations.

\$42.7m

Travel expenses administered by IPEA in 2019–20.

\$30,875

Value of non-compliance identified by IPEA's assurance activities in 2019–20.

90.9%

Parliamentarians who certified their listed expenditure was within the legislated purpose for the Apr-Jun 2020 quarterly expenditure report.

Summary and recommendations

Background

1. Parliamentarians are provided with a range of support services and allowances to assist them to carry out their duties, including office accommodation and facilities, support staff, and travel. Parliamentary work expenses, particularly those related to travel, have been the subject of multiple reviews and ANAO performance audits over a number of years.¹ These reviews generally concluded that the entitlements system for parliamentarians was complex, confusing, contradictory and difficult to administer.
2. Following a review of the parliamentary expenses framework in 2016, Parliament enacted two pieces of legislation that made significant changes to the framework:
 - the *Parliamentary Business Resources Act 2017* (PBR Act) established a principles-based framework governing the resources available to parliamentarians to support them in carrying out their duties²; and
 - the *Independent Parliamentary Expenses Authority Act 2017* (IPEA Act) established the Independent Parliamentary Expenses Authority (IPEA) as a body to administer and oversee the travel and related expenses of parliamentarians and their staff³, and to also audit and report on parliamentarians' work expenses.⁴
3. IPEA has an estimated average staffing level of 52. In 2019–20, it administered parliamentary travel expenses of \$42.7 million, down from \$59.8 million in 2018–19 due to the impact of the COVID-19 pandemic.

Rationale for undertaking the audit

4. Reforms to the parliamentary entitlements system were enacted in 2017–18 through the creation of IPEA and establishment of a principles-based framework governing the resources available to parliamentarians to support them in carrying out their duties. Together these changes were designed to provide:

1 Previous reviews of parliamentary expenses include:

- B Belcher AM, *Committee for the Review of Parliamentary Entitlements*, April 2010;
- H Williams AO, *Review of the Administration of Parliamentary Entitlements by the Department of Finance and Deregulation*, January 2011; and
- J Conde AO and D Tune AO PSM, *An Independent Parliamentary Entitlements System Review*, February 2016.

Previous Auditor-General reports of parliamentary expenses include:

- No. 3 2009–10 *Administration of Parliamentarians' Entitlements by the Department of Finance and Deregulation*; and
- No. 42 2014–15 *Administration of Travel Entitlements Provided to Parliamentarians*.

- 2 Domestic travel expenses for parliamentary staff employed under the *Members of Parliament (Staff) Act 1984* (MoPS staff) are generally not included in the PBR Act, see paragraph 1.10 for further details.
- 3 Travel related expenses include passports, medical checks pre-travel, car parking, and travel allowance (such as accommodation, food and incidentals).
- 4 Examples of parliamentary work expenses administered by other agencies are outlined in Table 1.2.

... greater clarity to parliamentarians in their use of taxpayers' money while further increasing transparency and accountability on such expenditure.⁵

5. In 2019–20, IPEA was responsible for the administration of parliamentary travel expenses to the value of \$42.7 million, with oversight of a further \$126.4 million of parliamentary work and travel expenses administered by other entities. With IPEA having been operational for over three years, it is timely to provide assurance on whether IPEA has undertaken its legislative functions in an efficient and effective manner, and contributed to the achievement of the intent of the 2017–18 reforms. The audit will also inform the statutory reviews of the parliamentary expenses framework, and IPEA's role.

Audit objective and criteria

6. The audit objective was to assess the efficiency and effectiveness of the Independent Parliamentary Expenses Authority's (IPEA's) administration of parliamentary expenses.

7. The high-level criteria were:

- Has IPEA efficiently and effectively provided advice on parliamentary travel expenses and processed travel claims?
- Has IPEA implemented a risk-based assurance framework for parliamentary expense payments?
- Has IPEA undertaken appropriate public reporting?

Conclusion

8. IPEA's administration of parliamentary expenses has been largely effective. While IPEA's administration of travel claims is heavily reliant on parliamentarians upholding their obligations and certifying that their travel expenses are compliant, IPEA's assurance and reporting functions improved the accountability and transparency of parliamentary expenses — key objectives of the 2017–18 reforms.

9. Governance oversight arrangements to support its administration of parliamentary expenses are largely appropriate. IPEA has provided advice and processed claims effectively, and in a timely manner. Business risk management requires improvement, and IPEA has not established efficiency measures for its service delivery functions.

10. IPEA has not implemented a risk-based assurance framework for parliamentary expense payments. While IPEA is implementing its planned assurance activities and appropriately undertakes remedial actions and recoveries, the assurance framework is not based on risk and there is no strategy for its implementation.

11. IPEA has undertaken largely appropriate public reporting of parliamentary expenditure that has contributed to improving the transparency of the expenses framework. IPEA's performance framework could provide a more reliable and complete basis to assess the extent to which it is achieving its purpose.

5 The Hon Josh Frydenberg MP (Minister for the Environment and Energy), Second Reading Speech, Parliamentary Business Resources Bill 2017, 30 March 2017.

Supporting findings

Governance and service delivery

12. IPEA has established largely appropriate governance oversight. Improvements are needed to the management of the risk register, shared risks, and conflicts of interest.

13. IPEA's client contact database does not record what proportion of the 10,273 contacts IPEA had with parliamentarians and their staff in 2019–20 involved the provision of specific or tailored guidance relating to the use of parliamentary travel resources. ANAO testing of a sample of tailored advice indicates that IPEA has provided accurate and consistent advice on parliamentary travel expenses.

14. IPEA has processed travel claims in line with the parliamentary expenses framework.

15. IPEA has not established arrangements to measure its efficiency in processing advice and travel claims. IPEA reports achieving its timeliness measures for advice and claims processing. As at December 2020, the Finance-managed Parliamentary Expenses Management System (PEMS) project which is intended to improve efficiency, is delayed over two years and is 25 per cent over budget.

Assurance and recoveries

16. IPEA has established a partly appropriate compliance assurance framework. The framework includes a graduated approach to the conduct of assurance activities. However, the framework was not informed by an assessment of compliance risk, including in respect to expenses administered by other entities.

17. IPEA has implemented its assurance activities in accordance with its high-level assurance framework. These activities were appropriate with respect to the dominant purpose of the travel. However, IPEA does not have a documented strategy to ensure its resources and activities address the highest compliance risk.

18. IPEA has taken appropriate action to apply penalties and recover payments for travel claims that it had identified as inconsistent with the parliamentary expenses framework.

Public reporting

19. IPEA's public reporting of parliamentary expenses has been largely accurate, and reporting timeliness has improved with the transition to quarterly reports. Transparency has improved with publication on data.gov.au for each reporting period. There would be benefit in IPEA publishing parliamentary expenses trend analysis, and analysis of parliamentarian certification status.

20. IPEA has established a largely appropriate performance measurement framework. IPEA's purpose and activities provides a largely appropriate basis to demonstrate to the Parliament and the public that IPEA is achieving its objectives. Its 2019–20 performance measures and targets did not provide a complete picture of its performance. IPEA have adopted a more appropriate range of measures and targets for 2020–21. Further improvements in relation to reliability and completeness are required.

21. While the performance statements show IPEA has met all its 2019–20 performance targets, the statements provide a relatively limited understanding of the extent to which it is

achieving its purposes. Shortcomings in its performance measurement framework and use of estimates reduced the reliability of IPEA's 2019–20 performance statements.

Recommendations

Recommendation no.1

Paragraph 2.23

The Independent Parliamentary Expenses Authority improve its risk management to ensure that:

- (a) oversight and review of the risk register is conducted on a regular basis;
- (b) the controls in the risk register includes dates for implementation, sufficient detail about the control, and controls clearly address the identified risk; and
- (c) IPEA engages with other relevant entities to implement arrangements to manage shared risk consistent with the Commonwealth Risk Management Policy; and
- (d) agreed approaches to managing identified staff conflicts of interest are clearly documented and compliance with agreed approaches is monitored.

Independent Parliamentary Expenses Authority response: *Agreed.*

Recommendation no.2

Paragraph 3.13

The Independent Parliamentary Expenses Authority assess, document and regularly review compliance risks in relation to all of its assurance responsibilities under the parliamentary expenses framework including expenses administered by other entities.

Independent Parliamentary Expenses Authority response: *Agreed.*

Recommendation no.3

Paragraph 3.19

The Independent Parliamentary Expenses Authority establish a documented strategy outlining how it intends to implement its assurance framework and allocate its assurance resources in accordance with compliance risk.

Independent Parliamentary Expenses Authority response: *Agreed.*

Recommendation no.4

Paragraph 4.57

The Independent Parliamentary Expenses Authority makes further improvements to the reliability and completeness of its performance measures consistent with section 16EA of the *Public Governance, Performance and Accountability Rule 2014* and Resource Management Guide 131, Developing performance measures, and supports reporting on its effectiveness with respect to its purpose and primary activities and strategies.

Independent Parliamentary Expenses Authority response: *Agreed.*

Summary of Independent Parliamentary Expenses Authority response

22. The Independent Parliamentary Expenses Authority's summary response to the report is provided below, and its full response is at Appendix 1.

IPEA was established within a relatively short timeframe, being announced on 13 January 2017, commencing as an independent statutory authority on 1 July 2017 and operating under a new legislative framework from 1 January 2018. The audit and this Report have provided a timely opportunity to consider how IPEA has responded to the challenges of:

- establishing a transparency organisation
- moving from rules-based entitlements to principles-based work expenses, and
- enhancing accountability through the dual strategies of education and enforcement.

The Report identifies four recommendations for IPEA to mature. These are in the areas of: managing business and compliance risk; planning of assurance activities; and measuring performance. Noting the specific context in which each recommendation is made, IPEA agrees the recommendations.

23. The Department of Finance and the Department of Defence's responses to extracts of the report are also included in Appendix 1.

Key messages from this audit for all Australian Government entities

24. Below is a summary of key messages, including instances of good practice, which have been identified in this audit and may be relevant for the operations of other Australian Government entities.

Governance

- When multiple agencies are responsible for administering aspects of the same framework, it is important to have regular engagement to share findings and learnings, to assist in the achievement of shared goals.

Program implementation

- To assist in targeting resources to entity objectives, the design of assurance and compliance activities should be driven by an assessment of risk. This risk assessment should be based on available data, including trend analysis.

Performance and impact measurement

- Adopting systems to analyse the resource inputs and activity outputs will better position entities to measure efficiency and monitor trends in efficiency over time.
- Subject to privacy and security obligations, where possible entities should publish data on the Australian Government's data sharing portal (data.gov.au) to support transparency and allow the public to analyse the data for their own purposes.

Audit findings

1. Background

Introduction

1.1 Parliamentarians are provided with a range of support services and allowances to assist them to carry out their duties, including office accommodation and facilities, support staff, and travel. Parliamentary travel may include: to Canberra for Parliamentary sitting periods; within their electorate to meet with constituents; for participation in parliamentary committees; or for ministerial or other official duties.

1.2 Sound arrangements for the administration of work expenses for parliamentarians and their staff supports the accountability and transparency of taxpayer funds, aligns to the value for money expectations of the public, and considers the safety and security of the travelling parliamentarian and their support staff.

The parliamentary expenses framework

Reviews of the parliamentary expenses framework

1.3 Parliamentary work expenses particularly those related to travel, have been the subject of multiple reviews and ANAO performance audits.⁶ These reviews, which pre-date the establishment of the Independent Parliamentary Expenses Authority (IPEA), generally concluded that the entitlements system for parliamentarians was complex, confusing, contradictory and difficult to administer.

1.4 The 2015 Auditor-General performance audit of travel entitlements found that recommendations from previous reviews had been largely unaddressed, and deficiencies in the framework remained. Under the then rules-based framework of the *Parliamentary Entitlements Act 1990*, the audit also reviewed the administration of travel entitlements focusing on travel allowances and charter transport, and whether submitted claims were eligible under that framework.

6 Previous reviews of parliamentary expenses include:

- B Belcher AM, *Committee for the Review of Parliamentary Entitlements*, April 2010;
- H Williams AO, *Review of the Administration of Parliamentary Entitlements by the Department of Finance and Deregulation*, January 2011; and
- J Conde AO and D Tune AO PSM, *An Independent Parliamentary Entitlements System Review*, February 2016.

Previous Auditor-General reports of parliamentary expenses include:

- No. 3 2009–10 *Administration of Parliamentarians' Entitlements by the Department of Finance and Deregulation*; and
- No. 42 2014–15 *Administration of Travel Entitlements Provided to Parliamentarians*.

1.5 In 2015, the government commissioned a review of the parliamentary expenses framework. According to the review's terms of reference:

Rather than another series of changes that merely tinker at the edges of the system, it is time for fundamental reform aimed at inserting independence into the system that sets and monitors the use of parliamentary entitlements.⁷

1.6 The review reported in 2016 and made 36 recommendations to government, including that a principles-based framework be established for parliamentary expenses, rules for allowance be simplified, and that an inclusive definition of 'parliamentary business' be adopted.

Reforms to the framework

1.7 Following the public release of the 2016 review report, the government introduced the Parliamentary Business Resources Bill and the Independent Parliamentary Expenses Authority Bill into Parliament. According to the government, these would:

...see the implementation of a number of key recommendations of the review chaired by John Conde and David Tune into the parliamentary entitlements system, by streamlining the legislative and administrative framework for parliamentarians' work expenses into one single head of legislative authority...

As parliamentarians we have a duty to ensure that our use of public resources meets the expectations of all Australians. Following the establishment of the [Independent Parliamentary Expenses Authority], this bill is the next step in a robust response to the obvious shortcomings of the existing system ... [it will] ... provide greater clarity to parliamentarians in their use of taxpayers' money while further increasing transparency and accountability on such expenditure.⁸

1.8 The *Parliamentary Business Resources Act 2017* (PBR Act) came into effect on 1 January 2018. It established a principles-based framework governing the resources available to parliamentarians to support them in carrying out their duties. Parliamentary obligations under the framework are outlined in Table 1.1.

7 J Conde AO and D Tune AO PSM, *An Independent Parliamentary Entitlements System Review*, February 2016, p.138.

8 The Hon Josh Frydenberg MP (Minister for the Environment and Energy), Second Reading Speech, Parliamentary Business Resources Bill 2017, 30 March 2017.

Table 1.1: Parliamentarian obligations within the principles-based PBR Act

Obligation	Description
Dominant purpose	Parliamentarians must ensure that any expenses incurred are for the 'dominant purpose' of conducting parliamentary business. ^a
Value for money	The expenses framework requires that parliamentarians use public resources for parliamentary business in a way that achieves value for money. The PBR Act defines value for money as using public money 'efficiently, effectively and economically' (s.5).
Good faith	Parliamentarians need to act ethically and in good faith when using, or accounting for, public resources. For example, they must not seek to disguise their personal or commercial business as parliamentary business. Acting in good faith would require that parliamentarians act honestly and consider all of the reasons for claiming or using public resources in the circumstances.
Personal responsibility and accountability	A parliamentarian is personally responsible and accountable for their use of public resources and should consider how the public would perceive their use of these resources for travel in particular circumstances. Personal responsibility extends to the use of public resources in the parliamentarians' name by others who may be authorised to incur expenses within their office, or for family reunion purposes. A parliamentarian must be prepared to publicly justify their use of public resources and should consider how the public would perceive their use of public resources for travel in particular circumstances.
Conditions	A parliamentarian must not make a claim, or incur an expense, in relation to a public resource if they have not met all of the conditions for its provision.

Note a: Parliamentary business excludes any activity carried out for the dominant purpose of providing a personal benefit to the member or another person or pursuing commercial purposes of the member or another person.

Source: Independent Parliamentary Expenses Authority, *What are the Obligations?* [Internet], IPEA, available from [https://www.ipea.gov.au/sites/default/files/fact sheet - what are the obligations.pdf](https://www.ipea.gov.au/sites/default/files/fact%20sheet%20-%20what%20are%20the%20obligations.pdf) [accessed 18 October 2020] and the PBR Act.

1.9 The definition of 'parliamentary business' was established to include activities that fall within the following four streams:

- parliamentary duties — activities of the parliamentarian that relate directly to the parliamentarian's role as a member of Parliament;
- electorate duties — activities of the parliamentarian that support or serve their constituents;
- party political duties — formal meetings of the political party to which they belong (including party committee meetings and the like) or party conferences; and
- official duties — activities that relate to the parliamentarian's role as an office holder or Minister.

1.10 Domestic travel expenses for parliamentary staff employed under the *Members of Parliament (Staff) Act 1984* (MoPS staff under the MoP(S) Act) are generally not included in the PBR Act.⁹ A Determination of the MoP(S) Act, and their Enterprise Agreement guide the eligibility and rules for MoPS staff domestic travel.

⁹ International staff travel, along with any associated domestic travel such as connecting flights, is subject to the PBR Act.

The role of the Independent Parliamentary Expenses Authority

1.11 In January 2017, the government committed to establishing an independent body to administer and oversee the travel and related expenses of parliamentarians and MoPS staff, and to also audit and report on parliamentarians' work expenses. The administration and reporting functions had been undertaken by the Ministerial and Parliamentary Services (MaPS) Division of the Department of Finance (Finance).

1.12 The Independent Parliamentary Expenses Authority (IPEA) commenced operations as an executive agency on 3 April 2017, and was established as a statutory authority on 1 July 2017. In 2020–21, IPEA has departmental resourcing of \$12.97 million, and an estimated average staffing level of 52. The key functions of IPEA as stipulated in the *Independent Parliamentary Expenses Authority Act 2017* (IPEA Act) are:

- giving advice about travel resources; and
- monitoring travel resources; and
- preparing regular reports relating to work resources and travel resources; and
- audits relating to work resources and travel resources; and
- processing claims relating to travel resources; and
- giving rulings relating to travel resources.¹⁰

1.13 IPEA administers travel resources for both parliamentarians and MoPS staff. The responsibilities for administering other parliamentary work expenses are described in Table 1.2.

Table 1.2: Parliamentary expenses administered by other entities

Expense	Administered by	Reported by	Oversight by IPEA
International Travel	IPEA, Department of Foreign Affairs and Trade, and the Department of Prime Minister and Cabinet	IPEA	Yes
Special Purpose Aircraft	Department of Defence	Department of Defence	No ^a
COMCAR	Finance	IPEA	Yes
Communications and printing	Finance	IPEA	Yes
Fixed phones/fax machines in electorate offices	Finance	IPEA	Yes
Mobile phones usage and multifunction device leasing	Department of Parliamentary Services	Department of Parliamentary Services	Yes

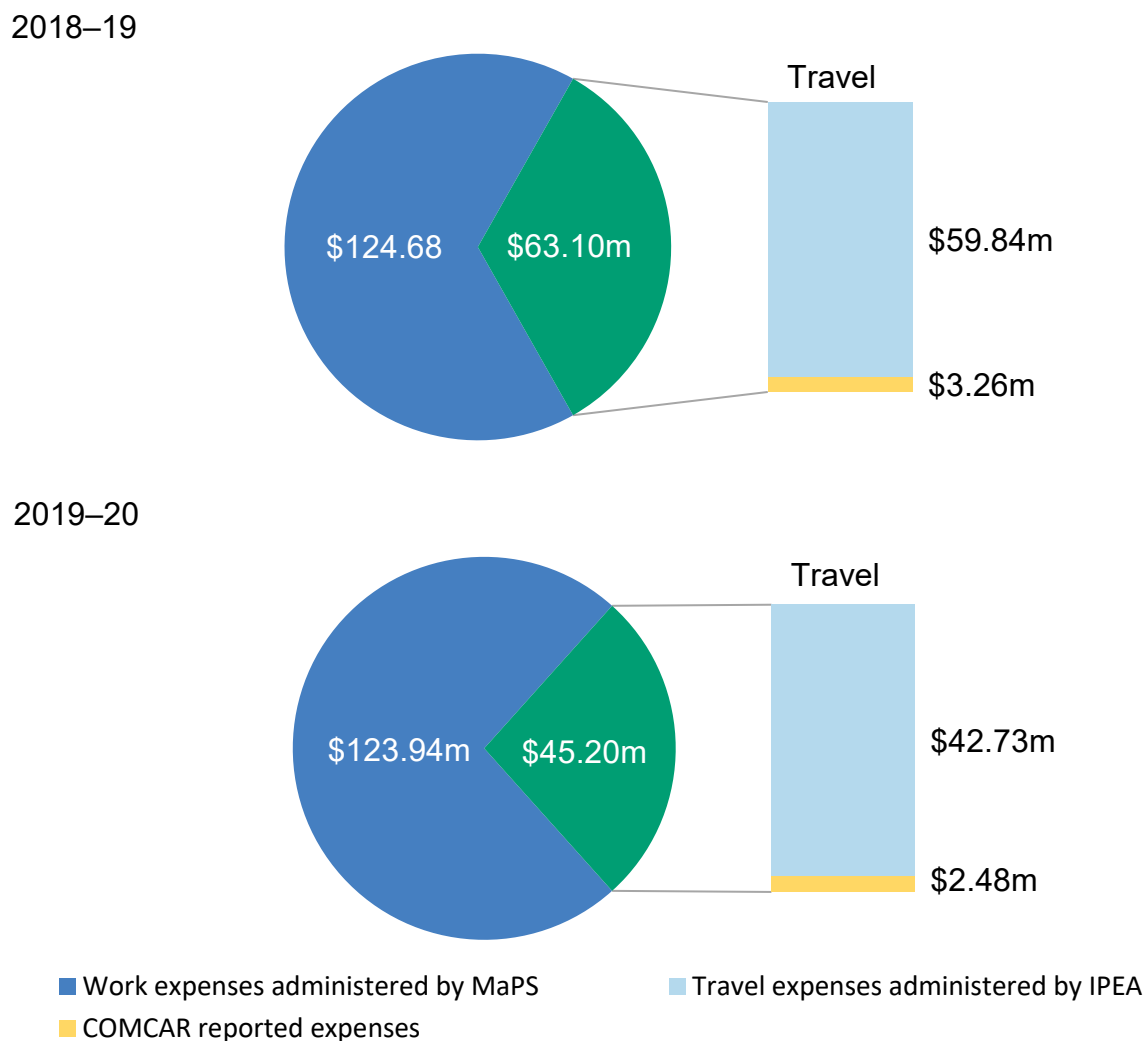
Note a: IPEA does not have oversight of the Special Purpose Aircraft, which is managed by the Department of Defence (Defence). In limited instances, IPEA may seek to be invoiced by Defence for flights taken by individuals subject to a travel related budget. This occurs in a small number of flights following provision of detailed manifests by Defence. In March 2021, IPEA advised that it had sought invoices from Defence of \$2,930 in 2018–19, and \$17,116 in 2019–20. The invoices related to family and electorate staff travel on the Special Purpose Aircrafts (where there is a relevant travel budget for a parliamentarian). IPEA further advised that it is waiting on detailed manifests from Defence for the period May 2019 to May 2020, so no invoices relate to this period.

Source: ANAO analysis of IPEA documentation.

¹⁰ *Independent Parliamentary Expenses Authority Act 2017* (Cth), Division 1, Section 10.

1.14 The travel expenses administered by IPEA and Finance for 2018–19 and 2019–20 are shown in Figure 1.1.

Figure 1.1: Travel expenses as a proportion of parliamentary expenses, 2018–19 and 2019–20



Note: The analysis does not include Goods and Services Tax (GST).

Source: ANAO analysis of MaPS and IPEA administered expenses within the Expenses Management System (EMS), and COMCAR processed expenses reported in IPEA’s quarterly expenditure reports.

1.15 Both the IPEA Act and the PBR Act require their respective operation to be subject to an ‘independent review’ after three years (due by July 2020 and January 2021 respectively). The PBR Act is subject to further review every three years. In March 2021, Finance advised that the reviews would be conducted concurrently and were expected to be completed by mid to late 2021.

Rationale for undertaking the audit

1.16 Reforms to the parliamentary entitlements system were enacted in 2017–18 through the creation of IPEA and establishment of a principles-based framework governing the resources available to parliamentarians to support them in carrying out their duties. Together these changes were designed to provide:

... greater clarity to parliamentarians in their use of taxpayers' money while further increasing transparency and accountability on such expenditure.¹¹

1.17 In 2019–20, IPEA was responsible for the administration of parliamentary travel expenses to the value of \$42.7 million, with oversight of a further \$126.4 million of parliamentary work and travel expenses administered by other entities. With IPEA having been operational for over three years, it is timely to provide assurance on whether IPEA has undertaken its legislative functions in an efficient and effective manner, and contributed to the achievement of the intent of the 2017–18 reforms. The audit will also inform the statutory reviews of the parliamentary expenses framework, and IPEA's role.

Audit approach

Audit objective, criteria and scope

1.18 The audit objective was to assess the efficiency and effectiveness of the Independent Parliamentary Expenses Authority's (IPEA's) administration of parliamentary expenses.

1.19 The high-level criteria were:

- Has IPEA efficiently and effectively provided advice on parliamentary travel expenses and processed travel claims?
- Has IPEA implemented a risk-based assurance framework for parliamentary expense payments?
- Has IPEA undertaken appropriate public reporting?

1.20 The audit scope included the administration of parliamentary expenses by IPEA relating to parliamentarians, former parliamentarians and staff employed under the MoP(S) Act.

Audit methodology

1.21 The audit involved:

- reviewing key IPEA documentation, and sample analysis of travel advice, processed claims and assurance/audit activities;
- systems assurance and data analysis of parliamentary expenditure reporting;
- assessing IPEA's performance measurement framework against the ANAO's methodology; and
- interviewing relevant IPEA and Department of Finance executive and operational staff, as well as the Chair of the IPEA Members.

1.22 In September 2020, parliamentarians were invited to provide their views on IPEA's administration of travel resources. No parliamentarians contacted the ANAO during the audit.

1.23 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$624,800.

1.24 The team members for this audit were Meegan Reinhard, Angus Martyn, Anne Kent, Sonya Carter, Carissa Chen and Mark Rodrigues.

11 The Hon Josh Frydenberg MP (Minister for the Environment and Energy), Second Reading Speech, Parliamentary Business Resources Bill 2017, 30 March 2017.

2. Governance and service delivery

Areas examined

This chapter examines whether the Independent Parliamentary Expenses Authority (IPEA) has established appropriate governance arrangements, and provided personal advice on parliamentary travel expenses and processed travel claims in an efficient and effective manner.

Conclusion

Governance oversight arrangements to support its administration of parliamentary expenses are largely appropriate. IPEA has provided advice and processed claims effectively, and in a timely manner. Business risk management requires improvement, and IPEA has not established efficiency measures for its service delivery functions.

Areas for improvement

The ANAO has made one recommendation relating to IPEA improving its risk management.

2.1 To assess the effectiveness of IPEA's governance arrangements and service delivery, the ANAO examined whether IPEA had:

- established appropriate governance oversight to support its administration of parliamentary expenses;
- provided accurate and consistent advice on parliamentary travel expenses;
- processed travel claims in line with the parliamentary expenses framework; and
- processed advice and travel claims efficiently.

Has IPEA established appropriate governance oversight to support its administration of parliamentary expenses?

IPEA has established largely appropriate governance oversight. Improvements are needed to the management of the risk register, shared risks, and conflicts of interest.

2.2 IPEA was established by the government to increase the transparency and accountability of the parliamentary expenses framework, and parliamentarians' use of public funds. Good governance, including clear lines of responsibility and reporting and management of risk, is a key component of sound public administration and supports proper use of the resources towards the achievement of IPEA's objectives.

Governance structure

2.3 The Committees and officers responsible for IPEA's governance are listed in Table 2.1.

Table 2.1: Governance responsibilities

Role	Responsibilities
Chief Executive Officer (CEO)	The CEO is the accountable authority for IPEA under the PGPA Act (section 11 of the <i>Independent Parliamentary Expenses Authority Act 2017</i> (IPEA Act)). The primary role of the CEO is to manage the administration of IPEA. ^a
IPEA Members	Five independent members who are appointed by the Governor-General. The IPEA Members are responsible for the strategic oversight of IPEA. ^b Section 15 of the IPEA Act provides that IPEA consists of its Members.

Note a: From July 2019 to March 2020, the CEO met fortnightly with the Branch Managers and Chief Financial Officer as an 'Executive Board' (with one strategic and one operational focused meeting each month). Since March 2020, the CEO and Branch Managers conduct daily 'scrum' meetings. These meetings are not formally documented.

Note b: The IPEA Members met seven times in 2018–19 and eight times in 2019–20.

Source: ANAO analysis of IPEA documentation.

2.4 The Authority (that is, the Members) has delegated the majority of the legislated functions and powers of the IPEA Members to either the CEO, or to the officers of IPEA as provided for under section 32 of the IPEA Act. The primary function that remains with IPEA Members is to give rulings regarding travel resources for parliamentarians and their staff.¹² The IPEA Members also retain responsibility for approving certain assurance activities (such as statutory audits), and setting the strategic direction of IPEA.

2.5 The IPEA Members meetings receive an update from the CEO, discuss strategic items relevant at the particular time, such as the legislative reviews, and reviewing of corporate documents such as the corporate plan and business continuity plan.

2.6 IPEA has also established an Audit and Risk Committee to assist the CEO to fulfil financial and performance reporting responsibilities, and risk and internal controls oversight, in accordance with the requirements of the PGPA Act. The Audit and Risk Committee has a charter and meets every two months. The Audit and Risk Committee discusses performance reporting, risk, financial performance, as well as internal audit functions. The Chair of the Audit and Risk Committee receives the meeting papers of the IPEA Members meetings.

Risk management

2.7 As a non-corporate Commonwealth entity, IPEA is required to implement the Commonwealth Risk Management Policy. The Commonwealth Risk Management Policy aims to embed risk management as part of the culture of entities, whereby the shared understanding of risk leads to well informed decision making.

2.8 IPEA has had a Risk Management Policy and Framework in place since October 2017. The policy outlines IPEA's approach to risk, including its risk appetite, roles and responsibilities, and risk tolerances. IPEA's Risk Framework outlines how IPEA will manage, report and embed risk. It does not include details on identifying and reviewing risk (including frequency).

2.9 The Commonwealth Risk Management Policy requires entities to comply with 22 specific requirements organised in nine elements, which reflect the fundamentals of effective risk

¹² A Ruling is a written determination establishing whether a parliamentarian has acted in accordance with the PBR Act. Rulings are further described in Chapter 3.

management.¹³ The ANAO assessed that IPEA Risk Management Policy and Framework met 19 of these requirements, and partly met three. IPEA's Risk Framework does not fully:

- contain information on how risks are to be communicated to external stakeholders;
- articulate arrangements for communicating and consulting about risk in a timely and effective manner, to both internal and external stakeholders; or
- implement arrangements to understand and contribute to the management of shared risks.

2.10 As at July 2020, the high-level risk register included the following five risks:

- IPEA is not trusted by its clients and the Australian community;
- IPEA does not fulfil its legislative functions that include administering travel expenses and allowances, reporting and auditing;
- failure to achieve expected outcomes through an inability to recruit and retain skilled and experienced staff;
- current and future systems are not secure or fit for purpose and do not enable IPEA to fulfil their business functions; and
- internally IPEA fails to comply with our own legislation and laws to which it is subject e.g. finance, [human resources] and information laws.¹⁴

2.11 IPEA's risk registers contain inherent and residual risk ratings, controls, and risk owners. IPEA does not include dates for implementing these controls, and the controls are often insufficiently detailed so it is unclear how they will assist in addressing the risk.

2.12 The Audit and Risk Committee considered IPEA's risk policy and risk framework in November 2019, and the risk register once in 2018–19 and twice in 2019–20. The Committee did not review IPEA's risk register in the 14 months following November 2019. The IPEA Members reviewed the risk register and risk framework in December 2019 and requested further discussion with the IPEA Executive regarding risk, risk appetite and risk tolerances (which did not occur during 2020).

Shared risk

2.13 Part of IPEA's role in the PBR framework is to undertake audits of parliamentary expenses beyond just those administered by IPEA. As outlined in Figure 1.1, the largest entity (by value of expenses administered) is the Department of Finance (Finance). As a result, IPEA's relationship with Finance is a significant part of an effective and well managed framework, and the management of shared risk is an important focus.

2.14 IPEA has had a memorandum of understanding (MoU) with Finance since September 2017. This covers support services provided by Finance to IPEA, including accommodation (the IPEA office

13 These elements cover: establishing a risk management policy and risk framework; defining responsibility for managing risk; developing a positive risk culture and embedding risk management in business processes; managing shared risk, and communicating and consulting about risk; maintaining risk management capacity; and reviewing and continuously improving the management of risk.

14 Four risks were rated medium and one (regarding current and future systems) was rated as high prior to controls being applied. After controls were applied, the four risks were rated as 'no major concern', and the current and future systems risk was rated as 'elevated'.

is located within a Finance operated building), facilities, security, records management, desktop devices, IT support and human resources. In 2019, this MoU was split into two: one with the Service Delivery Office (a division within Finance), covering human resources, finance services and credit card management; and the second with Finance more broadly, covering the remainder of the services. Protocols are also in place for management of specific compliance matters.¹⁵

2.15 IPEA's risk management framework indicates that the CEO is to have regular meetings with senior members of related organisations, such as Finance, and that shared risks are identified and discussed as required. In September 2019, IPEA and Finance instituted meetings every six weeks for the Branch Managers (SES Band 1) of IPEA and Ministerial and Parliamentary Services (MaPS) Division of Finance. The IPEA CEO also meets with the MaPS Division Head (SES Band 2). The two entities advised the ANAO that these meetings are generally for information sharing, with issues and risks faced by both entities discussed, and action items followed up via email.

2.16 IPEA's risk registers do not contain any risk regarding stakeholder relationships with the other entities that administer parliamentary expenses, nor are there shared risks or controls in IPEA's risk register. While in practice IPEA manages its relationship with Finance as a shared risk, this should be formally recognised as a risk treatment so that it is regularly monitored in the context of other enterprise risks, and meets the requirements of the Commonwealth Risk Management Policy.

Fraud and conflicts of interest

2.17 IPEA has a fraud control plan in place and a draft fraud risk register.¹⁶ The draft register includes considerations of non-compliance by parliamentarians and staffers, as well as misuse of IPEA information or funds for a fraudulent purpose. An area of potential fraud risk is that IPEA officers may have a conflict of interest if they have a connection with a parliamentarian or staffer to whom they had been providing advice, processing claims or on whom they are conducting post-payment checks.

2.18 To mitigate this risk, IPEA formalised a conflict of interest policy for IPEA staff in August 2017. The staff conflict of interest policy does not specifically mention the potential conflict regarding parliamentarians or staffers, nor any detail on how conflicts are to be managed.¹⁷ Senior Executive Service (SES) staff are required to complete a declaration annually. Other staff must complete or update a declaration if a conflict arises.

2.19 IPEA has a register of declared conflicts of interest from staff. As at November 2020, there are nine officers with conflicts of interests related to parliamentarians and their staff. The register states that for five of these conflicts there is a 'confirmed approach' for how the conflicts are to be managed, with no further detail. In February 2021, IPEA informed the ANAO that:

15 Department of Finance, *Protocol – Handling of Potential Misuse of Non-Travel related work expenses by the Department of Finance* [Internet], Department of Finance, available from <https://maps.finance.gov.au/protocol-handling-potential-misuse-non-travel-related-work-expenses-department-finance> [accessed 8 November 2020].

16 The draft fraud risk register was reviewed by the Audit and Risk Committee in July and November 2020. IPEA had an unsigned fraud risk register in place since September 2018.

17 There would be merit in IPEA reviewing its conflict of interest policy for staff, and tailoring it to their risks and the operating environment, and to the specific conflicts of interest that may arise.

The confirmed approaches are not documented in the manner of process [or] procedures at this stage (the confirmed approaches being that staff are advised on commencement and then periodically that where a conflict may exist they are to declare it, put it on the register, and take no action (i.e. processing) in relation to the potential conflict and alert their supervisor so the work can be reallocated).

2.20 IPEA does not monitor whether staff have complied with this approach.

2.21 The Member's conflict of interest policy (in place since July 2019) outlines that the secretariat for the IPEA Member meetings will maintain a register, which must be made available to the Members at each meeting. However, two of the nine Members meetings papers examined from when the conflict of interest policy was endorsed in July 2019 to the end of 2020 did not contain a conflict of interest register and there was no record of conflicts being discussed.

2.22 The Audit and Risk Committee has conflict of interest provisions outlined in its charter. The members of the Audit and Risk Committee complete annual declarations, and a register is kept of these interests.

Recommendation no.1

2.23 The Independent Parliamentary Expenses Authority improve its risk management to ensure that:

- (a) oversight and review of the risk register is conducted on a regular basis;
- (b) the controls in the risk register includes dates for implementation, sufficient detail about the control, and controls clearly address the identified risk; and
- (c) IPEA engages with other relevant entities to implement arrangements to manage shared risk consistent with the Commonwealth Risk Management; and
- (d) agreed approaches to managing identified staff conflicts of interest are clearly documented and compliance with agreed approaches is monitored.

Independent Parliamentary Expenses Authority response: Agreed.

2.24 IPEA adopted a two-pass approach to its governance risks: the first to meet all mandatory legislative requirements; and the second to refine frameworks, procedures and documentation. IPEA welcomes the opportunity to incorporate ANAO's observations as we continue our second pass. Observations — to formally include risk register reviews on agendas, specify risk mitigation implementation dates, and officially document staff conflict of interest discussions — either have been, or are being addressed. While the risk register was formally reviewed four times in two years, IPEA acknowledges the oversight of a formal review in 2020 and this is being rectified. Formalising risks shared with other entities is new and requires cross-agency engagement. This will be addressed as soon as practicable.

Has IPEA provided accurate and consistent advice on parliamentary travel expenses?

IPEA's client contact database does not record what proportion of the 10,273 contacts IPEA had with parliamentarians and their staff in 2019–20 involved the provision of specific or tailored guidance relating to the use of parliamentary travel resources. ANAO testing of a sample of tailored advice indicates that IPEA has provided accurate and consistent advice on parliamentary travel expenses.

2.25 Prior to the establishment of IPEA in 2017, the MaPS Division of Finance provided advice to parliamentarians and MoPS staff on travel entitlements. The 2016 *An Independent Parliamentary Entitlements System Review* (the 2016 Review) noted parliamentarian's views that much of the advice provided by MaPS was 'too general and cautious to assist parliamentarians to get their claims right'.¹⁸ The 2016 Review recommended that Finance 'create an efficient and effective advice cell, led by senior officers; [and] provide detailed, definitive, authoritative advice, in writing, to parliamentarians and their staff about expense eligibility'.

2.26 IPEA's statutory functions include providing 'personal advice' to current and former parliamentarians and MoPS staff members about matters relating to travel resources.¹⁹ According to IPEA, it provides personal advice through verbal or written 'guidance or recommendations ... [relating to]... the use of parliamentary travel resources'.²⁰ IPEA records its contact with parliamentarians and staffers, including when providing personal advice, on a database called vFire. Contacts can range from requests for tailored advice about proposed travel to more routine queries regarding submitted travel claims, processing, and general questions about the expenses framework. In the period 2019–20, vFire recorded a total of 10,273 individual contacts. IPEA considers that all advice in vFire is personal advice.

Accuracy and consistency of advice

2.27 While IPEA internal processes require personal advices involving more 'complex' issues to be cleared by a senior officer, vFire records from 2019–20 did not consistently record whether advice was categorised as complex.²¹ The ANAO was unable to determine what proportion of the 10,273 contacts contained tailored guidance or recommendations relating to the use of parliamentary travel resources. As a proxy, IPEA attempted to identify tailored guidance or recommendations through a search of IPEA vFire records using the term 'personal advice'. This

18 This is consistent with previous Auditor-General performance audit findings that travel advice had 'continued to be broad and non-specific, and reflective of the opaque nature of the existing framework', see Auditor-General Report No.42 2014–15 *Administration of Travel Entitlements Provided to Parliamentarians*, paragraph 2.69.

19 'Travel resources' are the expenses (such as the cost of airfares or ground transport) and allowances (such as travel allowances to cover the cost of accommodation and meals) associated with travel on parliamentary business for parliamentarians and official business for MoPS staff.

20 IPEA can also provide personal advice in the form of a Travel Advice Certificate. These certificates provide formal advice of the *statutory compliance* of planned travel with the expenses framework. As at January 2021, IPEA had issued eight travel advice certificates (all in 2018).

21 In November 2020, IPEA started using a new version of vFire for IPEA's sole use (the previous version was shared with Finance MaPS). This was accompanied by staff guidance material containing a more explicit requirement to record which personal advices were considered complex.

search produced a list of 193 individual records, representing 1.9 per cent of the total vFire records in 2019–20.

2.28 The ANAO sampled 54 of the 193 records on IPEA’s list, which is not representative of the total number of contacts that IPEA received in 2019–20. Of the sample, 44 were written advices that contained guidance or recommendations relating to the use of parliamentary travel resources.²² While there was some minor variation in the format of these written advices, typically they summarised the planned travel scenario provided by the parliamentarian or MoPS staffer and provided clear advice on whether the planned travel would be consistent with the parliamentary expenses framework.

2.29 Two of the 44 written advices (4.5 per cent) about use of parliamentary travel resources did not provide a clear answer and/or a rationale as to whether the travel would be consistent with the framework. For example, IPEA was asked for advice on whether parking expenses incurred by a parliamentarian to appear on a commercial TV network 'to give political commentary' was claimable. The advice essentially left it to the judgement of the parliamentarian whether the TV appearance was 'parliamentary business' and provided no guidance to assist the parliamentarian in making that judgement.

2.30 Sixteen of IPEA’s advices that contained guidance or recommendations stated that at least some part of the planned travel was inconsistent with the expenses framework. The ANAO reviewed IPEA’s travel claim payment records and did not identify any instance of travel being taken against this advice.

Stakeholder views on advice

2.31 As measured by IPEA’s 2020 ‘customer satisfaction survey’, 80 per cent of respondents were overall satisfied with IPEA’s travel advice, up from 77 per cent in 2019.²³ Fifteen per cent were dissatisfied. Satisfaction rates regarding specific aspects of advice were:

- advice was trustworthy — 83 per cent;
- advice was clear — 80 per cent;
- advice answered the question — 83 per cent; and
- advice was provided in a timely manner — 80 per cent.

Has IPEA processed travel claims in line with the parliamentary expenses framework?

IPEA has processed travel claims in line with the parliamentary expenses framework.

22 Six vFire records selected in the ANAO’s sample were not written advice, and four written advices covered matters of more general or administrative nature – for example the establishment of an Uber account to cover all members of a parliamentarian’s office.

23 IPEA received 97 responses to the 2020 survey, down from 115 responses in 2019, and 269 responses in 2018. Ninety per cent of respondents in 2020 were MoPS staff. About a third of respondents had contacted IPEA about the parliamentary expenses framework. The survey was undertaken by a consulting firm. The results were published on IPEA’s website.

2.32 One of the key deficiencies noted by the 2015 Auditor-General performance audit was the lack of clarity in some situations regarding the purposes for which parliamentarians could legitimately claim expenses. For parliamentarians, the purposes for which parliamentarians could claim expenses was clarified by legislating the meaning of ‘parliamentary business’.²⁴

2.33 The IT system used to process travel claims is the Entitlements Management System (EMS).²⁵ IPEA’s processing of travel claims in EMS consists of two stages which are outlined in standard operating procedures (SOPs):

- a ‘processing officer’ enters or uploads the relevant information from the claim into EMS and undertakes a range of basic checks of the information; and
- a ‘certifying officer’ then reviews the claim before approving it for payment.

2.34 The nature of the checks required under the SOPs by the processing officer and reviewed by the certifying officer vary according to the claim. For example, a parliamentarian travel allowance claim has 17 individual certification checks to confirm that the claim details are complete and correctly recorded in EMS. In the case of scheduled commercial flights (booked through IPEA’s contracted travel provider, FCM Travel Solutions (FCM)) the SOPs require the cost of the flight to be checked as to whether ‘it makes sense’ in the context of itinerary and class; in the case of some travel expenses, invoices and legislative compliance form part of the checks.²⁶

2.35 IPEA does not document that the processing and certifying officers undertook these checks. The certifying officer’s approval for the claim to be paid is confirmation they were satisfied with the review. IPEA further informed the ANAO that due to limitations in its processing systems, it could not readily provide data on the number of claims that were queried and/or rejected by IPEA as a result of the processing checks. In July 2020, IPEA developed formal quality assurance procedures regarding its processing of some categories of claims.²⁷ A key aspect of this quality assurance procedure is to gain assurance on whether IPEA was achieving its service level standard target — 90 per cent of claims are processed accurately in accordance with IPEA’s guidance.²⁸

2.36 The ANAO assessed a representative sample of the following travel expenses categories:

- direct booked Unscheduled Commercial Transport (UCT);
- Parliamentary travel allowance; and
- MoPS staff travel allowance.

24 Parliamentary Business Resources (Parliamentary Business) Determination 2017, Schedule 1.

25 EMS is a Finance-hosted system. MaPS also use EMS to administer those parliamentary work resources for which they are responsible.

26 In early 2019, IPEA’s internal auditor undertook a review of the design and operating effectiveness of key controls in IPEA’s processing of travel claims. That review concluded that acceptable controls were in place to manage travel and no systemic issues concerning the design and operating effectiveness of the travel claims process were identified. It noted the known risk of human error, given the limitations of the current system and the manual workarounds which were required by staff in order to process travel claims and expenses.

27 As at December 2020, the quality assurance reviews covered the following claim categories: parliamentarian travel allowance and private vehicle allowance; MoPS staff travel allowance and motor vehicle allowance; and travel expenses including unscheduled commercial transport, taxi, rail, bus, and parking.

28 As at mid-December 2020, four months of reviews had been completed. For each accuracy review, five per cent of the claims processed for the relevant month are randomly selected for inclusion in the review. Of the 12 ‘accuracy’ quality assurance reviews completed, IPEA achieved 100 per cent in nine of the reviews (the remaining three reviews achieved between 93–95 per cent).

Direct booked UCT

2.37 UCT travel is largely made up of charter aircraft, but can also include rental cars, taxis and regulated rideshare services such as Uber. Parliamentarians and other eligible claimants can book this form of travel via IPEA's contracted travel provider FCM or directly with the charter operator or rental company. Where bookings are made directly, a claim form is to be submitted to IPEA following completion of the travel (with invoices attached as proof of the expense) to allow for payment of the supplier, or reimbursement of the parliamentarian.

2.38 From 1 July 2018 to 30 June 2020, IPEA processed 317 direct-booked UCT claims that were \$500 or greater.²⁹ The median value of claims over \$500 was \$3,200 with the greatest being \$20,318.³⁰ The category of dominant parliamentary business relating to these claims were:

- electorate duties — 226 (71.3 per cent);
- official duties — 59 (18.6 per cent);
- parliamentary duties — 31 (9.8 per cent); and
- party political duties — 1 (0.3 per cent).

2.39 The ANAO reviewed a representative sample of 60 of these claims. The median value of the claims in the sample was \$3,943 with the greatest being \$20,318.³¹ Fifty-five of the claims (91.7 per cent) involved charter aircraft.

2.40 Three of the 60 sampled claims (five per cent) did not have a claim form certifying that the travel was consistent with the parliamentary expenses framework. These three claims related to one parliamentarian (who is no longer in parliament) with the claims processed consistent with administrative arrangements that operated under the previous (pre-PBR Act) expenses framework. Of the 57 claims with a submitted claim form, all were accompanied by invoices as per IPEA requirements. There were no material differences between the information contained in the EMS processing records, claim form and/or invoices.

2.41 Fifty-two of the 57 claims (91.2 per cent) with a certified claim form were processed within IPEA's internal target of 30 calendar days. IPEA informed the ANAO that any delays were due to administrative errors of staff failing to follow the relevant SOP regarding processing timelines.

Parliamentary travel allowance

2.42 Parliamentarians may claim a daily travel allowance to cover accommodation, meals and incidental expenses for each overnight stay in Australia that is not their 'home base'. The daily rate, which is set by the Remuneration Tribunal, varies according to the location of the stay and whether the parliamentarian is an office-holder. At October 2020, the rate for 'commercial' accommodation ranged from \$294 to \$453 per day.³² Non-commercial accommodation is one-third of the

29 The value of the travel claims assessed in paragraphs 2.37–2.56 is Goods and Services Tax (GST) exclusive.

30 The median of all UCT claims processed during this period was \$187. The low median value was due to the large number of low value claims, noting that the UCT category includes taxis and regulated rideshare services such as Uber.

31 This involved a parliamentarian taking a three day tour by aircraft of the Murray-Darling Basin.

32 IPEA's website states that 'generally, a commercial accommodation provider will issue an Australian tax invoice, including GST and an ABN for the premises.'

commercial rate — except for Canberra, where there is a flat rate of \$291 irrespective of the accommodation type or the status of the parliamentarian.³³

2.43 Parliamentarians' can only claim travel allowance after the travel is completed.

2.44 From 1 July 2018 to 30 June 2020, IPEA processed 8,053 claims for parliamentary travel allowance that were \$500 or greater. The median value of the claims over \$500 was \$1,164 with the greatest being \$17,540.³⁴ The category of dominant parliamentary business relating to these claims were:

- parliamentary duties — 5,881 (73.0 per cent);
- official duties — 1,332 (16.5 per cent);
- electorate duties — 524 (6.5 per cent); and
- party political duties — 310 (3.8 per cent).³⁵

2.45 The ANAO reviewed a representative sample of 73 of these claims. The median value of the sampled claims was \$1,425 with the greatest being \$3,456. Two of the 21 claims for accommodation outside of Canberra involved non-commercial accommodation.

2.46 All of the 73 claims reviewed by the ANAO had a claim form that incorporated certification that the travel was consistent with the parliamentary expenses framework. Seventy-two of the forms (98.6 per cent) were materially complete on submission. IPEA obtained the missing information where needed before processing the claim. There were no material differences between the information contained in EMS processing records and relevant claim forms.

2.47 All claims were submitted within the required 60 days of travel. Seventy-two were processed by IPEA within its target of seven business days from lodgement (98.6 per cent), with the remaining claim only marginally outside this timeframe.

MoPS staff travel allowance

2.48 MoPS staff may also claim a daily travel allowance for overnight stays away from their work base. The daily rate, which is set with reference to rates published by the Remuneration Tribunal, varies according to the location of the stay and the seniority of the staffer. As at October 2020, the rate for commercial accommodation ranges from \$240 to \$429 per day. Adjustments for non-commercial and Canberra accommodation apply similar to those for parliamentarians.

2.49 MoPS staff may claim travel allowance before the planned travel is taken. In such cases, staff must provide an acquittal to IPEA after the travel.

33 The lower rate for travel allowance in Canberra (compared to most other metropolitan areas) has been a feature since at the least the 1950's. A historical reason for this was the view that parliamentarians were able to access 'concessional tariffs' for accommodation in Canberra. The 2016 Review considered that the flat rate arrangements was the 'most effective method...to support whatever accommodation arrangement [parliamentarians] may have in Canberra... how parliamentarians use the flat rate allowance to support their accommodation in Canberra is a matter for them.'

34 The median of all parliamentarians travel allowance claims processed during this period was \$1,095. The \$17,540 claim covered multiple domestic trips taken by a parliamentarian over a period of two and a half months and involved a total of 55 nights away from their home base.

35 The remaining seven claims were listed as 'TA general'.

2.50 From 1 July 2018 to 30 June 2020, IPEA processed 4,738 claims for MoPS domestic travel allowance that were \$500 or greater.³⁶ The median value of claims over \$500 was \$1,124 with the greatest being \$18,073.³⁷ As staff are subject to a different legislative framework, the purpose of staff travel is not categorised in the same way as parliamentarians' travel. The only basic requirement is that travel is to be on 'official business' as directed by their employing Senator or Member, and by the most efficient and direct route available. The concept of 'official business' is not defined under the framework.³⁸

2.51 The ANAO reviewed a representative sample of 72 of these claims. The median value of the claims was \$1,112 with the largest being \$2,780. One of the 22 claims for travel allowance outside of Canberra involved non-commercial accommodation.

2.52 With two exceptions, all claims reviewed by the ANAO had a claim form that incorporated certification that the travel was consistent with the parliamentary expenses framework applying to MoPS staff. The exceptions relate to staff that were part of a 'campaign travelling party' during the 2019 Federal Election period (see paragraphs 2.55–2.56). Excluding these exceptions, the ANAO's sample included 70 of the more typical travel allowance claims. Sixty-nine of the forms were materially complete on submission (98.6 per cent), with evidence showing IPEA had obtained the missing information before processing the one remaining claim. There were no material differences between the information contained in EMS processing records and the relevant claim form.

2.53 Sixty-six of the 70 claims (94.3 per cent) were processed by IPEA within its target of seven business days from lodgement, with the delays on the remaining four claims due to various reasons, including acquittals of previous claims not having been submitted by the staffer.³⁹ In 10 of the claims, IPEA initially declined to process the claim until the acquittal of previous travel was provided by the staffer.

2.54 In all 57 cases where a claim was made before the travel was taken, an acquittal was provided after the travel. In 16 cases (28.1 per cent), the acquittal was not provided within the required 28 calendar days after the travel.

Special claiming arrangements for the 2019 election

2.55 In February 2019, IPEA provided all parliamentarians with guidance material regarding the application of the parliamentary expense framework to travel during election periods. The material was also published on IPEA's website. In relation to travel by parliamentarians, the material advised that 'electioneering activities' could fall within the meaning of parliamentary duties, electorate duties or official duties and as such be potentially claimable under the framework. In relation to MoPS staff, IPEA's guidance stated:

36 The median of all MoPS travel allowance claims processed during this period was \$1,112.

37 The \$18,073 claim covered multiple staff primarily from the Prime Minister's office during the 2019 election period. See paragraph 2.54 regarding parliamentary expense claiming during election periods.

38 IPEA's website states that for *electorate* staff official business would be 'to assist the employing Senator or Member to carry out their duties as a Member of Parliament.' However it is the employing parliamentarian who makes the judgement about what constitutes official business in the circumstances. IPEA's website is silent on concept of official business for *personal* staff. Only parliamentarians that are 'office holders' (Ministers, senior non-government parliamentarians, and other parliamentarians determined by the Prime Minister) have personal staff. Electorate and personal staff are both MoPS staff.

39 IPEA's processing 'clock' does not stop when IPEA seeks further information, including outstanding acquittals.

In general, travel may be for purposes related to the re-election of their employer. An employee may also be directed to travel to campaign headquarters to support the parliamentarian's parliamentary business. Funding arrangements for electorate staff remain in place during an election campaign.⁴⁰

2.56 IPEA also established special travel expenses claiming arrangements with the Prime Minister's Office and Leader of the Opposition's Office for relevant MoPS staff involved in Coalition and Australian Labor Party (ALP) 'campaign travelling parties'. IPEA's processes for travel allowance in these circumstances did not require individual staffers to submit claims, as accommodation costs were paid by IPEA directly to the accommodation providers. IPEA informed the ANAO that costs associated with the 2019 campaign travelling parties under these arrangements were \$161,535 for the Coalition and \$130,211 for the ALP.

Stakeholder views on claims processing

2.57 As measured by IPEA's 2020 'customer satisfaction survey', 83 per cent of respondents expressed satisfaction with the travels claims process, up from 77 per cent in 2019. Eight per cent were dissatisfied. Satisfaction rates regarding specific aspects of the claims process were:

- claims were processed accurately — 91 per cent;
- forms were easy to submit — 83 per cent;
- claims were easy to complete — 80 per cent;
- claims were processed in a timely manner — 81 per cent; and
- forms were easy to find — 79 per cent.

Has IPEA processed advice and travel claims efficiently?

IPEA has not established arrangements to measure its efficiency in processing advice and travel claims. IPEA reports achieving its timeliness measures for advice and claims processing. As at December 2020, the Finance-managed Parliamentary Expenses Management System (PEMS) project which is intended to improve efficiency, is delayed over two years and is 25 per cent over budget.

2.58 Section 15 of the PGPA Act requires the accountable authority of an entity to promote the proper use and management of public resources for which the authority is responsible. Section 8 of the PGPA Act defines 'proper' to include efficiency.⁴¹

Travel Advice

2.59 IPEA has not established processes to measure the efficiency of its personal travel advice function. IPEA does however, monitor the timeliness of advice.

40 IPEA, *Election Period Case Studies*, p. 5.

41 The Auditing and Assurance Standards Board defines efficiency as the 'performance principle relating to the minimisation of inputs employed to deliver the intended outputs in terms of quality, quantity and timing'. Auditing and Assurance Standards Board, *Standard on Assurance Engagements ASAE 3500 Performance Engagements*, 2017.

2.60 IPEA has a performance target of responding to advice requests within two business days.⁴² For 2019–20, IPEA reported responding to 98.4 per cent of the 10,273 received contacts within the two business day timeframe (against the target of 95 per cent).

Claims processing

2.61 IPEA has not established arrangements to support the measurement of its operational efficiency over time.⁴³ For 2019–20, IPEA reported that 98.8 per cent of claims were processed within seven working days (the target is 95 per cent).

2.62 The IT system used to process travel claims is the Entitlements Management System (EMS). EMS is a Finance-hosted system. It was developed in 1999. EMS links with both Finance's Human Resources Management Information System (Chris21) and the Financial Management Information System (SAP).

2.63 The 2016 Review found that the current system of 'disparate and ageing information technology applications, manual processes and workarounds is a complicated web of patches and fixes which barely support service delivery and cripple administration'.⁴⁴ The review recommended that an integrated online work expenses system be developed that, in relation to claims processing, would allow claims to be lodged electronically and then processed online without having to re-key data into another system.

The Parliamentary Expenses Management System

2.64 In December 2017, the government approved the development of a new system (the Parliamentary Expenses Management System, or PEMS) to replace EMS. The total approved cost of the PEMS project was \$38.1 million and was to be delivered through a staged approach, with completion by January 2020. PEMS was also expected to produce savings through staff reductions. For 2020–21, total savings were forecast at \$4.6 million for Finance and \$1.3 million for IPEA (IPEA's portfolio budget statement also forecasts an annual departmental appropriation reduction of \$1.3 million beyond 2020–21, mainly attributable to PEMS). IPEA's projected average staffing levels for 2020–21 was 52, compared to 65 in IPEA's first full year of operation in 2017–18.

2.65 The Service Delivery Office (SDO) at Finance was selected by the government to lead the development of PEMS based on its experience, and its assessed ability to deliver the initial operational stages of the system around six months earlier than a commercial provider obtained

42 A response may include a call or email seeking further information on the request.

43 IPEA advised the ANAO that it 'understood that the [Parliamentary Expenses Management System, or PEMS] being managed by Finance would deliver ... the ability to measure end-to-end transactional efficiency reporting across IPEA's travel and related services'. However, it is unclear whether PEMS will deliver the ability to directly measure and report on IPEA's efficiency. Currently IPEA does undertake some limited proxy efficiency measurement through claim on hand reporting, client satisfaction surveys and timeliness of claim processing.

44 The deficiencies of EMS were also noted in past Auditor-General reports:

- No.3 2009–10 *Administration of Parliamentarians' Entitlements by the Department of Finance and Deregulation*, paragraph 3; and
- No.42 2014–15 *Administration of Travel Entitlements Provided to Parliamentarians*, paragraphs 3.29–3.30.

through an approach to market process. Finance manages the PEMS project, with IPEA represented on the project governance bodies. The senior governance body is the PEMS Steering Committee.⁴⁵

2.66 Prior to the delivery of its full functionality, Parliamentarians and MoPS staff have been able to submit travel claims for IPEA processing via PEMS since August 2018.⁴⁶ A gateway review of PEMS in 2018 concluded that the ‘project continues to be under severe schedule pressure’ and that ‘the original scope of the project might not be wide enough to address all current and emerging business needs and expectations’.

2.67 In February 2019 and again in May 2020, the PEMS Steering Committee endorsed increases in the PEMS project budget and delays to the final completion date to mid-2020 and then July 2021. However, as at February 2021, the remaining travel claims processing and other IPEA-related aspects of PEMS will be further delayed until 2021–22, with final completion expected in July 2022. During 2020, Finance briefed its Minister on the delays. IPEA also kept its Members informed.

2.68 IPEA has funded \$5 million of the increased costs, conditional that the funds were ‘specifically for the build and development of core functions within PEMS that provide client facing functionality that meet IPEA’s legislated functions’. The \$5 million was from IPEA’s annual ‘administered’ appropriation rather than from its ‘departmental’ appropriation. Notwithstanding the unusual nature of the transfer, IPEA did not seek legal advice on it nor did it document its discussions with Finance about any legal issues. The transfer was discussed in both IPEA Members and IPEA Audit and Risk Committee meetings. As at February 2021, total project cost estimates were under review. Expenditure to 31 December 2020 was \$47.3 million, around 25 per cent above the original budget of \$38.1 million.

2.69 Within IPEA, the Members have received an appropriate level of reporting on the implementation of PEMS, including project risk ratings. IPEA’s Audit and Risk Committee commissioned a review of IPEA’s role in the management of the PEMS project. The report concluded that:

Overall, IPEA has demonstrated a diligent approach to the management of the PEMS Project, particularly given the constraints they must work under... [there are] a number of key opportunities for IPEA to consider moving forward with the PEMS Project to better support IPEA in the management of the implementation process and the transition of the PEMS Project to [business as usual].⁴⁷

45 The PEMS Steering Committee is chaired by a Finance Deputy Secretary. IPEA’s CEO is a member of the committee, as well as representatives from the Digital Transformation Agency, the Department of the Prime Minister and Cabinet, and the Australian Taxation Office.

46 The proportion submitted through PEMS has increased over time. Over January to September 2020, 43.3 per cent of relevant claims have been submitted through PEMS.

47 Protiviti, *PEMS Project Management Review*, July 2020, p. 8.

3. Assurance and recoveries

Areas examined

This chapter examines whether the Independent Parliamentary Expenses Authority (IPEA) has established and implemented a risk-based assurance framework for parliamentary expense payments, and has taken appropriate action to apply penalties and recover payments for travel claims that were inconsistent with the parliamentary expenses framework.

Conclusion

IPEA has not implemented a risk-based compliance assurance framework for parliamentary expense payments. While IPEA is implementing its planned assurance activities and appropriately undertakes remedial actions and recoveries, the assurance framework is not based on risk and there is no strategy for its implementation.

Areas for improvement

The ANAO has made two recommendations for IPEA: to assess, document and regularly review compliance risks using compliance data including expenses administered by other entities; and to establish a documented strategy outlining how it intends to implement its assurance framework and allocate its assurance resources.

3.1 Implementing a risk-based compliance assurance framework can assist a regulator to give confidence to key stakeholders, including Parliament, that compliance activities are proportional and appropriately targeted, regulatory risks are being managed and the level of residual risk is acceptable. For IPEA, the continuum of compliance activities ranges from: educational activities to support and encourage voluntary compliance, activities to gain assurance over the extent of compliance; and responding to non-compliance such as the recovery of payments (including penalty loadings).

3.2 To assess whether IPEA implemented a risk-based compliance assurance framework for parliamentary expense payments, the ANAO examined whether IPEA had:

- established an appropriate assurance framework;
- implemented its assurance activities in accordance with its framework; and
- taken appropriate action to apply penalties and recover payments for travel claims that were inconsistent with the parliamentary expenses framework.

Has IPEA established an appropriate assurance framework?

IPEA has established a partly appropriate compliance assurance framework. The framework includes a graduated approach to the conduct of assurance activities. However, the framework was not informed by an assessment of compliance risk, including in respect to expenses administered by other entities.

3.3 IPEA's functions include auditing parliamentarians' work expenses and the travel expenses of their staff employed under the *Members of Parliament (Staff) Act 1984* (termed 'MoPS staff').⁴⁸

48 *Independent Parliamentary Expenses Authority Act 2017* (Cmth), paragraph 12(1)(i).

3.4 IPEA has established a compliance assurance framework consisting of IPEA's Statutory Audit Function factsheet and IPEA's Protocol for Dealing with Misuse of Parliamentary Work Expenses.⁴⁹ IPEA's compliance assurance framework includes five assurance activities, described in Table 3.1.

3.5 IPEA's compliance assurance framework guidance reflects a graduated approach to the conduct of assurance activities, aligned to the level of significance of the matter being investigated. For example, statutory audits are for a more complex matter than an assurance review, with the decision to undertake an audit dependent on evidence for, or allegation of systematic or substantial misuse.

Table 3.1: IPEA's assurance activities

Activities	Description
Preliminary assessment	<ul style="list-style-type: none"> This assessment is generally confidential and is the first step in the assessment process to establish whether a parliamentary business resource has been used. If further review is recommended the result will be an assurance review or statutory audit, or referral to another entity. IPEA previously defined a preliminary assessment as a 'quick' review of publically available information and information held or accessible by the IPEA.^a
Assurance review	<ul style="list-style-type: none"> Determines if there has been a misuse of a parliamentary business resource, with an assessment undertaken against the legislative framework.
Statutory audits ^b	<ul style="list-style-type: none"> Can be conducted when there is an allegation of systematic or substantial misuse of parliamentary business resources, or if IPEA's statutory information-gathering powers may be required to complete the assessment. Part or all of an audit may be published where an education benefit exists.
Thematic audits	<ul style="list-style-type: none"> An examination of the use of a specific category of a parliamentary business resource against the legislative framework. Thematic audits may be undertaken on expenses administered by IPEA or other entities.
Post-payment checking program	<ul style="list-style-type: none"> Post-payment checking is undertaken after claims are made for six travel expenses directly administered by IPEA including: cabcharge; staff business class fares; parliamentarian or staff short-term self-drive hire car claims; and parliamentarian or staff travel allowance (where the accommodation receipt is not submitted with the claim but is 'available on request'). This review involves the checking of receipts or signed certifications by parliamentarians that expenses are compliant with relevant rules or guidelines. The check does not assess whether travel was taken for the dominant purpose of parliamentary business, official business (in the case of MoPS staff), value for money, or if the spending is within the allocated budget.

Note a: IPEA's October 2020 update of the Statutory Audit Function factsheet did not state the duration and complexity of the assessment.

Note b: IPEA's statutory audit reports include advice that the assurance activity is undertaken 'in a manner consistent with the Australian Auditing Standards to the fullest extent reasonably possible for IPEA'. This audit has not reviewed IPEA's compliance with the auditing standards. The robustness of the assurance activities is discussed from paragraph 3.22.

Source: ANAO analysis of IPEA documentation, including Independent Parliamentary Expenses Authority, *Statutory Audit Function Factsheet* dated October 2020 [Internet], IPEA available from https://www.ipea.gov.au/sites/default/files/ipea-stat-audit-function_factsheet_-_oct_2020.pdf [accessed 30 October 2020].

⁴⁹ IPEA's Protocol sets out the scope of IPEA's authority and powers, and the processes IPEA follows in dealing with a concern depending on its seriousness.

Assessment of compliance risk

3.6 With the introduction of the *Parliamentary Business Resources Act 2017* (PBR Act) on 1 January 2018, IPEA established the program of assurance activities as described in Table 3.1.⁵⁰ The establishment of this program was not based on any comprehensive risk assessment.

3.7 After three years of the PBR framework, IPEA has established a large evidence base in the form of claims data and results of assurance activities. This data can be used to build an understanding of the compliance behaviour of parliamentarian and MoPS staff to assess compliance risk, and prioritise resourcing.

Assessment of compliance risk for travel expenses

3.8 Since 2018, IPEA has undertaken some activities to contribute to an assessment of compliance risk within aspects of the parliamentary expenses framework administered by IPEA, including:

- In September 2018, IPEA engaged an external contractor to develop data analytic dashboards to monitor and benchmark travel expenses claimed by parliamentarians in 2018.⁵¹ These dashboards were not maintained. In 2020, IPEA recommenced the project with the intention of developing its in-house data analytic capability.
- In mid-2019, IPEA engaged an external contractor to review the post-payment checking program, and to identify key risk areas and additional areas requiring coverage. The report was finalised in September 2020. This review, together with further examination of the post-payment checking program by IPEA, resulted in changes to the post-payment checking program to be implemented for 2020–21.⁵²

Assessing the compliance risk for work and travel expenses administered by other entities

3.9 As described in Table 1.2, other entities are responsible for some aspects of the parliamentary expenses framework. For instance, the Department of Finance (Finance) administers parliamentary work expenses and some travel expenses (including COMCAR), and the Department of Parliamentary Services administers certain office ICT costs for parliamentarians. Some parliamentarian travel and work expenses are not subject to IPEA oversight, due to the definition of IPEA's functions in the IPEA Act or if they are not funded through the PBR Act. In October 2020, IPEA's Members were advised that for assurance activities undertaken during 2019–20 there was some uncertainty over the jurisdiction of IPEA, particularly concerning electorate allowance (which

50 Prior to the introduction of the PBR Act, IPEA used the assurance framework that had been in place at the Department of Finance (Finance).

51 Dashboard reports were produced on topics including: total parliamentarian expenditure; MoPS staff expenditure; COMCAR expenditure; electorate size analysis; domestic scheduled fares to Canberra; private plated vehicles; role and party expenditure; and total travel expenditure.

52 Changes include expanding the scope of one of the categories for checking to include hire cars, COMCAR, taxis and regulated rideshare services, and increasing the frequency of cabcharge checks so that each parliamentarian's use of cabcharge will be reviewed for two months of every year. A 12 month review of the changes is contingent on the rollout of PEMS.

is outside of IPEA's audit function as stipulated in the IPEA Act) and the Special Purpose Aircraft flights (which are not generally funded through the PBR Act).⁵³

3.10 In 2019–20, Finance administered work and parliamentary COMCAR expenses of \$126.42 million. In comparison, IPEA's administered travel expenses for the same period totalled \$42.73 million (excluding Goods and Services Tax).

3.11 IPEA can gain visibility over work and travel expenses administered by other entities through:

- data analysis of the work expenses held in the Entitlement Management System (EMS) and other parliamentary expenses publicly reported by entities (as discussed in paragraph 4.30), this is not always in a practical format to allow IPEA to make efficient and effective use of;
- assurance activities (preliminary assessments, assurance reviews and statutory audits) can include parliamentary work expenses where it is funded by the PBR Act⁵⁴; and
- thematic audits (see Case study 1).

Case study 1. 2019 thematic audit of stationery and offices expenses administered by Finance

IPEA Members agreed in October 2018 to undertake a thematic audit of office stationery and supplies (a work expense directly administered by Finance). An external consultant was contracted by IPEA to undertake the audit, which began in February 2019. IPEA and Finance agreed to an engagement protocol to manage the process.

The audit scope included an examination of:

- office expenses from 1 January 2018 to 31 October 2018 to determine whether a sample of transactions, drawn from various parliamentary electorate offices were purchased in accordance with the framework set by the PBR Act; and
- a comparison of the electorate offices' administration of office expenses prior to and post 1 January 2018.

The thematic audit found no evidence of systematic or sustained misuse in the office stationery and supplies expense category. The audit noted that Finance had given inconsistent advice to parliamentarians on whether purchases of electronic assets (including a drone and digital cameras) would be in accordance with the contracted provider arrangements and overarching obligations of the PBR framework.^a

53 In September 2020, IPEA obtained clarification from Finance (as the policy owner of the PBR) regarding IPEA's responsibility regarding Special Purpose Aircraft flights. The Department of Defence (Defence) is the policy owner of the Special Purpose Aircraft. IPEA seeks to reimburse Defence for the nominal cost of eligible travel by family members of parliamentarians and electorate staff on Special Purpose Aircraft flights. Only these family and electorate staff costs are within IPEA's responsibility.

54 Finance has a Protocol for when potential misuse of a non-travel related work expense by a parliamentarian or a MoPS staff member is identified, which includes referral of 'more serious' matters to IPEA for investigation. As at February 2021, one matter had been formally referred by Finance since IPEA was established in April 2017.

In October 2019, IPEA reported to its Members the lessons learnt from the thematic audit related to topic selection and the engagement with Finance. IPEA chose not to publish the audit report, and is yet to undertake a second thematic audit.

Note a: The report noted that ‘there is an opportunity for IPEA and Finance to strengthen the communication around these items’. In March 2021, Finance advised the ANAO that drones may be claimed under the PBR regulations, but that the costs associated with insurance, licensing and training are not claimable.

3.12 To identify compliance risks across the parliamentary expense framework IPEA should undertake a risk assessment supported by a sound evidence base, including arrangements for the collection and management of compliance intelligence data. IPEA now has over three years of expense data under the PBR framework to consider. It is timely for IPEA to embed its early stage data analytic capability in its identification of compliance risks. Regular compliance risk assessments will better position IPEA to have an appropriate understanding of the compliance risks across the parliamentary expenses framework including expenses administered by other entities.

Recommendation no.2

3.13 The Independent Parliamentary Expenses Authority assess, document and regularly review compliance risks in relation to all of its assurance responsibilities under the parliamentary expenses framework including expenses administered by other entities.

Independent Parliamentary Expenses Authority response: *Agreed.*

3.14 *IPEA considers Recommendations 2 and 3 as two parts of one assurance-related recommendation. To date, IPEA has focussed on developing and honing our assurance and audit capabilities on travel and travel-related functions. IPEA looks forward to engaging with other entities as soon as practical to better understand, assess and document these compliance risks.*

Has IPEA implemented its assurance activities in accordance with its framework?

IPEA has implemented its assurance activities in accordance with its high-level assurance framework. These activities were appropriate with respect to the dominant purpose of the travel. However, IPEA does not have a documented strategy to ensure its resources and activities address the highest compliance risk.

Planning of assurance activities

3.15 IPEA has not established a plan for the allocation of resources to its assurance activities, including through setting out priorities in its corporate plan. The IPEA CEO informed the Finance and Public Administration Legislation Committee in Estimates hearings in February 2019 of the focus areas for assurance activities and this information is posted on the IPEA website.⁵⁵

3.16 The post-payment checking program is a scheduled activity. Three assurance activities (preliminary assessments, assurance reviews, and statutory audits) are typically undertaken in

⁵⁵ The focus areas mentioned by the IPEA CEO in February 2019 were travel involving: desirable destinations; accompanying family; and when adjacent to public or school holidays.

response to: media attention; a complaint from the general public; a referral from Finance; or as a result of IPEA analysis of compliance data.

3.17 Given that IPEA's assurance activities other than post-payment checks are generally reactive, establishing a risk-based plan or strategy for how it plans to prioritise resources would assist to manage resources and targeting the highest compliance risks. A compliance plan that sets out a program of what assurance activities should be undertaken on an annual basis, and establishes a series of decision points for when an activity should be undertaken, would further assist IPEA to prioritise its resources.

3.18 IPEA advised that, as a small entity, it prioritises assurance activity work through daily conversations within the team. The risk with this approach is that the assurance activities that are undertaken do not provide adequate coverage of the compliance risks, particularly those including other entities.

Recommendation no.3

3.19 The Independent Parliamentary Expenses Authority establish a documented strategy outlining how it intends to implement its assurance framework and allocate its assurance resources in accordance with compliance risk.

Independent Parliamentary Expenses Authority response: *Agreed.*

3.20 *IPEA considers Recommendations 2 and 3 as two parts of one assurance-related recommendation. Developing a holistic and integrated compliance and assurance strategy that incorporates the compliance risks of other entities will inform priorities and resource allocation. IPEA is engaging expertise to assist in the development and implementation of this important strategy.*

Implementation of IPEA's assurance framework

3.21 All five types of assurance activities described in Table 3.1 have been undertaken by IPEA during 2018–19 to 2019–20, as shown in Table 3.2.

Table 3.2: Assurance activities conducted by IPEA, since 2018–19, as at 11 December 2020

Assurance activity	2018–19	2019–20	2020–21 [provided by IPEA on 17 February 2021]
Preliminary assessments	23	18	16
Assurance reviews	3	0	3
Statutory audits	3	2	0
Thematic audits	1	0	0
Post-payment checking	602	830	574
Totals	632	850	593

Note: Activities are attributed to the financial year when the activity was finalised, or in the case of statutory audits the year published.

Source: ANAO analysis of IPEA documentation.

3.22 Ongoing reporting on activity results and trends supports the Executive to form an opinion about compliance risks to be targeted and the effectiveness of the assurance framework. During 2018–19 and 2019–20, internal reporting to the IPEA Members and the Audit and Risk Committee included regular updates on assurance activities, however the outcome of activities (aside from audits) had not been included. In October 2020, reporting to IPEA Members improved to include assurance themes arising from its work in 2019–20 and more detailed information on assurance activity numbers and highlighted examples of non-compliance. Regular reporting on results and non-compliance rates for each activity would improve oversight of the assurance function.

Preliminary assessments, assurance reviews and statutory audits

3.23 The ANAO reviewed the 49 assurance activities (comprised of preliminary assessments, assurance reviews, and statutory audits) conducted by IPEA over 2018–19 and 2019–20. In summary, of the 49 assurance activities:

- 86 per cent were conducted in response to media reports, eight per cent public referrals, four per cent referrals from other entities, and two per cent data analytics by IPEA⁵⁶; and
- non-compliance was identified in five of the 49 cases (10.2 per cent).

3.24 IPEA relies on report templates to guide a consistent approach to conducting assurance activities.⁵⁷ The templates cover an appropriate range of considerations such as how the matter was first identified, the work expenses to be assessed, findings and recommendations.

3.25 In October 2020, IPEA published an updated factsheet which defined assurance activity types to better reflect its processes. Prior to this update, preliminary assessments could range from a review of a media article where the accusation of misuse of parliamentary work expenses could be quickly ruled out, or involve an assessment of several parliamentarians' work or travel expenses that could take weeks.

⁵⁶ Four of the 16 activities of 2020–21 (25 per cent) have been initiated as a result of IPEA data analysis.

⁵⁷ There is no guidance concerning who approves the commencement of activities. In practice internal discussions are conducted, and documented approvals range from the CEO to Executive Level staff.

3.26 The ANAO's review of IPEA's completed assurance activities for 2018–19 and 2019–20 found that:

- the processes of the assurance activities are generally robust, using internal and external information sources to cross check responses provided by parliamentarians and MoPS staff as required; and
- the main focus of the assurance activities was to test whether travel was taken for the dominant purpose of parliamentary business or official business (in the case of MoPS staff) rather than assessing value for money.⁵⁸

Post-payment checking

3.27 IPEA's post-payment checking process involves the 227 parliamentarian's offices being randomly scheduled for post-payment checks one month a year. However, three of the six checks (staff business class fares, and parliamentarian and staff hire car claims) are undertaken for all transactions each month. Post-payment checking largely acts as a prompt for parliamentarians to provide receipts for claims that cannot be assessed at the time of booking (as detailed in Table 3.1), and for parliamentarians to review the appropriateness of their travel.

3.28 IPEA's assessment of cabcharge and travel allowance (accommodation receipt available on request), is largely an administrative check reliant on supply of the accommodation receipt or confirmation by the parliamentarian. Other post-payment checks involve some assessment of the claim against the relevant provision of the legislative framework. For example, the check of staff business class flights and self-drive hire car claims require information about job position, eligibility conditions, home base, pick-up and drop-off locations and dates.

3.29 IPEA's records indicate that it had undertaken an average of 60 individual post-payment checks per month over 2018–19 and 2019–20. ANAO analysis found:

- post-payment checking identified non-compliance in 21 of the 24 months (in nine months in 2018–19 and all months in 2019–20);
- of the six categories checked during 2019–20, the highest number of non-compliant claims were identified within the staff business class fares (48 per cent) and staff self-drive short-term hire car claims (14 per cent)⁵⁹; and
- \$7,829 was recovered in 2019–20 from staff business class fares (69 per cent of post-payment recoveries).⁶⁰

3.30 IPEA's processes implemented during 2018–19 and 2019–20, aligned to five of the six post-payment checking standard operating procedures in place.⁶¹ Planned changes for the 2020–21 post-payment checking program were approved in September 2020 (as discussed in

58 IPEA informed the ANAO that if the threshold requirement that the travel was for parliamentary or official business was not met, IPEA would not undertake a value for money assessment.

59 The six categories checked in the post-payment checking program in 2019–20 include: cabcharge; staff business class fares; parliamentarian or staff short-term self-drive hire car claims; and parliamentarian or staff travel allowance — accommodation receipt available on request.

60 Record-keeping practices for post-payment checking in 2018–19 did not allow the ANAO to confirm the identification of non-compliance against each category.

61 The staff travel allowance accommodation receipt available on request guidance is for 10 employees to be reviewed. In practice, 20 offices were selected each month for review.

paragraph 3.8), and included the review, update and finalisation of standard operating procedures, email correspondence and standard forms as appropriate.

3.31 In addition to those changes, there is scope for IPEA to further develop its post-payment checking process by:

- incorporating a broader data selection methodology to avoid the circumstance whereby some parliamentarians are not subject to their annual check (when there is no data to check for their selected month);
- establishing a quality assurance process into post-payment checking to ensure results are accurately recorded; and
- using the compliance information gathered from post-payment checking to identify potentially higher risk expenses or individuals.

3.32 Post-payment checking differs from the other three assurance activities in that its role is to apply an eligibility check in a principles-based framework for claims that cannot be assessed at the time of processing, rather than respond to allegations of potential misuse. Over the last two financial years, IPEA has temporarily paused components of the post-payment checking while clarifying aspects of the check. While the checks have later been completed, this has impacted the timeliness and integrity of this assurance mechanism. Noting the role of the post-payment checking process within IPEA's compliance assurance framework, the checks should be performed on a regular and timely basis.⁶²

Educational activities

3.33 IPEA's education program supports its compliance assurance framework to assist parliamentarians and MoPS staff to make informed decisions. Educational activities are delivered through a combination of face-to-face, and online mechanisms, and may include: induction training for all new parliamentarians; training on specific topics; and the educational website for parliamentarians and MoPS staff work expenses called IPEA-ED. For example, IPEA held a training session in September 2019 to educate MoPS staffers on the benefits of booking better value-for-money fares (such as discount economy fares instead of fully flexible economy fares).

3.34 IPEA informed the ANAO that decisions on what topics to cover/target are based on verbal information and feedback from the advice and assurance teams rather than any documented process.

Use of formal information gathering powers

3.35 IPEA advised the ANAO it prefers to acquire information for assurance activities through voluntary cooperation. However, under section 53 of the IPEA Act, persons are required (by written notice) to give the Authority information or produce documents relevant to the Authority's reporting and auditing functions, which encompasses material relating to work expenses and travel expenses.

3.36 Section 53 information gathering powers have been used for three of IPEA's five statutory audits to gather information from individuals and other entities. IPEA informed the ANAO that on

62 Post-payment checking is also reviewed by the ANAO in its auditing of IPEA's annual financial statement.

each occasion when a section 53 notice had been issued, the information requested has been provided.

Has IPEA taken appropriate action to apply penalties and recover payments for travel claims that were inconsistent with the parliamentary expenses framework?

IPEA has taken appropriate action to apply penalties and recover payments for travel claims that it had identified as inconsistent with the parliamentary expenses framework.

Identifying non-compliance

3.37 Three of IPEA's assurance activities (audits, assurance reviews and post-payment checking) identified matters where travel expenses were inconsistent with the PBR Act and/or MoPS Determination in 2018–19 and 2019–20, see Table 3.3. Preliminary reviews, representing 82 per cent of assurance activities during 2018–19 and 2019–20 (excluding post-payment checks) did not identify non-compliance, consistent with the IPEA's escalation model.

Table 3.3: IPEA's identified non-compliance in 2018–19 and 2019–20^a, as at 16 December 2020

Activity type	2018–19			2019–20			Total dollar value identified
	Number of activities	Number of non-compliant claims identified	Dollar value identified	Number of activities	Number of non-compliant claims identified	Dollar value identified	
Preliminary assessments	23	0	0	18	0	0	0
Assurance reviews	3	15	\$4,955	0	0	0	\$4,955
Statutory audits	3	33	\$2,833	2	45	\$19,533	\$22,366
Thematic audits	1	0	0	0	0	0	0
Post-payment checks ^b	602	24	\$10,392	830	50	\$11,342	\$21,734
Total	632	72	\$18,180	850	95	\$30,875	\$49,055

Note a: Assurance activity numbers are attributed to the financial year when the activity is finalised, except in the case of statutory audits it is attributed to the month published.

Note b: The ANAO cannot confirm the figures for post-payment checking as there is inconsistent and incomplete record keeping practices. The ANAO also cannot calculate a non-compliance rate as the post-payment checking program does not accurately record the total number of transactions checked.

Source: ANAO analysis for IPEA documentation as at 16 December 2020.

3.38 Non-compliance was identified in three of the five statutory audits, reflecting IPEA's audit and assurance framework guidance, which states that this type of assessment is to be conducted on higher risk matters when potential systematic or serious misuse is suspected. ANAO review of each of the statutory audit's scope and non-compliance results found:

- for the three statutory audits where non-compliance was identified, the non-compliant travel expenses related to domestic flight connections for international travel not related to parliamentary business, the use of self-drive vehicles or taxis, and the use of COMCAR within a parliamentarian's own electorate; and
- in the two audits where non-compliance was not identified, the majority of claims assessed related to the pre-PBR framework where different tests applied.⁶³

Enforcement and other responses

3.39 Enforcement and engagement strategies are used to remediate the breach and encourage voluntary compliance by parliamentarians. IPEA may apply the following responses in combination:

- referral to the Australian Federal Police when fraud or criminal activity is suspected;
- a Ruling under section 37 of the PBR Act⁶⁴;
- repayment and application of a mandatory 25 per cent penalty to claims made by parliamentarians after 1 January 2018⁶⁵; and
- education focused activities to improve parliamentarian and staff knowledge about the parliamentary expenses framework (discussed in paragraph 3.33).

Referral to the Australian Federal Police

3.40 In 2019, IPEA received allegations concerning the travel allowance claims of a MoPS staff member. Other entities, including the Australian Federal Police (AFP), also received these allegations. IPEA undertook a preliminary assessment which included consideration of internal data, and advice provided to the individual by IPEA prior to the claim being made. Following consultations with the AFP, IPEA agreed that the AFP would take responsibility for the further investigation of the matter. As at February 2021, IPEA advised the ANAO it had not received any information from the AFP about the outcome of the investigation.

Rulings

3.41 IPEA has made one Ruling, related to airfares incurred by an individual and whether it was compliant with the dominant purpose of conducting parliamentary business. In August 2019, the IPEA Members decided not to publish the Ruling. The decision of the Members was informed by: the preference of the parliamentarian; the extent to which the performance of IPEA's functions

63 Different tests applying for travel expenses claimed post 1 January 2018, include the requirement that the dominant purpose was parliamentary business and that the travel represents value for money.

64 A Ruling is a written determination establishing whether a parliamentarian has acted in accordance with the PBR Act. IPEA has the power to give a Ruling on its own initiative, or parliamentarians may apply for a Ruling in relation to their use of travel expenses and allowances. It provides conclusive evidence of the matter it concerns.

65 A 25 per cent loading on repayments is a penalty in the PBR Act, so it is only applicable to parliamentarians not MoPS staffers.

would be assisted by publication; the public interest served by publishing the Ruling; and legal considerations.

Penalty loading and voluntary payments

3.42 Any parliamentary work expense that is found to be inconsistent with the parliamentary expenses framework, and is not repaid within 28 days of the claim date, attracts a 25 per cent penalty loading (only applicable to parliamentarians on claims made after 1 January 2018, under the PBR framework).⁶⁶

3.43 The ANAO's review of the non-compliance identified by IPEA during 2018–19 and 2019–20 found: of the 93 claims where non-compliance was identified through the audits and assurance reviews, the 25 per cent penalty was applied as required by the PBR Act in all cases.

3.44 Even where claims are consistent with the expenses framework, a parliamentarian can make a voluntary repayment if they chose to do so.⁶⁷ If the voluntary repayment is made over 28 days after the claim date, the 25 per cent penalty still applies.

Recovering payments

3.45 Claims identified as non-compliant must be repaid. IPEA has no power under the legislation to waive repayments. IPEA issues invoices for the expenses that it directly administers. IPEA may request Finance to issue the invoice for claims administered by Finance.⁶⁸

3.46 For Parliamentarians, debts can be offset against future claims, or the amount can be paid in full. The recovery of debts from MoPS staff can include: a deduction of up to 20 per cent of the gross amount of pay per fortnight; offset from future payments of travelling allowance or motor vehicle allowance (in relation to debts incurred in the course of travel); or from the employees pay upon termination.⁶⁹

3.47 On 3 November 2020, IPEA informed the ANAO that of the non-compliance identified by statutory audits and assurance reviews (not post-payment checking), the following amounts remain outstanding:

- a former parliamentarian with a debt of \$1,534.80 has been declared bankrupt — IPEA is following up with the trustee; and
- a former parliamentarian owes \$501.68 (to Finance), from the total of \$2,833.68 identified as non-compliant.

3.48 IPEA has taken steps to reduce the level of debt owed to the Commonwealth for work expenses found to be inconsistent with the parliamentary expenses framework:

- in April 2017 when IPEA was established, Finance transferred 61 outstanding debtors totalling \$108,287;

66 That is, where the expenses contravenes section 26 (dominant purpose of conducting parliamentary business), section 27 (value for money) or section 28 (condition relating to the expense).

67 For instance, if a parliamentarian considers a claim to be out of step with community expectations.

68 Overpayments may also occur in the cases of MoPS staff where travel plans change at the last moment.

69 These are set out in the Commonwealth Members of Parliament Staff Enterprise Agreement 2016–2019; p.18.

- as at 30 June 2020, IPEA had 47 debtors totalling \$42,322, of which 20 had been outstanding for over 120 days, and four were parliamentarians (two current and two former); and
 - by 31 October 2020 this had reduced to 19 debtors totalling \$15,289.
- 3.49 To assist with the recovery of outstanding amounts, IPEA has established a contract with a debt recovery company.⁷⁰

⁷⁰ IPEA's debt recovery policy and procedures are in the Accountable Authority Instruction 5.1 – Recovery of Debts.

4. Public reporting

Areas examined

This chapter examines whether the Independent Parliamentary Expenses Authority (IPEA) has undertaken appropriate public reporting.

Conclusion

IPEA has undertaken largely appropriate public reporting of parliamentary expenditure that has contributed to improving the transparency of the expenses framework. IPEA's performance framework could provide a more reliable and complete basis to assess the extent to which it is achieving its purpose.

Area for improvement

The ANAO has made one recommendation that IPEA improve the reliability and completeness of its performance measures.

4.1 To determine whether IPEA has undertaken appropriate public reporting, the ANAO examined whether:

- IPEA's public reporting of parliamentary expenses has been accurate and timely;
- IPEA has established an appropriate performance measurement framework; and
- IPEA's performance statements provides meaningful information on the extent to which it is achieving its purposes.

Has IPEA's public reporting of parliamentary expenses been accurate and timely?

IPEA's public reporting of parliamentary expenses has been largely accurate, and reporting timeliness has improved with the transition to quarterly reports. Transparency has improved with publication on data.gov.au for each reporting period. There would be benefit in IPEA publishing parliamentary expenses trend analysis, and analysis of parliamentary certification status.

4.2 Prior to the reform of the framework, the Department of Finance (Finance) published bi-annual reports on individual parliamentarians' use of specific work expenses and travel related claims. The 2016 *An Independent Parliamentary Entitlements System review* (the 2016 Review) noted delays in the release of these reports (5–6 months after the reporting period), and the limited coverage of the reports (with the inclusion of only expenses processed in the six-month period).

4.3 The 2016 Review recommended that expenditure reports are published quarterly for parliamentarians and their staff, and a parliamentary expenses dataset provided on data.gov.au (a central repository of Australian open government data). The recommendation was for monthly reporting after the implementation of an integrated digital system (the implementation of the Parliamentary Expenses Management System (PEMS) was discussed from paragraph 2.64).

4.4 IPEA assumed responsibility from Finance for the public reporting on parliamentary expenses from January 2017 onwards, and published the reports on its website

(www.ipea.gov.au).⁷¹ Since the January to March 2018 quarter, IPEA has published the expenditure reports on data.gov.au as well.

4.5 IPEA's quarterly expenditure reports detail certain work and travel expenses of parliamentarians, former parliamentarians and surviving spouses (or de facto partners) of former prime ministers, processed by IPEA during the reporting period (excluding the Goods and Services Tax (GST) paid by the Commonwealth). The expenditure reports for each individual (in PDF format) detail the expenses reported against the following expenditure categories:

- travel allowance;
- overseas travel;
- domestic scheduled fares;
- unscheduled transport (including charters, hire cars, cabcharge and taxis);
- other car costs (including COMCAR, private plated vehicles, and private vehicle allowance);
- office facilities (including office equipment, security and repairs, cleaning and power bills);
- office administration costs (including printing, and office consumables and services);
- telecommunications (including office telephone and facsimile usage; and internet and telephone services at parliamentarians' private residences as part of their remuneration arrangements)⁷²;
- family travel costs (travel by a parliamentarians spouse/de facto partner, dependent children or designated person); and
- aggregated employee travel costs (including staff flights, travel allowance, motor vehicle allowance and other costs related to travel).

4.6 In addition to individual expenditure reports, for each reporting period, IPEA also publishes aggregate state and territory office costs⁷³, a list of certifications received and adjustments that were required by either IPEA or Finance as a result of manual processing errors.

Accuracy and consistency of IPEA's public reporting

4.7 IPEA's quarterly expenditure reports are prepared using an Expenditure Reporting Tool (known as 'EMR'), using data sourced from:

- the Entitlements Management System (EMS) — travel expenses administered by IPEA and work expenses administered by Finance;
- CARS — Finance's information on COMCAR bookings; and
- SAP — for repayments to IPEA and Finance made within the reporting period.

71 Consistent with Finance's approach, IPEA also prepares monthly management reports for parliamentarians' offices (these are not publicly released) which enables the data included in the public quarterly expenditure report to be reviewed multiple times before publication.

72 Some aspects of telecommunications costs are reported as 'office facilities' or 'office administrative costs' categories.

73 Expenditure administered by Finance on the establishment, relocation and refurbishment of electorate, office holder and former Prime Minister's offices outside of Parliament House in Canberra.

4.8 IPEA considers the EMR to be the ‘source of truth’ for its public reporting. IPEA is the business owner of the EMR and controls access, and Finance is the systems owner. EMR is planned to be replaced by PEMS (discussed from paragraph 2.64) when it is fully implemented.

Verification of reporting data

4.9 Each reporting period, operational teams within IPEA and Finance are required by the IPEA expenditure reporting procedure to verify that the relevant incurred expenses are accurate. Any necessary amendments to transactions are made to the source data in EMS. The verified transactions are uploaded into the EMR, and form the basis of the preliminary reports which are sent to parliamentarians.

4.10 The ANAO reviewed the verification process by the operational teams for the April to June 2020 reporting period. The ANAO found that the operational teams had advised that 43 expense items covering all 45,869 transactions for that period had been reviewed and verified.

Certification of public reporting by parliamentarians

4.11 Following data verification by the operational teams, preliminary reports are provided to the relevant parliamentarian for their certification that the expenses are correct. The preliminary reports are provided in PDF format, and contain greater information than what will subsequently be released publicly. For example, the preliminary reports contain flight numbers to assist with verification (this is removed from the final report for security reasons), and also employee travel costs by individual (this is aggregated in the final report for privacy reasons).

4.12 Parliamentarians are requested to certify their expenses to IPEA within two non-sitting weeks. Parliamentarians are expected to sign a pre-filled form that states:

By signing this section, I **certify** that the work expenses listed are within the legislated purpose [emphasis in original].⁷⁴

4.13 Whether a certification response is received from a parliamentarian is reported on the IPEA website and data.gov.au when the reporting period is published. Quarterly expenditure reports are published even if a parliamentarian does not certify their expenses.

4.14 The 2016 Review noted that the parliamentarians’ certifications were an administrative practice, and recommended that it instead became a legal requirement.⁷⁵ The 2015 Auditor-General’s performance audit found that not all parliamentarians provided their certification, and some parliamentarians amend or qualify the standard wording, without that qualification being publicly reported. The 2015 audit and 2016 Review both recommended that any qualifications added to the certification form should be publicly reported.

4.15 The ANAO reviewed the certification forms received by IPEA as at 30 October 2020 for the April to June 2020 reporting period. Of the 252 parliamentarians, former parliamentarians and surviving widows/de facto spouses of former prime ministers who were provided with a preliminary

74 Parliamentarians could also include that prescribed wording in a return email to IPEA.

75 Parliamentarian certifications are not mentioned in either the PBR or IPEA Act, and continue to be an administrative practice.

report, 91 per cent gave their certification to IPEA (229 individuals). IPEA's website accurately reflected the number of preliminary reports that certification was received for.⁷⁶

4.16 Of the 229 returned certifications, 10 per cent of respondents (23 certifications) added a qualification to their certification, which was not included in IPEA's public reporting of certification responses. The added qualifications and comments included:

- individual transactions they were querying with the IPEA or Finance processing teams;
- adding 'to the best of my knowledge' or similar to the certification sentence;
- adding 'subject to qualification', with no details about what the qualification may be;
- reiterating that they have a 'standing concern that [Special Purpose Aircraft]/VIP flights are not recorded in this report or public IPEA reporting'; and
- noting that they have no visibility on some costs included in the report, including 'office security, property operating costs, repairs and maintenance, some admin costs and telecommunications'.

4.17 Parliamentary certifications are important as both an accuracy check on the reported data, and as a compliance check for the self-assessment model adopted for the parliamentary expenses framework. The ANAO's analysis of the certifications received for the four quarterly reporting periods for 2019–20 found that, of the 289 individuals to receive a preliminary report during the period, 62 individuals had not returned at least one of the certifications for the reports they received (21.3 per cent). Five individuals who received preliminary reports in all four quarters, did not provide any certification responses to IPEA.⁷⁷

4.18 IPEA monitors the volume of certifications received from parliamentarians. This monitoring does not cover the addition of qualifications. There may be benefit in IPEA analysing the certification results on a regular basis and using this intelligence to inform assurance activities. Including consolidated reporting on certification figures in its annual report may provide insight to the public regarding the effectiveness of the self-assessment model adopted for the parliamentary expenses framework.

Completeness and accuracy of IPEA's expenditure reporting

4.19 Not all transactions are publicly reported in the quarterly expenditure reports, as some may not be attributable to an individual parliamentarians office or the expenses may be related to staff training or internal meetings (for example, enterprise agreement discussions or staff representative group meetings). ANAO analysis of IPEA's administered transactions in EMS, found that \$61,993 (or 0.15 per cent, excluding GST) was not publicly reported in 2019–20, compared to the total \$41.8 million (excluding GST) reported for that same period.

4.20 In March 2020, IPEA identified that nine parliamentarians had been assigned multiple profiles in the human resource system since 1 January 2017.⁷⁸ In July 2020, this was found to impact on the upload of COMCAR transactions to the EMR tool. IPEA found at least 28 COMCAR

76 One former parliamentarian responded to IPEA that 'I have no idea why these costs are there and hence I will not be signing any forms now or in the future. I left parliament more than a year ago'. This response was correctly not included in IPEA's public reporting as a received certification.

77 An additional 13 individuals received preliminary reports in three of the four quarters, and did not provide any certification responses to IPEA.

78 The profiles in the human resources system are managed by the Department of Finance.

transactions since August 2017 that had not previously been reported to IPEA for inclusion in the quarterly reports (totalling \$2502). IPEA rectified the reporting in the April to June 2020 reporting period.

4.21 In September 2020, IPEA undertook a reconciliation of expense codes in EMS and the EMR tool. IPEA found that 10 codes related to office furniture and fit-out costs that were in EMS and had been included in monthly management reports, were missing from the EMR and had not been publicly reported.⁷⁹ IPEA assessed that \$2.16 million associated with these expense codes had been omitted from public reporting for the periods from April 2017 to March 2020. The expenses related to office costs that are reported by state or territory, so no expenditure report for an individual parliamentarian was impacted. As at January 2021, IPEA had yet to rectify the public reporting.

Public reporting of adjustments

4.22 IPEA defines an ‘adjustment’ as an administrative error by IPEA, Finance or a supplier that results in a negative amount against an individual parliamentarian (for example, processing a claim twice). Each reporting period, IPEA publishes a list of adjustments for the quarter, which can either be an amendment to previous public reporting or previous management reporting to parliamentarians. Adjustments are usually found when either the IPEA or Finance operational areas verify a transaction, or parliamentarians certify their expenses. Adjustments can require investigation on a case by case basis, and manual changes are then made to the expenditure reports in the EMR tool and the EMS source data.

4.23 IPEA’s reporting on adjustments includes the total value for an individual parliamentarian separated by whether the adjustment related to IPEA and Finance administered expenses. Adjustments are publicly reported once. In 2019–20, IPEA reported a total of \$218,744 adjustments (\$23,275 for IPEA and \$195,469 for Finance). IPEA does not publicly report on the number of individual adjustments or the reason for the adjustment.

4.24 The implementation of PEMS (discussed in paragraphs 2.64–2.69) is intended to reduce the volume of claims that are manually processed. This automation should in turn reduce the number of administrative errors and adjustments. IPEA internally monitors the number of adjustments each quarter that are occurring under the current processes and could use this as a benchmark to compare any differences under PEMS.

Consistency of reporting on IPEA website and the government’s data transparency website

4.25 IPEA has published the quarterly expenditure reports on the government’s data website (data.gov.au) since the January to March 2018 reporting period. IPEA’s additional expenditure report information (certifications, office costs and adjustments) has been published since the January to March 2019 reporting period. IPEA’s datasets are published on data.gov.au two weeks after publication on IPEA’s website.

4.26 The ANAO’s comparison of publicly reported datasets since January 2018 found the IPEA website and data.gov.au reporting to be largely consistent. There were non-material inconsistencies brought to IPEA’s attention by the audit, which have since been rectified. These

79 The codes had been missing since the EMR tool was first used for the April to June 2017 reporting period. Finance used an ACCESS database for compiling its six-monthly expenditure reports prior to the establishment of IPEA.

inconsistencies are reflective of the manual nature of the EMS reporting. The introduction of PEMS is intended to automate more of IPEA's expenditure reporting processes.

Timeliness of IPEA's public reporting

4.27 The 2016 Review recommended that public reporting occur quarterly, and monthly when possible. The review considered that the previous lag in publication was limiting the transparency of the reporting, and that monthly reporting would 'compel parliamentarians to consider more carefully the consistency of their expenses with community expectations and permit a more accurate comparison with expenditure patterns across the parliamentary cohort'.⁸⁰

4.28 The move to quarterly reporting has reduced the time between the reporting period ending and the publication of the expenditure data. Since the July to September 2017 reporting period, IPEA averaged 10 weeks from the end of the period to publication. For comparison, the last report prepared by Finance was published 24 weeks after the end of the period.

4.29 IPEA's quarterly expenditure reports include the expenses that have been processed during a given reporting period. There can be delays in processing transactions that are outside the control of IPEA's claims processing area. For example, receipts may be submitted late by a parliamentarian's office, or repayments/amendments may need to be made to the transaction.⁸¹

Transparency of IPEA's public reporting

4.30 Reporting on data.gov.au has improved the transparency and accessibility of parliamentarian expenditure.⁸² Other expenditure relating to parliamentarians is not as accessible, for example:

- The Department of Defence (Defence) tables in Parliament (and publishes on its website) the schedule of Special Purpose Aircraft flights for a six-monthly period. The report is in PDF format, and lists the trips taken in chronological order with the passenger manifest. There is no summary of total costs or flights for the period, or total cost by individual parliamentarian.⁸³ The data is not searchable or transformable.
- The Department of Parliamentary Services publishes six-monthly expenditure reports on the Parliament of Australia website regarding mobile telecommunication and data services. The total figure for each parliamentarian is provided on the website, with a PDF attachment for further data. The data is not searchable or transformable.

4.31 There would be benefit to the public (and IPEA's assurance function) if other parliamentarian expenses were reported in a user-friendly and accessible way, to allow for data comparisons and trends to be more readily observed.

80 J Conde AO and D Tune AO PSM, *An Independent Parliamentary Entitlements System Review*, February 2016, p. 103.

81 The ANAO's analysis of the publicly reported data found that the latest reporting period analysed (April to June 2020) included an expense which occurred in May 2017, relating to overseas travel.

82 IPEA's data.gov.au reporting would be more useable to the public if the date field in the dataset was completed. For example, flight transactions often include the date of the flight in the description field for the transaction with the date field blank. This limits analysis on the publicly available data.

83 ANAO analysis of the Defence reporting has calculated that the total reported cost of the Special Purpose Aircraft flights (for parliamentarians, the Governor-General and other dignitaries) was \$13.0 million in 2018–19 (a Federal Election year) and \$6.2 million in 2019–20 (excluding GST).

Comparison of reporting content over time

4.32 IPEA's reporting style has remained largely consistent with the expenditure reporting previously published by Finance. Reporting changes which have been adopted include:

- since the April to June 2017 quarter, aggregate employee costs for domestic and overseas travel has been included in each parliamentarians report; and
- since the January to March 2020 quarter, expenditure reports for special units of government have also been published alongside the individual parliamentarian reports (these units include the Cabinet office and the Members and Senators Support Unit).

Reflecting the true cost of expenses

4.33 The 2016 Review found that the COMCAR shuttle service operating in Canberra during sitting weeks was inefficient, and the full costs were not transparent or publicly reported.⁸⁴ The review recommended that the COMCAR fee structure reflect actual costs and that the true cost to the Commonwealth is publicly reported.

4.34 Finance advised the ANAO that \$20.6 million was spent providing the COMCAR service in 2019–20.⁸⁵ ANAO analysis of public reporting of expenses processed in 2019–20, found that \$2.5 million of COMCAR expenses was attributed to individual parliamentarians. There is scope for Finance to review its fee structure for COMCAR to better reflect the actual cost of delivering the service. If the reported cost closer reflected the true cost to the Commonwealth this would allow parliamentarians to make an informed decision about value for money and how this compares to other travel options.

Trends in parliamentary travel expenses

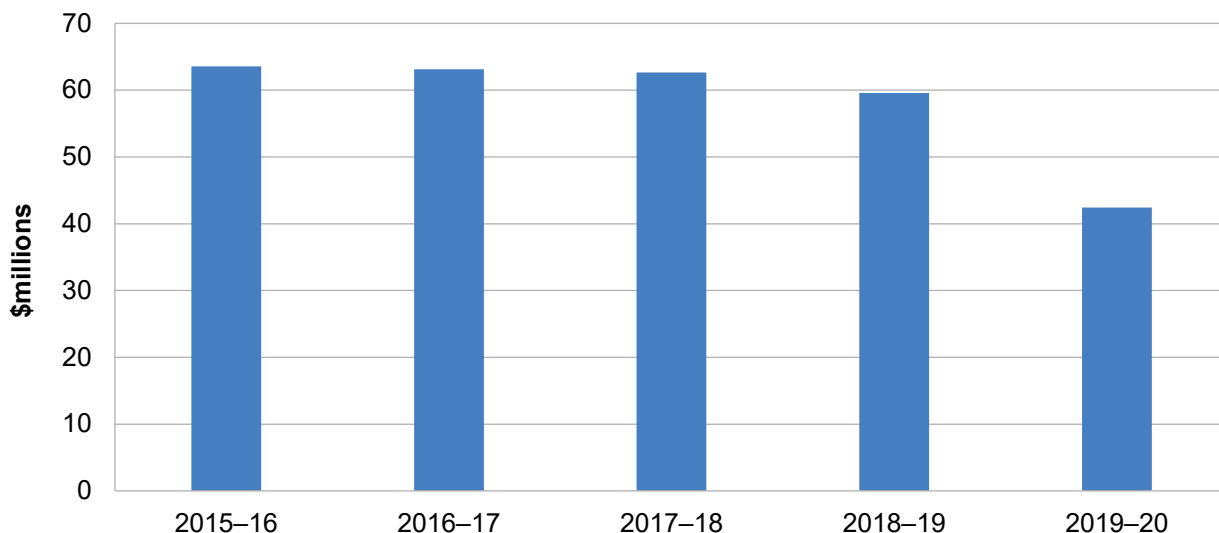
4.35 IPEA does not publicly report on the total parliamentary travel expenditure for a given period. The ANAO's analysis of annual (see Figure 4.1) and monthly (see Figure 4.2) expenditure administered by IPEA shows that travel expenses have been stable for the past few years (the drop in 2019–20 being due to external factors such as the COVID-19 pandemic), and there are seasonal patterns to the expenditure.⁸⁶

84 The COMCAR shuttle service is the responsibility of the Departments of the Senate and House of Representatives. The shuttle acts like a taxi rank for parliamentarians from various locations during designated hours. Trips are not recorded against individual parliamentarians, and are not included in quarterly expenditure reports.

85 Finance informed that this cost includes driver and administrative support wages, vehicle leasing options, depot lease and associated infrastructure costs required to service the entire COMCAR client base (clients include parliamentarians, the Governor-General, Federal Judiciary, Heads of Commonwealth agencies, and international dignitaries).

86 As noted at Table 1.1, IPEA does not administer all parliamentary travel expenses. Expenses related to Special Purpose Aircraft and COMCAR are omitted from the following trends analysis.

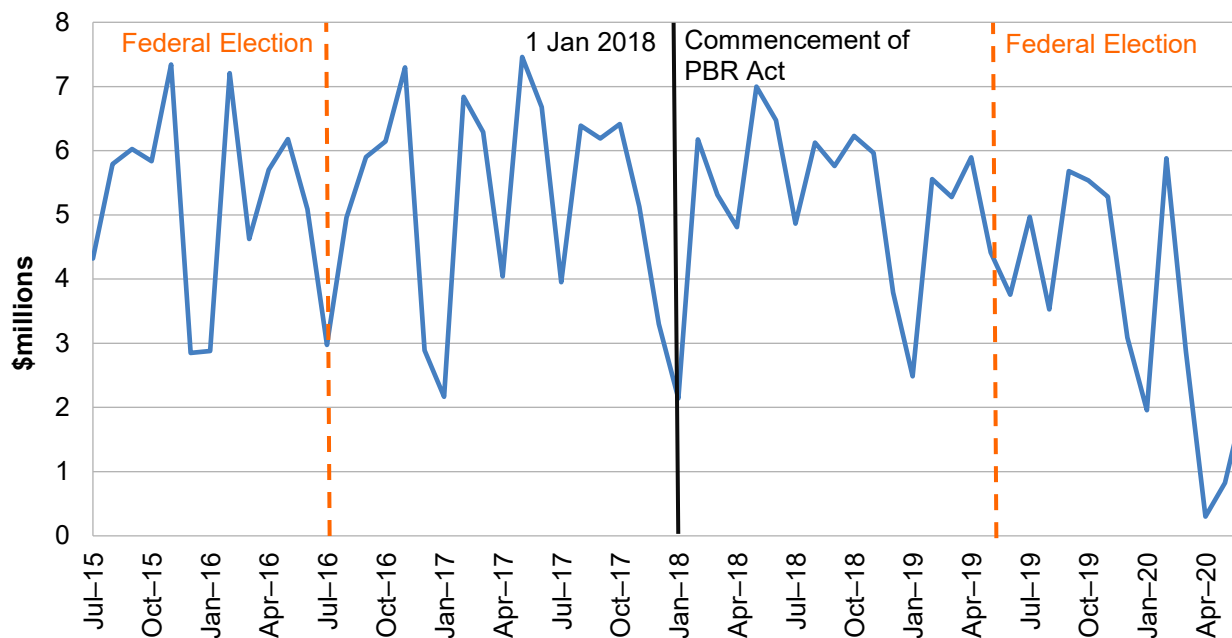
Figure 4.1: Annual IPEA administered travel expenses from 2015–16 to 2019–20 (excluding GST), adjusted to June 2020 prices



Note: Pre-April 2017 expenses were administered by Finance.

Source: ANAO analysis of processed travel expenditure held in EMS, using Australian Bureau of Statistics Catalogue 6401.0 to adjust for changes in the consumer price index.

Figure 4.2: Monthly IPEA administered travel expenses from July 2015 to June 2020 (excluding GST), adjusted to June 2020 prices



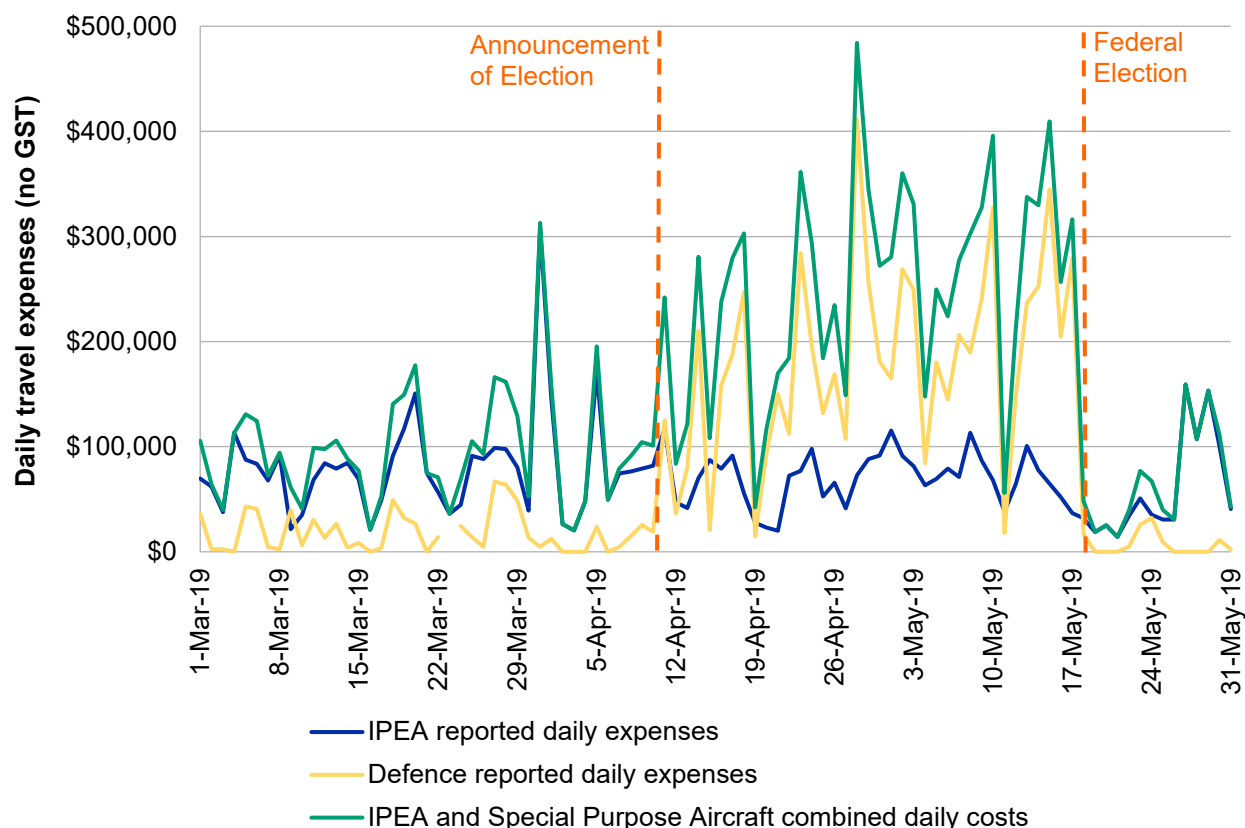
Note: Pre-April 2017 expenses were administered by Finance, and Federal Elections were held on 2 July 2016 and 18 May 2019.

Source: ANAO analysis of processed travel expenditure held in EMS, using Australian Bureau of Statistics Catalogue 6401.0 to adjust for changes in the consumer price index.

4.36 Aggregate monthly IPEA administered travel expenses data also indicates that peaks in flight numbers align to Parliamentary sitting weeks in Canberra, see Appendix 2.

4.37 The ANAO reviewed the travel expenditure data from the announcement of the 2019 Federal Election on 11 April 2019, until Election Day on 18 May 2019. The ANAO's analysis compared IPEA's publicly reported daily travel expenses⁸⁷ with the total travel expenses (including Defence's Special Purpose Aircraft flights) to give a more complete picture of parliamentary travel costs during the period, see Figure 4.3.

Figure 4.3: Daily parliamentary travel expenses as reported by IPEA, and including the Department of Defence's Special Purpose Aircraft, March to May 2019



Note: The Federal Election was announced on 11 April 2019, and was held on 18 May 2019.

Source: ANAO analysis of parliamentary travel expenses reported by IPEA on data.gov.au (MoPS staff travel expenses are not included), and the Department of Defence's public reporting of Special Purpose Aircraft flights over the period.

87 Travel costs for MoPS staff are excluded from this analysis (approximately 55 per cent of reported travel expenditure in 2019–20), as dates for MoPS staff travel are not reported. For individual parliamentarians in each quarter staff travel costs are aggregated at the domestic and overseas travel level in the published expenditure reports.

Has IPEA established an appropriate performance measurement framework?

IPEA has established a largely appropriate performance measurement framework. IPEA's purpose and activities provides a largely appropriate basis to demonstrate to the Parliament and the public that IPEA is achieving its objectives. Its 2019–20 performance measures and targets did not provide a complete picture of its performance. IPEA have adopted a more appropriate range of measures and targets for 2020–21. Further improvements in relation to reliability and completeness are required.

4.38 The Commonwealth Performance Framework is established by the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and requires entities and companies to demonstrate how public resources have been applied to achieve their purposes.⁸⁸ The framework requires entities to develop a performance measurement framework, including a purpose, key activities and performance measures, and to publish these in their Corporate Plan.

Purpose and activities

4.39 PGPA Rule Section 16E states all Commonwealth entities and companies are to include purposes in their corporate plans.⁸⁹ The purposes of an entity include the objectives, functions or role of the entity.⁹⁰ A clear and concise purpose statement plainly states what the entity aims to achieve, how the entity will do this, and what will be achieved when an entity successfully delivers against its purposes.⁹¹

4.40 The purpose set out in the *IPEA 2019–20 Corporate Plan* (see Table 4.1) is well defined and consistent with what is described in the corresponding Portfolio Budget Statements. The purpose incorporates both the service delivery (providing travel advice and administration of travel expenses) and independent oversight and transparency (auditing and expenditure reporting) aspects reflected in IPEA's statutory functions. It generally makes clear who benefits and how, and what will be achieved when the purpose is successfully delivered.⁹²

Activities

4.41 Under the Commonwealth Performance Framework, the description of purposes and activities in the corporate plan is the foundation for developing meaningful performance information. The corporate plan should focus on the key activities that will provide a reader insight and understanding of how the purpose will be achieved.⁹³

4.42 Table 4.1 outlines IPEA's purpose and activities that form IPEA's performance framework.

88 *Public Governance, Performance and Accountability Act 2013* (Cth), section 39.

89 Public Governance, Performance and Accountability Rule 2014 (Cth), section 16E.

90 Department of Finance, Resource Management Guide 131 — Developing good performance information, May 2020, p. 5.

91 Department of Finance, Resource Management Guide 132 — Corporate plans for Commonwealth entities, Feb 2020, paragraph 29.

92 IPEA modified its purpose in the *IPEA 2020–21 Corporate Plan* to be more concise, and describe the high level outcome and the activities that IPEA will be undertaking. However, it no longer details all of IPEA's functions and differs from the purpose set out in the 2020–21 Portfolio Budget Statement.

93 Department of Finance, Resource Management Guide 132 — Corporate plans for Commonwealth entities, Feb 2020, paragraph 33–36.

Table 4.1: IPEA's purpose and activities in 2019–20

Purpose in the Portfolio Budget Statement	Purpose in IPEA's Corporate Plan	Activities in IPEA's Corporate Plan
Deliver services relating to the administration of travel expenses, allowances, and related expenses including advice on, and processing of, these claims Provide independent monitoring, auditing and reporting of the work resources accessed by current and former parliamentarians and MOP(S) staff.	Advice and administration for current and former parliamentarians and their staff on travel and travel related work expenses to support them in the exercise of their parliamentary functions and their respective roles. Independent oversight of the work expenses accessed by current and former parliamentarians and their staff through our auditing and reporting functions.	Providing general and personal advice to parliamentarians and their staff employed under the <i>Members of Parliament (Staff) Act 1984</i> (MOP(S) Act) on travel expenses and allowances.
		Monitoring parliamentarians and MOP(S) Act employees regarding travel expenses, allowances, and related expenses.
		Administering travel expenses, allowances, and related expenses, including processing of these claims.
		Educating parliamentarians and their staff and, raising awareness of the Parliamentary Business Resources framework.
		Publically reporting on work expenses under the Parliamentary Business Resources framework.
		Auditing work and travel expense claims.

Source: IPEA's 2019–20 Portfolio Budget Statements and Corporate Plan.

4.43 The activities set out in the *IPEA 2019–20 Corporate Plan* are readily identifiable, and clearly contribute to its purpose. Most of the key activities undertaken by IPEA are described in the Corporate Plan. However, there is no mention of enforcement activities, such as cost recovery, penalties and rulings. There is also no coverage of assurance activities other than audits that IPEA undertakes, such as assurance reviews, preliminary assessments and post payment checking.⁹⁴

Appropriateness of performance measures

4.44 In order to allow entities to assess whether performance measures are appropriate, Finance has provided guidance to entities on the characteristics of 'good' performance information — those that are relevant, reliable and complete.⁹⁵

4.45 IPEA had four performance measures for 2019–20 and 2020–21. The performance targets and underpinning service level standards were developed and modified between the years.

4.46 The ANAO assessed the relevance, reliability and completeness of IPEA's four performance measures for 2019–20 and 2020–21. ANAO's criteria for the assessment of performance measures is outlined in Appendix 3. The results of the analysis are provided in Table 4.2 and in the subsequent paragraphs.

94 The activities set out in the *IPEA 2020–21 Corporate Plan* are readily identifiable. Similar to 2019–20, there is no mention of compliance and enforcement activities, such as cost recovery, penalties and rulings.

95 Department of Finance, Resource Management Guide 131 — Developing good performance information, May 2020.

Table 4.2: Analysis of relevance and reliability of IPEA's four performance measures for 2019–20 and 2020–21

	2019–20				2020–21			
	Yes	Mostly	Partly	No	Yes	Mostly	Partly	No
Relevance	2	2	0	0	2	2	0	0
Benefit	3	1	0	0	3	1	0	0
Focus	4	0	0	0	4	0	0	0
Understandable	3	1	0	0	2	2	0	0
Reliability	0	0	3	1	0	3	1	0
Measurable	0	0	3	1	0	4	0	0
Free from Bias	0	3	0	1	0	3	1	0

Source: ANAO analysis.

Relevance

4.47 A relevant performance measure allows readers to assess an entity's progress in fulfilling its purpose. Relevant performance measures:

- clearly indicate who benefits and how they benefit from the entity's activities;
- are focused on a significant aspect of the entity's purpose, via the activities, and makes the attribution of the entity's activities clear; and
- are understandable, providing sufficient information in a clear and concise manner.⁹⁶

4.48 The performance measures in 2019–20 and 2020–21 were fully or mostly relevant and were generally consistent across the periods. They generally outlined who benefits and how, were clearly focused on IPEA's purpose and were mostly understandable. Examples of ANAO assessment of the reliability of IPEA's performance measures are outlined in Table 4.3.

⁹⁶ Auditor-General Report No.17 2018–19 *Implementation of the Annual Performance Statements Requirements 2017–18*, paragraph 3.34.

Table 4.3: Examples of ANAO’s assessment of IPEA’s 2020–21 performance measures against the ‘relevant’ criteria

Performance measure	ANAO ‘relevant’ assessment criteria results	Overall assessment
Provide clear and timely advice to parliamentarians and MoPS staff on travel and related expenses: Advice is provided in accordance with IPEA’s published service level standards, which include measurements for quality and timeliness.	The performance measure is directly linked to IPEA’s purpose and activities. The measure could be clearer on what ‘related’ expenses are, and whether this was for personal or general advice, or both.	Benefit: ● Focus: ● Understandable: ●
Auditing the work resources of parliamentarians and the travel resources of MoPS staff: All parliamentarians’ offices are subject to one or more forms of assurance during the financial year in accordance with IPEA’s published service level standards.	The performance measure could be clearer on how the Australian public will benefit. Currently it is by implication — if parliamentarians and staff are subject to the assurance activities, then they are more accountable to the Australian public. The performance criteria and target wording are not well aligned, as the wording switches from audits to assurance activities.	Benefit: ● Focus: ● Understandable: ●

Key: ○ Criteria not met ◐ Criteria partly met ◑ Criteria mostly met ● Criteria met

Source: ANAO analysis.

Reliability

4.49 A reliable performance measure allows readers to form clear expectations and consistently assess an entity’s progress in fulfilling its purpose. Reliable performance measures are:

- measurable — they use and disclose information sources and methodologies (including a basis or baseline for measurement or assessment, for example a target or benchmark) that were fit-for-purpose; and
- free from bias — they allow for clear interpretation and an objective basis for assessment of the results.⁹⁷

4.50 IPEA’s performance measures for 2019–20 were either partly or not reliable. The ANAO analysis found that:

- information sources and methodology for measurement were not clearly outlined in IPEA’s corporate plan;
- not all aspects of each performance statement were measured — for example, the target for the performance measure of ‘Provide clear and timely advice to parliamentarians and MOP(S) staff on travel and related expenses’ only measured timeliness⁹⁸, rather than clarity of advice; and

97 Auditor-General Report No.17 2018–19 *Implementation of the Annual Performance Statements Requirements 2017–18*, paragraphs 3.38.

98 In addition, one of the timeliness performance targets for travel advice is that 95 per cent of requests for advice are ‘resolved’ within two working days. However, the 2019–20 performance statement expresses the target as the requests for advice being ‘responded’ to.

- some service level standards referred to in the performance measures for 2019–20 were either not yet developed or published.

4.51 Improvements were made to the performance measures for 2020–21, and they have been assessed as mostly reliable. Service level standards that underpin the performance measures were all developed and published on IPEA’s website by October 2020. These quantify the targets as well as outline the methodology and information sources to be used.

4.52 Examples of ANAO assessment of the reliability of IPEA’s performance measures are outlined in Table 4.4.

Table 4.4: Examples of ANAO’s assessment of IPEA’s 2020–21 performance measures against the ‘reliable’ criteria

Performance measure	ANAO ‘reliable’ assessment criteria results	Overall assessment
Increasing transparency through the compilation of reports detailing the work resources of current and former parliamentarians and the travel resources of MoPS staff: Reports relating to work expenses for parliamentarians and their staff are prepared and provided as per IPEA’s published service level standards.	The information source, methodology and target are outlined in the service level standard. The service level standards are not presented within or linked to the corporate plan or performance statement. It would be easier for the reader if this information was available in one place, and if the service level standards outlined what reports are published when, and what each report contains.	Measurable: ● Free from bias: ●
Auditing the work resources of parliamentarians and the travel resources of MoPS staff: All parliamentarians’ offices are subject to one or more forms of assurance during the financial year in accordance with IPEA’s published service level standards.	The corporate plan does not outline the information source or methodology for this performance measure. The service level standards published on IPEA’s website gives some sense of the methodology, but it is not clear. The service level standard targets are open to interpretation, and some terms (‘as is reasonably possible’) need definition.	Measurable: ● Free from bias: ○

Key: ○ Criteria not met ○ Criteria partly met ● Criteria mostly met ● Criteria met

Source: ANAO analysis.

Completeness

4.53 A complete set of performance criteria allow for the overall assessment of an entity’s progress in fulfilling its purpose. A complete set of performance measures are:

- balanced — they provide a basis for assessment of both the efficiency and effectiveness of the entity in fulfilling its purpose, rely on a mixture of quantitative and qualitative measurement bases and assess a mixture of short, medium and long-term objectives; and
- collective — collectively address the entity’s purpose through the activities identified in the corporate plan.⁹⁹

99 Auditor-General Report No.17 2018–19 *Implementation of the Annual Performance Statements Requirements 2017–18*, paragraph 3.67.

4.54 Overall the measures in 2019–20 were partly complete. The performance measures were not balanced as they were all short term static outputs, with no effectiveness (or effectiveness proxies) or efficiency measures. All were quantitative measures based primarily on timeliness with no qualitative information.

4.55 The performance measures for 2019–20 were partly collective. The ANAO analysis found that:

- the performance measures do not cover all the work that IPEA does — for example, only audits are included under the relevant performance measure, not the other assurance activities that IPEA undertakes; and
- there is only a minor mention (transparency through public reporting) in the measures that looks at how IPEA is achieving their overarching policy objective of helping to ensure accountability and transparency of parliamentary expenses.

4.56 For 2020–21, IPEA has developed new service level standards which it has published on its website as they have been developed. The new service level standards provide more opportunity for the introduction of qualitative information, and information on accuracy and quality. The focus is still primarily on quantitative outputs, though some elements of effectiveness are present. There are still no efficiency measures or standalone effectiveness measures, and they continue to be short-term measures.¹⁰⁰ As a result, the performance measures for 2020–21 are considered to still be partly complete.

Recommendation no.4

4.57 The Independent Parliamentary Expenses Authority makes further improvements to the reliability and completeness of its performance measures consistent with section 16EA of the *Public Governance, Performance and Accountability Rule 2014* and Resource Management Guide 131 *Developing good performance information*, and supports reporting on its effectiveness with respect to its purpose and primary activities and strategies.

Independent Parliamentary Expenses Authority response: Agreed.

4.58 *In 2020–21 IPEA commenced reviewing and improving its corporate performance reporting and requires accurate, timely information to measure and mature this capability. The Portfolio Budget Statements for 2020–21 (and future years) reflect this updated outcome-focused approach and reference published service level standards. These quantitative indicators are supplemented by annual qualitative client satisfaction surveys. IPEA is continuing to explore how to improve its corporate performance reporting, including through its current education and public value initiatives. IPEA will continue to engage with and support the successful completion of the Parliamentary Expense Management System (PEMS) project. PEMS' planned functionality is expected to assist IPEA in measuring many performance improvements.*

100 In August 2020, IPEA commenced a project to 'pilot' a set of more outcome orientated performance criteria designed to measure the public value of its role in providing transparency and accountability. The pilot performance criteria includes measures related to a reduction in the number of non-compliant travel claims made by parliamentarians and MoPS staff, and an increase in the certification of quarterly expenditure reports received from parliamentarians. IPEA has yet to decide whether these criteria might be adopted for future performance reporting arrangements.

Do IPEA's performance statements provide meaningful information on the extent to which it is achieving its purposes?

While the performance statements show IPEA has met all its 2019–20 performance targets, the statements provide a relatively limited understanding of the extent to which it is achieving its purposes. Shortcomings in its performance measurement framework and use of estimates reduced the reliability of IPEA's 2019–20 performance statements.

Performance statements assurance processes

4.59 The 2019–20 performance statements includes a 'statement of preparation' by the IPEA CEO (as the accountable authority) as required under the PGPA Rule. This affirms the CEO's opinion that the statements are based on 'properly maintained records' and 'accurately reflect the performance of the entity'. IPEA's key processes in 2019–20 to provide its CEO with assurance regarding this consisted of:

- review and advice by IPEA's contracted internal auditor; and
- review and advice by IPEA's Audit and Risk Committee;

Review by internal auditor

4.60 Consistent with previous years, IPEA's internal auditor undertook a review of the 2019–20 draft performance statements. The review's objective was 'to assist in providing the Audit and Risk Committee with assurance on the methodology and accuracy of the reporting' and in particular to 'provide assurance on the data underpinning the IPEA performance criteria'.

4.61 The 2019–20 review consisted mainly of 'desktop' reviews of the following IPEA processes to ensure that the processes were transparent and repeatable:

- the collection of data from various data sources (including whether the systems were fit-for-purpose, and the risk of errors through manual entry of data);
- the methodology for transformation of raw data into performance data (including whether the reported transformed data aligned with raw data); and
- reviewing and signing-off on the performance data.¹⁰¹

4.62 The 2019–20 review by IPEA's contracted internal auditor concluded:

Overall, we found that the available information provided for the 2019–20 draft performance statement used reasonable assumptions but still allowed room for error for three of the four measures. In particular, with respect to [the performance criteria for travel advice], there were significant weaknesses with the tracking and reporting processes that also relied on an estimate

101 The review noted that it had 'not audited systems and processes in place to collect relevant performance data. We have relied on the collected performance data as reported.'

in the final reported result. The reliance on this estimate should be noted in the final Performance Statement. [emphasis in original]¹⁰²

Review by IPEA's Audit and Risk Committee

4.63 The internal auditor's review, along with the draft 2019–20 performance statements and other background explanatory material on IPEA's performance criteria and performance data, was considered at the Audit and Risk Committee meeting on 21 September 2020. The meeting records show extensive discussion on the draft performance statements including with involvement of IPEA management executives.¹⁰³

4.64 On 23 September 2020, the Committee Chair provided written advice to the CEO that, due in part to the assurances provided from IPEA management, the Committee considered that the performance statements are 'appropriate and fit for purpose for inclusion in IPEA's annual report'.¹⁰⁴ The published performance statements made no reference to the reliance on estimates (which the internal auditor had stated should be noted in the final performance statement).

IPEA's performance against its targets

4.65 The 2019–20 performance statements provide clear results against IPEA's performance targets. All targets were met by IPEA, though the targets only relate to timeliness and as such do not provide a complete picture of IPEA's performance in relation to its purposes. Performance results were similar to 2018–19 as shown in Table 4.5.

102 The estimate related to IPEA's performance against its service level standards for acknowledging and responding to phone calls from parliamentarians and MoPS staff during the last three months of 2019–20. IPEA's data recording technology did not support IPEA's working from home arrangements that were in place due to the COVID-19 situation at this time. The estimate was based on the average performance from the preceding nine months, reduced by 0.5 per cent to produce a 'conservative estimate'.

103 In a report provided to the CEO on 22 September 2020 concerning a range of matters covered at the committee meeting, the Chair noted the review's finding that was still 'room for improvement in the reporting of information and data'.

104 The CEO received written advice from all three of IPEA's Branch Heads that the performance statements were based on information 'verified' by them and that the statements 'present fairly IPEA's performance targets and achievements'.

Table 4.5: IPEA's reported performance results in 2018–19 and 2019–20

Performance criteria	Targets in 2018–19 and 2019–20	2018–19 results	2019–20 results
Advice — Provide clear and timely advice to parliamentarians and MoPS staff on travel and related expenses.	95% of calls acknowledged within 24 hours and responded to within 2 working days.	100% of the 9,972 calls to the IPEA advice team acknowledged within the agreed 24 hours and 96.9% responded to within agreed timeframes.	99.2% of the 10,273 calls to the IPEA advice team acknowledged within the agreed 24 hours and 98.4% responded to within agreed service level standards. ^a
Claims — Accurate and timely processing of claims for travel expenses and allowances.	95% of payments will be made within 7 working days.	95.5% of the payments on 211,370 transactions were made within agreed timeframes.	98.8% of the payments on 143,176 transactions were made within agreed service level standards.
Reporting — Increasing transparency through the compilation of reports detailing the work resources of current and former parliamentarians and the travel resources of MoPS staff.	100% of reports on parliamentary expenditure are compiled and published within agreed service level standards.	100% of reports compiled and published within agreed timeframes.	100% of reports compiled and published within agreed service level standards.
Audit and Assurance — Auditing the work resources of parliamentarians and the travel resources of MoPS staff.	100% of audits of individual parliamentarian's expenses are being completed within agreed service level standards.	100% of audits of individual parliamentarians' expenses completed within agreed timeframes.	100% of audits of individual parliamentarians' expenses completed within agreed service level standards.

Note a: As noted in footnote 102, these results were based on an estimate made by IPEA.

Source: IPEA 2018–19 and 2019–20 Annual Reports.

4.66 The performance statements also contain a list of 'achievements' that includes the volume of the various key activities undertaken in 2019–20. While useful in providing more information on IPEA's key activities relating to its purposes and statutory functions, it would more meaningful from a performance perspective if the achievements also highlighted any instances where activity volumes had changed significantly from the previous reporting period.



Grant Hehir
Auditor-General

Canberra ACT
29 March 2021

Appendices

Appendix 1 Entity responses



Australian Government
Independent Parliamentary
Expenses Authority

5 March 2021

Mr Grant Hehir
Auditor-General
Australian National Audit Office

Dear Auditor-General

IPEA comments on proposed report under s.19 of the *Auditor-General Act 1997*

Thank you for the proposed audit report (Report) on the *Administration of Parliamentary expenses by the Independent Parliamentary Expenses Authority (IPEA)*, received 5 February 2021.

IPEA was established within a relatively short timeframe, being announced on 13 January 2017, commencing as an independent statutory authority on 1 July 2017 and operating under a new legislative framework from 1 January 2018. The audit and this Report have provided a timely opportunity to consider how IPEA has responded to the challenges of:

- establishing a transparency organisation
- moving from rules-based entitlements to principles-based work expenses, and
- enhancing accountability through the dual strategies of education and enforcement.

The Report identifies four recommendations for IPEA to mature. These are in the areas of: managing business and compliance risk; planning of assurance activities; and measuring performance. Noting the specific context in which each recommendation is made, IPEA agrees the recommendations.

IPEA adopted a two-pass approach to its governance risks: the first to meet all mandatory legislative requirements; and the second to refine frameworks, procedures and documentation. IPEA welcomes the opportunity to incorporate ANAO's observations as we continue our second pass. Observations – to formally include risk register reviews on agendas, specify risk mitigation implementation dates, and officially document staff conflict of interest discussions – either have been, or are being addressed. Formalising risks shared with other entities is new and will be addressed as soon as practicable.

To date, IPEA has focussed on developing and honing our assurance and audit capabilities on travel and travel-related functions. IPEA looks forward to working with other entities to understand their compliance risks and develop an integrated strategy to prioritise and allocate resources.

In 2020-21 IPEA commenced reviewing and improving its corporate performance reporting and requires accurate, timely information to measure and mature this capability. IPEA notes that, without the successful completion of the Parliamentary Expense Management System (PEMS) project and its planned functionality, there are significant difficulties in measuring many performance improvements.

Conducting an audit during COVID-19 adds a level of complexity to interactions. I thank ANAO officers for their engagement with IPEA and openness to seek additional information and feedback.

Yours sincerely

Annwyn Godwin
Chief Executive Officer

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Australian Government
Department of Finance

Rosemary Huxtable PSM
Secretary

Our Ref: EC21-000067

Mr Grant Hehir
Auditor-General
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Mr Hehir

Thank you for your letter of 5 February 2021 providing an extract of the proposed section 19 Audit Report, *Administration of parliamentary expenses by the Independent Parliamentary Expenses Authority (IPEA)* and seeking the Department of Finance's response.

I note that there are no recommendations specifically directed to Finance in the extract provided. We will continue to work with IPEA and other agencies to develop a formal approach to shared risk under the *Parliamentary Business Resources Act 2017* framework and will support IPEA as appropriate in implementing relevant recommendations of the Audit Report.

Thank you for the opportunity to respond to the matters raised in the proposed report.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'RHuxtable'.

Rosemary Huxtable
Secretary

3 March 2021



Australian Government
Department of Defence

PO Box 7900 CANBERRA BC ACT 2610

EC21-000364

Mr Grant Hehir
Auditor-General
PO BOX 707
CANBERRA ACT 2601

Dear Mr Hehir

Australian National Audit Office Section 19 Proposed Report: Administration of Parliamentary Expenses by the Independent Parliamentary Expenses Authority

Thank you for your correspondence of 5 February 2021 containing the Proposed Report extract for the ANAO performance audit – *Administration of Parliamentary Expenses by the Independent Parliamentary Expenses Authority*.

The extract accurately depicts the Special Purpose Aircraft Schedule that is tabled in Parliament. However, as the extract provided is heavily redacted it is difficult for Defence to comment on the ANAO's observations. In particular, the extract notes concern that Special Purpose Aircraft/VIP flights are not recorded in an unnamed report or public IPEA reporting. Without visibility of the redacted areas, Defence is unable to comment on this section.

Our point of contact is the ANAO Liaison Officer, Nicole Fry, who can be contacted by telephone on 02 6192 7974 or via email at: nicole.fry@defence.gov.au.

Defence remains committed to assisting you with the successful completion of this audit. We look forward to the upcoming tabling of the Final Report.

Yours sincerely

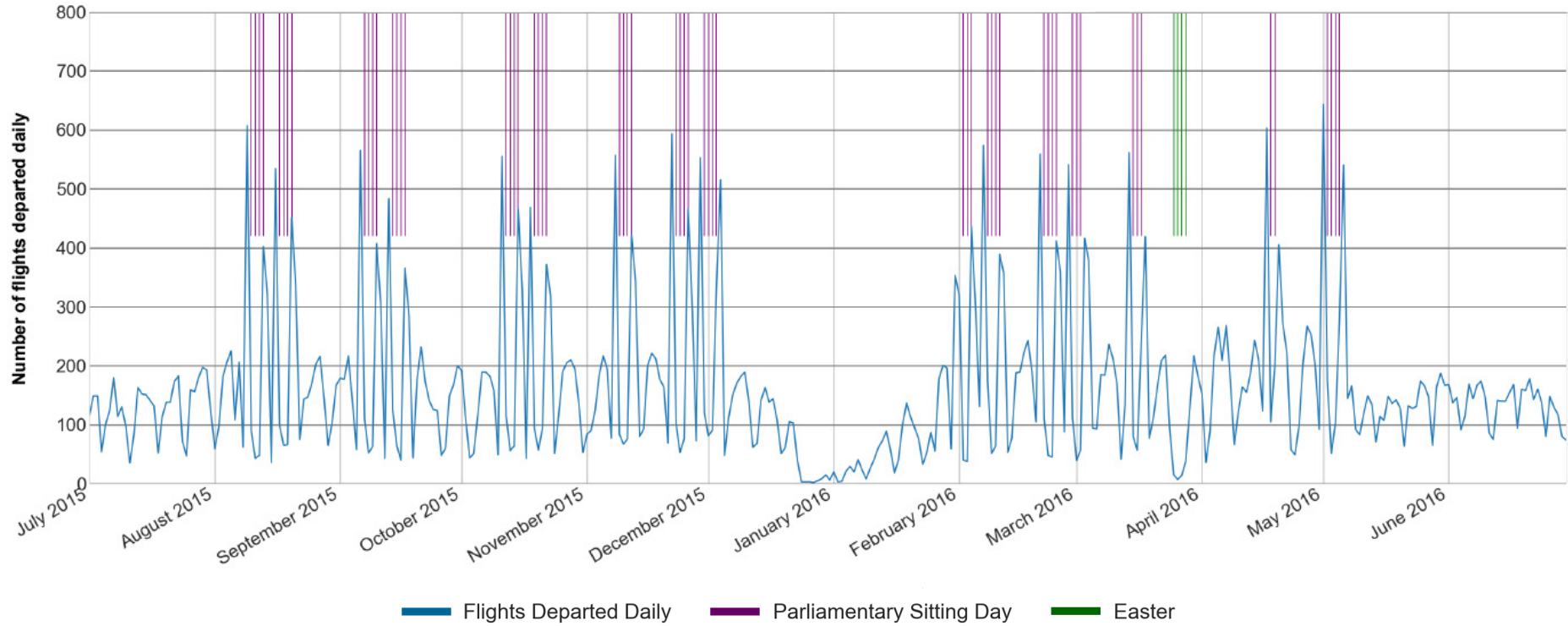
Greg Moriarty
Secretary

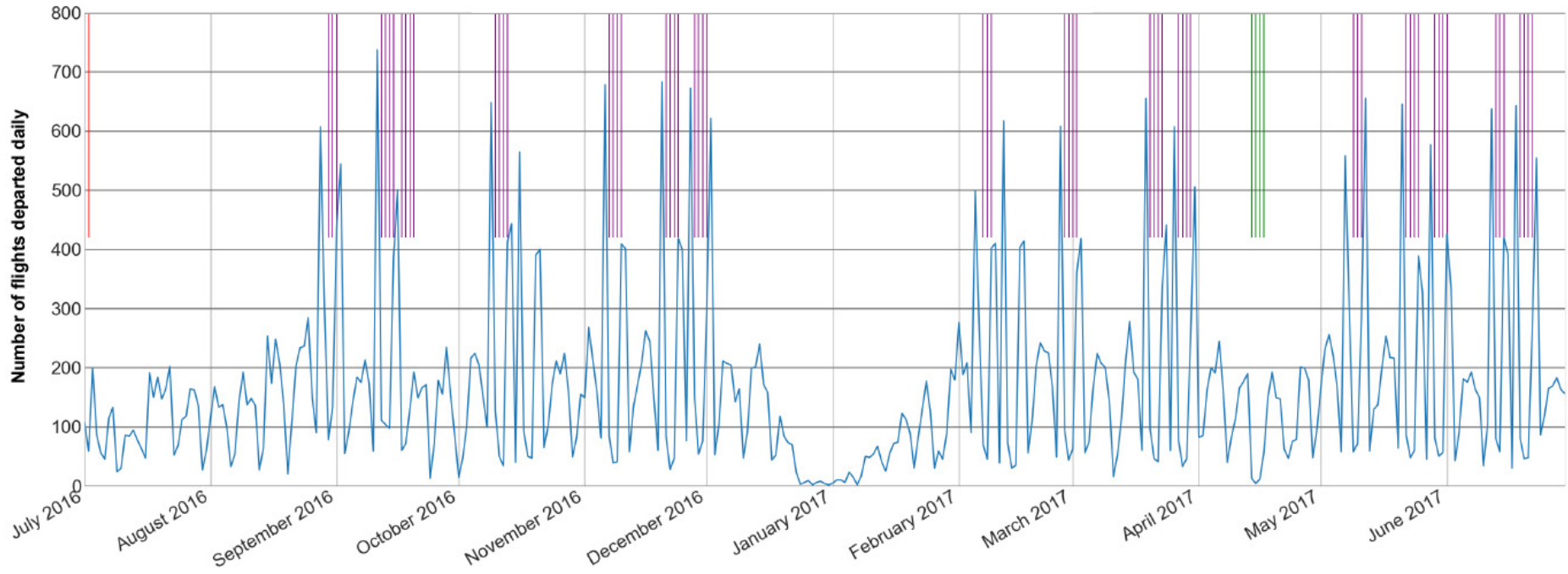
3 March 2021

Angus J Campbell, AO, DSC
General
Chief of the Defence Force

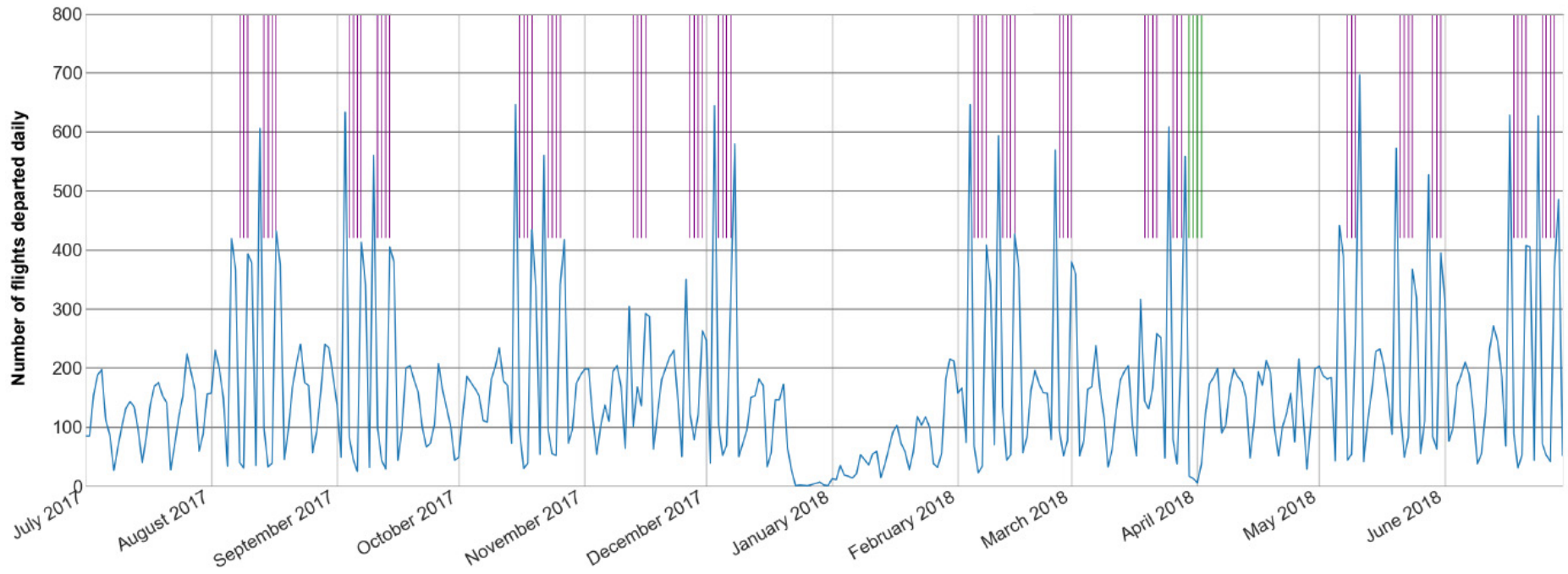
3 March 2021

Appendix 2 Trend analysis of daily flight departures compared to Parliamentary sitting weeks, 1 July 2015 to 30 June 2020

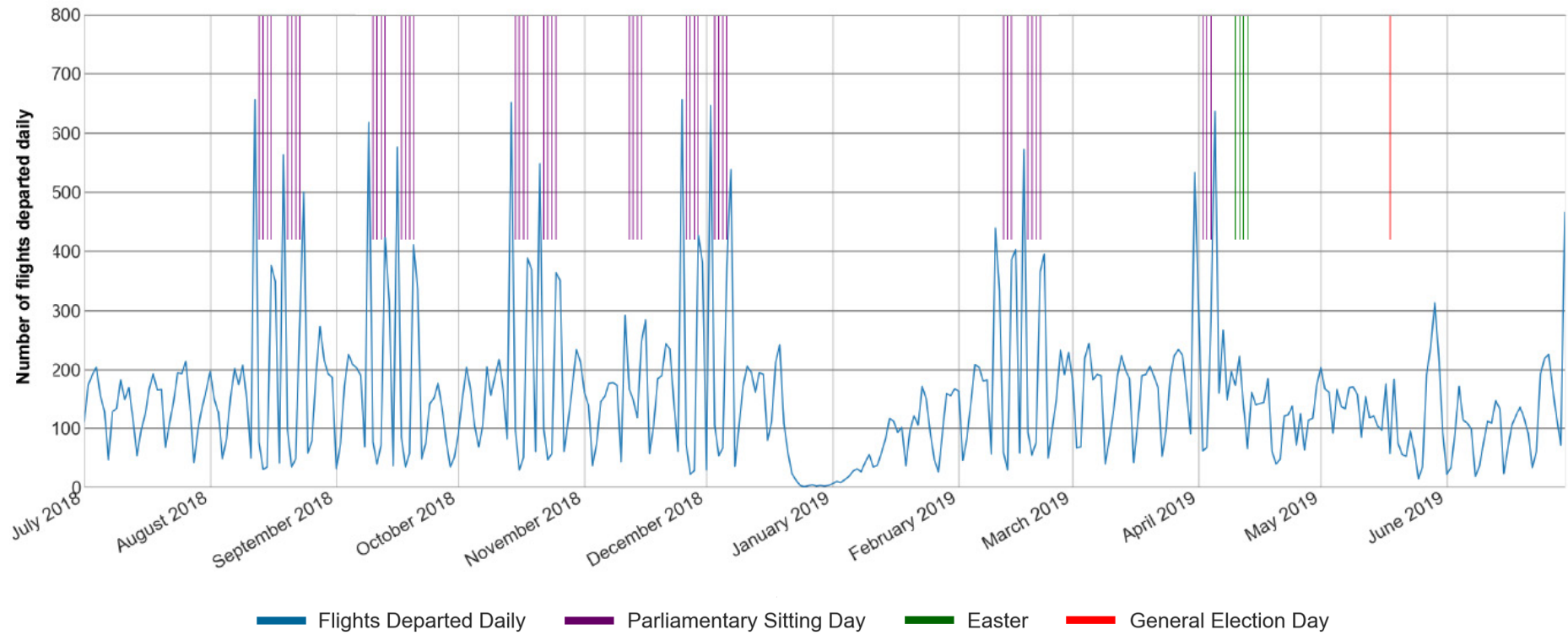


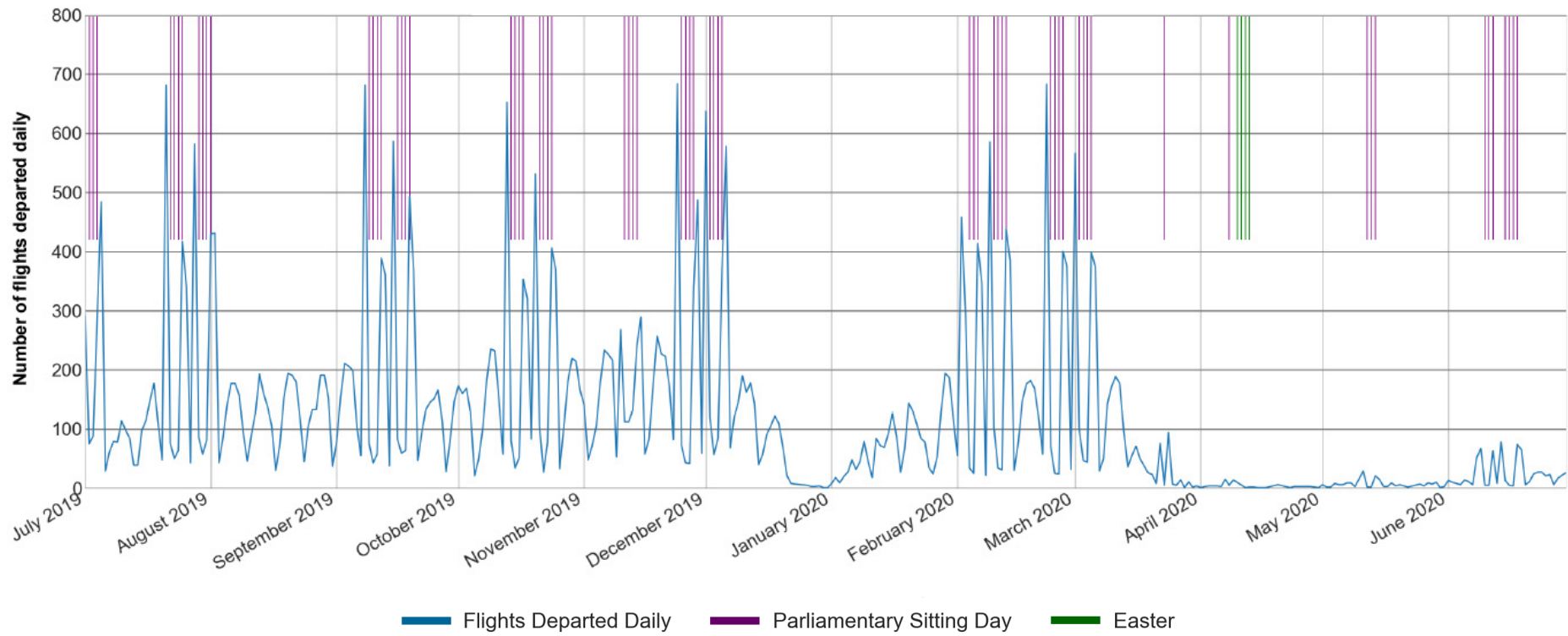


— Flights Departed Daily — Parliamentary Sitting Day — Easter — General Election Day



Flights Departed Daily Parliamentary Sitting Day Easter





Source: ANAO analysis of processed travel expenditure held in EMS. Note pre-April 2017 expenses were administered by Finance.

Appendix 3 ANAO criteria for the assessment of the appropriateness of performance measures

1. To undertake an assessment against RMG 131 – *Developing good performance information*, the ANAO has applied the following audit criteria. These criteria have been applied for audits of performance information since Auditor-General Report No.58 2016–17 *Implementation of the Annual Performance Statements Requirements 2015–16*. The assessment characteristics and explanations have been updated over time to reflect the ANAO’s methodology development. The assessment has been undertaken on IPEA’s performance measures.

Table A.1 Criteria for the assessment of the appropriateness of performance measures

Finance guidance		Assessment characteristics	Explanation
Relevant	Individual assessment	Benefit <i>The performance criterion clearly indicates who will benefit from the entity’s activities</i>	The performance criterion should explain who will benefit from the activity and how the recipient benefitted.
		Focus <i>The performance criterion should address the significant aspect/s of the purpose, via the activities.</i>	The performance criterion should assist significantly in informing whether the purpose is being achieved, and the attribution of the entity’s activities to it is clear.
		Understandable <i>The performance criterion should provide sufficient information in a clear and concise manner.</i>	The performance criterion should be stated in plain English and signal the impacts of activities to inform users.
Reliable		Measureable <i>The performance criterion should use and disclose information sources and methodologies that are fit for purpose.</i>	The performance criterion should be capable of being measured to demonstrate the progress of fulfilling the purpose. This includes documenting a basis or baseline for measurement or assessment, for example a target or benchmark.
		Free from Bias <i>The performance criterion should be free from bias and where possible, benchmarked against similar activities.</i>	The performance criterion should allow for clear interpretation of results and provide an objective basis for assessment.
Complete		Overall assessment	Balanced <i>The performance criteria should provide a balanced examination of the overall performance story.</i>
	Collective <i>The performance criteria should collectively address the purpose.</i>		The performance criteria should demonstrate the extent of achievement against the purpose through the activities identified in the corporate plan.

Source: ANAO and Department of Finance information.