

The Auditor-General
Audit Report No.5 2001–2002
Performance Report

**Parliamentarians' Entitlements:
1999–2000**

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of Australia 2001
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Canberra ACT
7 August 2001

Dear Madam President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in accordance with the authority contained in the *Auditor-General Act 1997*. I present this report of this audit, and the accompanying brochure, to the Parliament. The report is titled *Parliamentarians' Entitlements: 1999–2000*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—
<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. J. Barrett'.

P. J. Barrett
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. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Abbreviations/Glossary

AFFA	Department of Agriculture, Fisheries and Forestry—Australia
AGs	Attorney-General’s Department
ANAO	Australian National Audit Office
Austrade	Australian Trade Commission
CEIs	Chief Executive’s Instructions
CPGs	Commonwealth Procurement Guidelines
DAS	Former Department of Administrative Services
DCITA	Department of Communications, Information Technology and the Arts
Defence	Department of Defence
DETYA	Department of Education, Training and Youth Affairs
DEWRSB	Department of Employment, Workplace Relations and Small Business
DFAT	Department of Foreign Affairs and Trade
DHAC	Department of Health and Aged Care
DHR	Department of the House of Representatives
DIMA	Department of Immigration and Multicultural Affairs
DOFA	Department of Finance and Administration
DoS	Department of the Senate
DTRS	Department of Transport and Regional Services
DVA	Department of Veterans’ Affairs
Environment	Department of the Environment and Heritage
FaCS	Department of Family and Community Services
FBT	Fringe Benefits Tax
Finance	Department of Finance and Administration
FMA Act	<i>Financial Management and Accountability Act 1997</i>
FMA Regulations	Financial Management and Accountability Regulations

ISR	Department of Industry, Science and Resources
M&PS	Ministerial and Parliamentary Services Group in Finance
MOP(S) Act	<i>Members of Parliament (Staff) Act 1984</i>
MRA	Members Representational Allowance—United States Congress
PM&C	Department of the Prime Minister and Cabinet
SPA	Special Purpose Aircraft

Summary,
ANAO Response to
Senate Resolution and
Recommendations

Summary

Background

1. Senators and Members of Parliament, particularly those who are Ministers, require a wide spectrum of support services to carry out their various responsibilities effectively. These services are generally referred to as entitlements, and are established pursuant to a legal framework comprising the Constitution, Acts of Parliament and Determinations of the Remuneration Tribunal, and Executive decisions. Agencies have the responsibility to ensure that expenditure related to Parliamentarians' entitlements is in accordance with the legal framework establishing the entitlements, the relevant Appropriations Acts, and the *Financial Management and Accountability Act 1997* (FMA Act). As at 30 June 2000, there were 223 Senators and Members.¹

2. The total outlays in 1999–2000 for the provision and administration of Parliamentarians' entitlements were estimated by ANAO to be at least \$354 million (see Figure 1). In 1999–2000, some 82 per cent, or \$289 million, of outlays were centralised within the Department of Finance and Administration (Finance), primarily in the Ministerial and Parliamentary Services Group (M&PS). The Parliamentary chamber departments accounted for 16 per cent of the total, with the Department of the House of Representatives (DHR) spending about \$29.3 million and the Department of the Senate (DoS) some \$27 million. Advice provided to ANAO by Ministers' home departments indicated that a total of \$8.9 million was spent by them in 1999–2000 on Ministerial entitlements.

Figure 1

Estimated Costs of Parliamentarians' Entitlements 1999–2000

DEPARTMENT	\$'000
Department of Finance and Administration ^{A B}	289 027
Department of the Senate ^C	27 022
Department of the House of Representatives ^D	29 258
Total Expenditure Reported by Portfolio Departments (home departments) ^E	8 884
TOTAL ESTIMATED RESOURCING FOR PARLIAMENTARIANS' ENTITLEMENTS	354 191
Notes A to E: See Notes A to E Figure 1.1 (page 58)	

Source: ANAO analysis of advice from agencies and agency 2000–2001 Portfolio Budget Statements.

¹ During 1999–2000, there were 227 sitting Senators and Members, with four sitting Parliamentarians leaving the Parliament over the course of the year, and three new Parliamentarians taking up those vacated places by 30 June 2000. There was one vacancy in a House of Representatives seat as at 30 June 2000.

3. Of the estimated total outlays of \$354 million in 1999–2000, about \$266 million were administered appropriations which agencies used to directly fund Parliamentarians’ entitlements. In addition, significant proportions of the departmental appropriations of DoS and DHR were used to fund entitlements provided to Parliamentarians by those departments. The remaining outlays generally related to the cost to agencies of administering Parliamentarians’ entitlements.

4. The current framework of Parliamentarians’ entitlements is a complex mixture of capped and uncapped entitlements, with limited capacity for Senators and Members to trade-off expenditure between related entitlements to meet their individual requirements (see Figure 2).

Figure 2

Current entitlements framework

<i>Uncapped entitlements^A</i>	<i>Capped/Restricted entitlements^B</i>		
	<i>Dollar limit</i>	<i>Occurrences limit</i>	<i>Content limit</i>
<ul style="list-style-type: none"> • Travelling allowance (other than within electorate)^C • Scheduled travel • Travel by Special Purpose Aircraft^D • Car transport • Private vehicle allowance • Office and residential telephone services^H • Personalised letterhead stationery, newsletters and other approved printed material for distribution to constituents^I • Retirement travel (pre 1 Jan 1994 entitlements) • All Ministerial non-salary entitlements 	<ul style="list-style-type: none"> • Salary • Electorate allowance • Charter transport^E • Information delivery services/ communication (including postage) • Overseas study trips • Pooled spouse and dependant travel 	<ul style="list-style-type: none"> • Travelling allowance (within electorate) • Travel/Travelling allowance (for meetings of Parliamentary political party, committees or national conference) • Non-official spouse/nominee and dependent travel • Retirement travel (post 1 Jan 1994 entitlements) • Newspapers and periodicals^J 	<ul style="list-style-type: none"> • Staff • Office accommodation • Office equipment • Office supplies^F • Privately plated vehicles • Photographic services^G • Constituents Request Program (including flags) • Overseas delegations travel
Notes A to J: See notes A-J Figure 2.1 (page 73)			

Source: ANAO analysis of relevant legislation, Remuneration Tribunal Determinations, ministerial determinations and guidelines, and relevant Finance handbooks.

5. Under the current Administrative Arrangements Orders, the Finance and Administration portfolio has responsibility for the principal items of legislation which authorise, or are relevant to, the provision of entitlements to Senators and Members, apart from the Constitution.² In

² The principal items of legislation which authorise or are relevant to the provision of entitlements to Parliamentarians are: *The Constitution*, the *Parliamentary Entitlements Act 1990* and Regulations; the *Parliamentary Allowances Act 1952*; the *Remuneration Tribunal Act 1973* and relevant Determinations of the Tribunal; the *Remuneration and Allowances Act 1990*; the *Parliamentary Contributory Superannuation Act 1948*; the *Members of Parliament (Staff) Act 1984*; and the *Financial Management and Accountability Act 1997*.

addition, entitlements accruing to Ministers are established by Acts of Parliament (such as the *Ministers of State Act 1952*) and Determinations of the Remuneration Tribunal. Some are also provided by government decisions. A variety of policy and other documents are also relevant to Parliamentarians' entitlements, including:

- Procedural Rules and guidelines issued by the Special Minister of State pursuant to relevant clauses of Remuneration Tribunal Determinations—those clauses provide that procedural rules to give full effect to all entitlements set out in the Determination can be made from time to time by the Special Minister of State;
- various Entitlements booklets (commonly known as handbooks) issued by Finance for Ministers of State, Parliamentary Secretaries, Senators and Members, and others;
- Chief Executive's Instructions (CEIs)³ issued within Finance, the Parliamentary chamber departments and Ministers' home departments pursuant to FMA Regulation 6(1), some of which have a bearing on the expenditure of public monies relating to Parliamentarians' entitlements; and
- government decisions, decisions and determinations by the Prime Minister and Ministers, Ministerial guidelines issued pursuant to discretions allowed under relevant Acts or Determinations, and decisions by the Presiding Officers.

6. Responsibility for the administration and delivery of Parliamentarians' entitlements is spread across a range of Commonwealth agencies. Finance and the Parliamentary chamber departments have by far the largest roles, with other agencies being concerned with specific entitlements, such as the Department of Defence's role in providing Special Purpose Aircraft (SPA) and the Attorney-General's Department's authorisation of the provision of legal and protective assistance to Ministers in certain circumstances. In addition, portfolio departments and agencies (home departments) are responsible for the administration of a range of entitlements for their portfolio's Minister(s), including Parliamentary Secretaries.

³ The Secretary's introduction to Finance's CEIs states that the CEIs have the same legal status as FMA Regulations and that Departmental officials are to comply with the requirements of the CEIs so that all specified accountabilities are satisfied.

Audit approach

7. On 2 November 2000, the Senate agreed to the resolution that the Senate requests the Auditor-General:

- (a) *to review all expenditures and entitlements accruing to Parliamentarians and Ministers as administered by the Department of Finance and Administration, the Parliamentary Departments, and, in the case of Ministers, their home departments; this review to cover the 1999–2000 financial year;*
- (b) *to report before 30 June 2001;*
- (c) *to consider in the review or audit matters including:*
 - (i) *the identification of where the rules and guidelines on expenditures and entitlements are unclear or imprecise,*
 - (ii) *whether the administration of such allowances, entitlements and expenditures is adequate, and whether the bureaucracy has sufficient resources and means to do the job required of them,*
 - (iii) *which line items should in future require regular audit,*
 - (iv) *which line items should be publicly reported singly or in aggregate,*
 - (v) *which line items should be benchmarked to determine unusual or excessive expenditure, and*
 - (vi) *which line items should be subject to comparative assessment between Parliamentarians; and*
- (d) *to determine which expenditures and entitlements are potentially at risk of abuse and should be tightened up.*

8. On 10 November 2000, the Auditor-General wrote to the President of the Senate advising of his decision, in light of the Senate resolution, the considerable public interest in the issue and his own intention to undertake an audit of Parliamentary travel services later in the 2000–01 financial year, to undertake a performance audit of Parliamentarians' Entitlements: 1999–2000. The scope of the audit covered the support services provided by Finance, particularly the M&PS Group; additional Ministerial expenditures administered by agencies within Ministers'

portfolios⁴; and the services provided by DoS and DHR. The objectives of the audit, which covered the matters included in the Senate resolution, were to:

- provide assurance to the Parliament regarding the administration by Finance, the chamber departments and the portfolio departments of all expenditures and entitlements accruing to Parliamentarians, including Ministers, in 1999–2000;
- assess the administrative and control structures governing expenditures and entitlements accruing to Parliamentarians and Ministers in 1999–2000; and
- identify opportunities to improve the current framework.

9. To assist in assessing the effectiveness of the administrative and control structures governing Parliamentarians' entitlements, ANAO selected a limited sample of entitlements transactions for review and analysis.

10. On 7 February 2001, the Auditor-General wrote to the President of the Senate advising that, due to the range of issues involved and the slower than anticipated rate of progress being made by ANAO in securing access to relevant Commonwealth records, the Auditor-General had decided it would be preferable to refine the scope of this current audit and to defer examination of issues relating to Parliamentarians' staff in order to give him a reasonable chance of reporting reasonably close to the Senate's requested reporting timeframe of 30 June 2001. The Auditor-General further advised that, to cover these important issues, he planned to consider in his 2001–2002 Audit Work Program a general performance audit of payments to staff employed under the *Members of Parliament (Staff) Act 1984* (MOP(S) Act). A related audit has now been included in the 2001–2002 program.

⁴ The portfolio departments and agencies in which audit fieldwork was conducted were: Department of Agriculture, Fisheries and Forestry—Australia (AFFA); Department of Defence (Defence); Attorney-General's Department (AG's); Department of Communications, Information Technology and the Arts (DCITA); Department of Employment, Training and Youth Affairs (DETYA); Department of Employment, Workplace Relations and Small Business (DEWRSB); Department of the Environment and Heritage (Environment); Department of Family and Community Services (FaCS); Department of Finance and Administration (Finance); Department of Foreign Affairs and Trade (DFAT); Austrade; Department of Health and Aged Care (DHAC); Department of Immigration and Multicultural Affairs (DIMA); Department of Industry Science and Resources (ISR); Department of the Prime Minister and Cabinet (PM&C); Department of Transport and Regional Services (DTRS); Department of the Treasury (Treasury); and Department of Veterans' Affairs (DVA).

Overall audit conclusions

11. The role of Federal Parliamentarians is demanding and multifaceted. In conducting this audit, ANAO was mindful that the arrangements for the support provided to Parliamentarians need to facilitate the outcomes required of them in the conduct of their official, parliamentary and electorate business. To serve the public, Parliamentarians require the appropriate level of support both in terms of resources and services. To assist Parliamentarians in accessing these resources and services, and in providing appropriate accountability for their use, they need to be provided with clear rules, high quality advice and efficient administrative services. In addition, within agreed limits, there should be scope for Parliamentarians to trade-off one entitlement for another. In this context, the Remuneration Tribunal has moved, to some extent, toward providing greater flexibility for Parliamentarians in the use of some entitlements in performing their parliamentary and electorate duties.

12. One outcome generally expected by the community is that Parliamentarians are accountable for the use of public resources provided to them. Recognising this, accountability arrangements need to be balanced to ensure appropriate transparency without unnecessary hindrance to, or distraction from, the achievement of the wider responsibilities of public office while retaining public confidence in the probity of expenditure.

13. ANAO reviewed selected overseas models of Parliamentarians' entitlements administration in the course of the audit.⁵ The models applied in the countries reviewed have some common features, including an emphasis on: the grouping of allowances into a small number of allowance pools; financial caps or budgets for the expenditure allowed under groupings; and flexibility to trade-off expenditure within a particular grouping. In addition, in regard to Canada and the United States, they provide for significantly greater levels of public disclosure than is the case in the Australian Federal system of both the guidelines and/or rules that govern entitlements' expenditure by the members of the respective legislatures; and of the costs incurred by the individual members. Finance advised ANAO that it has sought significant changes to the current framework including grouping, pooling and capping of entitlements. Based upon the documentation provided to ANAO, this work, undertaken in 1998, was not finalised. In this context, ANAO

⁵ Time constraints restricted the number of entitlement systems reviewed in the course of the audit to the Canadian, United Kingdom and United States of America models.

suggests that there would be merit in a comprehensive review of the framework for Senators' and Members' entitlements being undertaken against approaches adopted in similar jurisdictions as a basis for developing suitable proposals to improve flexibility, transparency and accountability that could be put to the Government and the Parliament. Such a review could also contribute significantly to the simplification and usefulness of administrative systems and practices.

14. ANAO recognises that, in addition to two previous performance audits by ANAO, there has also been a substantial body of review work, both in terms of external reviews and internal agency reviews, undertaken in the field of administration of Parliamentarians' entitlements over the last decade. For example, the administration of Parliamentarians' travelling allowance has received considerable attention in recent years. As a consequence, there has been improvement in the procedures undertaken to monitor the eligibility of travelling allowance claims. This audit seeks to build upon this previous work to improve the overall quality of the administrative support provided by agencies to Parliamentarians and to enhance the accountability for the resources involved as a means of promoting greater public assurance and confidence.

15. Recent changes by the Remuneration Tribunal to various entitlements have been directed at improving the existing entitlements structure taking into account the following considerations: flexibility—that is allowances must be sufficiently flexible to recognise the varying needs of different electorates and to allow Senators and Members to respond to those needs; and work/family balance—that is, allowances should be structured to support Senators and Members in achieving a better integration of work and family responsibilities and should reconcile their family commitments with their formal duties, which require frequent and prolonged absences from their families and family home. However, the existing system remains complex and difficult to manage for both Parliamentarians and relevant departments.

16. No one entity is responsible for the administration and coordination of delivery of the entitlements, or for the production of comprehensive management information regarding the totality of expenditure incurred in respect of those entitlements across a range of departments. The difficulty in effectively administering this system is exacerbated by the absence of a compendium of all relevant legislation, Remuneration Tribunal Determinations, ministerial determinations, ministerial guidelines and conventions which apply to Parliamentarians' entitlements that is centrally maintained and available to all departments responsible for the public money expended under those entitlements.

17. There is no comprehensive framework of instructions and procedures for M&PS' administration of Parliamentarians' entitlements. General guidance is provided by the agency-wide CEIs within Finance but these Instructions do not themselves set out or provide appropriate instructions and guidelines for the administration of Parliamentarians' entitlements. ANAO notes that the CEIs are supplemented with more detailed operational guidance for some entitlements to improve the administration of these entitlements. Many of the documents prepared by M&PS are still in development and, given the complexity of the framework the department has to administer, ANAO considers there is a need for more comprehensive instructions that are formalised under the authority of the departmental CEIs.⁶

18. ANAO's audit identified areas in which the administrative framework associated with some of the entitlements provided to Parliamentarians to enable them to manage and operate their offices had been recently improved by Finance, either during 1999–2000 or subsequently. ANAO also identified scope for further improvement relating to: opportunities to expand the use of benchmarking analysis and reporting to assist in the management of office management entitlements; the potential for the accountability framework to be enhanced through the public reporting of Parliamentarians' use of those entitlements; and enhancement of the control framework for the public money involved.

19. The internal control structures for entitlements expenditure by Ministers' home departments are generally in need of considerable strengthening. A small number of agencies had some limited procedural documentation in place, usually relating to Ministerial hospitality. Significant reliance is placed on certifications or sign-offs by individual Ministers and/or their offices, but there is an absence of comprehensive certification and reporting arrangements to support and reinforce that reliance. There is also a need to strengthen coordination between Finance and the home departments to improve procedures and practices by agencies in the management of public money. Where reliance is to be placed on certifications by Ministers' offices, it would be prudent that agency procedures be agreed in advance with Ministers (including the format of any certification) and that the agency have some means of periodically verifying that the agreed procedures have been implemented and are effective.

⁶ Finance's CEIs provide that guidelines and instructions can be issued to staff in Finance by General Managers in relation to Administered Funds, including those relating to Parliamentarians' entitlements.

Key Findings

Administrative framework

20. The entitlements handbooks provided to Parliamentarians and Ministers by Finance provide detailed information on legislative provisions, the manner in which the *Parliamentary Entitlements Act 1990* and Remuneration Tribunal Determinations are interpreted, and related administrative procedures. While these handbooks are updated from time to time, they do not fully reflect all relevant Procedural Rules, ministerial determinations, and other government decisions relevant to identifying the extent of particular entitlements for individual current and former Parliamentarians. In addition, as Senators and Members need to maintain accurate records of use of their entitlements to help them meet their accountability obligations, there is scope for significant enhancement in the guidance provided to assist Parliamentarians in ensuring they maintain adequate documentation regarding their use of entitlements. In particular, there is scope for the handbook to provide best practice guidance on the establishment of comprehensive and appropriate records management procedures, including financial records, that is specifically tailored to the unique nature of Parliamentarians' entitlements without unnecessarily onerous and time-consuming effort that adds little value.

Overseas approaches

21. Among the countries reviewed, the United States model for expenses of office for Members of the United States House of Representatives is closest in character to a global budget model. The June 1997 report of consultants invited by the then Minister for Administrative Services to examine the administration of Parliamentarians' entitlements reported that the global budgeting system utilised in the United States Congress had proven administratively and politically difficult and had resulted in numerous problems associated with the management of individual congressional offices, as well as with the nature of some of the expenditures.

22. Nevertheless, there is merit in a model that provides, within agreed limits, the scope for Parliamentarians to trade-off one entitlement for another. The report of a 1997 Australian Parliamentary Delegation to Venezuela and the United States recommended that Finance, DHR and DoS undertake a critical review of existing Australian Senators' and Members' entitlements against the US model for delivery of Members'

Representational Allowance. The Delegation considered that this might improve accountability; provide Senators and Members with increased flexibility in managing their offices; and streamline all existing provisions into one allowance to support the conduct of official and representational duties.

23. There would seem to be a strong argument in support of the Parliamentary Delegation's recommendation for a critical review of the existing entitlements framework against the models adopted in other jurisdictions, and that the system of Parliamentarians' entitlements and their administration could be improved. In this context, the Remuneration Tribunal has moved, to some extent, toward providing greater flexibility for Parliamentarians in the use of some entitlements in performing their parliamentary and electorate duties. Such an approach of providing greater flexibility with commensurate accountability is consistent with reforms in public administration in the Australian public sector.

24. In July 2001, DHR advised ANAO that it strongly supports this approach and is particularly attracted to the Canadian model for the delivery of Members' services. DHR noted that: *'...it is the experience of DHR that Members need greater flexibility in their use of resources and should be able to determine their own priorities within certain \$ limits which could continue to be prescribed by the Remuneration Tribunal.'* Finance advised ANAO that it has sought significant changes to the current framework including grouping, pooling and capping of entitlements. Based upon the documentation provided to ANAO, this work, undertaken in 1998, was not finalised.

25. In considering alternative models for providing Parliamentarians' entitlements, it is important to recognise that clear and specific rules are fundamental to providing effective support to Parliamentarians to carry out their duties, while ensuring that effective accountability is provided for the public monies involved. In that context, a key area in which some overseas models reviewed, particularly those of Canada and the United States, differed from the approach currently taken in respect of the Australian Federal Parliament is that they provide for significantly greater levels of public disclosure of the guidelines and/or rules that govern entitlements' expenditure by the members of the respective legislatures; and of the costs incurred by the individual members.

Reviews of administration

26. A number of reviews of the administration of Parliamentarians' entitlements have identified the need for clear guidance as to the definition of the terms 'parliamentary business', 'electorate business' and 'party business'. Those terms play a key role in establishing the eligibility of expenditure under a range of Parliamentarians' entitlements, as set out in legislation and Remuneration Tribunal Determinations. ANAO acknowledges the difficulties identified by the Remuneration Tribunal in terms of exhaustively defining those terms. However, given the key role the terms play in determining Parliamentarians' eligibility for a number of otherwise largely unlimited entitlements, the transparency and accountability of the entitlements management framework would be improved by the provision of enhanced guidance to Parliamentarians on the activities likely to be considered to represent parliamentary, electorate and party business. Such guidance could be expected to provide Parliamentarians with assistance in respect of the majority of likely scenarios, including any expenditure which would be unlikely to qualify for reimbursement. A particular need for greater clarity and certainty relates to the use of entitlements by Parliamentarians during periods of by-elections and general elections.

27. A number of the issues identified by ANAO in this audit, as impacting on the administration and accountability of Parliamentarians' entitlements, reflected issues consistently identified in previous reviews. These included areas in which implementation of various recommendations would require consultation with the Government and the Parliament. Issues identified for improvement in this audit have also generally been the subject of recommendations in previous reviews and audits including:

- the clarity of definition of the conditions of entitlements;
- record-keeping by both Parliamentarians and departments;
- the quality and comprehensiveness of the management reports provided to Parliamentarians on their use of entitlements, and the certifications sought from them in respect of that use;
- the establishment and maintenance by the departments responsible for administering Parliamentarians' entitlements of an effective control environment, including the introduction of techniques such as benchmarking analysis and regular risk-based auditing of claims against entitlements; and
- the extent of public reporting of Parliamentarians' expenditure on entitlements.

Control structures

28. The FMA Act sets out the financial management, accountability and audit obligations on agencies (including departments) forming part of the general Government sector, in particular: for managing public resources efficiently, effectively and ethically; and for maintaining proper accounts and records of the receipt and expenditure of Commonwealth money. However, according to legal advice obtained by Finance in July 2001 in response to a draft of this performance audit report, neither Parliamentarians nor Finance officials are subject to the requirements of FMA Regulation 9 in the payment of Parliamentarians' entitlements.⁷ Arguably, these circumstances result in a diminished governance and accountability framework for the expenditure of public money on Parliamentarians' entitlements. ANAO considers that Finance, as the Commonwealth agency with central responsibility for financial governance and frameworks, should examine this issue and, where appropriate, develop suitable proposals for legislative change for consideration by the Government and the Parliament.

Records management

29. The 1997–98 ANAO performance audit of *Ministerial Travel Claims* found that there was a need for sound records management policies and procedures within M&PS, and recommended that such policies and procedures be established. Concerns regarding the adequacy of records management within M&PS were also identified by ANAO in the course of this performance audit. ANAO considers that significant improvement is needed in M&PS' record keeping practices if there is to be an adequate control environment over the administration of Parliamentarians' entitlements that will promote reasonable confidence of all concerned.

Department of Finance and Administration CEIs

30. Finance's CEIs, Financial Procedures, Operational Guidelines and the administrative manuals made available to ANAO, while useful, do not provide fully adequate instructions and procedures for the administration of expenditure on Parliamentarians' entitlements. ANAO notes that the CEIs are supplemented with more detailed operational guidance for some entitlements to improve the administration of these entitlements. Many of the documents prepared by M&PS are still in development and, given the complexity of the framework the department

⁷ FMA Regulation 9 requires reasonable inquiries to be made that proposed expenditure is in accordance with the policies of the Commonwealth (such as the Commonwealth Procurement Guidelines); and will make efficient and effective use of the public money.

has to administer, ANAO considers there is a need for more comprehensive instructions. Responsibility for developing instructions and guidelines is assigned to General Managers within Finance. However, in the case of M&PS, no such instructions and guidelines have been developed and issued as binding procedures under the CEIs. Furthermore, there is a significant absence of documented operational procedures in relation to a range of entitlements.⁸

31. ANAO considers that the CEIs should be supplemented with more detailed General Manager's Instructions, as well as comprehensive administrative procedures designed to ensure that departmental policies are followed and best practice is pursued.

Accountability and certification

32. An important element of the accountability framework for entitlements administered through Finance is the provision of monthly management reports to Senators and Members on their use of entitlements. The extent of entitlements reported by Finance improved over the course of 1999–2000. However, there remained significant deficiencies in the reporting process. In particular, the reports provided to Parliamentarians in respect of the 1999–2000 financial year did not include data against all entitlements; not all transactions relating to reported entitlements were reflected; limits and caps applying to entitlements were not always reported; compliance issues were not highlighted; and monthly reports were not provided to all entitlement recipients.

33. The *Senators and Members Entitlements* handbook issued by Finance notes that Senators and Members are required to provide a range of pre-payment certifications in relation to various entitlements, as well as an annual certification that the aggregate usage of entitlements reported in the monthly management reports has been within entitlements (see Figure 3). These certification requirements are policy requirements only and are not laid down in the relevant legislation or Remuneration Tribunal Determinations. Accordingly, they are not an enforceable control governing the provision of entitlements to Parliamentarians.

⁸ Operational procedures are necessary to ensure: payments are based on a legitimate application of an entitlement; services delivered to Parliamentarians comply with the precise extent of the entitlement; and all necessary procedural steps are complied with in the delivery/payment of entitlements.

Figure 3

Accountability framework for selected entitlements administered by Finance

<i>Entitlement</i>	<i>Approval to spend public money^A</i>	<i>Payment Certification^B</i>	<i>Management reporting to Parliamentarians</i>	<i>Public Reporting</i>
Scheduled travel	N/A	Post-payment & annual	Monthly & annual	Six monthly
Travelling allowance	N/A	Pre-payment & annual	Individual payments, monthly & annual	Six monthly
Charter	N/A	Pre-payment & annual	Monthly & annual	Six monthly
Spouse and dependent travel	N/A	Annual	Monthly & annual	None
Retirement travel	N/A	Annual ^C	Annual ^C	None
Communication allowance	N/A	Pre-payment & annual	Monthly & annual	None
Telephone services	N/A	Annual	Monthly & annual	None
Personalised stationery and printing	Yes	Pre-payment & annual	Monthly & annual	None
Office accommodation and requisites	N/A	Pre-payment & annual	Monthly & annual for some, no reporting for others	None
Photographic services	N/A	Pre-payment & annual	Monthly & annual	None

Note:

^A Finance advised ANAO in July 2001 that the FMA Act and FMA Regulations are not concerned with regulating the conduct of Parliamentarians. However, this principle is not consistently adhered to in Finance's own administrative procedures.

^B Annual certification relates to the annual certification of all expenditure encapsulated in the end-of-year report, not individual transactions.

^C Except for former Prime Ministers, who are not provided with an annual report of retirement travel taken at Commonwealth expense or asked to certify their use of entitlements. See paragraph 4.70.

Source: ANAO analysis of documentation provided by Finance

34. The requested certifications are an important tool in Finance's accountability framework for the administration of Parliamentarians' entitlements, although Finance recognises that they need to be supplemented by appropriate pre- and post-payment checks. Up to 6 February 2001, only 36 per cent of current Parliamentarians had provided the requested certification of the end-of-year management reports issued in November 2000 for the 1999–2000 financial year. Finance advised ANAO that, by 25 May 2001, the response rate had improved to 80 per cent. In 1997–98 and 1998–99, Finance did not seek annual certifications from Senators and Members.

35. The reliance that can be placed upon the aggregate certification provided as a key control and accountability tool in respect of each transaction is diminished given its remoteness from the point at which the expenditure occurred, and by errors in the information reported in the monthly management reports. Also, in discussions with ANAO, some Parliamentarians indicated that they were less than confident in being able to provide a certification because the underlying information was not always detailed enough. Finance advised ANAO on 25 May 2001 that: *'The Government has made a decision in-principle to implement monthly certifications; the timing and form of the certifications has not been finalised at this time.'* In July 2001, Finance further advised that the content of the monthly management reports had been extended and a new format with improved data and provision for monthly certification was undergoing testing. In implementing monthly certification of management reports, ANAO notes that consideration will need to be given to the existing voluntary nature of certifications sought by Finance from current and former Parliamentarians (see Recommendation No.13). As of June 2001, around 30 per cent of current and former Parliamentarians had not provided a certification of their 1999–2000 management reports.

Risk assessment

36. In addition to obtaining timely certifications from Parliamentarians, an effective control framework to approve the payment of public money by Finance should also involve additional checks to provide assurance that the existing system is working effectively to ensure payments made by the department are valid and comply with the requirements of the FMA Act and the department's CEIs. ANAO identified a number of instances in which the robustness of the pre- and post-payment checks identified by Finance in respect of travel entitlements was inadequate. Following queries raised by ANAO in the course of the audit, Finance subsequently raised debit notes in respect of the use of travel-related entitlements in 1999–2000 by 60 current and former Parliamentarians, to an aggregate amount of \$30 158.⁹

37. ANAO considers that the detailed checking of each entitlements transaction is not a practical, cost-effective approach. Nor should it be necessary if there is an effective audit program in place to periodically test the effectiveness of the existing system, supported by sensible risk management. In this context, it would be prudent for Finance to include, within its payments control framework, a program of risk-based audits of payments made in respect of Parliamentarians' entitlements. This would provide enhanced assurance as to the validity and correctness of those payments.

⁹ Finance subsequently cancelled debit notes issued to six former Parliamentarians and reduced the amount of some other debit notes, reducing the recoveries raised subsequent to ANAO queries to 54 current and former Parliamentarians to the value of \$28 575.

38. The need for such a program was identified in the 1997 Baxter Review commissioned by the then Minister for Administrative Services to examine the administration of Parliamentarians' entitlements, with particular emphasis on arrangements for further enhancing accountability procedures within the entitlement regime. The Government subsequently agreed to a recommendation by Finance that an auditor be appointed to undertake regular audits of Parliamentarians' entitlements use. Finance commented to ANAO that, in agreeing to the appointment of an auditor, the then Minister did not see this as a priority and that Finance's Internal Auditor has a role of undertaking audits, including of Parliamentarian's entitlements. However, more than four years have elapsed since the recommendation was made and there is still no regular program of audits of entitlements payments. Furthermore, Finance's response to the ANAO's recommendation that the department develop and implement a risk-based program of periodic audits of payments in relation to Parliamentarians' entitlements is that this is beyond Finance's authority.

39. There is considerable variance between individual Parliamentarians' usage of the various entitlements (see Figure 4). There can be a range of reasons for this, including the size and location of a Parliamentarian's electorate; the nature of their constituency; and whether or not they are a Minister or Office-holder. However, risk profiling and benchmarking analysis can assist in forming informed risk assessments of expenditure that should be subject to post-payment examination. This may include identifying examples of unusually high expenditure or other anomalies, such as where travel taken does not reconcile to travel declarations. To assist in the development of an appropriately focussed, risk-based program of audit work on Parliamentarians' entitlements, it would be prudent for Finance to identify where risk profiles and other benchmarks suggest inquiries are warranted.

Figure 4
Parliamentarians' 1999–2000 Usage of Selected¹⁰ Entitlements

<i>Entitlement</i>	<i>Actual Usage Range</i>		
	<i>Lowest</i> \$	<i>Highest</i> \$	<i>Average</i> \$
Scheduled fare travel ^A	2 006	85 038	31 991
Travelling Allowance	1 340	47 512	17 497
Private-plated vehicle	753	40 061	16 946
Special Purpose Aircraft ^B	210	656 608	36 120
Official car transport ^C	64	135 707	8 231
Spouse and Dependent travel ^D	228	40 935	6 774
Retirement Travel ^E	70	146 598	13 242
Printing			
Members	1 294	219 004	37 287
Senators ^F	not available	not available	7 103
Flags ^G	28	16 880	2 802
Photographic Services ^H	33	93 933	2 444
Notes			
^A No use of the entitlement by 1 Parliamentarian. Including this Parliamentarian would reduce the average to \$31 848.			
^B No use of the entitlement by 128 Parliamentarians. Including these Parliamentarians would reduce the average to \$15 480.			
^C No use of the entitlement by 35 Parliamentarians. Including these Parliamentarians would reduce the average to \$6 945.			
^D No use of the entitlement by 29 Parliamentarians. Including these Parliamentarians would reduce the average to \$5 897.			
^E No use of the entitlement by 10 retired parliamentarians issued with a Life Gold Pass. Including these retired Parliamentarians would reduce the average to \$12 409.			
^F DoS administers all personalised stationery and other printing requirements for Senators, and meets all associated costs from its departmental funds. In 1999–2000, DoS did not record Senators' individual usage of all elements the entitlement.			
^G No use of the entitlement by 29 Parliamentarians. Including these Parliamentarians would reduce the average to \$2 444.			
^H No use of the entitlement by 92 Senators and Members. Including these Parliamentarians would reduce the average to \$1 453.			

Source: ANAO analysis of Finance 1999–2000 management reports to Parliamentarians and retired Parliamentarians and DHR and DoS 1999–2000 expenditure reports and documentation.

Debt management

40. As noted above, ANAO identified a number of instances in which the existing administrative arrangements had not operated effectively to prevent payments in excess of entitlement being made by Finance. Most of those instances involved payments being made directly to third party providers. A key accountability tool is the provision of certifications by Parliamentarians as to the eligibility and correctness of payments. Administrative arrangements can ensure a comprehensive framework is in place to minimise the occurrence of overpayments; reduce the likelihood

¹⁰ For a fuller list of entitlements see Figure 2.

of the department making payments beyond prescribed entitlements (that is, without lawful authority); and facilitate the prompt identification of any overpayments which do occur.

41. As at 8 June 2001, 95 current and former Parliamentarians had outstanding debts to Finance in relation to their entitlements, aggregating to \$67 661. This figure includes \$42 427 in recoveries from 61 current and former Parliamentarians identified by ANAO from a relatively small sample of entitlements transactions selected on a risk basis as part of the audit.¹¹ Finance is also clarifying a number of payments as a result of ANAO's inquiries. Audit Report No.34 of 1990–91 recommended that formal procedures for recovery of unpaid accounts by Parliamentarians be introduced. Finance's Financial Procedures Guide¹² requires that each Business Group shall have a comprehensive debt-management strategy. As at May 2001, M&PS had yet to develop its debt management strategy.

Travel entitlements administration

42. The control framework for Parliamentarians' travel entitlements relies on various voluntary sign-offs and certifications from Parliamentarians. For example, Travel Declaration forms are an important internal control but there is no legal obligation on Parliamentarians to provide Travel Declarations for each occasion on which they travel at Commonwealth expense. Travel Declarations were provided in all instances examined where travelling allowance was claimed, with travelling allowance only paid by Finance where such a form is provided. However, Travel Declaration forms were not submitted by Parliamentarians for 49 per cent of other types of travel transactions sampled by ANAO, with some of the declarations that were provided being incomplete.

43. While self-regulation and certification by Parliamentarians is an important assurance control, in a risk management context it is desirable that there be adequate pre- and post-payment checks and balances undertaken independently by Finance. Finance advised ANAO of a number of checks it employs. However, some of the more significant checks identified by Finance were either not in place or were not operating effectively during 1999–2000. In addition to the checks identified by Finance, good practice would suggest the adoption of systematic data matching techniques. In other areas of public administration, data

¹¹ Some debit notes were subsequently cancelled or reduced by Finance such that, as of 20 July 2001, recoveries relating to errors identified in the sample of transactions examined by ANAO (including debit notes raised by Finance prior to the audit) had occurred or were still in progress in relation to 55 current and retired Parliamentarians to the value of \$40 844.

¹² Issued pursuant to the Finance CEIs, the current version issued under the January 2001 CEIs.

matching has been found to be a cost-effective compliance and control technique. The introduction of data matching has resulted in improved procedures undertaken by Finance to monitor the eligibility of travelling allowance claims. ANAO considers there is scope for the expanded use of such techniques in the management of Parliamentarians' entitlements.

Charter transport

44. Each eligible Senator or Member has a monetary limit placed on their use of charter transport in each year. Finance advises Parliamentarians of their charter budget for each year, but does not have procedures in place to advise Parliamentarians of any adjustments that need to be made to their charter budgets during the year. Finance also does not report the entitlement limit in the monthly management reports. ANAO considers that including the relevant limit (if any) in each Parliamentarian's monthly management report would provide a mechanism for Finance to advise of any changes to charter limits, as well as assist Parliamentarians to adhere to their charter limit. Finance has advised ANAO that it plans to improve monthly management reporting by including usage against limits.

45. ANAO identified two Parliamentarians in respect of whom Finance made payments that exceeded their 1999–2000 charter entitlement, on average by over 11 per cent. As a result of ANAO's inquiries, Finance subsequently raised debit notes to recover a total of \$8 369. The 1999–2000 overpayments followed two instances of overpayments in 1998–99. Each of the 1998–99 overpayments was addressed differently by Finance in respect of entitlements for 1999–2000, indicating the need for Finance to clarify the legal framework governing the charter entitlement.

Spouse and dependent travel

46. To compensate for the extensive and regular periods which Parliamentarians spend away from home, and to lessen the continual disruption to family life, spouses (or another person nominated by the Parliamentarian) and dependent children of Parliamentarians have entitlements to travel at Commonwealth expense. In 1999–2000, most Parliamentarians accessed their spouse and dependent travel entitlements with payments by Finance totalling \$1.32 million. Unlike most other travel entitlements, the cost of spouse and dependent travel is not publicly reported.

47. Despite the range and complex nature of spouse and dependent travel entitlements, there is no requirement for Parliamentarians to identify the entitlement that is being used for a particular instance of travel. Instead, based on available information, Finance allocates travel against an entitlement and relies on Parliamentarians to correct monthly

management reports if Finance's presumption is incorrect. ANAO's analysis of monthly management reports and end-of-year reports found that they do not consistently and accurately report on spouse and dependent travel entitlements. In addition, from a sample of transactions ANAO identified instances of entitlements being breached, for which recoveries of \$4 737 are now underway in relation to nine Parliamentarians.

Retirement travel

48. Retired Parliamentarians and, in certain circumstances, their spouses, are entitled to travel within Australia at Commonwealth expense. In many respects, the travel entitlements of retired Parliamentarians and their spouses are greater than those of sitting Parliamentarians and their spouses. The total cost of 1999–2000 retirement travel was at least \$2 million. Although in some cases there is a limit on the number of trips allowed per year, there is no financial cap on the cost to the Commonwealth of retirement travel entitlements. The cost of retirement travel entitlements is also not publicly reported, reducing accountability for these entitlements.

49. ANAO identified systemic deficiencies in the administration of retirement travel entitlements. The annual reports provided to retired Parliamentarians on travel taken at Commonwealth expense during the year are not timely, are on occasion inaccurate, and the format of the reports does not assist retired Parliamentarians to monitor adequately their usage of their entitlement. On the basis of these reports, Finance requests most retired Parliamentarians to certify their use of entitlements. However, such certifications are voluntary and, of themselves, do not provide sufficient basis to confirm all travel taken at Commonwealth expense is identified and is within entitlement. From a sample of transactions, ANAO identified instances where retired Parliamentarians and their spouses had travelled at Commonwealth expense outside of their entitlement. Finance's investigations were not yet complete at the time of audit but, to 8 June 2001, a total of \$29 145 in debit notes had been issued to 49 retired Parliamentarians.¹³

¹³ Some debit notes were subsequently cancelled or reduced by Finance such that, as at 20 July 2001, recoveries had occurred or were still in progress in relation to 43 retired Parliamentarians to the value of \$27 562.

Office management entitlements

50. A consistent and significant characteristic of Parliamentarians' use in 1999–2000 of the office management entitlements reviewed, many of which are not subject to a financial limit, was the significant variation in the level of expenditure incurred by individual Parliamentarians. In late 2000, Finance introduced some benchmarking techniques to assist its management of Parliamentarians' telephone services, with anomalies in an individual Parliamentarian's usage patterns being referred to that Parliamentarian for clarification. The provision to Parliamentarians of benchmarking information, as a matter of course rather than exception, in respect of their use of office management entitlements would be of benefit in assisting them to make informed judgements regarding their use of entitlements in respect of which they are requested to provide certifications. The efficacy of the existing management reports for that purpose would be enhanced by incorporating benchmarking analysis into the reports. This could consist of periodic reports to each Parliamentarian comparing their expenditure under relevant entitlements against an appropriate cohort.

Printing

51. The existing administrative arrangements for Members under the entitlement to personalised letterhead stationery and other printing for distribution to constituents create unnecessary duplication of service provision, as well as the potential for confusion among Members. It also results in incomplete management information regarding their use of the entitlement being reported to Members, and makes reliable analytical review of expenditure under the entitlement very difficult. There are no formal liaison arrangements between DHR and Finance in respect of the management of the entitlement. In July 2001, DHR advised ANAO that: *'in 1997 [it] had agreed with DoFA to enter into a purchaser-provider arrangement to manage Members' printing. DoFA failed to proceed with the arrangement.'* Ultimately, no change was made to the funding or administrative arrangements. ANAO considers that benefits could be expected to arise from rationalisation of the management of Members' entitlement to personalised stationery and printing under a single department.

52. In lieu of requiring Members to submit proposed text for review, Finance and DHR¹⁴ require Members to provide a certification at the time

¹⁴ Until November 1999, DHR had randomly checked samples of material submitted by Members to be printed. DHR advised ANAO that the decision to stop this practice: *'... accorded with DoFA practices and helped DHR to accommodate what was becoming an unmanageable workload. DHR still scrutinises all materials submitted for in-house printing.'*

of submitting external printing requests to the effect that the expenditure is within his or her entitlement and will be for parliamentary or electorate business, but not party business. Finance and DHR do not sight or retain a copy of the material printed using the entitlement. Allegations of misuse of Parliamentarians' printing entitlements received by the departments from external parties are investigated.

53. Finance and DHR also rely upon the provision by the Member involved of a pro-forma certification that the quote provided for a particular printing task represents value for money and/or the printer was selected in accordance with Commonwealth procurement policies and guidelines. Despite advising Members that documentation should be retained, neither Finance nor DHR undertake monitoring or follow-up processes to support their ongoing reliance upon the pro-forma certifications provided by Members with printing requests. Members are not required to provide either department with information regarding the processes that were undertaken in selecting printers; the basis used for determining that quotes received represented value for money; or whether they have periodically obtained competitive quotes. Nor have Members been provided with specific guidance as to how such activities should be conducted.

54. The accountability framework for Members' printing would be enhanced by the application of systematic periodic review by the departments responsible for the public money involved of Members' processes for the selection of printers and value for money assessments. Periodic reviews of Members' printing transactions would also provide a mechanism for obtaining systematic assurance as to the on-going reliability of the certifications provided as a key control in the existing administrative arrangements for this entitlement.

Electorate office and residential telephone services

55. The accountability framework for Parliamentarians' telephone services entitlements has been substantially improved since the end of the 1999–2000 financial year. The expansion of the information provided to Parliamentarians through access to itemised telephone accounts and the separate reporting of Telecard usage in the monthly management reports is an improvement on the arrangements that existed in 1999–2000 to support the provision by Parliamentarians of certifications regarding that expenditure. The introduction by Finance of benchmarking analysis of invoices received from telecommunications providers in respect of Parliamentarians' telephone services is also an improvement in Finance's payment control processes for these entitlements. These improvements, together with revised arrangements for the provision and control of

Telecards, have enhanced the capacity of both Parliamentarians and Finance to provide assurance that instances of incorrect charges or unauthorised use of telephone services will be identified in a timely manner. ANAO considers that there may be scope for further improvement through: expansion of the benchmarking analysis currently undertaken; the provision of such analysis to Parliamentarians; and consideration of the public reporting of expenditure under this and other uncapped entitlements.

Photographic services

56. In paying accounts for photographic services in 1999–2000, Finance did not seek verification from the relevant Parliamentarians that the services had been received as invoiced. In May 2001, Finance advised ANAO that, from February 2001, all certification requirements have been met and no accounts paid without such verification. ANAO considers that, in order to adequately underpin the certifications requested of Parliamentarians in respect to their use of the photographic services entitlement, there is a need for the extent of the entitlement and associated administrative arrangements to be clarified, both for Parliamentarians' information and in the interests of better accountability. There is also a need for Parliamentarians to be provided with enhanced guidance regarding the entitlement, their cost responsibilities arising from the use of additional services, and the types of services that are considered to be within entitlement. The issue of consistency with the terms of the entitlement under the Parliamentary Entitlements Act should also be considered to ensure there is a sound legislative basis for all photographic services provided to Parliamentarians.

Other office management entitlements

57. Payments for flags requested by Senators' and Members' offices in 1999–2000 for presentation to constituents amounted to aggregate expenditure of \$555 000. ANAO's review of those payments showed that Finance was yet to implement the recommendations of a 1999 review. In each case reviewed by ANAO, payment was made by Finance without any reconciliation to a delivery docket or certification of the goods actually received by the relevant electorate offices. As a result, the payment procedures in respect of this entitlement did not ensure the satisfaction of FMA Act obligations and did not comply with the requirements of the Finance CEIs. In July 2001, Finance advised ANAO that it is looking at changing the process to obtain certification of goods received, prior to payment.

Ministers' home departments' administration

58. In addition to the entitlements provided to all Senators and Members, Ministers (including Parliamentary Secretaries) are provided with a range of additional entitlements. Administrative and financial responsibility for Ministers' additional entitlements is shared by M&PS within Finance, Ministers' respective home departments, the Parliamentary departments, the Protective Security Coordination Centre in the Attorney-General's Department and the Department of Defence (in relation to Special Purpose Aircraft).

59. Ministers' home departments are required to maintain accounts and records that properly record and explain the agency's transactions, including those relating to expenditure on Ministers' offices and other Ministerial entitlements. ANAO sampled transactions for all home departments and found that most held, or subsequently obtained, sufficient and appropriate supporting documentation for payments made in 1999–2000. However, six departments were unable to provide ANAO with sufficient documentation to support payments made in 1999–2000, particularly in relation to travel expenditure and hospitality.

Accountability arrangements

60. The accountability system for entitlements expenditure by Ministers' home departments is inadequate due to the absence of prescribed certification arrangements, regular reporting to Ministers on entitlements usage and costs, and public reporting of the cost of entitlements (see Figure 5). There is also an inconsistent application of normal procurement processes to expenditure made by departments in relation to their Ministers' entitlements as minimal information is often sought from Ministers' offices to allow an informed decision to be made about whether the expenditure represents proper use of Commonwealth resources.

Figure 5**Accountability arrangements for expenditure by Finance and home departments**

<i>Accountability technique</i>	<i>Finance (M&PS)</i>	<i>Home departments</i>
Certifications by Parliamentarians concerning use of entitlements	Certification sought in relation to a range of entitlements.	No prescribed certification arrangements. Some departments rely on limited 'sign-offs' from Ministers but the format of such sign-offs does not provide sufficient assurance that expenditure is for official purposes or otherwise within entitlement.
Regular reporting on entitlement usage	Monthly reporting to each Parliamentarian on entitlements used and the cost of this usage but there is no certification of the monthly reports.	Only four ^A of the 17 home departments provided regular expenditure reports to their Ministers in 1999–2000. ANAO considers the value of these reports as an internal control would be increased if the format of any certification to be provided to the department was agreed in advance.
Annual reporting on entitlement usage	Report provided once a year to each Parliamentarian with a request that the Parliamentarian certify that use was in accordance with entitlements.	Only one department provides an annual report to its Ministers.
Public reporting on the cost of entitlements	Six-monthly reporting in Parliament of the majority of travel costs paid by Finance, including Ministerial travel costs.	Other than official car transport costs paid for by the home department, there is no public reporting of costs.
Note: ^A Based upon advice to ANAO received from departments. Supporting documentation was not provided to ANAO by two of the four departments.		

Source: Advice by Finance and home departments and ANAO analysis.

61. The Department of the Prime Minister and Cabinet (PM&C) Guidelines on official Ministerial hospitality provide a sound construct for the administration of hospitality expenditure. ANAO's examination of a small sample of expenditure indicates that the frequency of 'hospitality' provided to Commonwealth officials by Ministers is somewhat greater than envisaged in the PM&C guidelines. In addition, a number of home departments were unable to justify all Ministerial hospitality expenditure incurred in 1999–2000 as they could not provide ANAO with any details of the purpose of certain hospitality functions. As well, there were significant inconsistencies in the type of expenditure that different departments considered to be an acceptable use of public money.

62. As noted earlier, Finance issues entitlements handbooks to Parliamentarians. The *Ministers of State—Entitlements* handbook sets out the additional entitlements of Ministers, including relevant information for home departments such as the division of financial responsibility for entitlements between Finance and home departments. This handbook is issued to all Ministers, but Finance does not at the same time provide each home department with a full copy of the handbook. Yet Finance itself relies on the handbook as part of its checking of its Ministers' expenditure. The provision to all home departments of a full copy of the current handbook would assist those departments in meeting their FMA Act obligations, as well as reinforce the division of administrative responsibilities between Finance and home departments. In this context, ANAO found that some home departments are unclear on what entitlements they are to administer, and how.

Official car transport

63. Ministers' home departments are responsible for the cost of official car transport, with Finance being responsible for the cost of all other travel within Australia by Ministers. Although this entitlement is limited to travel for official purposes, a number of departments do not effectively monitor compliance with this policy.

64. Five departments have arrangements for private sector provision of car-with-driver transportation services to Ministers. However, only one had conducted a competitive tender. Another department made an arrangement, without competitive tender, with the private sector at a cost of \$1 500 per week to provide the Minister with car-with-driver services as required. Two departments advised ANAO that the provider had been chosen by the respective Ministers, and another department did not identify the basis for the original selection of the provider. On the basis of this advice, it is unclear how agencies met the requirements of the FMA Act and Regulations concerning ensuring that proposed expenditure would make efficient and effective use of public money and demonstrating compliance with the Commonwealth Procurement Guidelines. Furthermore, none of the five departments had signed a contract with the provider(s) and, as a result, service standards, performance monitoring arrangements and pricing schedules were not specified.

Improvement opportunities

65. Senators and Members of Parliament, particularly those who are Ministers, require a wide spectrum of support services to carry out their various responsibilities effectively. Arrangements applying for Parliamentarians' entitlements must meet the requirements of Senators and Members, while also satisfying public accountability requirements. Current arrangements have evolved in a piecemeal manner and it is timely to re-evaluate the current entitlements model and the provision of services by agencies to support Parliamentarians. ANAO has suggested that there would be merit in a comprehensive review of the framework for Senators' and Members' entitlements against approaches adopted in similar jurisdictions as a basis for developing suitable proposals to improve flexibility, transparency and accountability that could be put to the Government and the Parliament. This report highlights areas where improvements can be made to the entitlements framework in response to the Senate resolution. Any changes to the framework can only properly be resolved by the Government, the Parliament and, to some extent, the Remuneration Tribunal.

66. ANAO has made a further 27 recommendations aimed at strengthening the stewardship of public money, improving the services provided to Parliamentarians and enhancing public disclosure within the current Parliamentary entitlements system, namely:

- ensuring Parliamentarians are provided with clear rules and effective advisory and administrative services;
- in the absence of a centralised system, improving the coordination of the various agencies involved in the provision of entitlements services;
- more timely, accurate and useful reporting to Parliamentarians on their use of their entitlements;
- greater public disclosure of the costs incurred by Parliamentarians;
- more rigorous, risk-based controls over the expenditure of public money on Parliamentarians' entitlements; and
- where payments do occur outside of entitlement, more timely and effective recovery actions.

Agency responses

67. ANAO made 28 recommendations, 22 relating to the administration of entitlements for all Parliamentarians and six relating to the administration of Ministerial entitlements by home departments. In June 2001, the proposed report or relevant extracts were provided for comment to relevant agencies, including Finance in both its role as a principal provider of entitlements for all Parliamentarians and as a home department, and to other parties having a special interest in the report.

68. Finance disagreed with 25 recommendations, including all six relating to the administration of Ministerial entitlements by home departments, and agreed with qualification with three recommendations. While Finance has disagreed with many of the recommendations because it advised the necessary practices had already been implemented, or were not necessary, or were a matter for government, the audit findings suggest the need for the department to review the current system of administration for Parliamentary entitlements and address the shortcomings highlighted in this report. This could be achieved by enhancing departmental administrative systems and practices, and/or providing policy options to the Government to address matters beyond the department's authority. The recommendations in this report are framed to assist the department to secure better outcomes for both the Commonwealth and individual Parliamentarians.

69. The Parliamentary chamber departments, DoS and DHR, and 16 agencies with responsibility for the administration of Ministerial entitlements agreed, or agreed with qualification, to all relevant recommendations. The Department of Immigration and Multicultural Affairs (DIMA) provided comments but did not respond directly to the recommendations.

70. DoS commented that the report was '*comprehensive and objective.*' DHR commented that the report indicated there is considerable potential for the delivery of services to Members of the House of Representatives to be done more effectively and efficiently. DHR also advised that its experience, and on occasions that of Finance, is that resources and services could be better focussed if they were provided from a single source. DHR noted that one concern expressed in the report, regarding the overall accountability framework, could best be addressed if this was the case. In general terms, DHR commented that:

In terms of the Australian democracy and the appearance as well as the reality, it seems less than appropriate that any department of State

whose employees are expected to demonstrate certain values and follow a particular code of conduct, for example 'the APS is responsive to the Government ... in implementing the Government's policies and programs', could be providing support and assistance equally to Members of Parliament of all sides and independent Members. The corresponding value in the Parliamentary Service Act is that the Parliamentary Service provides professional advice and support for the Parliament independently of the Executive Government of the Commonwealth. There are parliamentary departments whose employees are expected to serve all sides equally. This flaw in the responsibility for administration of Members' entitlements is not commented on in the audit when to DHR it would seem to be an obvious solution to many of the difficulties highlighted. Resources, facilities and services provided to the Opposition currently remain the gift of a Minister in the Government. It would seem to be a logical extension to appoint the Presiding Officers as the 'Ministers' responsible for the delivery of resources and facilities to Members as they and their departments are directly accountable to the Parliament.

71. The comments received from departments with responsibility for the administration of Ministerial entitlements highlighted two major areas for improvement—the rationalisation of service delivery, and the removal of uncertainty through the promulgation of clear guidance. The Department of Defence (Defence) commented that it agrees with the general direction of the recommendations referred to it for comment, and that it endorses reviewing Ministerial support arrangements to provide a more efficient and effective service to Ministers. Defence noted that the audit offers an opportunity to streamline and enhance current support arrangements to Ministers, and also commented that:

serious consideration should be given to centralising responsibility for the administration of Ministerial and Parliamentary entitlements such as hospitality and official car transport. This would ensure consistency of service to Ministers and eliminate inconsistencies in the interpretation of guidelines across departments. Moreover, it would improve accountability, making it easier to provide a consolidated comparison of expenditure, reduce the risk of duplication of payments and the cost of administering entitlements.

72. Similarly, the Attorney-General's Department (AG's) commented that:

The report highlights that there is a high degree of variation between Departments at present because the current arrangements have evolved in a piecemeal manner. From a general perspective, the Department considers that, instead of the existing separation between home departments and the Department of Finance [and Administration], it could be more practical and administratively efficient if the payment of parliamentary entitlements were administered by a single agency. The administration by a single agency would allow for the implementation of appropriate benchmark and comparative assessment procedures recommended in the ANAO response to the Senate resolution.

73. Austrade commented that it supports the ANAO's findings as the formulation of guidelines and frameworks for the accountability of Ministerial entitlements by Finance should go a long way to removing any uncertainties for agencies when providing services to Ministers or their staff. Similarly, the Department of Veteran's Affairs (DVA) commented that:

the recommendations contained in the report clearly identify areas where improved procedures are required. This Department particularly welcomes the recommendation concerning the provision of the Ministers of State—Entitlements handbook to all home departments as the current lack of clarity regarding entitlements has made administration of these entitlements very difficult.

74. The Department of Foreign Affairs and Trade (DFAT) advised that, in order to reassure itself that all appropriate controls and procedures are in place and give full effect to the recommendations, it will be undertaking shortly an internal review of its parliamentary entitlements and support services to its Ministers. The Department of Transport and Regional Services (DTRS) commented that:

[The department] agree(s) with the general thrust of the report: namely that procedures and entitlements should be more clearly defined and Finance's handbook be provided to all Departments. It would be particularly helpful to have clear guidance on responsibility for payment of political/electorate expenses and portfolio-related expenses (e.g. in relation to media surveillance, which is not mentioned in Finance guidelines).

ANAO Response to Senate Resolution

ANAO's audit opinions relating to the specific matters identified in the Senate resolution are set out below. ANAO has made 28 recommendations to improve the administration of Parliamentarians' various entitlements.

(i) The identification of where the rules and guidelines on expenditures and entitlements are unclear or imprecise:

Neither Finance nor Ministers' home departments have in place a comprehensive framework of administrative instructions, guidelines and procedures in relation to Parliamentarians' entitlements. There is no compendium of all relevant legislation, Remuneration Tribunal Determinations, ministerial determinations, ministerial guidelines and conventions which apply to Parliamentarians' entitlements. The handbooks produced by Finance provide some guidance but they are not comprehensive.

A number of reviews of the administration of Parliamentarians' entitlements have identified the need for clear guidance as to the definition of the terms 'parliamentary business', 'electorate business' and 'party business'. Given the key role these terms play in determining Parliamentarians' eligibility for a number of otherwise largely unlimited entitlements, the transparency and accountability of the entitlements management framework would be improved by the provision of enhanced guidance to Parliamentarians on the activities likely to be considered to represent parliamentary, electorate, and party business. Further clarity would be provided to Parliamentarians if, in addition to receiving enhanced guidance on what activities come under the various terms governing their entitlements, they were also provided with advice as to what activities or items may not be paid for by public monies provided through their various entitlements. The use of entitlements by Parliamentarians during periods of by-elections and general elections would seem to require greater clarity and certainty for those concerned.

(ii) Whether the administration of allowances, entitlements and expenditures is adequate, and whether the bureaucracy has sufficient resources and means to do the job required of them:

Agencies' control frameworks governing administration of Parliamentarians' entitlements need to be strengthened for greater assurance and confidence of those involved. Control activities by agencies should involve the establishment of policies concerning what should be done, and appropriate procedures to implement policies to safeguard public money. This should include preventative controls, detective controls, manual controls, computer controls and management controls.

Agencies' ability to effectively administer Parliamentarians' entitlements is adversely affected by the fact that, whilst Parliamentarians commit the Commonwealth to spend public money on their entitlements, there is no legal obligation on individual Parliamentarians to adhere to the legal requirements governing approval of proposed expenditures of public money. This situation places officials in a difficult position when processing accounts for payment.

Significant resources are already provided for the administration of Parliamentarians' entitlements. These resources need to be better focused on providing appropriate accountability within a risk-based compliance framework, as well as giving Parliamentarians the administrative support they need. In this respect, there is also a need for regular client satisfaction research to promote and inform continuous improvement in the provision of services and advice to Parliamentarians.

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The key system control generally relied upon is to obtain certifications from Parliamentarians but there is an insufficient basis for reliance on such an approach. Parliamentarians indicate that they are not always provided with sufficiently timely, accurate and comprehensive data to inform their certifications and, as a result, certifications over the broad range of expenditure can be qualified or, at times, made subject to “the best of my knowledge”.

(iii) Which line items should in future require regular audit:

A regular program of audits is an effective means of supporting a risk-based approach to the administration of public money. There should be a regular and comprehensive program of internal audits that encompasses all entitlements provided to current and former Parliamentarians. Risk profiling and statistical analysis should be used to target audit activities in areas of perceived greatest risk. Audits should also be undertaken where there are indications of systemic control weaknesses and/or scope for system improvement.

Based on ANAO’s analysis and the result of transaction sampling, the first series of internal audits should be focused on payments of accounts and reporting on internal controls in relation to the following entitlements: scheduled travel; spouse and dependent travel; retirement travel; charter travel; personalised stationery and printing; office equipment and requisites; and the communications allowance.

(iv) Which line items should be publicly reported singly or in aggregate:

Public reporting of the cost of Parliamentarians’ entitlements is an important element in the accountability framework. Accordingly, there should be an annual consolidated statement that reports the total cost of all entitlements provided to current and retired Parliamentarians. The statement should include the cost of entitlements provided by Finance, the Parliamentary chamber departments and Ministers’ home departments. It should be prepared on an accrual basis and be derived from, and be consistent with, the data provided to Parliamentarians in entitlements management reports.

The level of detail provided in the public reports needs to be carefully considered. In addition to aggregate reporting of costs against the various categories of entitlements (salaries and allowances; travel entitlements; office management entitlements; and staff costs), consideration should be given as to the nature and level of reporting that should be undertaken for entitlements that are uncapped and/or unlimited as well as where Parliamentarians are not required to certify that individual payments have been in accordance with entitlements.

(v) Which line items should be benchmarked to determine unusual or excessive expenditure:

In a risk management context, measures of dispersion can be used to provide useful management information to individual Parliamentarians as well as for compliance purposes. Analysis undertaken by ANAO of those entitlements examined in detail as part of the audit identified a number of entitlements where the cost of usage by Parliamentarians was widely dispersed, including: personalised stationery and printing; information delivery and postage services, photographic services; constituents request program—flag component; scheduled fare travel; spouse and dependent travel; retirement travel; and home department expenditure on Ministers.

All line items should be regularly benchmarked by the relevant agencies. Analytical techniques, such as the development of risk profiles and benchmarks, would assist in the development of an appropriately focussed, risk-based program of audit work on Parliamentarians’ entitlements. Such an approach could also assist to identify instances of unusually high usage or other anomalies that suggest further inquiries are warranted.

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(vi) Which line items should be subject to comparative assessment between Parliamentarians:

As a general approach, comparative analysis and reporting would provide a useful adjunct to the management of entitlements by agencies and also would be invaluable in informing Parliamentarians of their comparative usage. Comparative assessments are not particularly useful where Parliamentarians are provided with materially different entitlements, such as charter entitlements and electorate allowance. All other entitlements should be subject to comparative assessment between Parliamentarians. The results of this analysis can inform compliance activities, as well as assist Parliamentarians to compare their expenditure with that of other Parliamentarians within an appropriate cohort. Comparisons need to be made only in appropriately similar circumstances and care taken in investigating apparent anomalies.

In other areas of public administration, data matching has been found to be a cost-effective compliance and control technique. At present, only limited data matching is undertaken and there is an absence of information sharing between agencies for the purpose of administering entitlements. In addition to its role as a compliance technique, the adoption of systematic data matching techniques can be expected to improve the accuracy and consistency of management information provided to Parliamentarians.

(vii) Which expenditures and entitlements are potentially at risk of abuse and should be tightened up:

Clear and unequivocal rules are fundamental to providing effective support to Parliamentarians to carry out their duties, while ensuring that effective accountability is provided for the considerable amounts of public money expended annually. Parliamentarians have an obligation to access entitlements in accordance with clearly enunciated rules. Agency management is responsible for instituting effective control frameworks for the payment of public money in relation to Parliamentarians' entitlements in order to promote the proper use and management of that public money, including the prevention and detection of abuse and other irregularities. An effective internal control structure enables agency management to be confident that irregularities will, as far as possible, be prevented and will be detected where they do occur.

The control framework governing Parliamentarians' entitlements does not effectively address the risk of abuse, irregularities and error in expenditures as follows:

- Controls over **travel entitlements** are, on the whole, in need of strengthening. As a result, ANAO's analysis of a relatively small sample of travel transactions has resulted in financial recoveries from 54 current and former Parliamentarians, to an aggregate amount of \$28 575. As of 8 June 2001, Finance was also clarifying a number of payments as a result of ANAO's inquiries. There were also a number of other transactions where Finance was unable to provide ANAO with sufficient evidence that payments were within entitlement.
- The uncapped nature of many **office management entitlements**, such as printing and office requisites, combined with the considerable discretion permitted as to expenditure that is reasonable and appropriate means there is a risk of abuse or unintentional error.
- Controls for entitlements expenditure by **Ministers' home departments** are generally in need of considerable strengthening. Significant reliance is placed by agencies on individual Ministers and/or their offices but the absence of comprehensive certification and reporting arrangements to support and reinforce that reliance undermines the effectiveness and validity of this approach.

Recommendations

Set out below are ANAO's recommendations. Recommendation No.2 relates to opportunities for reviewing the overall framework for Parliamentarians' entitlements. The remaining 27 recommendations are aimed at strengthening the stewardship of public money, improving the services provided to Parliamentarians and enhancing public disclosure within the current Parliamentary entitlements system.

Recommendation No.1
Para. 2.15

ANAO recommends that Finance assist Senators and Members to meet their accountability obligations for use of entitlements by including financial recording kits and best practice guidance on the establishment of comprehensive and appropriate records management procedures in handbooks provided to Parliamentarians.

Disagreed: Finance.

Recommendation No.2
Para. 2.46

ANAO recommends that Finance undertake a review of the framework for Senators' and Members' entitlements against approaches adopted in similar jurisdictions as a basis for consideration of suitable proposals to improve flexibility, transparency and accountability that might be put to the Government and the Parliament.

Agreed: DoS.

Agreed with qualification: DHR.

Disagreed: Finance.

Recommendation No.3
Para. 2.68

ANAO recommends that, to enhance the transparency and accountability of the entitlements management framework and assist Parliamentarians in the management of their entitlements, Finance develop and promulgate guidelines on the activities likely to be considered to represent parliamentary and electorate business and expenditure that is unlikely to qualify for reimbursement.

Agreed: DoS, DHR.

Disagreed: Finance.

Recommendation No.4
Para. 3.14

ANAO recommends that Finance, as the Commonwealth agency with responsibility for financial governance and frameworks, undertake a legal compliance appraisal in order to identify the legal obligations applicable to the spending of public money on Parliamentarians' entitlements and the effectiveness of the methodology of compliance with those obligations. Where necessary, suitable proposals for legislative change should be developed for consideration by the Government and the Parliament.

Disagreed: Finance.

Recommendation No.5
Para. 3.24

ANAO recommends that Finance implement a comprehensive framework of instructions and procedural documentation for the administration of Parliamentarians' entitlements, including issuing:

- (a) General Manager's Instructions and Guidelines under the provisions of Finance's Chief Executive's Instructions in order that they have appropriate legal status; and
- (b) where appropriate, operational procedures for all entitlements administered by the department.

Disagreed: Finance.

Recommendation No.6

ANAO recommends that Finance improve its records management processes by:

Para 3.35

- (a) ensuring that all Commonwealth records are securely stored, either on registered departmental files or in registered secure storage;
- (b) sequentially numbering the folios of departmental files to ensure the integrity of the Commonwealth record; and
- (c) enhancing the department's electronic and paper-based records management systems and procedures to ensure that files and other records, including briefings, can be located and retrieved expeditiously.

Disagreed: Finance.

Recommendation No.7
Para. 3.47 ANAO recommends that Finance improve the quality of management reporting to current and former Parliamentarians by documenting and implementing appropriate reporting arrangements.

Agreed with qualification: Finance.

Recommendation No.8
Para. 3.62 ANAO recommends that Finance promote and inform continuous improvement in the provision of services and advice to Parliamentarians by undertaking regular client satisfaction research.

Disagreed: Finance.

Recommendation No.9
Para. 3.71 ANAO recommends that, in relation to the costs incurred by Parliamentarians under their entitlements, Finance improve transparency and accountability for those entitlements by preparing reports which could be tabled in the Parliament that:

- (a) adopt accrual accounting principles and report on the total annual cost to the Commonwealth of the entitlements; and
- (b) are based on the monthly management and end-of-year reports provided to Parliamentarians, in order to ensure consistency of information included in the public reports with that provided to Parliamentarians for entitlements management purposes, as well as to reduce duplication of administrative effort.

Disagreed: Finance.

Recommendation No.10
Para. 3.86 ANAO recommends that, to enhance Finance's capacity to ensure Financial Management and Accountability Act obligations in respect of public money have been satisfied, the department develop and implement a risk-based program of periodic audits of payments in relation to Parliamentarians' entitlements.

Disagreed: Finance.

Recommendation No.11
Para. 3.97 ANAO recommends that Finance undertake routine benchmarking of entitlements expenditure as part of a risk-based compliance system for the full range of Parliamentarians' entitlements.

Agreed with qualification: Finance.

Recommendation No.12
Para. 3.115 ANAO recommends that, to ensure debts owed to the Commonwealth are actively pursued in a timely fashion, Finance's Ministerial and Parliamentary Services Group develop and implement a comprehensive and effective debt management strategy given the materiality by nature of the payments involved.

Disagreed: Finance.

Recommendation No.13
Para. 4.18 ANAO recommends that Finance strengthen the control framework for the administration of Parliamentarians' travel entitlements by:

- (a) seeking to enhance the legal basis for, and thereby compliance with, the statement in the Senators and Members handbook that Parliamentarians are required to certify that travel, for which costs have been met by the Commonwealth, was undertaken within entitlement;
- (b) ensuring nominated payment control checks are operating;
- (c) introducing risk-based payment procedures that provide reasonable assurance that travel expenditure is in accordance with the traveller's proposed itinerary and that travel is in accordance with actual entitlements; and
- (d) where cost-effective, adopting systematic data matching techniques to ensure accurate and consistent data is provided to Parliamentarians for certification and identify possible non-compliance for further inquiry.

Disagreed: Finance.

Recommendation No.14
Para. 4.31 ANAO recommends that Finance complement existing self-certification arrangements for the administration of Parliamentarians' travelling allowance claims with a structured system of checks and controls concerning the purpose of travel and the rate of travelling allowance payable.

Disagreed: Finance.

Recommendation No.15
Para. 4.43 ANAO recommends that Finance review all administrative procedures for managing the charter entitlement to ensure that accurate and timely advice is provided to Parliamentarians on their entitlement, and the specified limits on the cost of charter transport in each year, as outlined in the Remuneration Tribunal Determinations, are adhered to.

Disagreed: Finance.

Recommendation No.16
Para. 4.58 ANAO recommends that Finance improve the administration of Parliamentarians' spouse/nominee and dependent children travel entitlements by:

- (a) examining the merits of expanding the public reporting of Parliamentarians' travel costs to include the cost of spouse/nominee and dependent children travel entitlements;
- (b) seeking to introduce into the Senators and Members handbook a requirement for there to be a travel declaration completed for all occasions on which spouses/nominees and dependent children travel at Commonwealth expense; and
- (c) implementing effective procedures to monitor trip counts; inform Parliamentarians when their spouse/nominee and/or dependent children have reached the limit of their entitlements; identify instances where travel exceeds entitlements; and make appropriate adjustments or take recovery action.

Disagreed: Finance.

- Recommendation No.17**
Para. 4.82
- ANAO recommends that Finance improve the administration of retirement travel entitlements by:
- (a) clarifying the basis for retirement travel privileges provided other than under Remuneration Tribunal Determinations;
 - (b) documenting administrative procedures that ensure adherence to any limits or restrictions on travel by retired Parliamentarians and their spouses;
 - (c) examining the merits of expanding the public reporting of Parliamentarians' travel costs to include the cost of retirement travel entitlements;
 - (d) providing retired Parliamentarians with timely, accurate and comprehensive information on their use of their entitlements; and
 - (e) implementing effective procedures for the monitoring and enforcement of limits on retirement travel, and taking prompt recovery action where travel is not within entitlement.

Disagreed: Finance.

- Recommendation No.18**
Para. 5.21
- ANAO recommends that Finance, in consultation with the Departments of the House of Representatives and the Senate:
- (a) develop and implement appropriate benchmarking reporting to individual Parliamentarians of the expenses incurred by them under the range of office management entitlements; and
 - (b) to enhance the accountability framework for those expenses, develop proposals for their periodic public reporting for consideration by Government and the Parliament.

Agreed: DoS, DHR.

Disagreed: Finance.

Recommendation No.19
Para. 5.46

ANAO recommends that Finance and the Department of the House of Representatives undertake a review of the costs and benefits of rationalising the management of Members' printing entitlements and services under a single department which might then be put to Government for consideration.

Agreed: DHR.

Disagreed: Finance.

Recommendation No.20
Para. 5.72

ANAO recommends that, to enhance the accountability framework for Members' expenditure under their entitlement to personalised letterhead stationery and other printing for distribution to constituents, and to provide assurance as to the ongoing reliability of the certifications provided by Members as a key control for that expenditure, Finance and the Department of the House of Representatives undertake systematic periodic reviews of Members' processes for the selection of printers and value for money assessments.

Agreed: DHR.

Disagreed: Finance.

Recommendation No.21
Para. 5.111

ANAO recommends that, in order to adequately underpin the certifications requested of Parliamentarians in respect to their use of the photographic services entitlement, Finance:

- (a) clarify the extent of the photographic services entitlement and associated administrative arrangements; and
- (b) provide Parliamentarians with enhanced guidance regarding the entitlement, their cost responsibilities arising from the use of additional services, and the types of services that are considered to be within entitlement.

Disagreed: Finance.

Recommendation No.22
Para. 5.133

ANAO recommends that Finance review its payment procedures for flags requested by Parliamentarians' electorate offices under the Constituents Request Program to ensure receipt of the invoiced goods is verified before payment is made.

Agreed with qualification: Finance.

Recommendation No.23
Para. 6.7

ANAO recommends that home departments review their approval and payment of accounts procedures to ensure that they maintain accounts and records that properly document expenditure on Ministerial entitlements, including how the expenditure relates to official business or is otherwise within entitlement.

Agreed: AFFA, AG's, Austrade, DCITA, DETYA, DEWRSB, DFAT, DHAC, DTRS, DVA, Environment, FaCS, ISR, PM&C, Treasury.

Agreed with qualification: Defence.

Disagreed: Finance.

Recommendation No.24
Para. 6.16

ANAO recommends that, where reliance is placed by home departments on payment checking and certification by Ministers or their offices, the procedures to be undertaken (including the format of any certification) be agreed and documented in advance and the departments periodically verify that these procedures have been implemented and are effective.

Agreed: AFFA, AG's, Austrade, Defence, DETYA, DEWRSB, DFAT, DHAC, DTRS, DVA, Environment, FaCS, ISR, PM&C, Treasury.

Agreed with qualification: DCITA.

Disagreed: Finance.

**Recommendation
No.25
Para. 6.22**

ANAO recommends that Finance coordinate for consideration by Ministers the development of a comprehensive and robust accountability framework for Ministerial entitlements administered by home departments including:

- (a) guidance to officials on their legal obligations in relation to approving expenditure that has been arranged by, or on behalf of, Ministers and/or their offices;
- (b) periodic reporting by departments to Ministers on entitlements use and costs; and
- (c) disclosure in annual reports of the cost of entitlements provided to Ministers by their departments.

Agreed: AFFA, AG's, Austrade, DCITA, Defence, DETYA, DEWRSB, DFAT, DHAC, DTRS, DVA, Environment, FaCS, ISR, Treasury.

Agreed with qualification: PM&C.

Disagreed: Finance.

**Recommendation
No.26
Para. 6.32**

ANAO recommends that home departments improve their administration of hospitality expenditure by reviewing policies and procedures for Ministerial hospitality expenditure in terms of the guidelines produced by the Department of the Prime Minister and Cabinet.

Agreed: AFFA, AG's, Austrade, DCITA, Defence, DEWRSB, DFAT, DHAC, DTRS, DVA, Environment, FaCS, ISR, PM&C, Treasury.

Agreed with qualification: DETYA.

Disagreed: Finance.

Recommendation No.27
Para. 6.40 ANAO recommends that coordination arrangements for administering Ministerial entitlements be improved by:

- (a) Finance providing each home department with a complete copy of the *Ministers of State—Entitlements* handbook as well as any amendments or updates to this handbook as and when they are made; and
- (b) each home department and Finance nominating a formal liaison contact(s) so that uncertainties can be promptly addressed, and better practice experiences shared.

Agreed: AFFA, AG's, Austrade, DCITA, Defence, DETYA, DEWRSB, DFAT, DHAC, DTRS, DVA, Environment, FaCS, ISR, PM&C, Treasury.

Disagreed: Finance.

Recommendation No.28
Para. 6.54 ANAO recommends that home departments improve their administration of official travel expenditure by implementing contractual arrangements for dedicated car-with-driver services that accord with the Financial Management and Accountability Regulation requirements and Chief Executive's Instructions, and are effectively managed.

Agreed: AFFA, AG's, Austrade, Defence, DEWRSB, DFAT, DHAC, DTRS, DVA, Environment, FaCS, ISR.

Agreed with qualification: DCITA, DETYA.

Disagreed: Finance.

Audit Findings and Conclusions

1. Introduction

This chapter details the background to the audit; the legislative framework for Parliamentarians' entitlements; and the audit approach and scope.

Background

1.1 Senators and Members of Parliament, particularly those who are Ministers, require a wide spectrum of support services to carry out their various responsibilities effectively. These services are generally referred to as entitlements, and are established pursuant to a legal framework comprising *The Constitution*, Acts of Parliament and Determinations of the Remuneration Tribunal. Funds are appropriated from consolidated revenue for Parliamentarians' entitlements and the money used to pay those entitlements comes from public money as defined by section 5 of the *Financial Management and Accountability Act 1997* (FMA Act).¹⁵

1.2 As at 30 June 2000, there were 223 Senators and Members.¹⁶ Responsibility for the administration and delivery of Parliamentarians' entitlements is spread across a range of Commonwealth agencies. The Department of Finance and Administration (Finance) and the Parliamentary chamber departments have by far the largest roles. The chamber departments pay Parliamentarians' basic salary and the additional allowances payable to Parliamentary Office-holders, together with providing a range of entitlements relating to the operation of Parliament House, including Senators' and Members' Parliament House offices. Other agencies have roles related to specific entitlements, such as the Department of Defence's role in providing Special Purpose Aircraft (SPA) and the Attorney-General's Department's role in the authorisation of the provision of legal and protective assistance to Ministers in certain circumstances. In addition, portfolio departments and agencies (home departments) are responsible for the administration of a range of entitlements for their portfolio's Minister(s), including Parliamentary Secretaries.

¹⁵ The FMA Act has a long title that is '*an Act for the proper use and management of public money, public property and other Commonwealth resources, and for related purposes*'. This purpose is supported by the (informal) Readers Guide at the front of the FMA Act which states that '*the main purpose of this Act is to provide a framework for the proper management of public money and public property*.'

¹⁶ During 1999–2000, there were 227 sitting Senators and Members, with four sitting Parliamentarians leaving the Parliament over the course of the year, and three new Parliamentarians taking up those vacated places by 30 June 2000. There was one vacancy in a House of Representatives seat as at 30 June 2000.

1.3 The total outlays in 1999–2000 for the provision and administration of Parliamentarians’ entitlements was estimated by ANAO¹⁷ to be at least \$354 million (see Figure 1.1). In 1999–2000, some 82 per cent, or around \$289 million, of outlays were centralised within Finance, primarily in the Ministerial and Parliamentary Services Group (M&PS). The Parliamentary chamber departments account for 16 per cent of the total, with the Department of the House of Representatives (DHR) spending some \$29.26 million in 1999–2000 and the Department of the Senate (DoS) \$27.02 million. Advice provided to ANAO by Ministers’ home departments indicated that, in 1999–2000, the total cost to them of Ministerial entitlements was \$8.9 million (see Chapter 6).

Figure 1.1
Estimated Costs of Parliamentarians’ Entitlements 1999–2000

DEPARTMENT	\$'000
Department of Finance and Administration ^{A B}	289 027
Department of the Senate ^C	27 022
Department of the House of Representatives ^D	29 258
Total Expenditure Reported by Portfolio Departments (home departments) ^E	8 884
TOTAL ESTIMATED RESOURCING FOR PARLIAMENTARIANS’ ENTITLEMENTS	354 191
Notes:	
^A The estimated cost of Finance Outcome 3.1.1—Accommodation and Entitlement Services includes provision of secretariat support for the Australian Political Exchange Council which is not a cost of the provision and administration of Parliamentarians’ entitlements.	
^B The estimated cost of Finance Outcome 3.1.2—Travel and Transport Services includes car-with-driver services for other VIPs and a transport and luggage service for guests of the Australian Government which are not costs of the provision and administration of Parliamentarians’ entitlements.	
^C The estimated total departmental and administered expenses for Output 3—Senators’ Services. Includes the provision of security advice, systems and monitoring for the protection of Parliament House, Parliamentarians, other occupants and visitors to the building.	
^D The estimated total expenses for Output Group 1.3—Members’ Services, plus relevant administered expenses. Includes the provision of security advice, systems and monitoring for the protection of Parliament House, Parliamentarians, other occupants and visitors to the building.	
^E Includes home departments’ expenditure on Ministers’ entitlements as advised to ANAO.	

Source: ANAO analysis of advice from agencies and agency 2000–2001 Portfolio Budget Statements.

¹⁷ Based on estimated actual outcomes for 1999–2000 provided in agencies’ 2000–2001 Portfolio Budget Statements and agencies’ advice to ANAO regarding the costs of Ministerial entitlements in 1999–2000.

1.4 Of the estimated total outlays of \$354 million in 1999–2000, about \$266 million were administered appropriations which agencies used to directly fund Parliamentarians’ entitlements. In addition, significant proportions of the departmental appropriations of DoS and DHR were used to fund entitlements provided to Parliamentarians by those departments. The remaining outlays generally related to the cost to agencies of administering Parliamentarians’ entitlements.

Legislative framework

1.5 The principal items of legislation which authorise or are relevant to the provision of entitlements to Parliamentarians are: *The Constitution*, the *Parliamentary Entitlements Act 1990*¹⁸ and Regulations¹⁹; the *Parliamentary Allowances Act 1952*; the *Remuneration Tribunal Act 1973*²⁰ and relevant Determinations of the Tribunal; the *Remuneration and Allowances Act 1990*; the *Parliamentary Contributory Superannuation Act 1948*²¹; the *Members of Parliament (Staff) Act 1984*²²; and the FMA Act. In addition, entitlements accruing to Ministers are established by Acts of Parliament (such as the *Ministers of State Act 1952*) and Determinations of the Remuneration Tribunal. Some are also provided by government decisions.

¹⁸ The *Parliamentary Entitlements Act* was introduced in 1990 to provide a legislative basis for a range of entitlements provided to Parliamentarians. The Act prescribes particular entitlements for Senators and Members and certain Office-holders including: electorate office accommodation, equipment and requisites; flags and printed material relating to national symbols for distribution to constituents; photographic services in Parliament House; provision of Australian Government Bookshop publications that are prescribed by the Presiding Officers; travel overseas by Parliamentary delegations; and travel by Special Purpose Aircraft (SPA).

¹⁹ The *Parliamentary Entitlements Regulations 1997* provide Senators and Members with an entitlement to personalised letterhead stationery; newsletters for distribution to constituents; and other printed material, as approved by the Minister, for distribution to constituents.

²⁰ The *Remuneration Tribunal Act 1973* establishes the Remuneration Tribunal which determines certain entitlements for Parliamentarians when they are engaged on parliamentary and/or electorate business.

²¹ Superannuation for Parliamentarians is provided through the Parliamentary Contributory Superannuation Scheme established under the *Parliamentary Contributory Superannuation Act 1948*.

²² The *Members of Parliament (Staff) Act 1984* (MOP(S) Act) provides Senators and Members with the power to employ staff, on behalf of the Commonwealth. The Act provides that Senators and Members may only exercise this power in accordance with arrangements approved by the Prime Minister and subject to such conditions as are determined by the Prime Minister. Ministers and Parliamentary Office-holders also have entitlements to staff under the MOP(S) Act which are also subject to determinations by the Prime Minister.

1.6 The key Remuneration Tribunal Determinations applying in 1999–2000 were Determinations No. 8²³ (Determination 1998/8) and No.26²⁴ of 1998 (Determination 1998/26). The entitlements currently provided by the Remuneration Tribunal Determinations are:

- electorate allowance;
- travelling allowances for Senators and Members and Office-holders;
- travel within Australia by Senators and Members, including by scheduled services, car transport, charter, private plated vehicles, and privately-owned vehicles;
- travel by the spouse or nominee and dependent children of a Senator or Member;
- overseas study travel;
- travel after retirement by a Senator or Member;
- home telephone services and telephone charge card; and
- communications allowance (including postage).²⁵

1.7 Apart from the Constitution, under the current Administrative Arrangements Orders, the Minister for Finance and Administration has portfolio responsibility for the Commonwealth Acts listed above. A variety of policy and other documents are also relevant to Parliamentarians' entitlements, including:

- Procedural Rules and guidelines issued by the Special Minister of State pursuant to relevant clauses of Remuneration Tribunal Determinations—those clauses provide that procedural rules to give full effect to all entitlements set out in the Determination can be made from time to time by the Special Minister of State;
- various Entitlements booklets (commonly known as handbooks) issued by Finance²⁶ for Ministers of State, Parliamentary Secretaries, Senators and Members, and others;

²³ Determination No.8 of 1998 (as amended) sets the rates and conditions of payment of travelling allowance

²⁴ Determination No.26 of 1998 (as amended) sets entitlements for electorate allowance; travel by scheduled services; car transport (that is, car-with-driver and self-drive hire); private vehicle allowance; Commonwealth-provided private plated vehicle; charter transport; Life Gold Pass travel; severance travel; overseas study travel; telephones in private residences; telephone charge card; and communications allowance.

²⁵ In 1999–2000, this was known as the information delivery services entitlement.

²⁶ Finance is responsible for compiling and updating these handbooks, which are cleared for distribution by the Special Minister of State.

- Chief Executive's Instructions (CEIs)²⁷ issued within Finance, the Parliamentary chamber departments and Ministers' home departments pursuant to FMA Regulation 6(1), some of which have a bearing on the expenditure of public monies relating to Parliamentarians' entitlements; and
- government decisions, decisions and determinations by the Prime Minister and Ministers, Ministerial guidelines issued pursuant to discretions allowed under relevant Acts or Determinations, and decisions by the Presiding Officers.

Salary and electorate allowance

1.8 Section 48 of The Constitution establishes the entitlement of Senators and Members to an allowance and gives the Parliament the power to legislate on the level of this allowance. The *Remuneration and Allowances Act 1990* provides for an allowance to be called salary and establishes a mechanism for regulations made under the Act to prescribe the level of Senators' and Members' salary, following consideration by the Minister of advice from the Remuneration Tribunal.²⁸ In its December 1999 report, *Senators and Members of Parliament, Ministers and Holders of Parliamentary Office—Salaries and Allowances for Expenses of Office*, the Remuneration Tribunal identified an appropriate reference salary for Parliamentarians' salary, being the salary for Band A of the Principal Executive Office classification set out in the Remuneration Tribunal Determination 1999/15. Under the *Remuneration and Allowances Regulations 1999*, the basic annual salary for Senators and Members was moved to 100 per cent of the reference salary, an increase of \$8 144 to \$90 000 per annum. The increase was applied in two instalments, the first taking effect during the 1999–2000 financial year, and the second as from 1 July 2000.

1.9 Section 8 of the Remuneration and Allowances Act provides a standing appropriation of funds for payment of Senators' and Members' salaries. The *Parliamentary Allowances Act 1952* defines the days from which the salaries of Parliamentarians commence and cease, and provides a statutory basis for the additional remuneration of Parliamentary Office-holders (remuneration for Office-holders has largely been overtaken by the *Remuneration Tribunal Act 1973*).

²⁷ The Secretary's introduction to Finance's CEIs states that the CEIs have the same legal status as FMA Regulations and that Departmental officials are to comply with the requirements of the CEIs so that all specified accountabilities are satisfied.

²⁸ Although Senators and Members receive a salary, they are not classified as employees and do not have any specific entitlement to leave.

1.10 Parliamentarians' basic salary is paid in equal monthly instalments by DoS and DHR. The Parliamentary chamber departments are also responsible for the payment of the additional allowances accruing to Parliamentary Office-holders. Finance is responsible for payment of the additional salary payable to the Prime Minister, Ministers and Parliamentary Secretaries²⁹ which is authorised by the *Ministers of State Act 1952*.

Electorate allowance

1.11 Determination 1998/26 provides for each Senator and Member to also be paid an electorate allowance, which is an expense of office allowance payable to reimburse them for costs necessarily incurred in providing services to their constituents. There are three categories of electorate allowance for Members, based on electorate size, and a single category for Senators. The categories range from \$27 300 to \$39 600 per annum.³⁰ Parliamentarians' electorate allowance is paid by the relevant Parliamentary chamber department in equal monthly instalments with their basic salary.

1.12 The purposes to which the electorate allowance must be put have not been prescribed due to the differing nature of Parliamentarians' electorates and the services Senators and Members may wish to provide to constituents. In its December 1999 report, the Remuneration Tribunal acknowledged that there are a number of factors that impact on how Parliamentarians serve as representatives of their electorates, including geographic and socio-demographic characteristics such as size, language,

²⁹ Until the proclamation of the *Ministers of State and Other Legislation Amendment Act 2000* on 10 March 2000, Parliamentary Secretaries held their appointments under the now repealed *Parliamentary Secretaries Act 1980* and were constitutionally barred from receiving payment for carrying out their responsibilities. This was because the position of Parliamentary Secretary, if payment had been made, would have been an office of profit under the Crown, and section 44 of the Constitution provides that any person who holds any office of profit under the Crown, or any pension payable during the pleasure of the Crown out of any revenues of the Commonwealth, shall be incapable of being chosen or of sitting as a Senator or Member of the House of Representatives. Parliamentary Secretaries' expenses could be reimbursed, as long as they were reasonably incurred (but were capped at \$10 000 per annum under a Remuneration Tribunal Determination), and they were provided with such additional services and facilities as were required to enable them to effectively carry out the duties associated with their holding an office in accordance with the Parliamentary Secretaries Act. Since the March 2000 amendment of the Ministers of State Act and the repeal of the Parliamentary Secretaries Act, Parliamentary Secretaries have been appointed, in the same way as Ministers, under section 64 of the Constitution and are paid an additional salary for carrying out their responsibilities.

³⁰ These rates applied with effect 1 January 2000 pursuant to Remuneration Tribunal Determination 2000/02 which increased the previous rates of electorate allowance by 3.1 per cent in line with annual movements in the Consumer Price Index since the previous adjustment in October 1997. A pro-rata allowance applied for 1999–2000.

income, education and age.³¹ The Tribunal did note that expenses expected to be met from the allowance include attendance at electorate functions, as well as expenditures such as donations to appeals and organisations; presentations for school speech days, sporting clubs, senior citizens awards; replacement of home office facilities; and certain travel costs. The *Senators and Members Entitlements* handbook issued by Finance notes that relevant expenses would also include expenditure on office equipment, telephone, newspaper and postage, additional to the standard supply. Any portion of the allowance not able to be accounted for as being expended on electorate business is subject to income tax.

1.13 The cost of Parliamentarians' salary and salary-related allowances in 1999–2000 is set out in Figure 1.2.

Figure 1.2

Cost of Parliamentarians' salary and salary-related allowances in 1999–2000

<i>Salary and related allowances</i>	<i>DoS \$'000</i>	<i>DHR \$'000</i>	<i>Finance \$'000</i>	<i>Total \$'000</i>
Basic salary	6 352	12 409	-	18 761
Electorate Allowance	2 034	4 570	-	6 604
Parliamentary Office-holder Allowance	498	507	-	1 005
Ministerial Allowance	-	-	1 814	1 814
Parliamentary Secretary Reimbursement³²	-	-	68	68
Total	8 884	17 486	1 882	28 252

Source: ANAO analysis of departmental expenditure reports and Finance monthly management reports

³¹ In the course of 2000, the Remuneration Tribunal conducted a detailed review of electorate allowance, charter allowance and issues to do with large electorates. The September 2000 report of that review reported that the Tribunal was not disposed to increase the size of the allowance in the near to medium future. The Tribunal noted that, consistent with the purpose of the allowance, many Senators and Members utilised their electorate allowance entitlement to fund unofficial offices or to support organisations within the electorate or to top up staff relief and staff travel budgets.

³² Refer footnote 30.

Parliamentary chamber departments

1.14 The estimated aggregate cost of Parliamentarians' entitlements managed by DHR and DoS in 1999–2000 amounted to \$56.3 million (see Figure 1.1 earlier). DoS and DHR respectively are responsible for the payment of Senators' and Members' basic salaries and electorate allowance; Parliamentary Office-holders' additional salary; the provision of office, computing, telephone, security and other facilities and services for Senators and Members at Parliament House³³; stamp allowance for use at Parliament House; newspapers, stationery and other requisites within Parliament House; and management of COMCAR shuttle services. DoS and DHR also provide private plated vehicles and other car services, as relevant, for the Presiding officers and their Deputies.

1.15 In addition, DoS covers the full cost of internal and external printing of personalised letterhead stationery and other printing for Senators. Under the entitlement provided by the Parliamentary Entitlements Regulations, DHR provides each Member with personalised letterhead stationery and printing to an annual value of \$3 850. The Senators' and Members' Entitlements handbook provides that, when this initial allowance is exhausted, Finance will meet Members' additional printing requirements under the entitlement. DHR also provides an in-house printing service to Members, including a capped supply of Christmas cards (see Chapter 5).

Department of Finance and Administration

1.16 As noted, responsibility for administration of the Acts³⁴, including appropriation of the funds for the bulk of Parliamentarians' entitlements, rests with the Finance and Administration portfolio. Finance undertakes a considerable volume of administrative processing in relation to Parliamentarians' entitlements. In 2000–2001, Finance expected to process in the order of 40 000 personnel transactions, 30 000 accounts payments, and 25 000 service calls from Parliamentarians, former Parliamentarians and their staff. In 1999–2000, payments for entitlements were made by Finance in respect of serving Senators and Members; their spouses or nominees and dependents; and retired and former Senators and Members and their spouses. In addition, Finance pays the salary and other entitlements of Ministers and Parliamentary Secretaries and their staff.

³³ M&PS in Finance is generally responsible for the Ministerial Wing in Parliament House. However, the e-Solutions Group within Finance is responsible for Ministerial Wing Communications.

³⁴ The *Parliamentary Entitlements Act 1990*; the *Parliamentary Allowances Act 1952*; the *Parliamentary Contributory Superannuation Act 1948*; the *Parliamentary Precincts Act*; the *Parliamentary Retiring Allowances (Increases) Act*; and the *Remuneration Tribunal Act 1973*.

The department provided annual superannuation statements and ad hoc advice for members of the Parliamentary superannuation fund, as well as paying and updating the superannuation pensions of more than 300 beneficiaries.³⁵

1.17 Finance also administers:

- provision of advice on entitlements to Senators, Members, Ministers, Office-holders and their respective staff, and the Special Minister of State;
- personnel services for the staff of Senators, Members and Ministers employed under the MOP(S) Act, including recruitment, payroll, staff training and a range of human resource services;
- electorate office accommodation, information technology and telecommunications services and support and other facilities for Parliamentarians;
- management of Ministerial accommodation in Parliament House and in each State capital;
- travelling allowance and transport services for Senators, Members, Ministers³⁶ and Parliamentary Office-holders, and their respective staff; and
- entitlement processing and reporting for all Parliamentarians and their staff.

1.18 In addition, during 1999–2000 the Business Services Group of Finance administered COMCAR³⁷ (which provides car-with-driver services for Parliamentarians) and provides parliamentary superannuation services. In the 1999–2000 financial year, the average staffing level within Finance devoted to the provision of services to Parliamentarians was 295, although this was budgeted to fall to 288 in the 2000–01 financial year.³⁸ Total Finance resourcing relating to Parliamentarians in 1999–2000 (but not including expenditure relating to Finance portfolio Ministers) amounted to some \$289 million (see Figure 1.1 earlier), \$229.3 million of which were administered appropriations used to directly fund Parliamentarian entitlements.

³⁵ Department of Finance and Administration Agency Budget Statement, Finance and Administration Portfolio Budget Statements, 2000–01, p. 48.

³⁶ Finance is responsible for the costs of all Ministerial travel with the exception of car transport for official purposes within Australia which is met by Ministers' or Parliamentary Secretaries' home departments.

³⁷ In May 2001, Finance advised ANAO that a decision had been taken by the Finance Executive to restructure the business units in Finance and that COMCAR is to be integrated into M&PS on 1 July 2001 to better align the processing and control of Parliamentarians entitlements.

³⁸ Finance Portfolio Budget Statements 2000–01 p. 47.

1.19 The additional entitlements of Ministers and Parliamentary Secretaries are determined by the Cabinet, the Prime Minister and/or by the Special Minister of State (usually in consultation with the Prime Minister). Guidelines in respect of those entitlements are set out in a handbook issued by Finance, *Ministers of State—Entitlements*.³⁹ Ministers' entitlements include travel (both within Australia and overseas), transport costs (including the use of SPA, charter and cars), official hospitality, photographic services, office accommodation, equipment and supplies.

1.20 In addition to payment of the Ministerial salary component of Ministers' salaries and the payment of travelling allowance, Finance also administers:

- the provision of all travel within Australia by a Minister, his or her staff, his or her spouse or nominee and dependent children (except for official car transport costs for the Minister and spouse/nominee);
- the cost of a private plated vehicle in a Minister's electorate;
- the cost of a Minister's official overseas visits, including when accompanied by personal staff and spouse/nominee (but excluding departmental staff) and hospitality of a personal nature;
- electorate office accommodation and office requisites for a Minister and his or her electorate staff;
- additional Ministerial office accommodation—either in the capital city or the electorate;
- a Minister's communication allowance as a Senator or Member (known as the information delivery service entitlement in 1999–2000);
- management of office accommodation in the Ministerial Wing of Parliament House, including parking in the basement car park;
- the supply of standard furniture and equipment in the Ministerial Wing;
- security policy within the Ministerial Wing; and
- through the e-Solutions Group of the department, provision and maintenance of the secure communications network (Ministerial Communications Network).

³⁹ The current version of the *Ministers of State—Entitlements* handbook was issued in January 2001.

Portfolio departments

1.21 The Ministers of State Entitlements handbook indicates that a Minister's home department is responsible for:

- the costs of official cars, including any private plated vehicle in Canberra, for the Minister and spouse;
- additional furniture and equipment (including computer equipment) for the Minister's offices in the Ministerial Wing and the Minister's home State or Territory;
- salary and other costs of a departmental liaison officer;
- stationery and office requisites for the Minister's Parliament House office, separate Ministerial office in the capital city of the Minister's home State and a joint Ministerial/electorate office;
- relief arrangements for personal staff absences of less than 12 weeks;
- postage in relation to Ministerial duties;
- the costs of official residential telephone and fax services and telephone charge card for the Minister;
- portfolio related hospitality overseas;
- official hospitality within Australia (including when a staff member represents the Minister);
- laptop computers and mobile telephones for the Minister and staff nominated by the Minister;
- membership fees of business organisations related to portfolio or Ministerial functional responsibilities;
- the provision of semi-official residential telephone services and telephone charge cards for senior Ministerial staff nominated by the Minister; and
- payment of conference and training fees for Ministerial staff, as well as any membership of airline lounges.

Audit approach

1.22 On 2 November 2000, the Senate agreed to the resolution that the Senate requests the Auditor-General:

- (a) *to review all expenditures and entitlements accruing to Parliamentarians and Ministers as administered by the Department of Finance and Administration, the Parliamentary Departments, and, in the case of Ministers, their home departments; this review to cover the 1999–2000 financial year;*
- (b) *to report before 30 June 2001;*
- (c) *to consider in the review or audit matters including:*
 - (i) *the identification of where the rules and guidelines on expenditures and entitlements are unclear or imprecise;*
 - (ii) *whether the administration of such allowances, entitlements and expenditures is adequate, and whether the bureaucracy has sufficient resources and means to do the job required of them,*
 - (iii) *which line items should in future require regular audit,*
 - (iv) *which line items should be publicly reported singly or in aggregate,*
 - (v) *which line items should be benchmarked to determine unusual or excessive expenditure, and*
 - (vi) *which line items should be subject to comparative assessment between Parliamentarians; and*
- (d) *to determine which expenditures and entitlements are potentially at risk of abuse and should be tightened up.*

1.23 On 10 November 2000, the Auditor-General wrote to the President of the Senate advising of his decision, in light of the Senate resolution, the considerable public interest in the issue and his own intention to undertake an audit of Parliamentary travel services later in the 2000–01 financial year, to undertake a performance audit of Parliamentarians' Entitlements: 1999–2000. The Auditor-General noted that ANAO would use its best endeavours to achieve the Senate's suggested reporting deadline of 30 June 2001.

1.24 In seeking to address the motion agreed to by the Senate within the time allowed, the overarching objectives of the performance audit were to:

- provide assurance to the Parliament regarding the administration by Finance, the Parliamentary chamber departments and the portfolio

departments of all expenditures and entitlements accruing to Parliamentarians, including Ministers, in 1999–2000;

- assess the administrative and control structures governing expenditures and entitlements accruing to Parliamentarians and Ministers in 1999–2000; and
- identify opportunities to improve the current framework.

Audit scope

1.25 The scope of the audit covered the support services provided by Finance, particularly the M&PS Group; additional Ministerial expenditures administered by agencies within Ministers' portfolios⁴⁰; and the services provided by DoS and DHR.

1.26 On 7 February 2001, the Auditor-General wrote to the President of the Senate advising that, due to the range of issues involved and the slower than anticipated rate of progress being made by the ANAO in securing access to relevant Commonwealth records⁴¹, the Auditor-General had decided it would be preferable to refine the scope of this current audit and to defer examination of issues relating to Parliamentarians' staff in order to give him a reasonable chance of reporting reasonably close to the Senate's requested reporting timeframe of 30 June 2001. The Auditor-General further advised that, to cover these important issues, he planned to consider in his 2001–2002 Audit Work Program a general performance audit of payments to staff employed under the *Members of Parliament (Staff) Act 1984* (MOP(S)Act). A related audit has now been included in the 2001–2002 program.

⁴⁰ The portfolio departments and agencies in which audit fieldwork was conducted were: Department of Agriculture, Fisheries and Forestry—Australia (AFFA); Department of Defence (Defence); Attorney-General's Department (AG's); Department of Communications, Information Technology and the Arts (DCITA); Department of Employment, Training and Youth Affairs (DETYA); Department of Employment, Workplace Relations and Small Business (DEWRSB); Department of the Environment and Heritage (Environment); Department of Family and Community Services (FaCS); Department of Finance and Administration; Department of Foreign Affairs and Trade (DFAT); Austrade; Department of Health and Aged Care (DHAC); Department of Immigration and Multicultural Affairs (DIMA); Department of Industry Science and Resources (ISR); Department of the Prime Minister and Cabinet (PM&C); Department of Transport and Regional Services (DTRS); Department of the Treasury (Treasury); and Department of Veterans' Affairs (DVA).

⁴¹ Delays in progressing the audit occurred due to the lack of timely access to the full set of relevant Commonwealth records. For example, ANAO requested from Finance in mid-December 2000 copies of all monthly management reports the department provided to Parliamentarians in 1999–2000 but did not receive the majority of these reports until the end of February 2001. The average response time for Finance to provide files requested by ANAO was 32 days from the date of ANAO's request, with significant numbers of files (39 per cent of the first ANAO request of 20 December 2000 and 23 per cent of the second ANAO request of 12 January 2001) not being provided until more than 60 days after they were requested. In addition, it was evident that some records were not maintained on official files and, where the records were on files, they were not generally folioed making it difficult to be assured that all relevant records were considered during the audit.

1.27 MinterEllison provided legal advice to inform ANAO's examination of the administration of, and legal framework for, Parliamentarians' entitlements. ANAO fieldwork was undertaken in the portfolio departments, DoS and DHR between December 2000 and April 2001. Fieldwork continued in Finance until June 2001, with clarification of various matters continuing throughout the reporting period. The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of \$418 000.

2. Administrative Framework

This chapter discusses the overall framework for the administration of Parliamentarians' entitlements and identifies areas in which there is scope for improvement.

Entitlements framework

2.1 The current framework of Parliamentarians' entitlements is a complex mixture of capped and uncapped entitlements (see Figure 2.1). As explained in Chapter 1, these entitlements are set out in a range of legislation, Remuneration Tribunal Determinations, ministerial Determinations, guidelines and conventions, and are administered through a range of departments.

2.2 The complexity of the existing entitlements structure has given rise to a number of areas of difficulty for both relevant departments and Parliamentarians in efficiently and effectively managing those entitlements. For example, determining the eligibility of activities under the entitlements, and the extent of the entitlement that arises where there is eligibility, has presented difficulties. No one entity is responsible for the administration and coordination of delivery of the entitlements, or for the production of comprehensive management information regarding the totality of expenditure incurred in respect of those entitlements across a range of departments. There is little capacity for Parliamentarians to trade-off expenditure between related entitlements to meet their individual requirements.

2.3 The difficulty in effectively administering this system is exacerbated by the absence of a compendium of all relevant legislation, Remuneration Tribunal Determinations, ministerial determinations, Ministerial guidelines and conventions which apply to Parliamentarians' entitlements that is centrally maintained and available to all departments responsible for the public money expended under those entitlements.

Figure 2.1
Current entitlement framework

<i>Uncapped entitlements^A</i>	<i>Capped/Restricted entitlements^B</i>		
	<i>Dollar limit</i>	<i>Occurrences limit</i>	<i>Content limit</i>
<ul style="list-style-type: none"> • Travelling allowance (other than within electorate)^C • Scheduled travel • Travel by Special Purpose Aircraft^D • Car transport • Private vehicle allowance • Office and residential telephone services^H • Personalised letterhead stationery, newsletters and other approved printed material for distribution to constituents^I • Retirement travel (pre 1 Jan 1994 entitlements) • All Ministerial non-salary entitlements 	<ul style="list-style-type: none"> • Salary • Electorate allowance • Charter transport^E • Information delivery services/communication (including postage) • Overseas study trips • Pooled spouse and dependant travel 	<ul style="list-style-type: none"> • Travelling allowance (within electorate) • Travel/Travelling allowance (for meetings of Parliamentary political party, committees or national conference) • Non-official spouse/nominee and dependant travel • Retirement travel (post 1 Jan 1994 entitlements) • Newspapers and periodicals^J 	<ul style="list-style-type: none"> • Stall • Office accommodation • Office equipment • Office supplies^F • Privately plated vehicles • Photographic services^G • Constitutents Request Program (including flags) • Overseas delegations travel

Notes:

- A As long as the goods or services are accessed for the purposes set out in the relevant legislation, Determination or Government guidelines, there is no financial limit on the amount of goods or services which may be accessed.
- B These entitlements are subject to either a financial cap in a given financial year, or are otherwise restricted in terms of the number of permitted occurrences in a year or in the form and content of the goods or services able to be accessed under the entitlement.
- C There are set rates of travelling allowance payable for each instance of overnight stay away from a Parliamentarian's home base, but there is no limit on the aggregate travelling allowance a Parliamentarian may claim in a given year.
- D Subject to approval of use by Minister for Defence and availability of aircraft.
- E Members representing electorates of less than 10 000 square kilometres and ACT Senators have no charter entitlement.
- F Although there is no limit on the dollar value or volume of office supplies Parliamentarians may have, they are restricted to selecting from a set menu of items (see Chapter 5).
- G Purpose and location of photographic sessions restricted. Basic entitlement is two sessions plus prints per year, and the cost of prints from additional sessions. In practice, Finance has paid the additional fees associated with all additional sessions (see Chapter 5).
- H Supply of electorate office telephone services limited to those approved by the Special Minister of State (e.g. 4 telephone lines in an electorate office, one mobile phone and a Telecard for the Senator or Member), but expenditure allowed utilising those services is unlimited.
- I There are restrictions on the items available under this entitlement and the form and content of them, but there is no limit on the value or quantity of the eligible items which can be supplied to Members. There are limits applied to Senators for certain items (see Chapter 5).
- J The main restriction is the number and type of newspapers and publications supplied. A dollar limit also applies to a small supplementary budget allocated for the purchase of publications of particular parliamentary interest.

Source: ANAO analysis of relevant legislation, Remuneration Tribunal Determinations, ministerial determinations and guidelines, and relevant Finance handbooks.

2.4 The entitlements handbooks provided to Parliamentarians and Ministers by Finance provide detailed information on legislative provisions, the manner in which the Parliamentary Entitlements Act and Remuneration Tribunal Determinations are interpreted, and related administrative procedures. While these handbooks are updated from time to time, they do not fully reflect all relevant Procedural Rules, ministerial determinations, and other government decisions relevant to identifying the extent of particular entitlements for individual current and former Parliamentarians. As such, they are not sufficiently comprehensive to perform the function that would be performed by such a compendium, nor does Finance appear to hold such a compendium in any other form. The handbooks are not available as public documents, and their distribution amongst Commonwealth Departments with responsibility for Parliamentarians' entitlements is restricted.

2.5 A printed copy of the Senators' and Members' Entitlements handbook is provided to all Senators and Members. An updated electronic version is maintained on M&PS' internet site, which can be accessed by Senators' and Members' electorate offices. When major updates of the handbook occur, Finance issues revised printed copies. The most recent version was issued in December 2000. DoS and DHR are not provided with a copy of the Senators' and Members' Entitlements handbook. DHR produces a more abbreviated handbook as a guide to services and facilities for Members.

2.6 The Senators' and Members' Entitlements handbook advises that Senators and Members find it helpful to maintain accurate records of use of their entitlements to help them provide the certifications required of them by Finance. The handbook also includes a section on the management of electorate office records, which advises that sound office management requires that particular attention be given to the systematic handling of all records in the Parliamentarian's office to ensure that information and administrative needs are met. The handbook advises that responsibility for managing records be clearly allocated; provides general advice regarding the need to appropriately categorise, index and store records; and provides general advice regarding legislative and other responsibilities in terms of access to and archiving of official records. The handbook refers Parliamentarians to other organisations, such as the Australian Taxation Office and the National Archives of Australia, for advice on management and disposal of records.

2.7 There is scope for significant enhancement in the guidance provided to assist Parliamentarians in ensuring they maintain adequate documentation regarding their use of entitlements. In particular, there is scope for the handbook to provide best practice guidance on the establishment of comprehensive and appropriate records management procedures, including financial records, that is specifically tailored to the unique nature of Parliamentarians' entitlements without unnecessarily onerous and time-consuming effort that adds little value. ANAO considers that including such guidance in the handbook would assist Senators and Members to meet their accountability obligations for their use of entitlements. In respect of this, Finance advised ANAO in July 2001 that staff training is available under existing programs and that the major political parties are also provided with funding that could be used for this purpose.

2.8 The Ministers of State Entitlements handbook is issued to all Ministers, but not generally to their home departments. The current handbook was originally issued in 1996. A draft⁴² of an updated version was issued to Ministers following the 1998 Federal Election. The final version, as cleared for distribution by the then Special Minister of State, was provided to Ministers in October 1999 and updated in January 2001.

2.9 Finance's 1999 brief to the Special Minister of State seeking clearance to distribute the revised handbook for Ministers, noted that there were also a number of other guides (for Parliamentary Secretaries, Opposition Office Holders, Leader of Minority Parties, Whips and Shadow Ministers) which are derived from the Ministers of State Entitlements handbook. The department intended to issue these other guides progressively and quickly following the 1999 issuing of the Ministers' handbook. In January 2001, the Parliamentary Secretaries handbook was issued, and in April 2001 the Leader of a Minority Party handbook was issued.

2.10 In its Report 1999/01 on Parliamentarians' salaries and allowances for expenses of office, the Remuneration Tribunal noted that it had regard to the following considerations in relation to framing its recommendations for Parliamentarians' allowances for expenses of office:

- *Flexibility*—allowances must be sufficiently flexible to recognise the varying needs of different electorates and to allow Senators and Members to respond to these needs. The Tribunal noted that it was

⁴² Parliamentary Secretaries were also issued in October 1998 with a draft handbook tailored for them based on the Ministerial entitlements handbook.

committed to ensuring that, over time, it can deliver Senators and Members greater flexibility in how they utilise their expenses of office within appropriate parameters;

- *Accountability*—the expenditure of public funds by Senators and Members must at least meet the normal standards of accountability that apply to the expenditure of public funds in general and may sometimes be subject to other arrangements;
- *Fairness*—allowances should be structured to preclude any real or imputed favour to any particular parliamentary grouping or party;
- *Supporting quality service*—allowances should support Senators and Members in providing quality services to their constituents as their elected representative; and
- *Work/Family balance*—allowances should be structured to support Senators and Members in achieving a better integration of work and family responsibilities and should reconcile their family commitments with their formal duties, which require frequent and prolonged absences from their families and their family home.

2.11 Recent changes by the Tribunal to various entitlements have been directed at improving the existing entitlements structure in respect of some of those considerations. For example, Determination 2000/11 provided that, as from October 2000, Members representing electorates of 300 000 square kilometres or more are entitled to aggregate their charter entitlement with their communications allowance. This provides greater flexibility for those Members in determining the best means by which to serve as representatives of their particular electorate. There have also been changes to the provisions relating to the travel entitlements of Parliamentarians' spouses/nominees and dependent children. Changes set out in Determination 2000/02 allow Senators and Members to be accompanied or joined in travel by a wider range of people, and extended the existing pooling provisions for family travel to Canberra. Despite these changes, however, the existing system remains complex and difficult to manage for both Parliamentarians and relevant departments.

2.12 Finding: The current framework of Parliamentarians' entitlements is a complex mixture of capped and uncapped entitlements, with little capacity for Parliamentarians to trade-off expenditure between related entitlements to meet their individual requirements. No one entity is responsible for the administration and coordination of delivery of the entitlements, or for the production of comprehensive management information regarding the totality of expenditure incurred in respect of those entitlements across a range of departments. The difficulty in

effectively administering this system is exacerbated by the absence of a compendium of all relevant legislation, Remuneration Tribunal Determinations, ministerial determinations, ministerial guidelines and conventions which apply to Parliamentarians' entitlements that is centrally maintained and available to all departments responsible for the public money expended under those entitlements.

2.13 Recent changes by the Tribunal to various entitlements have been directed at improving the existing entitlements structure taking into account the following considerations: flexibility—that is allowances must be sufficiently flexible to recognise the varying needs of different electorates and to allow Senators and Members to respond to those needs; and work/family balance—that is, allowances should be structured to support Senators and Members in achieving a better integration of work and family responsibilities and should reconcile their family commitments with their formal duties, which require frequent and prolonged absences from their families and family home. However, the existing system remains complex and difficult to manage for both Parliamentarians and relevant departments.

2.14 The entitlements handbooks provided to Parliamentarians and Ministers by Finance provide detailed information on legislative provisions, the manner in which the Parliamentary Entitlements Act and Remuneration Tribunal Determinations are interpreted, and related administrative procedures. While these handbooks are updated from time to time, they do not fully reflect all relevant Procedural Rules, ministerial determinations, and other government decisions relevant to identifying the extent of particular entitlements for individual current and former Parliamentarians. In addition, as Senators and Members need to maintain accurate records of use of their entitlements to help them meet their accountability obligations, there is scope for significant enhancement in the guidance provided to assist Parliamentarians in ensuring they maintain adequate documentation regarding their use of entitlements. In particular, there is scope for the handbook to provide best practice guidance on the establishment of comprehensive and appropriate records management procedures, including financial records, that is specifically tailored to the unique nature of Parliamentarians' entitlements without unnecessarily onerous and time-consuming effort that adds little value.

Recommendation No.1

2.15 ANAO recommends that Finance assist Senators and Members to meet their accountability obligations for use of entitlements by including financial recording kits and best practice guidance on the establishment of comprehensive and appropriate records management procedures in handbooks provided to Parliamentarians.

Agencies responded to the recommendation as follows:

2.16 **Disagreed:** Finance.

2.17 Specific comments by Finance are set out below:

- **Finance** already provides records management guidance to Parliamentarians and assistance and training to their staff.

2.18 ANAO comment: There is scope for significant enhancement in the guidance provided to assist Parliamentarians in ensuring they maintain adequate documentation regarding their use of entitlements. Currently, the handbook provides general administrative guidance on record-keeping, but does not provide adequate assistance on the establishment of comprehensive and appropriate record management procedures, including financial records, that are specifically tailored to the unique nature of Parliamentarians' entitlements. Tailored guidance to Parliamentarians on the financial records that need to be maintained, management of these records and retention and disposal practices would be of great assistance to Senators and Members, as was indicated to ANAO during the audit.

Selected overseas approaches

2.19 A wide range of approaches are used in other countries for the remuneration and reimbursement of political representatives in the conduct of their official duties. Time constraints restricted the number of entitlement systems reviewed in the course of the audit to the Canadian, United Kingdom and United States of America models. The models applied in the countries reviewed have some common features, including an emphasis on:

- the grouping of allowances into a small number of allowance pools;
- financial caps or budgets for the expenditure allowed under groupings; and
- flexibility to trade-off expenditure within a particular grouping. In both Canada and the United States, that flexibility is tempered by detailed rules that apply to expenditure from each budget.

Canadian model

2.20 The approach for reimbursing Members of the Canadian House of Commons for costs incurred in the performance of their duties involves allocating to Members, in addition to salary, several discrete budgets which may be used for purposes prescribed by the Board of Internal Economy. The determination and administration of the entitlements of Members are overseen by a body drawn from the Members themselves. The Board of Internal Economy, which is established under the *Parliament of Canada Act*, is comprised of 11 Members of the House of Commons from the five official parties, and is chaired by the Speaker of the House of Commons. The *Parliament of Canada Act* authorises the Board to act on all financial and administrative matters regarding (a) the House of Commons, its premises, services and staff; and (b) the Members of the House of Commons.

2.21 There are detailed rules applying to the Canadian system. The Board of Internal Economy makes by-laws under the *Parliament of Canada Act* and issues a Manual of Allowances and Services. That Manual provides administrative guidelines on the availability and use of the funds, goods, services or premises available to Members of the House of Commons as specified in the by-laws, decisions and opinion of the Board of Internal Economy. The Manual of Allowances and Services issued to Members is a publicly available document.⁴³

2.22 The foundation budget is the basic Members' Office Budget which is dependent on the type of constituency held by a Member.⁴⁴ For the 2000–2001 financial year, this budget ranged from C\$194 800 to C\$201 400. Members may also receive, depending on the nature of their constituency, an Elector Supplement or a Geographic Supplement⁴⁵ integrated into their Members' Office Budget. The total Members' Office Budget for individual constituencies in the 2000–2001 financial year ranged from C\$194 800 to C\$241 250. The Members' Office Budget may be used for Ottawa staff costs; constituency staff costs; constituency operating expenses;

⁴³ As is the Senator's Handbook issued to Canadian Senators.

⁴⁴ Constituencies are categorised as: Urban; Urban-Rural less than 25 000 square kilometres; Urban-Rural more than 25 000 square kilometres; Rural; or Rural-Urban.

⁴⁵ The Elector Supplement is a graduated supplement to the Members' Office Budget available to eligible constituencies where the number of electors on the lists is 70 000 or more. In the 2000–2001 financial year, the Elector Supplement ranged from C\$6 630 to C\$39 690. The Geographic supplement is also a graduated supplement to the Members' Office Budget for constituencies where the geographic area to be served is 8 000 square kilometres or more. For 2000–2001 financial year, the Geographic Supplement ranged from C\$6 630 to C\$39 850.

constituency and other travel expenses⁴⁶; and certain other expenses specifically authorised by the Board of Internal Economy for the operation of the Member's Ottawa Office.

2.23 In addition to the constituency and other travel component of the Members' Office Budget, Members receive two other travel budgets⁴⁷: the Members' Travel Point System, and Travel Status Expenses. Each Member is allowed up to 64 return trips in a year for travel in Canada. This is converted into 64 travel points, which Members may allocate, under certain conditions, to their designated travellers, financially dependent children and employees.⁴⁸ Members are also entitled to claim reimbursement for accommodation, meal and incidental expenses incurred by them while they are in Travel Status. A Member is in Travel Status when undertaking constituency travel; point system travel; or is at, in transit to, or returning from, a location which is more than 100 kilometres from the Member's primary residence. The limit per fiscal year for Members' Travel Status Expenses is C\$12 000.

2.24 In addition to the various budgets allocated to Members, they receive a range of goods and services which are funded centrally from the House of Commons budget, including provision of their Ottawa office, most of their telecommunications requirements and the bulk of their printing requirements (including personalised stationery). Mail sent by, or addressed to, a Member of the House of Commons may be transmitted to, or from, any point in Canada free of postage.⁴⁹

⁴⁶ Members are required to meet out of their Members' Office Budget the costs incurred in travelling within their constituency or within the province or territory within which their constituency is situated. They are also required to meet from this budget the expenses incurred by their employees on trips related to the Member's parliamentary business specifically authorised by the Board of Internal Economy. The Members' Office Budget is also used to reimburse Members, who meet the criteria, for the kilometres driven to commute between the Member's residence and Parliament Hill.

⁴⁷ Members, their spouses and dependents are also entitled to free rail travel on VIA Rail Canada services.

⁴⁸ The costs of these trips may be either paid directly or reimbursed to Members by the House of Commons Administration. The 64 travel points are allocated on a fiscal year basis. Any travel points not used during the 12-month period are not brought forward to the next 12-month period. The costs of overnight accommodation and the associated ground transportation are reimbursed under specified conditions on the production of receipts. For Members' employees travelling on work-related business these costs are charged to the Member's Office Budget.

⁴⁹ There are prescribed limits on the nature of the articles to which these mailing privileges apply.

2.25 By-laws made under the *Parliament of Canada Act* require the Speaker to table in the House of Commons an annual public report of each Members' expenses; that is, the Individual Members' Expenditures Report. Prior to tabling, Members receive a copy of their specific Individual Expenditures report. The Individual Members' Expenditures Report presents expenses under two main categories:

- staff and other constituency expenses⁵⁰, travel paid for out of the Members' Office Budget⁵¹ and constituency office lease costs under the category of 'Members' Office Budget'; and
- travel costs met by the House, long distance telephone calls, printing⁵², office supplies⁵³ and other costs relating to the Member's Ottawa office⁵⁴ under the category of 'Support provided by the House'.

United Kingdom model

2.26 In the United Kingdom, Members of the House of Commons are centrally provided with an office at Westminster, furnished and equipped with a telephone, free postage, and UK phone calls from the House of Commons; a 10 per cent employer's contribution to staff pensions, up to a maximum limit; staff redundancy payments in some circumstances; and payroll services for their staff. They also have a range of entitlements to cover travel costs for themselves, their spouses and dependents, and for their staff.⁵⁵ Members from constituencies outside London receive an

⁵⁰ Includes employee salaries, service contracts and constituency office operating expenses, such as utilities, local telephone service, furniture and computer equipment. It also includes a small Miscellaneous Expenditures Account to acquire, for the constituency or Ottawa offices, goods and services not explicitly excluded nor allowed.

⁵¹ Including travel by the Member and the Member's employees in the constituency or the province or territory in which the constituency is located, and for accommodation, meals and incidental expenses incurred by employees on parliamentary business trips within Canada specifically authorised by the Board of Internal Economy.

⁵² For up to four Householders (newsletters) sent by the Member to all constituents, and for documents in quantity up to 10 per cent of the number of households in the Member's constituency, stationery items and rental of photocopier for the parliamentary Ottawa office.

⁵³ For both the Ottawa and constituency offices.

⁵⁴ For furniture, computer equipment, software and renovations for the Member's Ottawa office.

⁵⁵ These include:

- Motor Mileage Allowance (Members receive an allowance for travel at the rate of 52.5p per mile for the first 20 000 miles of standard journeys; 24.2p per mile thereafter);
- specified free travel on parliamentary business, mainly between Westminster, the constituency and the Member's home;
- Bicycle Allowance at 6.7p a mile;
- extended travel expenses and Select Committee/delegation travel;
- one journey a year to European institutions or the National Parliament of an EU member state;
- 15 return journeys a year for the Member's spouse and children between home or the constituency and Westminster; and
- 18 staff journeys a year per Member between Westminster and the constituency.

Additional Costs Allowance of up to £13 322 per year to reimburse Members for some of the costs incurred when staying overnight away from their main home whilst performing parliamentary duties. Members with London constituencies (and Ministers who do not have an official London residence) receive instead a London Supplement of £1 473 a year, paid and taxed with salary.

2.27 In addition, Members receive an allocation of funds, known as the Office Costs Allowance, to cover the costs incurred in running the Member's office at Westminster and, where the Member has a constituency office, in the constituency. From the allowance Members must pay secretarial and research staff, provide and maintain equipment and buy office supplies. As at March 2001, the allowance stood at £51 572 per year, as compared to Members' annual salary of £48 371. The Office Costs Allowance gives Members freedom to allocate the money across the full range of allowable expenditure. For example, some Members may choose to buy more equipment rather than employ staff; or to employ one person at a high salary rather than maintaining a constituency office or employing more staff at a lower rate.

2.28 Reviews of parliamentary pay and allowances by the United Kingdom Review Body on Senior Salaries in 1996, 1999 and, most recently, in March 2001 have recommended reform of the structure of the Office Costs Allowance. The March 2001 report of the Review Body found that the flexibility provided by the allowance is accompanied by serious issues of accountability which were of concern both to many Members and to the relevant authorities, namely that:

- the difficulty in identifying and allocating the elements of expenditure gives rise to a lack of transparency;
- because the Members have significant freedom to spend a large sum of money—amounting to more than their salary—the public tends to view the allowance as part of the Member's personal compensation rather than as a sum restricted to the reimbursement of proper business expenses; and
- the current system allowed potential for abuse or misuse.⁵⁶

⁵⁶ However, the Review Body noted that no cases of actual abuse had been drawn to its attention. United Kingdom, Review Body on Senior Salaries, Report No.48 *Review of parliamentary pay and allowances*, Volume 1: Report, pp. 7–8.

2.29 Nearly all Members had also argued to the Review Body that the level of the allowance was too low and that it did not cover the necessary expenses of running a constituency office, including ensuring the health and safety of staff. In light of all these considerations, the Review Body recommended that, while Members should continue to directly employ their own staff, the provision for staff salaries should instead be centrally administered and common pay scales applying to all Members' staff established. In addition, the Review Body recommended that Members should be enabled to employ up to the equivalent of three full-time staff at a total cost, paid centrally, of £60 000 or £70 000 in the case of Members with London constituencies. The Review Body recommended that the Office Costs Allowance be abolished and replaced by an Incidental Expenses provision of £14 000 (£9 000 for constituency office costs and £5 000 for other incidental expenses).

United States model

2.30 Members of the United States House of Representatives are each allocated a total sum⁵⁷ to meet their official and representational expenses and, in effect, are required to run their affairs like a small business. Members receive a single allowance, the Members' Representational Allowance (MRA), to support the conduct of official and representational duties in their electorates. The MRA is comprised of three individual allowances, each of which has a separate authorised dollar limit. The three allowances are Personnel⁵⁸, Official Office Expenses⁵⁹, and Official

⁵⁷ While these total sums are intended to cover the bulk of Members' requirements there are also other allowances not denominated in cash terms. Members receive two such allowances: the Public Document Envelope Allowance (for 40 000 envelopes per month imprinted with the Representative's frank—cumulative during two sessions of Congress); and Travel Allowance for Organisational Caucuses or Conferences (which provides for each Member-elect and one staff person, or each re-elected incumbent Member and one staff person, to be paid one round trip from their place of residence in the District to Washington D.C. to attend an organisation caucus or conference after the adjournment of the Congress in the year involved).

⁵⁸ The Personnel allowance is available for employment of staff in a Representative's Washington D.C. and District offices. In 1999, each Member was entitled to an annual personnel allowance of US\$632 355. Members could employ up to 18 permanent employees and up to four additional employees falling into categories not designated as permanent employees. A maximum salary of US\$132 159 could be paid to any individual employee.

⁵⁹ The Official Office Expenses allowance is intended to cover the costs of travel, office equipment lease, District office rental, stationery (including paper, envelopes, and other supplies), telecommunications, printing, postage, computer services, and other expenses. It is comprised of a base allowance which is the same for each Member (US\$127 724 in 1999–2000) plus two additional allowances: a sum for travel based on a formula relating to the distance from the Member's District to Washington D.C., but with a minimum level of \$6 200; and the dollar equivalent to the rental for 2 500 square feet in a federal building in their District.

(Franked) Mail⁶⁰. The Personnel component is the same for each Member. The Office Expenses and Official Mail components vary from Member to Member. Appropriations allocated for each allowance can be used to pay expenses from any of the three allowances. The average MRA, comprised of the three individual allowances, is over US\$1 million.⁶¹

2.31 Detailed rules apply to expenditure from the MRA. These are set out in the Member's Congressional Handbook and are regulations of the Committee on House Administration. The Member's Congressional Handbook is a publicly available document. The MRA is available for services provided and expenses incurred from 3 January of a given year through to 2 January of the following year. The MRA is not transferable between years, and expenses incurred or obligated in a given year must be paid from that year's MRA. Requests to obligate funds remaining in the MRA after 2 January of the year following the authorisation are considered only when a Member's office provides the Committee on House Administration with documentation demonstrating a bona fide intent to obligate the prior year's funds during the applicable year.

2.32 As is the case in the Canadian model, the United States system also involves comprehensive disclosure of expenditure under entitlements. For Members of Congress, the quarterly expenditures reflected in Members' monthly financial statements are compiled and published in a Quarterly Statement of Disbursements, which is a public document.

⁶⁰ Representatives are authorised the privilege of sending mail as franked mail in the conduct of official business to assist them in their duties as Members of Congress. Requirements on the use of the frank and mass mailings are established in statute and the regulations and rules of the House. The franked mail postage allowance is based on a formula in which three is multiplied by the rate applicable to a single piece of first class mail, by the number of non-business addresses in a Representative's District. There are restrictions on the type of mail that the Official Mail Allowance can be used for but, since it is combined with the Personnel and Office Expenses allowances, there is no limit on the amount of money a Member can spend on franked mail from the combined allowances.

⁶¹ Senators also receive a sum for personnel and official office expenses to manage as they see fit within the relevant rules. The total amount available to a Senator is the total of two personnel allowances (administrative and clerical assistance, and legislative assistance) and an office expenses allowance combined. In 1999–2000, the allowance for all three components ranged between US\$1 823 086 and US\$3 144 999. Senators also receive substantial additional resources in the form of eight other allowances. These are: Employment of Senate Interns; Paper, Letterhead and Envelope Allowance; Public Document Envelope Allowance; Office Space in States; Mobile Office Space; Furniture and Furnishings in Washington D.C.; Furniture and Furnishings in State Offices; and Office Equipment in Washington, D.C and State Offices. Most of these additional allowances are in the form of an entitlement to a quantity of goods or services although some have a cash value limit.

Scope for review

2.33 An important area in which some overseas models reviewed, particularly those of Canada and the United States, differed from the approach currently taken in respect of the Australian Federal Parliament is that they provide for significantly greater levels of public disclosure of the guidelines and/or rules that govern entitlements' expenditure by the members of the respective legislatures; and of the costs incurred by the individual members. Among the countries reviewed, the United States model for expenses of office for Members of the United States House of Representatives is closest in character to a global budget model. In July 1997, an Australian Parliamentary Delegation visited Venezuela and the United States. In the report on their visit, the Delegation discussed the United States Congress system of entitlements, and made recommendations for reform of the Australian system of Parliamentarians' entitlements. The recommendation of relevance to the scope of this audit is set out in Figure 2.2.

Figure 2.2

Parliamentary Delegation Recommendation relating to Parliamentarians' entitlements.

Recommendation 7

The Departments of the Senate, House of Representatives and Finance and Administration should undertake a critical review of existing Australian Senators' and Members' entitlements against the US model for delivery of Members' Representational Allowance. This may improve accountability, provide Senators and Members with increased flexibility in managing their offices and streamline all existing provisions into one allowance to support the conduct of official and representational duties.

Source: Report of the Parliamentary Delegation to Venezuela and the United States of America 5–22 July 1997, February 1998, p. 52

2.34 It is noted that the June 1997 report, of consultants invited by the then Minister for Administrative Services to examine the administration of Parliamentarians' entitlements, reported that the global budgeting system utilised in the United States Congress had proven administratively and politically difficult and had resulted in numerous problems associated with the management of individual congressional offices, as well as with the nature of some of the expenditures. This suggests that caution should be exercised in any transition to more flexible pool arrangements. Nevertheless, there is merit in a model that provides, within agreed limits, the scope for Parliamentarians to trade-off one entitlement for another.

3.25 There would seem to be a strong argument in support of the Parliamentary Delegation's recommendation for a critical review of the existing entitlements framework against the models adopted in other jurisdictions, and that the system of Parliamentarians' entitlements and

their administration could be improved. In this context, the Remuneration Tribunal has moved, to some extent, toward providing greater flexibility for Parliamentarians in the use of some entitlements in performing their parliamentary and electorate duties. Such an approach of providing greater flexibility with commensurate accountability is consistent with reforms in public administration in the Australian public sector.

2.36 In July 2001, DHR advised ANAO that it strongly supports this approach and is particularly attracted to the Canadian model for the delivery of Members' services. DHR noted that: *'...it is the experience of DHR that Members need greater flexibility in their use of resources and should be able to determine their own priorities within certain \$ limits which could continue to be prescribed by the Remuneration Tribunal.'*

2.37 Finance advised ANAO that it has sought significant changes to the current framework including grouping, pooling and capping of entitlements. Based upon the documentation provided to ANAO, this work, undertaken in 1998, was not finalised. In this context, ANAO suggests that there would be merit in a comprehensive review of the framework for Senators' and Members' entitlements being undertaken against approaches adopted in similar jurisdictions as a basis for developing suitable proposals to improve flexibility, transparency and accountability that could be put to the Government and the Parliament. Such a review could also contribute significantly to the simplification and usefulness of administrative systems and practices.

2.38 Based on overseas experience, however, it is clear that in considering alternative models for providing Parliamentarians' entitlements, it is important to recognise that clear and specific rules are fundamental to providing effective support to Parliamentarians to carry out their duties, while ensuring that effective accountability is provided for the public money involved. ANAO notes that the implementation of significant change in the existing Parliamentary entitlements framework may require legislative amendment.

2.39 Finding: ANAO reviewed selected overseas models of Parliamentarians' entitlements administration in the course of the audit.⁶² The models applied in the countries reviewed have some common features, including an emphasis on: the grouping of allowances into a small number of allowance pools; financial caps or budgets for the expenditure allowed under groupings; and flexibility to trade-off expenditure within a particular grouping.

⁶² Time constraints restricted the number of entitlement systems reviewed in the course of the audit to the Canadian, United Kingdom and United States of America models.

2.40 Among the countries reviewed, the United States model for expenses of office for Members of the United States House of Representatives is closest in character to a global budget model. The report of a 1997 Australian Parliamentary Delegation to Venezuela and the United States recommended that Finance, DHR and DoS undertake a critical review of existing Australian Senators' and Members' entitlements against the US model for delivery of Members' Representational Allowance. The Delegation considered that this might improve accountability; provide Senators and Members with increased flexibility in managing their offices; and streamline all existing provisions into one allowance to support the conduct of official and representational duties.

2.41 The June 1997 report, of consultants invited by the then Minister for Administrative Services to examine the administration of Parliamentarians' entitlements, reported that the global budgeting system utilised in the United States Congress had proven administratively and politically difficult and had resulted in numerous problems associated with the management of individual congressional offices, as well as with the nature of some of the expenditures. This suggests that caution should be exercised in any transition to more flexible pool arrangements. Nevertheless, there is merit in a model that provides, within agreed limits, the scope for Parliamentarians to trade-off one entitlement for another.

2.42 There would seem to be a strong argument in support of the Parliamentary Delegation's recommendation for a critical review of the existing entitlements framework against the models adopted in other jurisdictions, and that the system of Parliamentarians' entitlements and their administration could be improved. In this context, the Remuneration Tribunal has moved, to some extent, toward providing greater flexibility for Parliamentarians in the use of some entitlements in performing their parliamentary and electorate duties. Such an approach of providing greater flexibility with commensurate accountability is consistent with reforms in public administration in the Australian public sector.

2.43 In July 2001, DHR advised ANAO that it strongly supports this approach and is particularly attracted to the Canadian model for the delivery of Members' services. DHR noted that: *'...it is the experience of DHR that Members need greater flexibility in their use of resources and should be able to determine their own priorities within certain \$ limits which could continue to be prescribed by the Remuneration Tribunal.'*

2.44 Finance advised ANAO that it has sought significant changes to the current framework including grouping, pooling and capping of entitlements. Based upon the documentation provided to ANAO, this work, undertaken in 1998, was not finalised. In this context, ANAO suggests that there would be merit in a comprehensive review of the framework for Senators' and Members' entitlements being undertaken against approaches adopted in similar jurisdictions as a basis for developing suitable proposals to improve flexibility, transparency and accountability that could be put to the Government and the Parliament.

2.45 In considering alternative models for providing Parliamentarians' entitlements, it is important to recognise that clear and specific rules are fundamental to providing effective support to Parliamentarians to carry out their duties, while ensuring that effective accountability is provided for the public monies involved. In that context, a key area in which some overseas models reviewed, particularly those of Canada and the United States, differed from the approach currently taken in respect of the Australian Federal Parliament is that they provide for significantly greater levels of public disclosure of the guidelines and/or rules that govern entitlements' expenditure by the members of the respective legislatures; and of the costs incurred by the individual members.

Recommendation No.2

2.46 ANAO recommends that Finance undertake a review of the framework for Senators' and Members' entitlements against approaches adopted in similar jurisdictions as a basis for consideration of suitable proposals to improve flexibility, transparency and accountability that might be put to the Government and the Parliament.

Agencies responded to the recommendation as follows:

2.47 *Agreed:* DoS.

Agreed with qualification: DHR.

Disagreed: Finance.

2.48 Specific comments by DoS, DHR and Finance are set out below:

- In **agreeing** with the recommendation, **DoS** commented that: The report notes that responsibility for the administration of entitlements is spread among the Department of Finance and Administration, the Departments of the Senate and the House of Representatives and all portfolio departments. The Department of the Senate strongly

suggests, therefore, that the responsibilities of other departments in the administration of entitlements should be taken into account by DoFA in carrying out such a review and that DoFA should consult such departments during the course of the review.

- In **agreeing with qualification** with the recommendation, **DHR** commented that: The concept of a review is agreed to in principle. DHR believes that it would be better to follow the recommendation of the parliamentary delegation to the United States referred to in paragraph 22 of the Summary and paragraph 2.33 and include the Department of the Senate and DHR as equal partners in the review.
- In **disagreeing** with the recommendation, **Finance** stated: This has been completed.

2.49 ANAO comment: ANAO notes that, in early 1998, Finance gave some attention to possible reforms to Parliamentarians' salaries, allowances and entitlements but, based upon the documentation provided to ANAO, this work was not finalised. Furthermore, based on the material made available to ANAO, neither this work nor the 1997 Baxter Review involved a comprehensive review of the framework for Parliamentarians' entitlements against approaches adopted in similar jurisdictions. No documentation was provided to ANAO identifying which jurisdictions had been considered; the methodology adopted in undertaking the review; or the conclusions drawn regarding the merits of the various models used in other jurisdictions (and the basis for those conclusions). There would be considerable benefit from conducting a comprehensive review of the framework for Senators' and Members' entitlements against approaches adopted in similar jurisdictions. As well, there is merit in the proposal that all agencies with responsibility for Parliamentarians' entitlements, particularly the Departments of the Senate and the House of Representatives, be closely involved in the conduct of such a review.

Reviews of administration

2.50 A range of reviews, both internal and external, has been conducted in the area of Parliamentarians' entitlements over the last ten years. These reviews have focussed on the practices and procedures for administering entitlements rather than the entitlement framework per se.

2.51 There has also been a number of changes made in the administration of Parliamentarians' entitlements in response to those various reviews in order to improve the level of control and accountability

applied to the expenditure incurred. However, a number of the issues identified by ANAO in this audit, as impacting on the administration and accountability of Parliamentarians' entitlements, reflected issues consistently identified in previous reviews. These included areas in which implementation of various recommendations would require consultation with the Government and the Parliament. The areas identified included:

- the clarity of definition of the conditions of entitlements;
- record-keeping by both Parliamentarians and departments;
- the quality and comprehensiveness of the management reports provided to Parliamentarians on their use of entitlements, and the certifications sought from them in respect of that use;
- the establishment and maintenance by responsible departments of an effective control environment, including the introduction of techniques such as benchmarking analysis and regular risk-based auditing of claims against entitlements; and
- the extent of public reporting of Parliamentarians' expenditure on entitlements.

2.52 Recent internal reviews have included a review of M&PS' operational environment and governance framework undertaken by consultants in early 1999 with the report provided to Finance in July 1999, and a review undertaken by M&PS in early 2000 of Parliamentarians' entitlements accountability arrangements. A number of the recommendations made in those reviews were still under consideration, or had not been fully implemented at the time of this audit.

2.53 ANAO Audit Report No.34 1990–91, *Department of Administrative Services—Services provided to Members of Parliament and their Staff*, examined the administration of various services provided to Parliamentarians and their staff by the Parliamentary and Ministerial Services Branch of the then Department of Administrative Services (DAS). The Audit Report made 10 recommendations aimed at achieving improvements in the areas of: internal controls over this area of public expenditure; guidelines to define clearly the conditions of entitlements; and increased accountability and transparency through public reporting of expenditure on Parliamentarians' entitlements. DAS indicated that it had already actioned or would consider action in respect of each recommendation. A number of improvements have been made to the administrative framework for Parliamentarians' entitlements arising from those recommendations, most notably the introduction of improved management reporting to Parliamentarians.

2.54 Audit Report No.23 1997–98, *Ministerial Travel Claims*, tabled in December 1997, was undertaken in response to a request from the Prime Minister concerning matters primarily relating to travelling allowance claims made by a former Minister. The focus of the audit was on the administration of travel claims under the policy arrangements then applying.⁶³ The 1997–98 Audit Report made four recommendations aimed at achieving improvements in: the quality of the guidance provided to Ministers in relation to their entitlement to publicly funded travel, including clarifying relevant terms and definitions; addressing the risks of overpayments; strengthening the certification procedures by Ministers and subsequent verification of all travel expenditure they incur; and records management policies and procedures within the M&PS Group. Finance agreed with all recommendations. Based on the analysis set out in this audit report, as at June 2001, the recommendations of the 1997–98 Audit Report had not been fully implemented.

Baxter Review

2.55 In March 1997, the then Minister for Administrative Services invited consultants to examine the administration of Parliamentarians' entitlements, with particular emphasis on arrangements for further enhancing accountability procedures within the entitlement regime. The review report, known as the Baxter Report, was completed in June 1997 and had regard to the work being undertaken concurrently by another firm commissioned by the then DAS to examine the processing systems within its Ministerial and Parliamentary Services (MAPS) Division. The report recommended the establishment, as soon as possible, of a single, centralised remuneration, allowances and entitlements system to be administered by DAS. The report also recommended that there should be comprehensive, regular internal audit review of the systems administering Parliamentarians' entitlements and the development of robust expenditure benchmarks as a basis for identifying excess and/or unusual expenditure.

⁶³ At the time of the events examined by the 1997 audit, DAS was responsible for the administration of Ministerial travel claims. In October 1997, DAS and the former Department of Finance were reorganised to form the current Department of Finance and Administration. At that time, Finance assumed responsibility for administration of Ministerial travel claims along with all of DAS' service delivery and administrative functions in relation to Parliamentarians' entitlements.

2.56 As a result of the review, the Government agreed that responsibility for administering the remuneration and travel entitlements of Senators and Members be transferred from the Parliamentary chamber departments to DAS, with the first step in the process of centralisation to be the transfer of responsibility for travelling allowance. The then Minister for Administrative Services advised the President of the Senate in August 1997 that centralisation of travel entitlements administration would improve efficiency and transparency in the system by facilitating: effective internal audit; in-built checks and matching of related data; and arrangements so that honest mistakes could be quickly rectified and instances of systemic exploitation or abuse quickly highlighted and sanctions quickly applied. The then Minister also advised that the arrangements would include periodic auditing of entitlements which was to be a valuable adjunct to the integrated cross-checking facility DAS' entitlements processing and reporting system would provide.

2.57 In September 1997, the Senate passed a resolution agreeing to the transfer of the travelling allowance function for Senators from DoS to DAS.⁶⁴ On 5 December 1997, the then Speaker of the House of Representatives announced in the Parliament that, given the concurrence of the House, the administration of Members' travelling allowance would be transferred from DHR to Finance. The date of the transfer was fixed at 1 February 1998.

2.58 The 1997 Baxter review of administration of Senators' and Members' entitlements and the concurrent review of MAPS' processing systems, led to a number of recommendations aimed at improving the efficiency, effectiveness, transparency and accountability of Parliamentarians' travel. The then Minister for Administrative Services agreed to DAS' proposed action plan to implement the recommendations arising from the two reviews. Figure 2.3 summarises the recommendations, the actions agreed to by Government, and the action that has subsequently been taken by Finance. ANAO identified that there are a number of areas where action to date has been incomplete or no apparent action has been taken (see also subsequent chapters).

⁶⁴ On 22 September 1997, the President of the Senate issued an order under the then *Audit Act 1901* to give effect to the Senate resolution.

Figure 2.3:**Action taken against recommendations of the 1997 concurrent reviews**

Recommendations to Government arising from the concurrent reviews	Government Agreed to:	ANAO Assessment to June 2001 of Action Taken
Establishment of a single, centralised remuneration, allowances and entitlements system to be administered by DAS, and to be implemented as soon as possible.	The transfer of administration of travelling allowance from the House Departments.	Implemented: Travelling allowance functions transferred from DoS and DHR to Finance.
Reconciliation of travel expenditure by cross-checking of transport entitlement use against travelling allowance claimed.	Travelling allowance claims of Ministers, Senators and Members be reconciled against charters, taxi reimbursement, self-drive car hires, private vehicle allowance payments, COMCAR and VIP aircraft use before payment is made, providing that payment is not delayed by late receipt of data.	Implemented: In relation to travelling allowance, Finance performs some cross-checking to ensure claims for overnight stay can be verified.
Development of agreed benchmarks as a basis for compliance monitoring and regular reporting to the responsible Minister.	As a lower priority, commissioning of a consultant to undertake a benchmarking exercise in relation to M&PS functions and entitlement use.	Not Implemented: No consultant commissioned and benchmarks not otherwise developed, implemented and monitored.
Public reporting on the use of travelling entitlements by all Senators and Members through six monthly tabling in Parliament of expenditure on transport and related travelling allowance.	Six monthly tabling of travel entitlements expenditure with M&PS to advise whether other entitlements should also be tabled.	Partially Implemented: Six monthly tabling of most travel entitlements is undertaken. No public reporting of spouse and dependent travel entitlements or retirement travel costs or of other non-travel related entitlements. In December 2000, the then Special Minister of State agreed to a Finance proposal that measures for extending the scope of public reporting of entitlements be developed for consideration. Finance advised ANAO that proposals for consideration were under development.

continued next page

Recommendations to Government arising from the concurrent reviews	Government Agreed to:	ANAO Assessment to June 2001 of Action Taken
Regular auditing of claims against entitlements.	An auditor be appointed to undertake regular audits of Parliamentarians' entitlement use. Audit to be by sample only if internal system is functioning adequately.	Partially Implemented: Five internal audits undertaken in the last five years. One involved testing the eligibility and correctness of a sample of 1999 transactions under the entitlement to Ministerial and Parliamentary overseas travel.
Restructuring MAPS to address inconsistencies in the provision of advice on and processing of entitlements; and to improve the reliability and effectiveness of reporting.	Restructure and additional staffing agreed to.	Implemented: Restructure has occurred to provide central points of contact between Finance and Senators and Members.
Placing clearer and greater responsibility on Parliamentarians to use entitlements in an accountable manner by requiring them to: certify their monthly management reports; and maintain and retain accurate records relating to their entitlement use for auditing and reconciliation requirements.	Agreed, but the records to be retained by Senators and Members should be kept to a minimum and the period of retention required should be less than seven years.	Partially Implemented: Some steps taken but certification of monthly management reports has yet to occur. Finance advised ANAO that the Government has agreed to monthly certification and the form and timing of the first of the monthly certifications is under development. The Senators' and Members' Entitlements handbook notes that: <i>'Senators and Members find it helpful to maintain accurate records of use of their entitlements to help them provide required certifications.'</i> This does not place a requirement on Parliamentarians to maintain and retain accurate records relating to their entitlement for use for auditing and reconciliation requirements as set out in the agreed recommendation.
Establishment of mechanisms to ensure that 'honest mistakes' are quickly rectified and instances of systematic exploitation or abuse quickly highlighted.	Procedures to be introduced to refer instances of possible abuse to the Attorney-General.	In progress: Procedures are in place for referral to the Attorney-General but action to address inadequacies in the applicability of financial recovery arrangements in the context of FMA Act requirements still under consideration.

Source: ANAO analysis

2.59 Finding: A range of reviews, both internal and external, has been conducted in the area of Parliamentarians' entitlements over the last ten years. These reviews have focussed on the practices and procedures for administering entitlements rather than on the entitlement framework per se. There has also been a number of changes made in the administration of Parliamentarians' entitlements in response to those various reviews in order to improve the level of control and accountability applied to the expenditure incurred. Some of the recommendations made have been fully implemented, some only partially, and others have not been implemented to date.

2.60 A number of the issues identified by ANAO in this audit, as impacting on the administration and accountability of Parliamentarians' entitlements, reflected issues consistently identified in previous reviews. These included areas in which implementation of various recommendations would require consultation with the Government and the Parliament. Issues identified in this audit, that have been the subject of recommendations in previous reviews and audits, include:

- the clarity of definition of the conditions of entitlements;
- record-keeping by both Parliamentarians and departments;
- the quality and comprehensiveness of the management reports provided to Parliamentarians on their use of entitlements, and the certifications sought from them in respect of that use;
- the establishment and maintenance by the responsible departments of an effective control environment, including the introduction of techniques such as benchmarking analysis and regular risk-based auditing of claims against entitlements; and
- the extent of public reporting of Parliamentarians' expenditure on entitlements.

Definition of key terms

2.61 For a number of entitlements, a key element in establishing the eligibility of specific expenditure to be at Commonwealth expense is that it relate to parliamentary, electorate or official business, but not, except in defined circumstances, party business. The terms 'parliamentary business', 'electorate business' and 'party business' have not been defined in legislation or by the Remuneration Tribunal. Audit Report No.34 1990–91 found that it is difficult to distinguish clearly or systematically those activities which are not related solely to social, political or personal activities, and therefore outside of entitlement. The audit also noted the

difficulty in determining the proportion of an activity that should be for the prescribed purpose in order to constitute eligibility under an entitlement.

2.62 The 1990–91 audit also recognised that it is likely that different people have different perceptions about what constitutes parliamentary and electorate business. While recognising that precision is impossible and commonsense, as well as good judgement, are required, the audit found that there was a need for guidelines to be developed which assist in defining these terms. The audit recommended that guidelines be formulated to define clearly the conditions of entitlements specified by the Remuneration Tribunal and the Parliamentary Entitlements Act.⁶⁵ DAS' response to the audit recommendation was that it was of the view that the comprehensive guidelines already in place provided working definitions for use by both Parliamentarians and the department; and that it would review its guidelines with a view to developing further definitive requirements in line with ANAO findings.

2.63 Audit Report No.23 1997–98 reported that Finance had advised ANAO that draft definitions and guidelines were formulated by DAS in 1995, revised in 1996, and, as at the time of that audit in December 1997, were being considered by the Government.⁶⁶ In its November 1997 report on Parliamentarians' travelling allowance entitlement, the Remuneration Tribunal reported that it would not be appropriate to define these words to exclusion. To date, general advice only has been given to Parliamentarians on what constitutes parliamentary, electorate and party business.

2.64 The July 1999 review of M&PS' governance framework again noted the potential for differing interpretations of these undefined terms. For example, the review noted that the criteria for allowable printing requirements are not always straight forward and that, therefore, the issue of clarification between electorate business and party business was an identified risk area. The review recommended that M&PS ensure there is a consistent definition of the entitlement for all printing. ANAO could not identify any specific action taken by Finance in regard to that recommendation.

⁶⁵ Audit Report No.34 1990–91, *Services provided to Members of Parliament and their Staff*, Recommendation No.3, pp. 12, 26.

⁶⁶ Audit Report No.23 1997–98, *Ministerial Travel Claims*, p. 32.

2.65 A particular need for greater clarity and certainty regarding the eligibility of entitlements usage by Parliamentarians arises during periods of by-elections and general elections. Although the risk of entitlements being used for party business, rather than parliamentary or electorate business, is increased during such periods, this has been an area in which the use of entitlements has been governed more by convention than clearly articulated determinations. Finance advised the Special Minister of State in August 2000 that: *'long standing convention is to regard electorate business as including activities in support of one's own re-election, but not the election or re-election of others.'* Similar conventions have applied to the interpretation of the availability of Parliamentarians' entitlements in the period leading-up to elections, and the time from which those entitlements are no longer available.

2.66 ANAO acknowledges the difficulties identified by the Remuneration Tribunal in terms of exhaustively defining the terms 'parliamentary business', 'electorate business' and 'party business'. However, those terms play a key role in determining Parliamentarians' eligibility for a number of otherwise largely unlimited entitlements. Given that, together with the significant reliance placed upon the self-assessment by Parliamentarians of that eligibility, the transparency and accountability of the entitlements management framework would be improved by the provision of enhanced guidance to Parliamentarians on the activities likely to be considered to represent parliamentary, electorate and party business. This would assist Parliamentarians in the exercise of their individual judgements.⁶⁷

2.67 Finding: A number of reviews of the administration of Parliamentarians' entitlements have identified the need for clear guidance as to the definition of the terms 'parliamentary business', 'electorate business' and 'party business'. Those terms play a key role in establishing the eligibility of expenditure under a range of Parliamentarians' entitlements, as set out in legislation and Remuneration Tribunal Determinations. ANAO acknowledges the difficulties identified by the Remuneration Tribunal in terms of exhaustively defining those terms. However, given the key role the terms play in determining Parliamentarians' eligibility for a number of otherwise largely unlimited

⁶⁷ In July 2001, DHR advised ANAO there has been some attempt at definition of this type by the New South Wales Parliamentary Remuneration Tribunal. In the context of insurance for NSW Members, the contract endeavours to distinguish between electoral and parliamentary duties. DHR suggest that it may be possible to build on these NSW definitions.

entitlements, the transparency and accountability of the entitlements management framework would be improved by the provision of enhanced guidance to Parliamentarians on the activities likely to be considered to represent parliamentary, electorate and party business. Such guidance could be expected to provide Parliamentarians with assistance in respect of the significant majority of likely scenarios, including any expenditure which would be unlikely to qualify for reimbursement. A particular need for greater clarity and certainty regarding the eligibility of entitlements usage by Parliamentarians arises during periods of by-elections and general elections.

Recommendation No.3

2.68 ANAO recommends that, to enhance the transparency and accountability of the entitlements management framework and assist Parliamentarians in the management of their entitlements, Finance develop and promulgate guidelines on the activities likely to be considered to represent parliamentary and electorate business and expenditure that is unlikely to qualify for reimbursement.

Agencies responded to the recommendation as follows:

2.69 *Agreed:* DoS, DHR.

Disagreed: Finance.

2.70 Specific comments by DHR and Finance are set out below:

- In **agreeing** with the recommendation, **DHR** commented that: In a recent Memorandum of Understanding on the provision of computing services to Members and Senators it had entered into with DoS, the Department of the Parliamentary Reporting Staff and Finance, it was agreed that the responsibility for the provision of support would come from the parliamentary departments for services in Parliament House or while parliamentarians were travelling on parliamentary business as a member of either a committee or a parliamentary delegation. Other support would come from Finance. DHR feels that it should be providing this information to Members on what constitutes expenditure on parliamentary business and has endeavoured to do so on a generic basis in its Portfolio Budget Statement.
- In **disagreeing** with the recommendation, **Finance** commented that: This is a role for the Government and beyond Finance's authority. Neither the Parliament nor the Remuneration Tribunal has previously chosen to provide definitive terms for Parliamentary business or electorate business.

2.71 ANAO comment: Finance's entitlements handbooks seek to provide guidance to Parliamentarians on their entitlements, indicating that Finance has accepted it has a role in providing guidance to assist Parliamentarians. The recommendation proposes enhanced guidance that would reduce the scope for confusion and inconsistent practices of what constitutes parliamentary or electorate business. This would be of benefit to both Parliamentarians and those agencies that are responsible for administering expenditure on Parliamentarians' entitlements. ANAO agrees that such guidance should be endorsed by the Government and the Parliament, in view of the sensitivity of the distinction between parliamentary, electorate and party business. As is normal practice, Finance could provide suitable advice to the Minister (and the Government) for consideration.

3. Control Structures

This chapter examines the control structures governing administration of Parliamentarians' entitlements including the legal framework for the payment of public monies, accountability mechanisms, risk management and debt management.

Accountability framework

3.1 Previous ANAO performance audits conducted in 1991 and 1997 considered the payment control processes required of departmental officials in respect of the expenditure of public monies for Parliamentarians' entitlements. At the time of those audits, the extant legislation governing the expenditure of public money was the *Audit Act 1901*. With effect from 1 January 1998, the legislative framework for the payment of public monies was fundamentally changed with the commencement of the FMA Act. This required all agencies to re-examine their payment processes in the context of the specific obligations arising under the changed legislative framework.

3.2 The FMA Act sets out the financial management, accountability and audit obligations on agencies (including departments) forming part of the general Government sector, in particular: for managing public resources efficiently, effectively and ethically; and for maintaining proper accounts and records of the receipt and expenditure of Commonwealth money. The major elements of the processes required by the FMA Act for the expenditure of public money are that:

- the person approving a proposal to spend public money be authorised to do so by a Minister or Chief Executive, or by or under an Act (FMA Regulation 11);
- the approver **must not approve** a proposal to spend public money unless the approver is satisfied, after making such inquiries as are reasonable, that the proposed expenditure is in accordance with the policies of the Commonwealth; and will make efficient and effective use of the public money (FMA Regulation 9); and
- a person must not enter into a contract, agreement or arrangement under which public money is, or may become, payable unless a proposal to spend public money for the proposed contract, agreement or arrangement has been approved under FMA Regulations 9 or 10 (FMA Regulation 13). If approval of a proposal to spend public money is not given in writing, the approver must record the terms of the approval in a document as soon as practicable after giving the approval (FMA Regulation 12).

3.3 The funds appropriated from consolidated revenue for Parliamentarians' entitlements constitute 'public money' under the FMA Act as it is money '*in the custody or under the control of the Commonwealth*'. The authorisation to spend public money flows from authority given to either the Finance Minister or the Chief Executive of the relevant agency through the FMA Act and is then delegated to officials who are responsible for the management of their particular financial task. The Chief Executives of all the relevant agencies also have the responsibility to ensure that proper disbursement of the funds from which Parliamentarians' entitlements are paid occurs.⁶⁸

Application to Parliamentarians' entitlements

3.4 The administration of Parliamentarians' entitlements can involve:

- Finance contracting with a third party to provide services to Parliamentarians. For example, Finance has a contract with a third party provider for the provision of travel services to Parliamentarians. Parliamentarians make arrangements for travel directly with the contractor, which organises and pays for the travel. The contractor in turn invoices Finance for the cost of travel and the service provided.⁶⁹ Independently of this process, Parliamentarians are expected to provide a travel declaration to Finance certifying that travel taken was within entitlement. However, these certifications are voluntary and ANAO found that they are often not provided for scheduled travel (see Chapter 4);
- Finance providing services directly to Parliamentarians. An example is payment of travelling allowance. Where travelling allowance is claimed, it is calculated and paid directly to the Parliamentarian by Finance. It is only paid after Finance has received a travel declaration from the Parliamentarian certifying that the claim is within entitlement (see Chapter 4); or
- Parliamentarians making arrangements directly with third parties. One such example is the electorate charter entitlement where Parliamentarians can make arrangements directly with a charter operator. To access this entitlement, the Senator or Member obtains the transport service required and, when the account for the travel

⁶⁸ Section 44 of the FMA Act imposes an obligation on Chief Executives to '*manage the affairs of the Agency in a way that promotes the proper use of the Commonwealth resources for which the Chief Executive is responsible.*'

⁶⁹ Although the travel is accessed utilising an existing contract between the Commonwealth and a travel services provider, it is the specific arrangement (or booking) entered into by the individual Parliamentarian that actually gives rise to public monies becoming payable.

has been received from the charter operator, certifies the account to the effect that it relates to travel undertaken within entitlement and forwards it to Finance for payment. Finance pays the charter operator directly. The legal framework for the administration of the charter entitlement requires Senators and Members to complete a Charter Certification Form whenever they use their charter entitlement (see Chapter 4).

3.5 FMA Regulation 13 is central in the scheme for management of public money provided under the FMA Act. Regulation 13 includes a requirement for prior approval under FMA Regulation 9 of spending proposals. Regulation 9 requires the approver to make such inquiries as are reasonable to be satisfied that the proposed expenditure is in accordance with the policies of the Commonwealth; and will make efficient and effective use of the public money. In undertaking such inquiries, the approver must consider the extent of compliance with Commonwealth policies including procurement policies set down in the Commonwealth Procurement Guidelines (CPGs),⁷⁰ such as those relating to open and effective competition in the selection of providers and the assessment of value for money. Legal advice to ANAO is that:

We have considered whether the ‘person’ referred to in Regulation 13 includes Parliamentarians. It could be argued that it does not, as the FMA Act does not elsewhere impose obligations on Parliamentarians as a class, (as distinct from Ministers or the Presiding Officers in some respects). However, we believe the better view is that the word ‘person’ is intended to include Parliamentarians in this Regulation. This is because the FMA Act is an Act concerning the proper use and management of public moneys and it requires prior approval of proposals to spend public money for the purposes of the proposed contract, agreement or arrangement before entering into the contract, agreement or arrangement by anyone. It would be an odd situation if there were a group of persons who could initiate spending of public moneys by the entering into contracts, agreements or arrangements and the legal position was that the expenditure was outside the FMA framework.

3.6 However, according to legal advice obtained by Finance in July 2001 in response to a draft of this performance audit report (see Figure 3.1), neither Parliamentarians nor Finance officials are subject to the requirements of FMA Regulation 9 in the payment of Parliamentarians’ entitlements.

⁷⁰ FMA Regulation 8 stipulates that: ‘An official performing duties in relation to the procurement of property or services must have regard to the Commonwealth Procurement Guidelines.’

Figure 3.1**Legal advice to Finance on the application of FMA Regulation 9 to Parliamentarians' Entitlements**

<i>Question asked</i>	<i>Answer</i>	<i>What legal requirements do apply?</i>
Is Finance subject to Regulation 9 when it approves the payment of a supplier for services rendered to Parliamentarians?	No	The legal requirements applying to Finance would ordinarily be confined to the taking of reasonable steps to ensure that any payment sought by the suppliers was properly payable by the Commonwealth under the contract.
Is Finance subject to Regulation 9 when it approves the payment of an entitlement claimed by an entitlee and where that payment is made directly by Finance to the entitlee?	No	The legal requirements applying to Finance would be confined to satisfying itself that the entitlee was legally entitled to the payment.
Are Parliamentarians subject to Regulation 9 when they incur expenditure at Commonwealth expense, as authorised by the entitlements legislation?	No	A Parliamentarian's primary responsibility is to ensure that any benefits which he or she claims are within the terms of his or her entitlement.
Are third parties who provide services to Parliamentarians (that is, contractors) subject to Regulation 9 when they allow Parliamentarians to access their services?	No	The primary obligations of a contractor would be found in the contract between it and the Commonwealth.

Source: Legal advice obtained by Finance in July 2001

3.7 The principle that Parliamentarians or Finance officials are not subject to FMA Regulation 9 is not consistently applied in Finance's own administrative procedures. For example, in the case of Members accessing their entitlement to personalised letterhead stationery and other approved printing for distribution to constituents, Finance requires the Member to provide it with a quote and obtain an official purchase order issued by an appropriately delegated Finance official prior to entering into an arrangement for printing. Members are advised that, unless this process is followed, they may be liable for the costs of the printing (see paragraph 5.36).

3.8 The result of these circumstances is that, for many entitlements payments, particularly travel-related payments, there has been no prior approval of the proposed expenditure, as would normally be expected in respect of public moneys. In respect of those moneys, FMA Regulation 13 requires that payment of public money be preceded by approval of the proposal to spend public money after the making of the reasonable inquiries required under FMA Regulation 9. On this issue, ANAO's legal advice is that:

... there does not appear to us to be any scope as a matter of law to conclude that Parliamentarians, who enter into arrangements for travel in fact have approval as required by Regulation 13 for the spending of public money at the time of conclusion of those arrangements. Implying that Parliamentarians have authority, although understandable, seems not to confront what are the clear terms of this Regulation.⁷¹

3.9 In July 2001, Finance responded to ANAO's concerns about a possible gap in the accountability framework for the use of public money in payments for Parliamentarians' entitlements (see Figure 3.2).

Figure 3.2

Finance comments on application of FMA Act to Parliamentarians' entitlements

It is clear from the terms and purpose of the FMA Act and FMA Regulations that this legislation is not concerned with regulating the conduct of Parliamentarians. For example, the FMA Act and Regulations apply to 'Agencies', 'officials' and Ministers. The definition of these terms in section 5 of the FMA Act, confined as they are to executive agencies and officials of the executive government, indicate that Parliamentarians in their capacity as Parliamentarians are not the focus of the regulatory regime established by the FMA legislation.

If a provision such as FMA Regulation 13 has any application to Parliamentarians accessing entitlements (and for the reasons given below we do not think it does), then its scope of application is exceptionally broad in the context of the FMA Act and Regulations. It follows that, any proposal to regulate, through the FMA legislation, the conduct of Parliamentarians in relation to their entitlements would not be filling any gap perceived by the ANAO. Rather, it would be extending the application of the FMA legislation in a way inconsistent with its fundamental purpose of regulating the financial management and accountability of the Commonwealth executive.

More particularly, we are concerned that the proposed report fails to acknowledge and discuss the legal and practical difficulties of applying the broad and substantive financial management requirements imposed by FMA Regulation 9 to the payment of entitlements specifically conferred on Parliamentarians by statute or statutory instruments. In this respect, the proposed report suggests that 'FMA Regulation 9 requires any payment of public money (including on Parliamentarians' entitlements) to be preceded by approval of the proposal to spend public money'. With respect, this is not correct. Regulation 9 merely regulates the matters which an approver must be satisfied of before approving a proposal to spend public money.

continued next page

⁷¹ Noting that the FMA Act does apply to Ministers, one home department commented to ANAO in its response to the draft of this report that:

It may be possible to interpret that Ministers are actually approving implicitly their own Ministerial entitlements spending proposals at the time of incurring the expense. This is similar to the principle applied when a delegated official incurs expenditure against an Australian Government Corporate Credit Card. Nevertheless, the question of whether giving such implicit approval is statement that the approver's responsibilities under FMA Regulation 9 are being exercised should also be considered. If legal opinion supports such an interpretation that it does, operational expediency for departments could result.

The obligation to obtain approval must be found elsewhere. The only possible source of obligation for present purposes is FMA Regulation 13. That provision only imposes an obligation where 'a person' proposes to 'enter into a contract, agreement or arrangement under which public money is, or may become payable'. It is not clear that 'person', for the purposes of FMA Regulation 13, includes a Parliamentarian. Further, on any view, the making of most entitlement payments does not involve the entering into of 'a contract, agreement or arrangement'. Additionally, even where an agreement or arrangement is entered into by the Parliamentarian, public money will often not be payable 'under' that agreement or arrangement. Accordingly, even if one were to accept the legal view which ANAO appears to be acting on, the suggestion that '*many* entitlements payments' do not comply with FMA Regulation 9 is unsustainable. Moreover, in our view, it would be incorrect to make even the modest assertion that currently *some* payments of entitlements involve the entering into of a contract etc by a Parliamentarian under which public money is payable, and that as a result approval is required under FMA Regulation 9 in relation to those payments. We will briefly explain the basis for our view.

The proposed report cites charter as an entitlement which appears to be subject to the requirements of FMA Regulation 9 because 'the Parliamentarian engages the charter travel provider directly'. In fact, charter travel is a good example of how the terms of FMA Regulation 9 cannot sensibly, or indeed validly, apply to the exercise or enjoyment by a Parliamentarian of his or her statutory entitlements. A parliamentarian's entitlement to charter travel is prescribed in clause 6 of Remuneration Tribunal Determination 1998/26. For example, under clause 6.2(i), a Senator is entitled to use charter transport, at Commonwealth expense, for the service of his or her State or Territory up to a specified monetary limit. It is simply not possible, consistently with the power conferred on the Remuneration Tribunal by the *Remuneration Tribunal Act 1973*, to superimpose on this entitlement a restriction that a Parliamentarian shall only be able to access charter travel if an approver certifies that the proposed trip would involve an efficient and effective use of public money and would be in accordance with the policies of the Commonwealth. Further, as a matter of public policy, there would be obvious difficulties with allowing a government official to determine a Parliamentarian's entitlements by reference to such broad criteria as effective and efficient use of public money, and government policy. Specifically, these difficulties would flow from the status of a Parliamentarian as a Parliamentarian, and the constitutional division of power between the legislature and the Executive, as well as the conflict between the requirements of FMA Regulation 9 and the right to enjoy the entitlement conferred specifically by statute or statutory instrument.

In this respect, FMA Regulation 9 cannot be a cure-all for any shortcomings perceived by ANAO in the administration of Parliamentary entitlements. Any such shortcomings would need to be addressed consistently with the terms of the particular statutory instrument conferring the entitlement.

Source: Finance correspondence to ANAO dated 10 July 2001

3.10 The view conveyed by Finance suggests that expenditure on Parliamentarians' entitlements is not always subject to the accepted core principles that apply to the spending of public money generally, such that proposed expenditure will make efficient and effective use of the public money. Conversely, the absence of the value for money test occurs in an environment where significant entitlements are uncapped financially (see Figure 2.1) and are generally funded from standing appropriations (which means that there is generally no limit on the public money that may be spent on these entitlements) and significant self-assessment and self-regulation. Finance's July 2001 legal advice stated that:

Generally speaking, if a person such as a Parliamentarian has an entitlement under a statutory instrument, and a claim is made to access that entitlement, then the entitlement must be paid. No additional requirement can be superimposed on the terms of the statutory determination to the effect that the entitlement will only be paid if the official approving the payment considers that payment would involve an efficient and effective use of public money ... a Parliamentarian is not obliged to act so as to maximise the efficient and effective use of public money.

3.11 Arguably, these circumstances give rise to a diminished governance and accountability framework for the expenditure of public money on Parliamentarians' entitlements. ANAO's subsequent legal advice on the issue of public money is that:

Even if the FMA Act framework is not intended to apply to 'ordinary' parliamentarians, a serious question remains about the character of the funds that are used to pay parliamentarians' entitlements. We would have some difficulty in concluding that these funds are not public moneys within the meaning of that term in both the FMA Act and section 7 of the Remuneration Tribunal Act 1973 (which requires the Remuneration Tribunal to inquire into and determine the allowances to be paid to parliamentarians out of the public moneys of the Commonwealth). To reach a contrary conclusion, would appear to require a view that there are two classes of public moneys, those that are governed and fall within the definition of public moneys under the FMA Act and some other category which are entirely unregulated by that Act, and constitute public moneys used by or paid to parliamentarians.

One way of resolving this conceptual problem would be to conclude that even if the FMA Act does not apply to parliamentarians, it may apply in respect of the administration by Finance (and other agencies) of the funds which are used to meet parliamentarians' entitlements and that these funds are clearly public moneys.

If such a conclusion is possible, as we think it may be, it further illustrates the need for action to be taken to clarify the legislative framework in respect of these moneys. This could be done relatively simply by amendment of the FMA Regulations. This could be done in a number of ways.

We also observe that the question of the character of the moneys is critical to the whole structure of your report. If moneys for parliamentarians' entitlements are not public moneys and the FMA Act does not apply in respect of them, even in relation to Finance, then the whole basis of your recommendations may be at risk of being cut away.

3.12 ANAO considers that the view presented by Finance in Figure 3.2 reinforces the need for a re-appraisal of the accountability framework for, and legal obligations applicable to, the spending of public funds on Parliamentarians' entitlements.

3.13 Finding: The FMA Act sets out the financial management, accountability and audit obligations on agencies (including departments) forming part of the general Government sector, in particular: for managing public resources efficiently, effectively and ethically; and for maintaining proper accounts and records of the receipt and expenditure of Commonwealth money. However, according to legal advice obtained by Finance in July 2001 in response to a draft of this performance audit report, neither Parliamentarians nor Finance officials are subject to the requirements of FMA Regulation 9 in the payment of Parliamentarians' entitlements. FMA Regulation 9 requires reasonable inquiries to be made that proposed expenditure is in accordance with the policies of the Commonwealth (such as the Commonwealth Procurement Guidelines); and will make efficient and effective use of the public money. Arguably, these circumstances result in a diminished governance and accountability framework for the expenditure of public money on Parliamentarians' entitlements.

Recommendation No.4

3.14 ANAO recommends that Finance, as the Commonwealth agency with responsibility for financial governance and frameworks, undertake a legal compliance appraisal in order to identify the legal obligations applicable to the spending of public money on Parliamentarians' entitlements and the effectiveness of the methodology of compliance with those obligations. Where necessary, suitable proposals for legislative change should be developed for consideration by the Government and the Parliament.

Agencies responded to the recommendation as follows:

3.15 Disagreed: Finance.

3.16 Specific comments by Finance are set out below:

- In late 2000 Finance reviewed the FMA Act in relation to Parliamentarians' Entitlements. The *Financial Management and Accountability Act 1997* does not apply to Parliamentarians (other than Ministers in their Executive capacity) and was not intended to apply to them. Moreover, it would be legally inappropriate, and in many cases nonsensical, to attempt to overlay FMA Act requirements (for the approval of public money) on Parliamentary entitlements. Finance is satisfied that it provides a satisfactory legislative framework for Finance officials in their payment and administration of these entitlements.

3.17 ANAO comment: ANAO considers that the view presented by Finance reinforces the need for a re-appraisal of the accountability framework for, and legal obligations applicable to, the spending of public money on Parliamentarians' entitlements. In this context, ANAO particularly notes that reasonable expectations include the need to achieve, and to be seen to achieve, efficient and effective use of public money. An example of one aspect of good practice in this regard is the approach adopted in New South Wales (NSW), in which the Determination of that State's Parliamentary Remuneration Tribunal relating to the additional entitlements⁷² of Members of the NSW Parliament specifies that all procurement by Members will be in accordance with the Parliament's purchasing policies.⁷³

Department of Finance and Administration CEIs

3.18 FMA Regulation 6(1), issued under Section 52(1) of the FMA Act, provides that the Chief Executive of an agency is authorised to give instructions (to be called 'Chief Executive's Instructions' (CEIs)) to officials in that agency on any matter necessary or convenient for carrying out or giving effect to the FMA Act or the Regulations, and for ensuring or promoting the proper use and management of public money.

3.19 In accordance with the framework established by the FMA Act, Finance has in place a hierarchy of instructions, procedures and guidelines for management of financial resources under its control, as follows:

- CEIs have been issued by the Chief Executive under the authority of section 52 of the FMA Act and FMA Regulation 6. Where the CEIs do not cover the administration of administered funds (such as those appropriated for Parliamentarians' entitlements), General Managers in Finance are required to develop appropriate Instructions and Guidelines to ensure the efficient, effective and ethical use of Commonwealth resources;⁷⁴

⁷² 'Additional entitlements' are entitlements in addition to Members' basic salary, and include electoral allowance, Sydney allowance, Committee allowances, travel to Sydney, electorate charter transport, travelling allowance for recognised office holders and shadow ministers; equipment, services and facilities at offices in Parliament House and the electorate; and a Logistic Support Allocation (LSA), which may be applied for a range of specified purposes, including other interstate and intrastate travel costs; communication and information delivery services; printing, copying and publishing services; and all stationery costs. Subject to specified conditions, each Member shall determine at his/her own discretion the use of the funds in the LSA.

⁷³ Clause 2.1 of the Determination of 4 December 2000. Previous determinations also included this requirement.

⁷⁴ Finance CEIs section 8.1.22.

- subsidiary to the CEIs, Financial Procedures have been issued by the Chief Financial Officer to provide step by step guidance for certain financial processes;
- subsidiary to the Financial Procedures, Operational Guidelines have been issued by the Chief Financial Officer to provide a reference point of best practice management principles for major departmental activities; and
- administrative manuals are issued to document roles and responsibilities, decisions, actions and processes to be followed in order to ensure compliance with the legal requirements of the FMA Act and Regulations, CEIs and General Manager's Instructions.

3.20 At the commencement of the audit in November 2000, ANAO sought from Finance copies of all manuals and policy guidelines relating to the processing, payment and/or reporting of Parliamentarians' entitlements. This request was reiterated throughout the course of audit fieldwork but many relevant documents were not provided to ANAO until late May 2001, when audit fieldwork had been essentially completed.

3.21 Finance's CEIs, Financial Procedures, Operational Guidelines and the administrative manuals made available to ANAO do not provide a comprehensive framework of instructions and procedures for the administration of expenditure on Parliamentarians' entitlements (see Figure 3.3). In particular, the CEIs are general in nature and do not themselves set out or provide appropriate instructions and guidelines (as mentioned in the CEIs) for expenditure in relation to Parliamentarians' entitlements. Responsibility for developing such instructions and guidelines is assigned to General Managers within Finance. However, in the case of M&PS, no such instructions and guidelines have been developed and issued as binding procedures under the CEIs.⁷⁵ Furthermore, there is a significant absence of documented operational procedures in relation to a range of entitlements.⁷⁶

⁷⁵ In relation to a specific request from ANAO for a copy of any Instructions and Guidelines issued by General Managers under the CEIs in relation to the administered funds applied to Parliamentarians' entitlements, Finance advised ANAO in May 2001 that: *The CEI's represent a comprehensive set of documents that augment the Financial Management and Accountability Act 1997 in the fields of financial management and accountability. They apply generally to the administration of departmental and administered items. The CEI's are supported by Financial Procedures and Operational Guidelines, which also apply generally to the administration of departmental and administered items. As an adjunct to the CEI's, M&PS has developed, and continues to develop, a number of documents, setting out roles and responsibilities, decisions, actions and processes in relation to Parliamentarians' entitlements.*

⁷⁶ Operational procedures are necessary to ensure: payments are based on a legitimate application of an entitlement; services delivered to Parliamentarians comply with the precise extent of the entitlement; and all necessary procedural steps are complied with in the delivery/payment of entitlements.

Figure 3.3

Finance instructions, procedures and guidelines for administration of Parliamentarians' travel and office management entitlements: July 2001

<i>Process</i>	<i>Travel entitlements</i>	<i>Office management entitlements^A</i>
Chief Executive's Instructions	CEI 4.5: Official travel 'sets out departmental policies governing <u>travel by officials of the Department.</u> ' Accordingly, the instructions impose requirements that are not relevant to the administration of travel by Parliamentarians.	No CEIs specific to office management entitlements. General CEI on payment of accounts applies.
Financial Procedures	Financial Procedures Section 9: Travel includes procedures relating to administration of travel through Finance's preferred travel provider. This provider is different from that contracted to provide travel services to Parliamentarians. Accordingly, the procedures are not relevant to the administration of travel by Parliamentarians.	No specific financial procedures.
Operational Guidelines	Operational Guidelines Section 4.5: Travel outlines the 'reasonable and actual costs' method adopted for travel by departmental officials, which is supported by the use of corporate credit cards for payment of related travel costs. The Guidelines are not relevant to travel by Parliamentarians as their travel is on an allowances basis (not cost reimbursement) and credit cards are not issued to Parliamentarians.	None.
General Manager's Instructions	None.	None.
Operational procedures	Manuals provided to ANAO in relation to: travelling allowance; overseas travel; Process Guidelines for checking Jetset Flight Records for Entitlement Usage; Account Managers and Service Centre Managers protocol; Protocol communications between Account Management Unit and the Service Centre; State Managers and Account Managers protocol; and IT Issues protocol. ANAO was also provided with copies of draft procedures in relation to: scheduled air travel; Special Purpose Aircraft; four wheel drive and non-standard vehicles; Account Managers and Contract Managers protocol; 60 day rule; and various draft user guides for the Entitlements Management System used for processing entitlements payments.	None.

continued next page

Process	Travel entitlements	Office management entitlements ^A
	<p>However, not all entitlements are addressed as no procedures or guidelines were provided to ANAO in relation to the following:</p> <ul style="list-style-type: none"> • Charter; • Private-plated vehicle; • Private vehicle allowance; • Official car transport; • Spouse and dependent travel; and • Retirement travel. 	
<p>Note:</p> <p>^A Office management entitlements examined by ANAO comprised: electorate office and residential telephone services; photographic services; personalised letterhead stationery, newsletters for distribution to constituents, and other approved printed material; office requisites; information delivery and postage services; and Constituent Request Program—flag component. A range of other office management entitlements, relating principally to the infrastructure of electorate and Parliament House offices, were not reviewed.</p>		

Source: ANAO analysis of documentation provided by Finance

3.22 The July 1999 review of M&PS' operational environment and governance framework also noted that, overall, there was a lack of procedural documentation in M&PS. The review found that there was an over reliance on personal knowledge rather than corporate knowledge, which had dissipated with the exit of staff, resulting in significant risk in financial and operational system reconciliation and developments. The review found that there was an immediate need to clearly document procedures and functional roles. As is evident from ANAO's audit work, there remains considerable work still to be done in this area for improved effectiveness.

3.23 Finding: There is no comprehensive framework of instructions and procedures for M&PS administration of Parliamentarians' entitlements. General guidance is provided by the agency-wide CEIs within Finance, but these Instructions do not themselves set out or provide appropriate instructions and guidelines for the administration of Parliamentarians' entitlements. ANAO notes that the CEIs are supplemented with more detailed operational guidance for some entitlements to improve the administration of these entitlements. Many of the documents prepared by M&PS are still in development and, given the complexity of the framework the department has to administer, ANAO considers there is a need for more comprehensive instructions that are formalised under the authority of the departmental CEIs.

Recommendation No.5

3.24 ANAO recommends that Finance implement a comprehensive framework of instructions and procedural documentation for the administration of Parliamentarians' entitlements, including issuing:

- (a) General Manager's Instructions and Guidelines under the provisions of Finance's Chief Executive's Instructions in order that they have appropriate legal status; and
- (b) where appropriate, operational procedures for all entitlements administered by the department.

Agencies responded to the recommendation as follows:

3.25 **Disagreed:** Finance.

3.26 Specific comments by Finance are set out below:

- This is not necessary. The Finance CEIs represent a comprehensive set of documents that augment the *Financial Management and Accountability Act 1997* that apply to the general administration of departmental and administered items. They provide the fundamental principles and essential rules. They are supplemented by Financial Procedures, Operational Guidelines and by operational guidance materials prepared by groups within Finance. In the case of the M&PS Group, the administration of parliamentary entitlements is governed by these documents, with the adjunct operational guidance documentation prepared by M&PS in essence fulfilling clause 8.1.22 of the CEIs. As part of continuous improvement, guidance material is being revised and new material introduced.

3.27 ANAO comment: An analysis of the departmental instructions, procedures and guidelines for the administration of travel and office management entitlements provided to ANAO by Finance (see Figure 3.3) indicated gaps which could not lead to confidence in the availability of a comprehensive framework of instructions and procedures for the administration of Parliamentarians' entitlements. For example, few of the Chief Executive's Instructions are directly relevant and appropriate to the administration of Parliamentarians' entitlements, and there is a general lack of operational and procedural instructions and guidelines for many entitlements. Those operational and procedural instructions that have been finalised and issued have not been formalised under the authority of the departmental CEIs.

Commonwealth records management

3.28 The level and standard of documentation considered necessary to support an administrative process is a matter of judgement for management as part of the overall control environment. Documentation is important for an agency to enable it to:

- meet its FMA Act obligations to maintain proper accounts and records⁷⁷;
- demonstrate it has taken all reasonable steps to identify and manage risks;
- provide assurance to management that the administrative processes are adequate and have integrity;
- record significant events and decisions;
- be able to review its decisions and processes, thereby identifying strengths and weaknesses in the process;
- provide support for the Commonwealth's position in the event of a legal challenge; and
- meet its accountability obligations to the Parliament and the Government.

3.29 Records in agencies are Commonwealth records and therefore fall under the *Archives Act 1983*. Records management involves control systems and processes for: registration of records to evidence their existence; records classification and indexing to enable appropriate grouping, security protection and retrieval; and tracking so that records can be located and outstanding action monitored.

3.30 The 1997–98 ANAO audit of *Ministerial Travel Claims* found that the lack of documentation in the MAPS Division within DAS regarding important policy advice provided to the office of the then Minister for Administrative Services had made it difficult to confirm that there was proper transparency and accountability for decisions that were made. The audit found that there was a need for sound records management policies and procedures within MAPS, and recommended that such policies and procedures be established.⁷⁸ In November 1997, DAS was abolished, with the MAPS Division (now M&PS) transferred to the newly created Department of Finance and Administration.

⁷⁷ Sections 19 and 48.

⁷⁸ Audit Report No.23 1997–98, *Ministerial Travel Claims*, Recommendation No.4, pp. xxv, 50.

3.31 Concerns regarding the adequacy of records management within M&PS were also identified by ANAO in the course of this performance audit. For example:

- substantial delays occurred in Finance identifying whether important documentation existed;
- a significant delay occurred in Finance providing ANAO with a comprehensive list of official files relating to the administration of Parliamentarians' entitlements; and
- further significant delays then occurred in the provision to ANAO of requested information (see Figure 3.4).

Figure 3.4

Provision by Finance of files, expenditure reports & Ministerial briefs to ANAO

<i>Information Requested</i>	<i>Date First Requested</i>	<i>1–7 days %</i>	<i>8–15 days %</i>	<i>16–30 days %</i>	<i>31–45 days %</i>	<i>45–60 days %</i>	<i>> 60 days %</i>	<i>Not provided %</i>
File requests								
1 st request: 163 files	20 Dec 00	33	12	12	1	1	39	3 ^A
2 nd request: 347 files	12 Jan 01	11	10	34	18	2	23	1 ^B
Expenditure reports provided to Parliamentarians								
Monthly management reports	12 Dec 00	2	0	18	9	9	62	0
End-of Year reports	22 Dec 00	0	0	0	98	2	0	0
Ministerial briefs								
1999–2000 briefs	29 Jan 01	38	41	4	1	12	0	3 ^C
Briefs from 1 July 2000 to 28 January 2001	21 Feb 01	72	0	28	0	0	0	0
Notes:								
A That is, five files were not provided.								
B That is, two files were not provided.								
C In early April 2001, DOFA advised ANAO that two Ministerial briefs registered on its tracking system and requested by ANAO had never been finalised or provided to the Minister's office and so could not be provided to ANAO.								

Source: ANAO analysis of provision by Finance of requested files and other material

3.32 It is accepted sound practice for correspondence, internal minutes, Ministerial briefings and legal advice to be maintained on an official file, with papers and documents sequentially folioed, as the latter provides reasonable assurance that documents are not removed or added to files. However, ANAO found that M&PS' files invariably are not folioed which meant that ANAO was unable to be reasonably assured about the integrity of the files provided for audit examination. In addition, Finance experienced great difficulty in providing ANAO with a copy of all Ministerial briefings requested from the list of briefs provided by Finance.⁷⁹ As well, some important legal advisings had not been filed. These observations indicate that records management within M&PS needs to be considerably improved for greater administrative effectiveness and reliability.

3.33 Finding: The 1997–98 ANAO audit of *Ministerial Travel Claims* found that there was a need for sound records management policies and procedures within MAPS, and recommended that such policies and procedures be established. Concerns regarding the adequacy of records management within M&PS were also identified by ANAO in the course of this performance audit. The benchmarks experienced by the ANAO over many years of performance auditing indicates that the delays experienced were well outside the norm and therefore significant. It was also evident that some records were not maintained on official files and, where the records were on files, they were invariably not folioed.

3.34 ANAO considers that significant improvements are needed in M&PS' record keeping practices as part of an adequate control environment for the administration of Parliamentarians' entitlements that will promote reasonable confidence of all concerned..

Recommendation No.6

3.35 ANAO recommends that Finance improve its records management processes by:

- (a) ensuring that all Commonwealth records are securely stored, either on registered departmental files or in registered secure storage;
- (b) sequentially numbering the folios of departmental files to ensure the integrity of the Commonwealth record; and

⁷⁹ In May 2001, Finance advised ANAO that: 'Finance's procedures are that all Ministerial briefs are registered in the Department's Minlink system.'

- (c) enhancing the department's electronic and paper-based records management systems and procedures to ensure that files and other records, including briefings, can be located and retrieved expeditiously.

Agencies responded to the recommendation as follows:

3.36 *Disagreed:* Finance.

3.37 Specific comments by Finance are set out below:

- Finance's records management processes ensure that Commonwealth records are securely stored. Finance's audit plan, approved in December 2000, includes a review specifically looking at records management and knowledge sharing in M&PS. Recommendation 6(c) is consistent with an Internal Audit recommendation adopted by Finance in April 2000. Work is in progress to achieve improvements.

3.38 **ANAO comment:** ANAO considers that the outcome of past and proposed internal audits does not provide sufficient reason for not adopting this recommendation, which is aimed at improving Finance's records management processes. It is accepted sound practice for correspondence, internal minutes, Ministerial briefings and legal advice to be maintained on an official file, with papers and documents sequentially folioed as this provides reasonable assurance that documents are not removed or added to files. ANAO found that M&PS' files invariably are not folioed which meant that ANAO was unable to be sufficiently assured about the integrity of the files provided for audit examination. In this context, implementation of this recommendation would assist Finance to meet its accountability obligations as well as to continuously improve management processes for greater effectiveness and reliability.

Control framework

3.39 The Senators' and Members' Entitlements handbook issued by Finance states that it is incumbent on each Senator and Member to ensure use of the various resources and services made available to them is within their entitlement. The handbook further states that the entitlements system relies on the individual accountability of each Senator and Member, with a condition of unrestricted access to entitlements being that the Senator or Member is able to certify that use of resources and services was within entitlement.

3.40 In December 2000, Finance advised the then Special Minister of State that, essentially, the accountability framework for entitlements administered through M&PS is built upon:

- M&PS reporting, in monthly management reports, Senators' and Members' use of entitlements;
- Senators and Members certifying that their use of the reported entitlements was within the specific terms of the entitlement and/or advising M&PS of those instances which were not (and repaying any use outside of entitlements for which they are responsible); and
- half-yearly tabling of expenditure incurred on individual Senators' and Members' travel entitlements.

Monthly management reporting

3.41 Finance provides all Senators and Members with an individual monthly management report that reflects the cost of entitlements for the relevant year paid for in that month.⁸⁰ The reports include a summary of costs in that month for various entitlements, year to date totals and individual transaction details for those costs paid in the month. The monthly management reports are provided to Senators and Members to allow them to monitor their use of entitlements through the financial year. The Senators' and Members' Entitlements handbook advises Parliamentarians that checking the accuracy of each monthly report as it is received, and advising Finance immediately of any entries requiring amendment, will help ensure that all use of entitlements is fully accountable.

3.42 The extent of entitlements reported by Finance improved over the course of 1999–2000. This was largely related to the introduction of an improved and more integrated management information system, however there remained control issues concerning the financial system for recording payments of Parliamentarians' entitlements.⁸¹

⁸⁰ Any costs paid in relation to the previous entitlement year are not reported in the monthly management report but are included in the end-of-year report for the preceding year.

⁸¹ ANAO's audit of Finance's 2000–01 financial statements, Audit Report No.1 2001–2002 *Control Structures as part of the Audits of the Financial Statements of Major Commonwealth Entities for the Year Ended 30 June 2001*, p. 96, found that the major issues that need to be addressed are inadequacies surrounding passwords and access controls to the system. In addition, security improvements are required over privileged user profiles. The audit found that the effect of these weaknesses, in addition to the absence of reconciliations and adequate end of month procedures, is an information integrity risk that can adversely impact the reliability of the financial information. Finance management agreed with the ANAO findings and accepted recommendations aimed at strengthening controls and procedures.

3.43 Finance has also undertaken internal reviews of the monthly reporting function which highlighted areas for improvement and development. Most recently, a November 1999 Finance internal audit review found that: the monthly management reports produced for July 1999 did not provide detail on expenditure against all entitlements; there was a lack of documentation providing a comprehensive listing of entitlements and entitlement periods; and there were discrepancies between the monthly management reports and the data contained in the underlying systems. Various recommendations were made to ensure that the July 1999 management reporting was corrected prior to release to Parliamentarians, and to improve the management reporting process. The reports for July were reviewed and adjusted for issues identified by Internal Audit. In addition, the M&PS response to the review noted that, notwithstanding some shortcomings, M&PS senior management agreed to issue the reports in their existing format, with redevelopment to occur following implementation of a new entitlements system in October 1999.

3.44 ANAO identified areas where the revised monthly management reporting process in relation to the 1999–2000 financial year did not assist Parliamentarians to monitor and manage their use of entitlements⁸², as follows:

- not all transactions relating to certain entitlements were reflected in the reports;⁸³
- the reports only included data on entitlements that Finance considered to have been accessed in a given year. Even where entitlements do not appear to have been accessed by a Parliamentarian, ANAO considers Finance should report a nil value against those entitlements as this gives Parliamentarians an opportunity to correct the record if the entitlement has, in fact, been accessed. Such an approach would also identify to each Parliamentarian what entitlements are available for use;

⁸² In this context, some Parliamentarians amended the wording of the certification provided to Finance in respect of their 1999–2000 management reports to reflect concerns they have about the adequacy of the information provided to them for informing any certification by them of the relevant expenditure.

⁸³ In the course of examining transactions relating to a sample of Parliamentarians, ANAO noted a number of transactions affecting a Parliamentarian's total expenditure against entitlement in 1999–2000 that were not reflected in the reports provided to the relevant Parliamentarian. These included transactions relating to telephone services rent recovery, printing, recovery of charter costs for passengers and Parliamentarians' contribution to the cost of privately plated vehicles. Adjustments made to correct previously reported data or the incorrect coding of payments are not always reflected in subsequent management reports provided to the relevant Parliamentarian. Other entitlements are not reported, such as electorate office accommodation costs.

- the reports did not always include relevant limits and caps applying to entitlements, or accurately and completely report on use against entitlement limits and caps;⁸⁴
- the reports did not highlight to Parliamentarians instances where it appears entitlements may have been breached; and
- monthly reports were not provided to retired Parliamentarians to assist them in managing their use of their retirement travel benefits. Instead, most retired Parliamentarians (with the exception of former Prime Ministers) were provided with a single report well after the entitlement year had ended.

3.45 In July 2001, Finance advised ANAO that the content of the monthly management reports had been extended and a new format with improved data and provision for monthly certification was undergoing testing.

3.46 Finding: An important element of the accountability framework for entitlements administered through M&PS is the provision of monthly management reports to Senators and Members on their use of entitlements. The extent of entitlements reported by Finance improved over the course of 1999–2000. However, there remained significant deficiencies in the reporting process. In particular, the reports provided to Parliamentarians in respect of the 1999–2000 financial year did not include data against all entitlements; not all transactions relating to reported entitlements were reflected; limits and caps applying to entitlements were not always reported; compliance issues were not highlighted; and monthly reports were not provided to all entitlement recipients. In July 2001, Finance advised ANAO that the content of the monthly management reports had been extended and a new format with improved data and provision for monthly certification was undergoing testing.

⁸⁴ For example, see Chapter 4 in relation to charter limits, and spouse and dependent travel entitlements.

Recommendation No.7

3.47 ANAO recommends that Finance improve the quality of management reporting to current and former Parliamentarians by documenting and implementing appropriate reporting arrangements.

Agencies responded to the recommendation as follows:

3.48 **Agreed with qualification:** Finance.

3.49 Specific comments by Finance are set out below:

- Within the policy parameters determined by the Government, Finance is continuously refining and improving its management reporting in terms of timeliness; content; and the certifications required. The detailed specifications of a new monthly management report had already been agreed in the latter half of 2000 and a new report is in development. The content of the current report has been continuously improved throughout the current financial year and further extensions are being considered.

Certifications

3.50 Finance has advised Senators and Members of a range of certifications that are required to be provided in relation to various entitlements (see Figure 3.5). These certifications are policy requirements set out in the handbook, which is cleared for distribution by the Special Minister of State, but are not requirements laid down in the relevant legislation or Remuneration Tribunal Determinations.

3.51 Senators and Members are required to provide certifications, prior to payment, that expenditure has been incurred within entitlement and/or the account is correct in respect of the following entitlements: information delivery services (now communication allowance); travelling allowance; private vehicle allowance; charter transport; and Members' personalised letterhead stationery and other approved printing.⁸⁵ The latter is the only entitlement for which the relevant Member may also certify that the expenditure represents value for money. These individual certifications do not cover the full range of Parliamentarians' entitlements.

⁸⁵ The handbook requires that Senators and Members certify invoices for photographic services as correct for payment prior to forwarding them to M&PS, but in practice no certifications were sought by Finance during 1999–2000. The offices of three Parliamentarians provided Finance with copies of the invoices certified as correct for payment. Finance advised ANAO in May 2001 that, as from February 2001, all certification requirements have been met and no accounts have been paid without such verification.

Figure 3.5**Certifications required by Finance from Senators and Members for entitlements within the scope of the audit**

ENTITLEMENT	CERTIFICATION REQUIRED AS PER HANDBOOK
Information Delivery (including postage)	Senator or Member is required to certify the monthly account and that services have been used in accordance with the purposes for which they have been provided—that is, electorate and Parliamentary business but not party business.
Travel	Senator or Member is required to certify that travel, for which costs have been met by the Commonwealth on his or her behalf, was undertaken within entitlement.
Travelling Allowance	Claims only paid on certification by Senator or Member of purpose of travel and, where appropriate, there is evidence of stay in commercial accommodation. Claims must be submitted within 60 days of travel.
Overseas Delegations Travel	Senator or Member is required to acquit expenditure on return from overseas visit.
Car transport: • Car-with-driver • Self-drive car	Certification that car transport was for electorate or Parliamentary business is required. COMCAR, National Car Rentals and Cabcharge accounts should be certified monthly.
Private Vehicle Allowance	Senator or Member is required to certify that, at the time the claim is lodged, private vehicle allowance is claimed for travel within entitlement.
Charter transport	Senator or Member is required to certify on charter transport accounts that travel was undertaken within and for the service of the electorate before forwarding them to M&PS for payment; monthly certification of consolidated charter accounts by the Senator or Member is also required.
Personalised stationery, printing, newsletters, etc	Member is required to certify that expenditure on the printed material provided is within entitlement and represents value for money. (Not applicable to Senators. See Chapter 5)
End-of-year report which reports a Senator or Member's usage of entitlements for the financial year.	Senators and Members are required to certify annually that the expenditure incurred on their behalf by the Commonwealth and reported in the Monthly Management Reports related to the use of entitlements provided in accordance with the provisions of the <i>Parliamentary Entitlements Act 1990</i> , the <i>Members of Parliament (Staff) Act 1984</i> , and relevant determinations of the Remuneration Tribunal.

Source: Senators' and Members' Entitlements handbook

Annual certification of management reports

3.52 Senators and Members are provided with an end-of-year management report which aggregates the entitlement usage reported in the monthly management reports, together with any additional payments made between the end of the financial year and the issuing of the end-of-year report in respect of the previous financial year's entitlements. The Senators' and Members' Entitlements handbook states that Senators and Members are required to certify annually that the expenditure incurred on their behalf by the Commonwealth and reported in the monthly management reports related to the use of entitlements provided in accordance with the provisions of the *Parliamentary Entitlements Act 1990*, the *Members of Parliament (Staff) Act 1984*, and relevant determinations of the Remuneration Tribunal. Parliamentarians are not requested to provide any certification or advice as to whether the reported expenditure made efficient and effective use of the public money involved.

3.53 As was indicated by Finance in its December 2000 advice to the Special Minister of State, the annual certification of end-of-year reports on entitlements use is an important element in Finance's accountability framework for the administration of Parliamentarians' entitlements. This is particularly the case for those transactions for which no individual certification is required or provided, such as scheduled travel⁸⁶, telephone services and a range of other office management entitlements, although Finance recognises that they need to be supplemented by appropriate pre- and post-payment checks.

3.54 Finance provided Parliamentarians with their end-of-year report for 1999–2000 on 10 November 2000, up to 16 months after the expenditure involved had occurred. At the same time, Finance requested that Senators and Members return the completed certification to Finance by 30 November 2000. ANAO considers that this timeframe is too short to provide Parliamentarians with sufficient time to properly examine the end-of-year report and the monthly management reports; reconcile the end-of-year report to relevant supporting records they hold; and then make the appropriate certification.

⁸⁶ Despite a requirement to do so being set out in the various handbooks issued by Finance, Parliamentarians frequently undertake travel on scheduled services for which no Travel Declaration is provided (see Chapter 4). The sign-off requested of Parliamentarians in respect of the travel-related expenditure reported in the six monthly tabling report relates to verification of the correctness of the transaction details as being expenditure incurred by the Parliamentarian. It does not seek any certification that the expenditure was incurred within the terms of the relevant entitlement.

3.55 Notwithstanding that the Senators' and Members' Entitlements handbook states that Senators and Members are required to provide this annual certification, ANAO's legal advice is that there is no legal requirement for Parliamentarians to do so. As at 6 February 2001, only 36 per cent of Parliamentarians had provided the requested certification.⁸⁷ According to Finance advice to ANAO, by 25 May 2001 the response rate had improved to 80 per cent. ANAO considers that the remoteness of the provision of the certification from the point at which the expenditure occurred diminishes the reliance that can be placed upon the end-of-year certification as a key control and accountability tool in respect of the individual payments made by Finance.⁸⁸

3.56 In December 2000, Finance recommended to the then Special Minister of State that annual certification be replaced by monthly certification of the monthly management reports. Finance argued that replacing annual certification with more regular and contemporaneous reporting would significantly strengthen the accountability framework. The then Minister accepted this recommendation. Finance advised ANAO on 25 May 2001 that: *'The Government has made a decision in-principle to implement monthly certifications; the timing and form of the certifications has not been finalised at this time.'*

3.57 Finding: Finance has advised Senators and Members of a range of certifications that are to be provided in relation to various entitlements. However, these certification requirements are policy requirements only and are not laid down in the relevant legislation or Remuneration Tribunal Determinations. Accordingly, they are not an enforceable control governing the provision of entitlements to Parliamentarians. In this context, as at to 6 February 2001, only 36 per cent of Parliamentarians had certified their end-of-year management report for the year ending 30 June 2000. According to Finance advice to ANAO, by 25 May 2001 the response rate had improved to 80 per cent.

⁸⁷ Due to an administrative oversight on Finance's part, Parliamentarians were not asked to certify their end-of-year reports for 1997–98 or 1998–99. Accordingly, ANAO was unable to assess whether the low level of timely response in relation to 1999–2000 is typical or atypical.

⁸⁸ Also, in discussions with ANAO, some Parliamentarians indicated that they were less than confident in being able to provide a certification because the underlying information was not always detailed enough.

3.58 Finance provided the end-of-year report for 1999–2000 to each Parliamentarian on 10 November 2000, up to 16 months after the expenditure involved had occurred, and requested that the appropriate certification be provided to Finance by 30 November 2000. ANAO considers that the remoteness of the provision of the certification from the point at which the expenditure occurred diminishes the reliance that can be placed upon the end-of-year certification as a key control and accountability tool in respect of the individual payments made by Finance. In addition, the timeframe suggested by Finance is too short to provide Parliamentarians with sufficient time to properly examine the end-of-year report and the monthly management reports, reconcile the end-of-year report to relevant supporting records held by the Parliamentarian and then make the appropriate certification. Finance advised ANAO on 25 May 2001 that: *‘The Government has made a decision in-principle to implement monthly certifications; the timing and form of the certifications has not been finalised at this time.’* In implementing monthly certification of management reports, ANAO notes that consideration will need to be given to the existing voluntary nature of certifications sought by Finance from current and former Parliamentarians (see Recommendation No. 13). As of June 2001, around 30 per cent of current and former Parliamentarians (see paragraphs 3.55 and 4.74) had not provided a certification of their 1999–2000 management reports.

Client satisfaction research

3.59 Given the reliance placed by Finance on certifications, it is incumbent on Finance to provide services to Parliamentarians to assist them in establishing administrative systems to support their certification role. Services should include timely, comprehensive and accurate reports on entitlements used and the resulting cost, as well as advice on the available entitlements and the rules governing access to these entitlements. In this respect, during 1999–2000, Finance introduced new internal arrangements for providing services to Parliamentarians.⁸⁹ It is too early to properly assess whether Finance’s changed internal arrangements have resulted in more responsive services and better management of the provision of advice to Parliamentarians.

⁸⁹ This comprised: establishing an integrated service centre to replace previously separate units that provided travel, personnel and other service facilities; and allocation of one of three Account Managers to each Parliamentarian as a single point of contact for all issues.

3.60 Finance had previously undertaken to develop an evaluation and feedback mechanism for clients by 31 December 1999. In July 2001, Finance provided ANAO with documentation concerning a training needs survey for Senators' and Members' staff that was conducted from December 1999 to February 2000. In addition, Finance advised ANAO in July 2001 that analysis of Staff and Account Management Help Desk calls has also been implemented and this provides one mechanism to evaluate feedback from clients. Finance did not provide ANAO with the results of this analysis. Having regard to the need for continuous improvement in the provision of services to Parliamentarians, ANAO considers that, during 2001–02, Finance should commence regular client satisfaction research concerning the services Finance provides to Parliamentarians, including addressing the level of satisfaction with guidance material provided, the monthly management and end-of-year reporting processes, and certification arrangements. Such research would provide independent information in relation to customer satisfaction performance targets.

3.61 Finding: Given the reliance placed by Finance on certifications, it is incumbent on Finance to provide services to Parliamentarians to assist them in establishing administrative systems to support their certification role. During 1999–2000, Finance introduced new internal arrangements for providing services to Parliamentarians. Client satisfaction research of Parliamentarians would provide independent information to Finance to assess whether the changed internal arrangements have resulted in more responsive services and better management of the provision of advice to Parliamentarians, and identify where further improvements can be made.

Recommendation No.8

3.62 ANAO recommends that Finance promote and inform continuous improvement in the provision of services and advice to Parliamentarians by undertaking regular client satisfaction research.

Agencies responded to the recommendation as follows:

3.63 Disagreed: Finance.

3.64 Specific comments by Finance are set out below:

- Finance is continuously improving its processes and continues to obtain regular feedback from Parliamentarians through a number of mechanisms including the call registers, focus group discussions and commissioned client research.

3.65 ANAO comment: During the course of the audit, ANAO requested from Finance the results of any surveys or other client satisfaction research conducted by or on behalf of Finance concerning the services provided by it to Parliamentarians. Finance did not provide ANAO with any evidence that it has informed improvement in the provision of services and advice to Parliamentarians through the analysis of call registers, the conduct of focus group discussions and commissioned client research. In relation to client research, Finance advised ANAO during the audit that no research had been conducted. ANAO considers that implementing this recommendation, particularly in the light of the changed internal service arrangements introduced in 1999–2000, would be of benefit to both Parliamentarians and Finance. In this context, there is also merit in appropriately disseminating the results of this research.

Public reporting of travel costs

3.66 Currently, the only Parliamentarians' entitlements for which expenditure is publicly reported are some travel and related entitlements. To improve accountability in respect of those entitlements, the then Minister for Administrative Services announced on 15 June 1997 the introduction of six monthly tabling of Senators' and Members', including Ministers', travel details. The first tabling covered the period 1 July to 31 December 1997 and occurred on 28 May 1998. For 1999–2000, a report of travel payments for July to December 1999 was tabled in June 2000, and a report for January to June 2000 was tabled in December 2000.⁹⁰

3.67 At present, the public reporting of travel costs is limited to those costs paid by Finance and car transport costs met by Ministers' home departments. There is no reporting on the use and cost of travel entitlements provided to spouses/nominees and dependents of sitting Parliamentarians; travel costs met by Ministers' home departments other than for car transport⁹¹; the cost of travel entitlements provided to retired and former Parliamentarians and their spouses; or the cost of travel entitlements provided to former Prime Ministers.

3.68 Public reporting of the cost of Parliamentarians' entitlements is an important element in the accountability framework. Accordingly, ANAO considers the total cost of all categories of entitlements should be publicly reported for all current and former Parliamentarians. More detailed reporting should be undertaken:

⁹⁰ In advance of tabling, Finance provides each Parliamentarian with their section of the six monthly tabling report in draft form, together with the relevant supporting details and requests them to sign off that the details as presented are correct. Finance advised the then Special Minister of State in May 2000 that the confirmed Tabling Report provides the authorisation for the expenditure which has been incurred for the travel and transport related entitlements.

⁹¹ For example, refer to Chapter 6.

- for entitlements that are uncapped and or unlimited (such as scheduled fares, travelling allowance and printed material for distribution to constituents); and
- where Parliamentarians are not required to certify that individual payments have been in accordance with entitlements (such as office and residential telephone services, spouse and dependent travel, and retirement travel).

3.69 The travel cost information tabled for each six month period relates to payments made, and receipts by. Finance during that period, not necessarily travel actually undertaken during the period. Accordingly, the tabled information is prepared on a cash basis of accounting rather than an accrual basis. This is inconsistent with the widespread acceptance of accrual accounting principles, and with the legal basis of certain entitlements. The cash basis also differs from the accrual approach used in respect of payments to prepare monthly management and end-of-year reports.⁹² In this context, ANAO considers that the monthly management and end-of-year reports more accurately reflect the cost of entitlements provided to Parliamentarians in a given year than does the current tabled report.⁹³ Basing the six-monthly tabling reports upon the data already presented to Senators and Members through the monthly and end-of-year management reports would help to ensure consistency of information, as well as reducing the administrative effort required of both Parliamentarians and Finance.

⁹² Although the approach taken is inconsistent, recoveries received by Finance in respect of Parliamentarians' entitlements are not always included in the management report on an accrual basis. This appears to have been the approach adopted in regard to a number of recovery payments made by passengers on charter flights undertaken via Parliamentarians' charter entitlement. In response to an ANAO query regarding residential telephone rent recovery invoices that did not appear in the relevant Parliamentarians' management reports for 1999–2000, Finance advised ANAO in May 2001 that '*Recovery invoices are not a payment or a receipt. Cash payments will appear in a monthly management report when a payment is made.*' ANAO notes that this was not the process adopted in respect of all other rent recovery invoices within the sample of telephone transactions reviewed by ANAO. In those instances, the rent recovery invoice was reflected in the relevant Parliamentarian's monthly management report at the time the invoice was raised.

⁹³ The six monthly reports tabled in respect of some Parliamentarians for 1999–2000 did not accurately reflect the total cost to the Commonwealth of overseas travel by Parliamentary delegations. The cost of such travel is met by the Parliamentary chamber departments. Where the cost is met directly by those departments, it is not reported in the six monthly tabling reports. In some cases, Finance meets the cost initially and is later reimbursed by the chamber department. Under the cash basis used currently, the initial payment by Finance is shown as a cost against the Parliamentarian, but the later receipt of reimbursement by Finance is shown as a reduction in that Parliamentarian's reported travel costs. The cost is netted out of Finance's overall expenditure on travel for that Parliamentarian, but it remains a cost to the Commonwealth under the Parliamentarian's travel entitlements. The six monthly tabling reports do not accurately reflect that cost.

3.70 Finding: Public reporting of the cost of Parliamentarians' entitlements is an important element in the accountability framework. ANAO considers that opportunities exist to implement more comprehensive, consistent and administratively simple public reporting on the use and cost of entitlements. At present, there is no reporting on the use and cost of a significant number of entitlements provided to current and former Parliamentarians, their spouses and dependents. Furthermore, the information that is currently tabled is prepared on a cash basis, which is inconsistent with the legal basis of certain entitlements as well as the accrual basis used to prepare monthly management and end-of-year reports provided to each Parliamentarian.

Recommendation No.9

3.71 ANAO recommends that, in relation to the costs incurred by Parliamentarians under their entitlements, Finance improve transparency and accountability for those entitlements by preparing reports which could be tabled in the Parliament that:

- (a) adopt accrual accounting principles and report on the total annual cost to the Commonwealth of the entitlements; and
- (b) are based on the monthly management and end-of-year reports provided to Parliamentarians, in order to ensure consistency of information included in the public reports with that provided to Parliamentarians for entitlements management purposes, as well as to reduce duplication of administrative effort.

Agencies responded to the recommendation as follows:

3.72 Disagreed: Finance.

3.73 Specific comments by Finance are set out below:

- The tabling of reports on Parliamentarians' use of entitlements could be done on a cash or an accrual basis. The Government has chosen to table the six monthly reports on a cash basis. This is complemented by reporting by Finance in accrual terms of the total cost of entitlements administered by Finance. These reports appear in the Portfolio Budget Statements and the Annual Report, both of which are tabled in the Parliament. More detailed reporting (e.g. to include costs of home departments and chamber departments) is a matter for the Government to consider.

3.74 ANAO comment: More comprehensive, consistent and informative public reporting on the use and cost of Parliamentarians' entitlements is needed to enhance transparency and accountability. While noting Finance's statement that the Government has chosen to table the six-monthly reports on a cash basis, it should be also noted that such a presentation is inconsistent with the legal basis for many entitlements. Furthermore, Finance's Portfolio Budget Statement and the Annual Report include few details of Parliamentarians' entitlements use and their cost if that is meant to complement the tabled cash-based reports. The implementation of this recommendation would be consistent with recent financial management reforms.

Risk assessment

3.75 The provision by Parliamentarians of pre- or post-payment certifications regarding the eligibility of expenditure within entitlements and other advice as to the correctness or otherwise of payments reported in the management reports, is a key tool in Finance's existing accountability framework. As with any internal control, there is a need to periodically test that control to provide assurance as to the level of reliance that can be placed on it on an on-going basis. Accordingly, in addition to those processes that involve obtaining advice from the relevant Parliamentarian as to the correctness and eligibility of payments, an effective control framework for the expenditure of public money by Finance for Parliamentarians' entitlements should also involve additional checks to provide assurance that the existing system is working effectively to ensure payments made by the department are valid and comply with the requirements of the FMA Act and the CEIs.

3.76 The need for such complementary checks is highlighted by the concerns discussed above as to the extent to which reliance can be placed upon the annual aggregate post-payment certification currently requested of Parliamentarians. Some form of risk-based verification process is also required to provide assurance as to the reliance that can be placed on the otherwise unsubstantiated pre-payment certifications provided by Parliamentarians in respect of some entitlements.

3.77 In respect of travel entitlements, Finance advised ANAO of a range of pre- and post-payment checks it undertakes to complement the certification processes undertaken. These included ensuring the correct entitlement code is attributed to the relevant travel, validation of travel against entitlement limits (with recovery action taken as appropriate), and making spot checks on the data. However, ANAO identified a number of instances in which the robustness of the checks identified by Finance

was inadequate (see Chapter 4). Following queries raised by ANAO from the relatively small transaction sample reviewed in the course of the audit, Finance subsequently raised debit notes in respect of the use of travel-related entitlements in 1999–2000 by 60 current and former Parliamentarians, to an aggregate amount of \$30 158.⁹⁴ ANAO also identified instances in which travel was attributed to the incorrect entitlement by Finance. There are a number of areas in which the pre- and post-payment checks undertaken by Finance in respect of payments for travel-related entitlements could be improved (see Chapter 4).

3.78 As discussed in Chapter 5, under the management system applying in the year reviewed by ANAO, Finance was essentially reliant on Parliamentarians advising it of instances where the use made of office management entitlements was outside of entitlement or the associated payment was incorrect in some other respect; or on the receipt of allegations of misuse of the entitlements from the public or other Parliamentarians. This was the case, for example, in respect of Members' entitlement to personalised letterhead stationery and other printing for which the only real restriction applying to the entitlement relates to the purpose for which the material is produced. In respect of that entitlement, Finance is also reliant upon the assessment of the Parliamentarian as to the value for money provided by a particular quote. ANAO considers there is scope to improve the accountability framework for this and other office management entitlements (see Chapter 5).

Auditing of entitlements payments

3.79 Auditing is a key component of an effective compliance strategy in a self-assessment/self-regulation environment. Compliance audits are a verification process that seeks to ascertain whether a Parliamentarian has complied with his or her obligations. They can be conducted as part of a series of audits that aims to address identified high risk categories of entitlements or Parliamentarians, or may be initiated where there has been an indication of some potentially material irregularity for an individual Parliamentarian.

⁹⁴ Finance subsequently cancelled debit notes issued to six former Parliamentarians and reduced some other debit notes, reducing the recoveries raised subsequent to ANAO queries to 54 current and former Parliamentarians to the value of \$28 575. Finance is also clarifying a number of payments as a result of ANAO's inquiries. There were also a number of other transactions where Finance was unable to provide ANAO with sufficient evidence that payments were within entitlement.

3.80 For example, the Australian Tax Office's (ATO) self-assessment process is reinforced by a risk-based program of audits intended to improve compliance.⁹⁵ When self-assessment was introduced the then ATO Commissioner spoke of trying to achieve a 2 per cent audit coverage of the taxpayer population each year although, in practice, the level and mix of coverage has been tailored according to risk and available resources.⁹⁶ The ATO conducts audit projects initiated in line with strategic objectives and identified high risk taxpayer groups as well as where there has been some indication of a potential irregularity in an individual return.⁹⁷ In a recent audit, ANAO found that the use of audit was an effective element of ATO's approach to encouraging taxpayer compliance.⁹⁸

3.81 ANAO considers that the detailed checking of each entitlements transaction is not a practical, cost-effective approach. Nor should it be necessary if there is an effective audit program in place to periodically test the effectiveness of the existing system, supported by sensible risk management. In this context, it would be prudent for Finance to include, within its payments control framework, a program of risk-based audits of payments made in respect of Parliamentarians' entitlements. This would provide enhanced assurance as to the validity and correctness of those payments. As noted in Figure 2.3, the need for such a program was identified in the 1997 Baxter Review of the administration of Parliamentarians' entitlements, with the Government subsequently agreeing to a recommendation by Finance that an auditor be appointed to undertake regular audits of Parliamentarians' entitlements use. Finance commented to ANAO that, in agreeing to the appointment of an auditor, the then Minister did not see this as a priority and that Finance's Internal Auditor has a role of undertaking audits, including of Parliamentarian's entitlements. However, more than four years have elapsed since the recommendation was made and there is still no regular program of audits of entitlements payments.

3.82 In April 2001, Finance advised ANAO that one of its main post-payment checks on payments for scheduled travel taken by Parliamentarians is the program of audits by Finance's Internal Audit Unit. In response to a request by ANAO for all internal audits of

⁹⁵ The 1997 Baxter Review (see Chapter 2) also drew parallels between the administration of Parliamentarians' entitlements and ATO's self-assessment approach.

⁹⁶ Audit Report No.19 1997–98, *Risk Management in ATO Small Business Income*, paragraph 3.21.

⁹⁷ Audit Report No.19 1997–98, *Risk Management in ATO Small Business Income*, paragraph 3.12.

⁹⁸ Audit Report No.37 2000–01, *The Use of Audit in Compliance Management of Individual Taxpayers*, p. 12.

Parliamentarians' entitlements conducted by Finance in the last five years, Finance provided copies of three audits, only one of which (an August 1999 review of Ministerial and Parliamentary Overseas Travel) involved the auditing of specific payments to or on behalf of Parliamentarians.⁹⁹ That review concluded that Parliamentary and Ministerial overseas travel was adequately controlled to prevent and detect error or fraud.

3.83 In May 2001, Finance advised ANAO of a further two internal audits:¹⁰⁰

- a review of M&PS Interstate Transaction Processing conducted in April-May 2001. Finance advised ANAO that the review involved identification of processes in place in each State Office of M&PS through walkthrough of individual transactions for a series of transaction types and testing of controls identified and compliance with procedures identified; and
- a review of Use of Superannuation Delegations in M&PS conducted in May 2000, which Finance advised ANAO involved testing of a sample of superannuation transactions to ensure transactions were being conducted in accordance with the delegations for the 1999–2000 financial year.

3.84 Finding: In respect of travel entitlements, Finance advised ANAO of a range of pre- and post-payment checks it undertakes to complement the certification processes undertaken. These included ensuring the correct entitlement code is attributed to the relevant travel, validation of travel against entitlement limits (with recovery action taken as appropriate), and making spot checks on the data. However, ANAO identified a number of instances in which the robustness of the checks identified by Finance was inadequate (see Chapter 4). Following queries raised by ANAO from the relatively small transaction sample reviewed in the course of the audit, Finance subsequently raised debit notes in respect of the use of travel-related entitlements in 1999–2000 by 60 current and former Parliamentarians, to an aggregate amount of \$30 158.¹⁰¹

⁹⁹ The other two audits identified by Finance were a September 1999 review of M&PS' monthly management reporting, with the audit limited in its scope to verifying the monthly management report data to departmental information systems and not to conduct a detailed audit of the source data; and a December 1999 review of the M&PS System Redevelopment Project to develop and implement a new information system for the management of entitlements.

¹⁰⁰ Finance did not provide ANAO with a copy of either report.

¹⁰¹ Finance subsequently cancelled debit notes issued to six former Parliamentarians and reduced some other debit notes reducing the recoveries raised subsequent to ANAO queries to 54 current and former Parliamentarians to the value of \$28 575. Finance is also clarifying a number of payments as a result of ANAO's inquiries. There were also a number of other transactions where Finance was unable to provide ANAO with sufficient evidence that payments were within entitlement.

3.85 ANAO considers that the detailed checking of each entitlements transaction is not a practical, cost-effective approach. Nor should it be necessary if there is an effective audit program in place to periodically test the effectiveness of the existing system, supported by sensible risk management. In this context, it would be prudent for Finance to include, within its payments control framework, a program of risk-based audits of payments made in respect of Parliamentarians' entitlements. This would provide enhanced assurance as to the validity and correctness of those payments. The need for such a program was identified in the 1997 Baxter Review, with the Government subsequently agreeing to a recommendation by Finance that an auditor be appointed to undertake regular audits of Parliamentarians' entitlements use.

Recommendation No.10

3.86 ANAO recommends that, to enhance Finance's capacity to ensure Financial Management and Accountability Act obligations in respect of public money have been satisfied, the department develop and implement a risk-based program of periodic audits of payments in relation to Parliamentarians' entitlements.

Agencies responded to the recommendation as follows:

3.87 **Disagreed:** Finance.

3.88 Specific comments by Finance are set out below:

- Finance already satisfies its obligations under the FMA Act and has in place risk based systems of control. These control systems are robust and effective and are based on making reasonable inquiries to satisfy Finance that expenditure is undertaken within entitlement. Out of 86 000 transactions examined less than 0.05 per cent were highlighted by the ANAO as errors. More extensive compliance audit activity along the lines suggested by the ANAO and similar to the activities of the Australian Taxation Office is a matter for Government consideration and beyond Finance's authority.

3.89 **ANAO comment:** In response to a request by ANAO for all internal audits of Parliamentarians' entitlements conducted by Finance in the last five years, Finance provided copies of three audits, only one of which (an August 1999 review of Ministerial and Parliamentary Overseas Travel) involved the auditing of specific payments to or on behalf of Parliamentarians. Under the Finance Minister's Orders, the development, approval and coordination of internal audit plans for Finance is a responsibility of the Finance Audit Committee which reports to the Chief Executive. The Government has previously agreed to a 1997

recommendation (see Figure 2.3) that regular audits of payments in relation to Parliamentarians' entitlements be undertaken. However, more than four years have elapsed since the recommendation was made and there is still no regular program of audits of entitlements payments. There were no internal audits undertaken by Finance of 1999–2000 Parliamentarians' entitlements payments.

3.90 Audit sampling¹⁰² involves the application of audit procedures to less than 100 per cent of items within a class of transactions such that all sampling units have a chance of selection. Adopting a risk-based approach, ANAO sampled transactions across a range of entitlements in order to test the robustness and effectiveness of Finance's control systems in relation to travel entitlements and office-related entitlements. ANAO also undertook analytical review procedures to investigate and analyse fluctuations and relationships to determine whether there are inconsistencies with other relevant information or deviations from entitlements.¹⁰³ Figure 3.6 illustrates that, in respect of travel entitlements, some 29 per cent of items examined were either outside entitlement (13 per cent) or Finance provided insufficient information for ANAO to conclude the expenditure was either within or outside entitlement (16 per cent).

Figure 3.6
Travel Entitlements Audit Testing by ANAO

<i>Testing Approach</i>	<i>Total examined (Number)</i>	<i>Within entitlement (%)</i>	<i>Outside entitlement (%)</i>	<i>Insufficient information to form an opinion (%)</i>
Transaction sampling	320	75	4	21
Analytical review procedures	296	68	22	10
Total	616	71	13	16

Source: ANAO analysis of Finance data

¹⁰² Australian Auditing Standard AUS 514 *Audit Sampling and Other Selective Testing Procedures* establishes standards and provides guidance on the use of audit sampling procedures and other means of selecting items for testing to gather audit evidence.

¹⁰³ Australian Auditing Standard AUS 512 *Analytical Procedures* establishes standards and provides guidance on the application of analytical procedures during an audit.

3.91 ANAO applied both analytical review and transaction testing techniques to assess the administrative and control structures applying to the management of a sample of office management entitlements. This included examination of some 1100 transactions. For the majority of the items reviewed, Finance was largely reliant upon the provision by the relevant Parliamentarian of pre or post-payment certifications as a basis for determining whether the expenditure had been incurred within entitlement. This was particularly the case where the eligibility of expenditure under an entitlement related to the purpose for which it was used, such as printing entitlements, telephone services, information delivery services, and office requisites. ANAO has made a number of recommendations directed at improving the capacity of both Finance and Parliamentarians to determine whether the use of office management entitlements satisfies all relevant requirements.

Benchmarking analysis

3.92 Analysis undertaken by ANAO of those entitlements examined in detail as part of the audit identified a number of entitlements where the cost of usage by Parliamentarians was widely dispersed, including: personalised stationery and printing; information delivery and postage services, photographic services; constituents request program—flag component; scheduled fare travel; spouse and dependent travel; retirement travel; and home department expenditure on Ministers. In a risk management context, measures of dispersion can be used to target compliance activities as well as providing useful management information for Parliamentarians.

3.93 In addition, analytical techniques such as the development of risk profiles and benchmarks would assist in the development of an appropriately focussed, risk-based program of audit work on Parliamentarians' entitlements. Such techniques can assist in identifying instances of unusually high usage or other anomalies that suggest further investigation is warranted. For example, routine benchmarking could include periodic analysis comparing individual Parliamentarians' expenditure under particular entitlements against:

- their own previous pattern of expenditure;
- the expenditure of Parliamentarians with similar electorates;
- the individual expenditure of all other Senators or Members from the Parliamentarian's State; and
- the mean and median expenditure of Senators and Members as a whole.

3.94 In late 2000, Finance introduced the first of those benchmarking techniques to assist its management of Parliamentarians' telephone services. Finance advised ANAO that the six-monthly tabling reports also provide information that could be used for benchmarking analysis. The extension of such analysis to inform the planning of a regular program of risk-based audits of payments under the full range of Parliamentarians' entitlements would enhance Finance's existing administrative framework for those payments.

3.95 The provision, as a matter of course rather than exception, of similar information to Parliamentarians in respect of the range of entitlements for which they are requested to provide certifications, would also be of benefit. This would be particularly the case in regard to uncapped entitlements. It would assist Parliamentarians in exercising judgements regarding their use of entitlements, as well as enhancing the information available as the basis for the certifications provided.

3.96 Finding: To assist in the development of an appropriately focussed, risk-based program of audit work on Parliamentarians' entitlements, ANAO considers that it would be prudent for Finance to identify where risk profiles and other benchmarks suggest inquiries are warranted. There is considerable variance between individual Parliamentarians' usage of the various entitlements. There can be a range of reasons for this including the size and location of a Parliamentarian's electorate; the nature of their constituency; and whether or not they are a Minister or Office-holder. However, risk profiling and benchmarking analysis can assist in forming informed risk assessments of expenditure that should be subject to post-payment examination. This may include identifying examples of unusually high expenditure or other anomalies, such as where travel taken does not reconcile to travel declarations.

Recommendation No.11

3.97 ANAO recommends that Finance undertake routine benchmarking of entitlements expenditure as part of a risk-based compliance system for the full range of Parliamentarians' entitlements.

Agencies responded to the recommendation as follows:

3.98 **Agreed with qualification:** Finance.

3.99 Specific comments by Finance are set out below:

- Benchmarking by Finance as part of its control processes occurs already where it is meaningful and appropriate (e.g. telephones and travel to identify outliers for potential follow-up with the Parliamentarians/suppliers). Finance is constantly reviewing its processes and in principle is prepared to use as tools a range of analytical techniques including benchmarking. Finance will review its usage of benchmarking in its compliance and control processes. It may not be useful for compliance purposes, however, where there are entitlements that are irregular and lumpy in usage (e.g. usage of flags entitlements by Senators).

Debt management

3.100 There is a wide variety of entitlements for Parliamentarians and it is not difficult to conceive of the circumstances in which these could be exceeded, often inadvertently. If expenditure has been incurred which exceeds an entitlement or for a purpose outside the scope of the entitlement, then the Parliamentarian is not entitled to that benefit and there is a debt owed back to the Commonwealth. Under section 34 of the FMA Act, a debt may only be waived by the Finance Minister, or written off in specific circumstances by the Chief Executive under section 47 of the FMA Act; that is, where the debt has been written off as authorised by an Act; or the Chief Executive is satisfied that the debt is not legally recoverable or considers that it is not economical to pursue recovery of the debt.

Administrative framework

3.101 As early as 1997, DAS received internal legal advice that there was a doubtful legal basis for any attempt to recover from a Parliamentarian money paid in excess of their entitlement where the monies are paid directly to a third party on the Parliamentarian's behalf, rather than as a reimbursement to the Parliamentarian. The identification in August 1999 of the misuse of a telephone charge card previously issued to the then Minister of Employment, Workplace Relations and Small Business, and the resolution of that matter, raised the issue of the right of the Commonwealth to recover liability incurred by Members of Parliament, including Ministers, should entitlements be dealt with inappropriately.

3.102 The Solicitor-General issued a legal opinion on 15 October 2000 in relation to the question of whether those involved had any liability to the Commonwealth for loss incurred as a result of the misuse or

unauthorised use of the telephone charge card provided to the Minister. There was in place a contractual relationship between the Commonwealth, through Finance, and Telstra for the provision of telephone charge card services to Parliamentarians. In addressing the question of whether those involved had any liability to the Commonwealth in this particular matter, the Solicitor-General discussed wider legal issues. These included his opinion that Ministers, Senators and Members are not necessarily liable for losses by the Commonwealth caused by actions by them in breach of Remuneration Tribunal Determinations; as well as the limitations on the capacity of the Commonwealth to recover payments made to third parties on Senators' and Members' behalf which are subsequently found to be outside of entitlement.

3.103 In finding that there was no available cause of action by the Commonwealth in relation to the costs of the calls made by unauthorised parties on the telephone charge card, the Solicitor-General stressed that it was a significant consideration in making this finding that there was no direct contractual relationship between the telephone charge card provider and the Minister. The Solicitor-General noted that restitutionary principles might operate in a totally different way and lead to an opposite result had there been such a direct contractual relationship.

3.104 Finance's Management Board established a Task Force to examine the implications of the Solicitor-General's 15 October 2000 advice and to advise on possible solutions. The Task Force sought further advice on the existing law from members of Finance's legal panel. In July 2001, Finance advised ANAO that:

... Finance commenced a review of the legislative framework for the recovery of debt associated with unauthorised access to Commonwealth resources by a range of public officials, including parliamentarians, before the Senate's motion calling for the audit.

3.105 Similar to the arrangements for the provision of telephone services, the arrangements for travel by Parliamentarians on scheduled transport services are predicated on the basis of a contract between Finance and its travel services provider whereby Finance pays the provider directly for the services provided to Parliamentarians. As is discussed above, a key accountability tool relied upon by the department in respect to a range of entitlements is the provision of post-payment certifications by Parliamentarians as to the eligibility and correctness of payments. In those circumstances, limitations on the Commonwealth's capacity to recover payments made in excess of entitlement become particularly significant.

3.106 While administrative arrangements cannot by themselves result in the recovery of overpayments of entitlements, they can ensure a comprehensive framework is in place to minimise the occurrence of overpayments; reduce the likelihood of the department making payments beyond prescribed entitlements (that is, without lawful authority); and facilitate the prompt identification of any overpayments which do occur. As is discussed in Chapter 4, ANAO identified a number of instances in which the existing administrative arrangements had not operated effectively to prevent payments in excess of entitlement being made by Finance. Most of those instances involved payments being made directly to third party providers.

Receivables management

3.107 Receivables management involves all the administrative processes and activities involved in managing the collection of debts owed to the Commonwealth including:¹⁰⁴

- maintenance of clear and consistent policy documents and procedures;
- timely identification of debts owed to the Commonwealth; and
- efficient and effective collection procedures.

3.108 Finance's CEIs include departmental policies covering the recovery of debts owed to the Commonwealth. Finance officials involved in the recovery of debts to the Commonwealth are required by the CEIs to give due regard to the supporting Financial Procedures for Debt Management and Recovery issued by Finance's Chief Financial Officer. These Financial Procedures require each Business Group to have a comprehensive debt management strategy.¹⁰⁵ However, as at May 2001, M&PS had yet to develop its debt management strategy.¹⁰⁶ Instead of a debt management strategy specific to the administration of Parliamentarians' entitlements, Finance advised ANAO that it applies its generic CEIs and Financial Procedures for debt management and recovery.

¹⁰⁴ See Audit Report No.13 1996–97, *Tax Debt Collection* and Audit Report No.23 1999–2000, *The Management of Tax Debt Collection*.

¹⁰⁵ Operational Guidelines issued under Finance's August 1998 CEIs (which applied to the 1999–2000 year) also required M&PS to develop a debt management strategy.

¹⁰⁶ Audit Report No.34 of 1990–91 recommended that formal procedures for recovery of unpaid accounts by Parliamentarians be introduced.

3.109 As at 8 June 2001, 95 current and former Parliamentarians had outstanding debts to Finance in relation to their entitlements, aggregating to \$67 661 (see Figure 3.7). This included \$42 427 in recoveries from 61 current and former Parliamentarians identified by ANAO from a relatively small sample of entitlements transactions selected on a risk basis as part of the audit.¹⁰⁷ As the need for these recoveries was identified from a relatively small sample, there is a risk of further unidentified debts in relation to 1999–2000 and earlier years.¹⁰⁸

Figure 3.7

Aged analysis of outstanding debts for Parliamentarians: 8 June 2001

Age of debt	Aggregate amount (\$)	%
30 days or less	45 168	67
31 to 60 days	623	1
61 to 90 days	910	1
91 to 120 days	924	1
Greater than 120 days	20 036	30
Total	67 661	100

Source: ANAO analysis of Finance data

3.110 Finance commented to ANAO that it considers the debts are small in the context of the value of entitlements transactions; that the profile of the debt indicates that the bulk of the debt is aged less than 30 days; and write-off rates are very low. Nevertheless, Figure 3.7 indicates that there is room for improving the effectiveness of Finance’s debt collection procedures. Of the debts outstanding as at 8 June 2001, some 32 per cent had been outstanding for more than 60 days. According to Finance’s January 2001 CEIs, where a debt is overdue by 60 days or more, the relevant General Manager must give consideration to the imposition of interest, at a rate that reflects the cost of funds to the Commonwealth. However, no documentary evidence was made available to ANAO to indicate that the M&PS General Manager had given consideration to the imposition of interest on the \$21 870 in debts outstanding for more than 60 days owed by 28 current and former Parliamentarians.

¹⁰⁷ Some debit notes were subsequently cancelled or reduced by Finance such that, as of 20 July 2001, recoveries relating to errors identified in the sample of transactions examined by ANAO (including debit notes raised by Finance prior to the audit) had occurred or were still in progress in relation to 55 current and retired Parliamentarians to the value of \$40 844.

¹⁰⁸ There were also a number of other transactions where Finance was unable to provide ANAO with sufficient evidence that payments were within entitlement.

3.111 In addition to considering the imposition of interest, the department's Financial Procedures for Debt Management and Recovery require referral of long outstanding accounts to a legal adviser, and state that legal action should definitely be commenced on any debt which remains outstanding for more than 90 days.¹⁰⁹ There was no evidence made available of these actions being taken in respect to any of the long outstanding debts of current and former Parliamentarians, although some of these debts had been outstanding since 1996.

3.112 Finding: A key accountability tool in respect to a range of entitlements is the provision of certifications by Parliamentarians as to the eligibility and correctness of payments. Administrative arrangements can ensure a comprehensive framework is in place to minimise the occurrence of overpayments; reduce the likelihood of the department making payments beyond prescribed entitlements (that is without lawful authority); and facilitate the prompt identification of any overpayments which do occur. ANAO identified a number of instances in which the existing administrative arrangements had not operated effectively to prevent payments in excess of entitlement being made by Finance. Most of those instances involved payments being made directly to third party providers. Legal advice to Finance, including the Solicitor-General's legal opinion of 15 October 2000 in regard to the misuse of one Parliamentarian's telephone charge card, has highlighted issues relating to the legal capacity of the Commonwealth to recover from a Parliamentarian money paid in excess of their entitlement where the monies are paid directly to a third party on the Parliamentarian's behalf, rather than as a reimbursement to the Parliamentarian.

3.113 Finance's CEIs include departmental policies covering the recovery of debts owed to the Commonwealth. Finance officials involved in the recovery of debts to the Commonwealth are required by the CEIs to give due regard to the supporting Financial Procedures for Debt Management and Recovery issued by Finance's Chief Financial Officer. These Financial Procedures require each Business Group to have a comprehensive debt management strategy. However, as at May 2001, M&PS had yet to develop its debt management strategy.

¹⁰⁹ A similar requirement was included in the Operational Guidelines for the August 1998 CEIs that were applicable to the 1999–2000 year.

3.114 As at 8 June 2001, 95 current and former Parliamentarians had outstanding debts to Finance in relation to their entitlements, aggregating to \$67 661. This includes \$42 427 in recoveries from 61 current and former Parliamentarians identified by ANAO from a relatively small sample of entitlements transactions selected on a risk basis as part of the audit. Some debit notes were subsequently cancelled or reduced by Finance such that, as of 11 July 2001, recoveries relating to errors identified in the sample of transactions examined by ANAO (including debit notes raised by Finance prior to the audit) had occurred or were still in progress in relation to 55 current and retired Parliamentarians to the value of \$40 844.

Recommendation No.12

3.115 ANAO recommends that, to ensure debts owed to the Commonwealth are actively pursued in a timely fashion, Finance's Ministerial and Parliamentary Services Group develop and implement a comprehensive and effective debt management strategy given the materiality by nature of the payments involved.

Agencies responded to the recommendation as follows:

3.116 *Disagreed:* Finance.

3.117 Specific comments by Finance are set out below:

- Finance already has in place a robust and effective debt recovery system, balancing the sensitivities involved with the client group and commercial reality, noting also that the current debt is miniscule (less than 0.015 per cent of expenses in 1999–2000). The debt recovery strategy for M&PS follows the strategy outlined in Section 11 to the Financial Procedures Guide.

3.118 **ANAO comment:** For the reasons outlined above, ANAO considers that Finance should develop a comprehensive and effective debt management strategy tailored to Parliamentarians' entitlements, i.e. taking into account the sensitivities of the client group. Finance's Financial Procedures Guide (Section 11) requires each Business Group within Finance to have a comprehensive debt management strategy including debt management and credit policies and practices. M&PS did not have its own strategy at the time of audit fieldwork.

4 Travel Entitlements Administration

This chapter examines the administration of some of the more financially material travel entitlements provided to Parliamentarians, their spouses and dependents, and retired Parliamentarians.

Control framework

4.1 All Parliamentarians are entitled to travel within Australia at Commonwealth expense, both during their service in Parliament and after retirement.¹¹⁰ Spouses (or nominees) and dependent children of Parliamentarians also have entitlements to travel at Commonwealth expense. The total cost of 1999–2000 travel entitlements for current and former Parliamentarians, their spouses and dependents met by Finance was \$26.3 million.¹¹¹ Figure 4.1 summarises the expenditure characteristics of some of the more financially material travel entitlements in 1999–2000.

Figure 4.1

Analysis of use of Parliamentarians’ travel entitlements in 1999–2000

<i>Entitlement category</i>	<i>Total reported cost \$ million</i>	<i>Minimum cost^B \$</i>	<i>Average cost^B \$</i>	<i>Maximum cost \$</i>
Scheduled fares	7.13	2 006	31 991	85 038
Travelling allowance	3.92	1 340	17 497	47 512
Private-plated vehicle	3.80	753	16 946	40 061
Special Purpose Aircraft ^A	3.47	210	36 120	656 608
Official car transport	1.56	64	8 231	135 707
Spouse and dependent travel	1.32	228	6 774	40 935
Note: ^A Based on costs attributed and reported by Finance in relation to individual Parliamentarians, not the actual cost to the Department of Defence which, on average, is 82 per cent higher than the cost attributed by Finance. ^B Calculated on the basis of those Parliamentarians that used the entitlement. See further in Figure 4 in the summary.				

Source: ANAO analysis of Finance 1999–2000 end-of-year management reports and data from Defence

¹¹⁰ Retirement travel entitlements vary according to the period of Parliamentary service and the positions held during Parliamentary service.

¹¹¹ This figure is based on monthly management and end-of-year reports provided by Finance to Parliamentarians, adjusted by ANAO to correct under-reporting of the cost of Special Purpose Aircraft (SPA) flights taken by Parliamentarians. In many instances, Finance attributes the equivalent of a business class commercial airfare for SPA flights by Parliamentarians rather than the actual cost incurred by the Department of Defence. In other instances, such as Committee travel, there is no attribution of costs to individual Parliamentarians. The cost to Defence of 1999–2000 SPA flights totalled \$6.301 million. Finance’s monthly management and end-of-year reports included only \$3.468 million in SPA costs, a material difference of \$2.833 million.

4.2 Given the limited timeframe available, for the purposes of this audit ANAO undertook analytical review of financial data as well as examining in detail a small sample of Parliamentarians' 1999–2000 travel and related transactions. The sample selection process was a risk-based approach that involved examining controls and procedures in relation to some of the more financially material categories of travel expenditure.

4.3 There are limits on the nature of certain travel services that may be used by Parliamentarians, as well as limits on the amount of use or cost to the Commonwealth of particular travel entitlements. However, the most significant limit on Parliamentarians' travel at Commonwealth expense is that the travel must be for defined purposes, as follows:

- Senators and Members are permitted to travel at Commonwealth expense on *parliamentary, electorate or official business*¹¹² but not generally on party business;¹¹³ and
- in addition to the travel entitlements of all Senators and Members, Ministers are entitled to use a range of transport services at Commonwealth expense for *official Ministerial business*.

4.4 Finance's Senators' and Members' Entitlements handbook states that Parliamentarians are responsible for ensuring that any travel at Commonwealth expense is undertaken for permitted purposes. Unlike travel by officials, there is no independent approval process where an approver is required to ensure that travel expenditure is in accordance with the traveller's proposed itinerary, that the proposed form and class of travel is reasonable and that travel is in accordance with entitlements.

4.5 Finance's control framework for Parliamentary travel costs relies on various **voluntary** sign-offs and certifications from Parliamentarians, namely: completion of a Travel Declaration form, certification of the end-of-year management report and confirmation of payments that are to appear in the six-monthly tabling document of Parliamentarians' travel costs paid by Finance (see Chapter 3).

¹¹² For the purposes of travel entitlements, official business means: properly constituted meetings of a Government advisory committee or task force of which the Parliamentarian is a member; and functions representing a Minister or a Presiding Officer on official business.

¹¹³ Senators and Members are permitted to travel at Commonwealth expense on party business when this involves meetings of a Parliamentary political party or of its executive or its committees as well as the national conference of a political party of which he or she is a member.

Travel Declarations

Senators and Members: *'A Senator or Member is required to submit details on a Travel Declaration Form for each occasion on which he or she travels at Commonwealth expense. This applies to:*

- all occasions and any modes of travel when payment of travelling allowance is sought;
- whenever a private vehicle allowance is used; and
- *all other occasions on which commercial are transport, other scheduled services or charter transport is used, even if travelling allowance is not claimed in association with the travel.'*

Senators and Members Entitlements handbook, 1998, page 38.

Ministers: *'Travel Declaration forms should contain details of all travel undertaken by Ministers at official expense (whether or not travel allowance is being claimed).'*

Ministers of State Entitlements handbook, November 1999, page 26.

4.6 Travel Declaration forms enable Parliamentarians to declare all occasions on which travel was taken at Commonwealth expense, nominate the entitlement that was being exercised and certify that they have fulfilled all the requirements of the particular Remuneration Tribunal Determination clauses that were identified on the form. The forms also provide an effective means of capturing information pertinent to sound administration of Parliamentarians' travel (such as whether frequent flyer points were used), as well as providing a means for Parliamentarians to claim travelling allowance.¹¹⁴

4.7 The Travel Declaration form is an important internal control. However, despite the statements in Finance's handbooks (see above), there is no binding obligation on Parliamentarians to submit Travel Declarations for each occasion on which they travel at Commonwealth expense. This contrasts, for example, with the legal framework for the administration of the charter entitlement where Procedural Rules issued under the relevant Remuneration Tribunal Determination require Senators and Members to complete a Charter Certification Form as issued from time to time by M&PS whenever they use their charter entitlement.¹¹⁵ The system for administering Parliamentarians' travel would be improved by adopting a similar approach with Travel Declaration Forms.

4.8 Finance's procedures for the administration of Travel Declaration forms do not require any action to be taken when Travel Declarations

¹¹⁴ The relevant Determination requires a claim for travelling allowance to be submitted, but the form the claim must take has not been specified by the Tribunal.

¹¹⁵ These Procedural Rules were issued under clause 11.3 of Remuneration Tribunal Determination No.26 of 1998. This clause would also appear to enable Procedural Rules to be issued under which Senators and Members should complete Travel Declaration Forms whenever they travel at Commonwealth expense.

are not provided or when the forms appear to be incomplete or inaccurate. Travel Declarations were provided in all instances examined where travelling allowance was claimed, with travelling allowance only paid by Finance where such a form is provided. However, transaction sampling by ANAO identified that Travel Declaration forms were not submitted by Parliamentarians for 28 of the 57 sample transactions (49 per cent) where ANAO sought a copy of the Declaration from Finance. Finance does not follow-up with Parliamentarians instances where forms are not provided. Accordingly, the relevant entitlements being exercised for a particular instance of travel are not identified to Finance by the Parliamentarian and there is no certification that travel was in accordance with entitlements, unless and until the Parliamentarian elects to certify his or her end-of-year management report, which may not occur.

4.9 In addition to missing Travel Declarations, ANAO identified a number of instances where incomplete forms were submitted. In particular, certain Declarations did not outline all travel taken by the Parliamentarian at Commonwealth expense in the relevant period. ANAO recognises that travel undertaken by Parliamentarians but not declared may well be for parliamentary, electorate or official purposes and therefore within entitlement. Nevertheless, the omission of part of an itinerary of travel from the Travel Declaration form submitted for a particular period represents an anomaly that is inconsistent with the handbook distributed to Parliamentarians and, in a risk-based system of post-payment checks, could be expected to generate further investigation. However, as Finance does not reconcile travel paid with travel declared, such anomalies are not routinely followed-up.

4.10 ANAO considers that the efficacy of the existing Travel Declaration form as an accountability tool could be enhanced by replacing the existing generic coding system with a requirement for Parliamentarians to nominate the specific category of entitlement provided for under the Remuneration Tribunal Determination under which the travel was undertaken (for example, if it is for 'parliamentary business', specify that, or if it is for 'electorate business', specify that), together with a description of the eligible activity being undertaken.¹¹⁶ This would assist Parliamentarians to avoid inadvertently exceeding their entitlements under current arrangements, and provide an improved accountability trail to enhance Finance's capacity to undertake appropriate and effective post-payment checks to safeguard public money.

¹¹⁶ In this respect, information provided in respect of travelling allowance claims is more expansive than that provided for travel at Commonwealth expense when no travelling allowance is claimed.

Payment controls

4.11 While self-regulation and certification by Parliamentarians is an important assurance control, in a risk management context there should also be adequate pre- and post-payment checks and balances undertaken independently by Finance. In this context, Finance advised ANAO of a number of its pre- and post-payments checks. However, as outlined in Figure 4.2, ANAO found that some of the more significant checks identified by Finance were either not in place or were not operating effectively during 1999–2000.

Figure 4.2

Finance's Internal Controls for Parliamentarians' Travel

<i>Control advised by Finance</i>	<i>ANAO analysis</i>
<p>Pre-payment checks</p> <ul style="list-style-type: none"> • Validate and trip count (where applicable) where travel by spouses, dependents and other limited travellers is involved. • Ensure correct entitlement code is attributed for the relevant travel. 	<p>Monitoring of trips against limits is inconsistent. ANAO analysis of a sample of transactions identified instances of limits being exceeded for spouses and retired Parliamentarians. Finance investigated these apparent breaches and subsequently initiated recovery action for some transactions.</p> <p>Procedures are not in place to ensure trips are recorded against the correct entitlement. ANAO identified instances where trips were recorded against incorrect entitlements or where there was no entitlement to the trip. Some recovery action has subsequently been taken by Finance.</p>
<p>Post-payment checks</p> <ul style="list-style-type: none"> • Trip counts are reported in the monthly management and end-of-year reports. Trip counts on the reports are checked and, where travel has been identified as exceeding trip limits, adjustments are made or recovery action taken. • Program of internal audits by Finance's Internal Audit Unit. 	<p>Effective procedures are not in place to: accurately report against limits; check trip counts on the reports; inform Parliamentarians when their spouses and/or children have reached the limit of their entitlements; prevent further travel at Commonwealth expense; and make appropriate adjustments or take recovery action. Similarly for retired Parliamentarians, procedures did not prevent Parliamentarians exceeding their trip limits. Some recovery action has been commenced by Finance as a result of ANAO's inquires.</p> <p>No audits undertaken in relation to 1999–2000 travel transactions. One audit of overseas travel was undertaken in August 1999, but this related to data from the 1998–99 year.</p>

Source: Finance advice and ANAO analysis

4.12 In addition to those payment checks advised by Finance, data matching¹¹⁷ is now used in a number of areas of public administration including the administration of taxation revenue collection and payment of social welfare benefits.¹¹⁸ In these areas, data matching has been found to be a cost-effective compliance and control technique for validating voluntary compliance, ensuring consistency of data and identifying possible non-compliance for further investigation.

4.13 At present, only limited data matching is undertaken by Finance and there is an absence of information sharing between agencies for the purpose of administering entitlements.¹¹⁹ Information relevant to the administration of Parliamentarians' travel entitlements is held by Finance in a number of different electronic systems as well as in paper form. Relevant data is also held by agencies other than Finance. For example, home departments hold details of certain Ministerial travel expenditure and Ministers are required to advise the Department of Prime Minister and Cabinet when they are on leave from Ministerial business¹²⁰ but in neither case is this information provided to Finance. In addition, the Department of Defence holds details concerning use of SPA.

¹¹⁷ Data matching involves the comparison of information from different sources or systems (or parts of the same system).

¹¹⁸ There are similarities in the administration of these programs and the administration of Parliamentarians' entitlements including the need to ensure that benefits are provided only to those with a valid entitlement and that payments are consistent with any limits or conditions on the entitlement.

¹¹⁹ ANAO identified instances where car transport costs paid by home departments did not reconcile with travel itineraries paid by Finance. ANAO also noted an instance where a Minister incurred significant air charter costs through the home department when the costs should have been paid by Finance and, as a result, these costs were not included in the travel expenditure reported in the six monthly report tabled in Parliament.

¹²⁰ The *Ministers of State—Entitlements* handbook (November 1999 version, page 59) states that, when a Minister is on leave, all costs, including fares and accommodation, incurred by a Minister and his or her family are to be met personally. However, in July 2001, Finance advised ANAO that the handbook statement is incorrect as the family of a Minister on leave remains entitled to travel and that the Minister may also travel under backbench entitlements.

4.14 In this context, ANAO considers that the adoption of systematic data matching techniques by Finance would:

- assist Finance to improve the accuracy and consistency of information it provides to Parliamentarians in monthly management reports and end-of-year management reports. The audit identified a number of deficiencies in this data including the provision of inaccurate information for certification by Parliamentarians;
- permit Finance to maintain a consolidated, itinerary based record of Parliamentarians' travel as such records are necessary for the administration of certain entitlements;¹²¹ and
- enable instances of possible inadvertent overpayment or non-compliance to be identified for further investigation.

4.15 The introduction of data matching has resulted in improved procedures undertaken by Finance to monitor the eligibility of travelling allowance claims. ANAO considers there is scope for the expanded use of such techniques in the management of Parliamentarians' entitlements. In July 2001, Finance commented to ANAO that data matching is already in use and advised that system enhancements are planned. Finance further advised that higher priority requirements have precluded the introduction of automatic data matching so far.

4.16 Finding: The control framework for Parliamentarians' travel entitlements relies on various voluntary sign-offs and certifications from Parliamentarians. For example, Travel Declaration forms are an important internal control but there is no legal obligation on Parliamentarians to provide Travel Declarations for each occasion on which they travel at Commonwealth expense. Travel Declarations were provided in all instances examined where Travel Allowance was claimed as Travelling Allowance is only paid by Finance where such a form is provided. However, Travel Declaration forms were not submitted by Parliamentarians for 49 per cent of the travel transactions sampled by ANAO, with some of the declarations provided being incomplete. Finance does not follow-up with Parliamentarians instances where forms are not provided. Accordingly, the relevant entitlements being exercised for a particular instance of travel are not identified to Finance by the Parliamentarian and there is no certification that travel was in accordance with entitlements, unless and until the Parliamentarian elects to certify his or her end-of-year management report, which may not occur.

¹²¹ For example, from May 2000, spouse or dependent children travel must be to accompany or join the Senator or Member. A similar requirement has existed for some years in relation to retirement travel by the spouses of Life Gold Pass holders.

4.17 While self-regulation and certification by Parliamentarians is an important assurance control, in a risk management context it is important that there be adequate pre- and post-payment checks and balances undertaken independently by Finance. Finance advised ANAO of a number of checks it employs. However, some of the more significant checks identified by Finance were either not in place or were not operating effectively during 1999–2000. In addition to the checks identified by Finance, good practice would suggest the adoption of systematic data matching techniques by Finance. In other areas of public administration, data matching has been found to be a cost-effective compliance and control technique. The introduction of data matching has resulted in improved procedures undertaken by Finance to monitor the eligibility of travelling allowance claims. ANAO considers there is scope for the expanded use of such techniques in the management of Parliamentarians' entitlements.

Recommendation No.13

4.18 ANAO recommends that Finance strengthen the control framework for the administration of Parliamentarians' travel entitlements by:

- (a) seeking to enhance the legal basis for, and thereby compliance with, the statement in the Senators and Members handbook that Parliamentarians are required to certify that travel, for which costs have been met by the Commonwealth, was undertaken within entitlement;
- (b) ensuring nominated payment control checks are operating;
- (c) introducing risk-based payment procedures that provide reasonable assurance that travel expenditure is in accordance with the traveller's proposed itinerary and that travel is in accordance with actual entitlements; and
- (d) where cost-effective, adopting systematic data matching techniques to ensure accurate and consistent data is provided to Parliamentarians for certification and identify possible non-compliance for further inquiry.

Agencies responded to the recommendation as follows:

4.19 **Disagreed:** Finance.

4.20 Specific comments by Finance are set out below:

- The existing control mechanisms are already being applied and are effective. In a total of 86 000 transactions examined by the ANAO the audit has revealed less than 0.05 per cent of errors. Finance cannot enforce provision of travel declarations without change in the legislative framework.

4.21 ANAO comment: Existing controls over Parliamentarians' travel entitlements are, on the whole, in need of strengthening for greater effectiveness. In respect of travel entitlements, ANAO audit sampling was of 616 travel-related items which revealed an error rate of 29 per cent, comprising 13 per cent of items examined being outside entitlement and 16 per cent of items where Finance provided insufficient information for ANAO to conclude the expenditure was either within or outside entitlement. Further evidence of the deficiencies in control framework of travel entitlements is that ANAO's analysis of a relatively small sample of travel transactions resulted in financial recoveries from 54 current and former Parliamentarians, to an aggregate amount of \$28 575.

Travelling allowance

4.22 Sitting Parliamentarians are entitled, in eligible circumstances, to receipt of travelling allowance for overnight stays away from their nominated home base. To receive travelling allowance, the overnight stay must be for a prescribed purpose such as sittings of Parliament or official business as a Minister or office holder. The total cost of 1999–2000 travelling allowances paid to Parliamentarians by Finance was \$3.92 million. In 1999–2000, all Parliamentarians were paid travelling allowance receiving, on average, \$17 497 (see Figure 4.3).

Figure 4.3

Analysis of travelling allowance payments in 1999–2000

<i>Payments Range</i> \$	<i>Number of Members</i>
>40 000	1
30 000 to 39 999	11
20 000 to 29 999	54
10 000 to 19 999	138
0 to 9 999	20

Source: ANAO analysis of Finance 1999–2000 end-of-year management reports

4.23 The administration of Parliamentarians' travelling allowance has received considerable attention in recent years. As a consequence, there has been improvement in the procedures undertaken by Finance to monitor the eligibility of travelling allowance claims. A significant improvement has been the expanded use of data matching of overnight stays claimed with other information held by Finance, including any corresponding airfare; private vehicle allowance or COMCAR, taxi or hire car usage; and with Hansard records of Parliament. If the overnight stay is not verifiable through this process or anomalies are identified, more information is sought from the Parliamentarian concerned. Finance advised ANAO that it does not pay travelling allowance claims unless it has been able to obtain third party verification that the Parliamentarian was at the location claimed in the Travel Declaration form on the relevant date.

4.24 Verification of the overnight stay is an important element in establishing that an entitlement exists for a particular travelling allowance claim. However, there are also other elements which must also be established for a valid claim under the Remuneration Tribunal Determination. The overnight stay must be for a purpose provided for under the Determination and, for payments at the commercial rate, evidence of commercial accommodation must be available.

4.25 Included in ANAO's transaction sample were 37 travel allowance claims, nine for Canberra stays and the other 28 for overnight stays in places other than Canberra. In the course of ANAO's 1997-98 Audit of Ministerial Travel Claims, ANAO noted that reliance was placed on Parliamentarians to certify as to the correctness of travelling allowance claims within the terms of the entitlement with no compensating checks or controls in respect of these certifications. In response, Finance advised ANAO that the M&PS system for processing ministerial travel claims was to be extended to include a check on the purpose of travel.¹²² However, other than to refer ANAO to the purpose clause stated in the relevant declaration provided by the Parliamentarians involved, Finance did not identify any compensating checks or controls it has undertaken in respect of these certifications for any of the 28 non-Canberra travelling allowance claims in ANAO's sample (76 per cent of all travelling allowance claims sampled by ANAO).

¹²² Audit Report No.23 1997-98, *Ministerial Travel Claims*, p. 33.

Travelling allowance rates

4.26 Remuneration Tribunal Determination 1998/8 provides that a flat rate of \$145 per night was payable to Senators, Members and Ministers for overnight stays in Canberra upon validation of arrival and departure times to and from Canberra in the form of documentary evidence in accordance with guidelines issued by the Special Minister of State.¹²³ For stays overnight in locations other than Canberra, two rates of travelling allowance are available for Senators, Members and Ministers: a commercial rate and a lower, non-commercial rate.¹²⁴ In order to be paid the commercial rate, a receipt for the accommodation must be produced or a certification made by the Parliamentarian that a receipt can be produced if requested. When neither action occurs, a rate equivalent to one-third of the commercial rate is payable for each overnight stay.¹²⁵

4.27 The commercial rate of travelling allowance was claimed and paid by Finance in relation to all of the 28 non-Canberra travelling allowance claims sampled by ANAO. On two occasions, the claimant voluntarily attached a receipt to evidence that commercial accommodation was used. On the remaining 26 occasions (93 per cent), the Parliamentarian certified that evidence of stay in commercial accommodation was available on request.

4.28 Finance advised ANAO in May 2001 that it undertakes a check on approximately 40 per cent of claims to verify that the certifications received from Parliamentarians have supporting receipts. Finance also advised ANAO that it calls for supporting documentation at any time if there were legitimate reasons to question the signed declaration from the Parliamentarian. However, in none of the 26 instances in ANAO's sample where receipts were not voluntarily provided did Finance seek such evidence from the claimant.

¹²³ Senators and Members from the Australian Capital Territory and the Member for Eden-Monaro (as he is a Member representing an electorate adjacent to the ACT and his principal residence is within a 30 kilometre radius of Parliament House) receive instead a daily expense allowance of \$50 for each day he or she attends sittings of the relevant House of Parliament. The allowance is also paid for attendance at a meeting in Canberra of the Parliamentarians' Parliamentary political party, its executive or one of its committees or a meeting of a Parliamentary committee of which he or she is a member.

¹²⁴ The current travelling allowance rates for Senators and Members for overnight stays other than in capital cities is \$170 for commercial accommodation and \$57 for non-commercial accommodation. The rates for Ministers are slightly higher, \$175 and \$59 respectively. The travelling allowance rates for capital cities vary among the States and Territories and the rates payable for non-commercial accommodation are one third of the rate payable for commercial accommodation in the particular capital city. For example, the commercial rates for Sydney are \$285 per night for Senators and Members and \$350 for Ministers, while the non-commercial rates are \$95 and \$117 respectively.

¹²⁵ The Ministers of State Entitlements handbook states that the lower rate is also payable where accommodation is provided in private, non-commercial accommodation such as the home of a family member or friend.

4.29 Finding: The administration of Parliamentarians' travelling allowance has received considerable attention in recent years. As a consequence, there has been improvement in the procedures undertaken to monitor the eligibility of travelling allowance claims. However, Finance continues to rely on self-certification from Parliamentarians as to the correctness of travelling allowance claims within the terms of the entitlement with few compensating checks or controls in respect of these certifications. This is particularly the case in relation to the purpose of the travel and the rate of travelling allowance claimed.

4.30 Finance advised ANAO in May 2001 that it undertakes a check on approximately 40 per cent of claims to verify that the certifications received from Parliamentarians have supporting receipts. However, in none of the 26 instances in ANAO's sample where receipts were not voluntarily provided did Finance seek such evidence from the claimant.

Recommendation No.14

4.31 ANAO recommends that Finance complement existing self-certification arrangements for the administration of Parliamentarians' travelling allowance claims with a structured system of checks and controls concerning the purpose of travel and the rate of travelling allowance payable.

Agencies responded to the recommendation as follows:

4.32 Disagreed: Finance.

4.33 Specific comments by Finance are set out below:

- Finance takes reasonable steps to ensure usage is within entitlement. In respect of the rate of travel allowance, a structured system of checks and controls is already in place and includes:
 - the seeking of receipts from Parliamentarians particularly where overnight stays cannot be confirmed from other documentation; and
 - the Remuneration Tribunal requirements to maintain receipts and provide them on request allow Finance to follow up compliance in other ways, e.g. through an internal audit.

4.34 ANAO comment: The checks and controls in place in relation to confirming the purpose of travel and the rate of travelling allowance payable are in need of improvement for greater effectiveness. As noted above, in none of the 26 instances in ANAO's sample where receipts were not voluntarily provided did Finance seek such evidence from the claimant. Finance notes that it is able to follow-up compliance with the requirement to maintain receipts through internal audits. ANAO was not provided with documentary evidence of such audits having been undertaken. Furthermore, Finance disagreed with Recommendation No.10, which recommended that Finance develop and implement a risk-based program of periodic audits of payments in relation to Parliamentarians' entitlements, which would greatly assist in this respect.

Charter travel

4.35 The charter entitlement enables Members representing electorates of 10 000 square kilometres or more in size, and all Senators except those from the Australian Capital Territory, to use charter transport travel within their electorate for electorate business purposes.¹²⁶ Charter transport includes aircraft, self-drive hire cars, taxis or chauffeur driven cars, and boats. It does not extend to the use of taxis or hire cars in the metropolitan areas of capital cities. During 1999–2000, there were 35 Members and 74 Senators with a charter entitlement (109 Parliamentarians). In that year, 84 Parliamentarians incurred expenditure under their charter entitlement, at an aggregate cost of just over \$900 000.¹²⁷

4.36 In 1999–2000, there were three levels of charter entitlement for Senators and five for Members, based on the size of the State/Territory or electorate they represent (see Figure 4.4). In September 2000, the Remuneration Tribunal completed a review of charter entitlement arrangements. As a result of its findings, the Tribunal announced that it would: increase the annual limit for Members with electorates of 300 000 square kilometres or more to \$72 250 with effect from 1 July 2000; extend the period for expending entitlements carried over from one year to the next from three to 12 months; and permit Parliamentarians to aggregate the charter transport entitlement with their communications allowance for electorates of 300 000 or more square kilometres.

¹²⁶ For 1999–2000, the charter entitlement was governed by the provisions of Determination 1998/26, as amended by Determination 2000/02 with effect from 1 January 2000.

¹²⁷ In addition to the charter entitlement of certain Senators and Members, Ministers and other office holders may use charter transport in connection with their official duties. The cost to Finance of 1999–2000 Ministerial and office holder charters was \$713 000.

Figure 4.4**Electorate charter limits: 1999–2000**

<i>Senators</i>	<i>Entitlement Limit</i>	<i>Members</i>
Northern Territory	\$52 912	Electorate of 300 000 or more square kilometres
	\$33 787	Electorate of 125 000 or more, but less than 300 000 square kilometres
	\$28 824	Electorate of 100 000 or more, but less than 125 000 square kilometres
Queensland and Western Australia	\$21 305	
	\$18 723	Electorate of 25 000 or more, but less than 100 000 square kilometres
New South Wales, Victoria, South Australia and Tasmania	\$11 931	
	\$9 175	Electorate of 10 000 or more, but less than 25 000 square kilometres

Source: Advice provided to Parliamentarians in May 2000

4.37 The 1999–2000 charter entitlement limits were subject to the following possible adjustments. First, Senators and Members with a charter entitlement were permitted to carry forward up to 20 per cent of their unused 1998–99 charter entitlement to 1999–2000, provided the amount carried forward was spent within the first three months of 1999–2000. Second, either the charter entitlement or the electorate allowance was to be reduced where Parliamentarians were provided with a private plated non-standard motor vehicle.¹²⁸

4.38 Finance advises Parliamentarians of their charter budget for each year, but does not have procedures in place to advise Parliamentarians of any adjustments that need to be made to their charter budgets during the year. This is despite procedural instructions stating that this advice should be provided.¹²⁹ Finance also does not report the entitlement limit

¹²⁸ The Remuneration Tribunal Determinations permit all Senators or Members to be provided with a private plated non-standard motor vehicle, such as a four wheel drive vehicle. In addition to the entitlement of all Senators and Members to a private plated non-standard motor vehicle, Members from the six largest electorates and Senators representing the Northern Territory may at their request be provided with a second vehicle, being a private plated four wheel drive vehicle. In this report, both entitlements are referred to as non-standard motor vehicles.

¹²⁹ For example, ANAO noted two examples where Parliamentarians were not informed of a reduction to their budget after they had been provided with a non-standard motor vehicle. ANAO considers such adjustments should be made at the start of the year or when the vehicle is provided and advised to the Parliamentarian so that he or she can properly manage expenditure against the adjusted entitlement.

in the monthly management reports.¹³⁰ ANAO considers that including the relevant limit (if any) in each Parliamentarian's monthly management reports would provide an efficient mechanism for Finance to advise of any changes to charter limits, as well as assist Parliamentarians to adhere to their charter limit. In July 2001, Finance advised ANAO that the inclusion of charter budgets in monthly management reports is being addressed on a priority basis along with other system enhancements.

4.39 Finance's monitoring procedures do not prevent expenditure in excess of entitlements, or promptly identify overpayments. In this respect, from a sample of 23 Parliamentarians, ANAO identified two Parliamentarians in respect of whom Finance made payments that exceeded their 1999–2000 charter entitlement, on average by over 11 per cent.¹³¹ As a result of ANAO's inquiries, Finance raised debit notes to recover a total of \$8 369 from these two Parliamentarians.

4.40 The 1999–2000 overpayments followed two instances of overpayments in 1998–99. Each of the 1998–99 overpayments was addressed differently by Finance in respect of entitlements for 1999–2000, as follows:

- a Member who had incurred charter expenditure in 1998–99 in excess of his annual entitlement was permitted to record the excess expenditure on 1998–99 charters against his entitlement for 1999–2000. The basis for this approach was internal Finance legal advice in December 1999 that there is no legal impediment to a Senator or Member claiming reimbursement under the determination in one financial year, for charter travel undertaken in the previous year.¹³² ANAO notes, however, that the entitlement is not administered on a reimbursement basis; instead, Finance makes payments direct to the

¹³⁰ The monthly management reports for July, August and September 1999 included the charter limit and expenditure against the limit. However, from October 1999 onwards neither the monthly management reports nor the end-of-year report included a comparison of expenditure against the relevant Parliamentarian's charter limit. Finance advised ANAO in July 2001 that these problems are being addressed and that new reporting will include charter limits.

¹³¹ ANAO's analysis was based on comparing the cost of charter usage as presented in the end-of-year reports provided to Parliamentarians to the charter limit for relevant Parliamentarians. This analysis initially identified four Parliamentarians who had exceeded their entitlement. However, discussions with Finance revealed that the end-of-year reports do not always accurately reflect the actual cost of charter usage in a given year because the monthly management reports may not include all charter transactions, and adjustments may be made after the end-of-year report is issued. This reduces the utility of the end-of-year reports to Parliamentarians as a means to monitor and manage use of the charter entitlement, as well as diminishing the utility of the certification provided by Parliamentarians on the basis of the costs reflected in the end-of-year reports.

¹³² Finance did not correctly record the 1998–99 charters in the 1999–2000 monthly reports such that, at the end of year, charter expenditure for this Member was understated by 16 per cent (although it was still within entitlement).

third party charter providers on the provision of invoices by the Parliamentarian. On this basis, there appears to be a need for greater clarity as to whether the annual entitlement limit set out in the Remuneration Tribunal Determination should be managed as representing the amount of expenditure a Parliamentarian is entitled to incur at Commonwealth expense in a given financial year (which equates to an accrual method), or the amount of cash payments actually made by Finance to a third party charter provider on a Parliamentarian's behalf in a given financial year, regardless of when the cost was incurred (which equates to a cash method); and

- in another instance, Finance had advised the Member of an incorrect charter entitlement for 1998–99, having failed to account for a reduction in the size of the electorate following the 1998 election which led to a reduced charter entitlement. The Member subsequently incurred charter expenditure in 1998–99 that was in excess of their actual entitlement for that year. Finance concluded that it was reasonable for the Member to rely on advice from Finance that the Member was within entitlement and Finance neither recovered the overpayment from the Member or recorded the excess expenditure against the Member's 1999–2000 entitlement.

4.41 Finding: Each eligible Senator or Member has a monetary limit placed on their use of charter transport in each year. Finance advises Parliamentarians of their charter budget for each year, but does not have procedures in place to advise Parliamentarians of any adjustments that need to be made to their charter budgets during the year. Finance also does not report the entitlement limit in the monthly management reports. ANAO considers that including the relevant limit (if any) in each Parliamentarian's monthly management report would provide a mechanism for Finance to advise of any changes to charter limits, as well as assist to Parliamentarians to adhere to their charter limit. In July 2001, Finance advised ANAO that the inclusion of charter budgets in monthly management reports is being addressed on a priority basis along with other system enhancements.

4.42 ANAO identified two Parliamentarians in respect of whom Finance made payments that exceeded their 1999–2000 charter entitlement, on average by over 11 per cent. As a result of ANAO's inquiries, Finance raised debit notes to recover a total of \$8 369 from these two Parliamentarians. The 1999–2000 overpayments followed two instances of overpayments in 1998–99. Each of the 1998–99 overpayments was addressed differently by Finance in respect of entitlements for 1999–2000, indicating the need for Finance to clarify the framework governing the charter entitlement.

Recommendation No.15

4.43 ANAO recommends that Finance review all administrative procedures for managing the charter entitlement to ensure that accurate and timely advice is provided to Parliamentarians on their entitlement, and the specified limits on the cost of charter transport in each year, as outlined in the Remuneration Tribunal Determinations, are adhered to.

Agencies responded to the recommendation as follows:

4.44 **Disagreed:** Finance.

4.45 Specific comments by Finance are set out below:

- Finance continuously reviews its procedures for the administration and reporting of entitlements. Arrangements initiated late in 2000 are in place to improve the reporting of usage against budgets. In the interim appropriate arrangements are in place to monitor usage and advise Parliamentarians appropriately.

4.46 **ANAO comment:** The measures in place during 1999–2000 to administer the electorate charter entitlement were not completely effective. In particular, Finance’s procedures did not prevent expenditure being incurred in excess of entitlements, or promptly identify overpayments. For example, from a sample of 23 charter entitlees, ANAO identified two Parliamentarians in respect of whom Finance had made payments that exceeded their 1999–2000 charter entitlement.¹³³ No recovery action was initiated until ANAO drew Finance’s attention to these issues.

¹³³ ANAO also identified a further two Parliamentarians whose end-of-year reports indicated that they had breached their charter entitlement. However, subsequent investigations revealed that the end-of-year reports were inaccurate and incomplete in relation to charter costs for these two Parliamentarians. Finance did not advise the Parliamentarians of these errors in order that they might be taken into account prior to the Parliamentarians certifying their end-of-year report.

Spouse and dependent travel

4.47 To compensate for the extensive and regular periods which Parliamentarians spend away from home, and to lessen the continual disruption to family life, spouses (or another person nominated by the Parliamentarian) and dependent children of Parliamentarians have entitlements to travel at Commonwealth expense. The cost of spouse and dependent travel is not publicly reported because the six-monthly reporting of Parliamentarians' travel costs excludes the cost of spouse and dependent travel. In aggregate, the costs of 1999–2000 spouse travel paid by Finance was \$1.16 million, with dependent travel costing \$157 000. In 1999–2000, most Parliamentarians accessed their spouse and dependent travel entitlements, with the average cost per Parliamentarian that assessed their entitlements being \$6 774 (see Figure 4.5).

Figure 4.5

Analysis of use of spouse and dependent travel entitlements in 1999–2000

<i>Payments Range</i> \$	<i>Number of Parliamentarians</i>
>40 000	1
30 000 to 39 999	0
20 000 to 29 999	9
10 000 to 19 999	27
0 to 9 999	187

Source: ANAO analysis of Finance 1999–2000 end-of-year management reports

4.48 Figure 4.6 outlines the more significant spouse and dependent children travel entitlements as well as the limits on these entitlements. In addition, spouses of Senators and Members are entitled to travel at Commonwealth expense to official functions to which they have been invited. Spouses may also choose to convert one or more of their limited Canberra visits and/or limited interstate visits to intrastate visits on a one-for-one basis. It is also possible to pool the cost of spouse and dependent travel entitlements to Canberra.

Figure 4.6

Spouse/nominee and dependent travel entitlements 1999–2000

	<i>Base entitlement for all Senators and Members^A</i>	<i>Additional entitlement for Ministers</i>
A. Spouse trips to Canberra	Maximum of nine return visits per annum to Canberra or from Canberra to the Senator's or Member's electorate or from the spouse's principal place of residence to the Senator's or Member's electorate.	Travel in Australia for official purposes. ^B
B. Spouse interstate trips	Three return interstate visits per annum.	Travel in Australia for official purposes. ^B
C. Dependent travel	Maximum of three return visits from school or home to Canberra per annum for each dependent child.	Cost of travel for three return visits between Canberra and the electorate each year. With the prior approval of the Special Minister of State: <ul style="list-style-type: none"> • one return visit to any place within Australia each year; • travel to and from any parliamentary function in Canberra attended by the Minister or spouse; and • travel between the nominated principal place of residence and Canberra when the Minister and spouse are in Canberra for lengthy periods.
<p>Note:</p> <p>^A With effect from 1 May 2000, Remuneration Tribunal Determination 2000/02 has strengthened the linkage between a Senator's or Member's travel and that of their spouse or dependent by requiring the spouse or dependent travel to be either accompanying or joining the Senator or Member.</p> <p>^B There is no requirement that the spouse be accompanying or joining the Minister or that the spouse have been invited to attend the official function.</p>		

Source: ANAO analysis

4.49 Despite the range and complex nature of spouse and dependent travel entitlements, there is no requirement for Parliamentarians to identify the entitlement that is being used for a particular instance of travel. Instead, based on available information, Finance allocates travel against an entitlement and relies on Parliamentarians to correct monthly management reports if Finance's presumption is incorrect. However, ANAO's analysis of monthly management reports and end-of-year reports found that they do not consistently and accurately report on spouse and dependent travel entitlements. For example, ANAO identified:

- instances where actual usage against specified entitlement limits was not reported by Finance to Parliamentarians. Even where entitlements do not appear to have been accessed in a given year, ANAO considers Finance should report that as nil usage against the specified limit as this gives Parliamentarians an opportunity to certify that no use occurred, or to correct the record if the entitlement has, in fact, been accessed. Such an approach would also identify to each Parliamentarian what entitlements are available to their spouse and dependents throughout the year;
- inaccurate reporting of limits. For example, Finance advised ANAO that 11 Parliamentarians had elected to pool their spouse and dependent children entitlements to travel to Canberra in 1999–2000. Under the Remuneration Tribunal Determinations, when this option is taken, the applicable entitlement limit for travel to Canberra becomes an aggregate monetary limit on total spouse and dependent travel rather than the number of trips that may be taken by each family member. However, in no instance did the Parliamentarian’s monthly management reports or end-of-year report outline the financial limit on the cost of pooled travel for their spouse and dependents;¹³⁴
- incomplete reporting of travel at Commonwealth expense. For example, spouses are permitted to travel on SPA on a journey that they would otherwise be entitled to make, subject to that journey counting as a journey for the purposes of calculating the spouse’s use of their limited travel entitlements. However, ANAO’s analysis identified instances where spouse travel on SPA was not included in the relevant Parliamentarian’s monthly management reports and, as a result, was not taken into account when calculating spouse travel against limits; and
- breaches of spouse and dependent travel limits were reported in the end-of-year report to 35 Parliamentarians, but Finance did not seek any repayment or other advice from those Parliamentarians at the time it sent out the end-of-year reports.¹³⁵

¹³⁴ Finance also did not provide ANAO with any other documentation where relevant Parliamentarians had been advised of the financial limit on pooled travel.

¹³⁵ For example, the end-of-year report for one Parliamentarian stated that his spouse had taken 12.5 trips under her entitlement to nine Canberra trips (that is, 3.5 trips over the limit) and one trip under her entitlement to three interstate trips. Finance advised ANAO in May 2001 that its records show that the spouse used 10 Canberra trips and two interstate trips and that one of the interstate trips was offset against the Canberra entitlement. However, the relevant Determination did not permit conversion between the separate entitlements to nine Canberra trips and three interstate trips.

4.50 In March 2001, ANAO advised Finance that the end-of-year reports indicated that there had been breaches of a total of 38 entitlement limits by the spouses and/or dependents of 35 Parliamentarians.¹³⁶ In response to ANAO's inquiries, Finance investigated these apparent breaches. For all but six of the 38 reported breaches, Finance advised ANAO that the end-of-year report provided to the Parliamentarian by it was incorrect as it did not accurately reflect the trips taken or did not reflect those occasions when entitlements had been converted or pooled. Despite the inaccuracies detected in these end-of-year reports provided to Parliamentarians for certification, Finance's procedures do not require an amended end-of-year report to be issued. This means that Parliamentarians are asked to certify reports that are known to be inaccurate.

4.51 Following queries being raised with Finance by ANAO, recovery action has been taken against nine Parliamentarians for a total of \$4 737 for spouse and dependent travel above the prescribed trip limits.¹³⁷ In addition, ANAO noted a further eight Parliamentarians where Finance advised ANAO that trip limits had not been exceeded because interstate trips were offset against the Canberra trip entitlement (and vice-versa). Finance further advised ANAO that this approach has been a long-standing convention. However, ANAO's legal advice is that the relevant Determination does not permit this to be done. In this context, applying such an interpretation to the entitlement would require Finance to recover \$7 592 from these eight Parliamentarians.

Identifying the correct entitlement

4.52 ANAO recognises that, in many circumstances, it will be clear which category of entitlement applies to a particular journey. However, in the absence of any formal election by Parliamentarians or their spouses to categorise or convert travel under a particular category of entitlement, the potential exists for Finance to incorrectly allocate trips against entitlements and for entitlements to be breached or payments to be made where there is no entitlement.¹³⁸ This is particularly the case for spouses and dependents of Ministers, who have additional entitlements to those of spouses and dependents of other Parliamentarians. In this context, Finance advised ANAO that:

¹³⁶ More than one breach was reported for three Parliamentarians.

¹³⁷ In addition to breaches of trip limits, this amount includes intrastate travel by the dependent of one Parliamentarian to the value of \$582, for which there is no entitlement.

¹³⁸ For example, Finance had incorrectly categorised, and reported to the Parliamentarian, the instance of out-of-entitlement intrastate travel referred to in footnote 138 as having been taken under the dependent's entitlement to travel between school or home and Canberra.

Finance historically operated on the understanding that the Senators and Members entitlements were subsumed by Ministerial entitlements once a backbencher was appointed to the Ministry. In recent years a view developed that the entitlements were concurrent. Following advice, it became apparent to Finance that the Senators and Members entitlement was not waived or subsumed once a Parliamentarian became a Minister. This necessitated changes in the administration of the entitlement, to either an 'option' based system, or a 'default' based system, on which entitlement usage was to be recorded.

Following discussions with a range of Ministers, it was decided that the default position should be used to record usage against the Ministerial entitlement. This meant that, unless Finance was otherwise advised by the Minister that the Senator or Members entitlement was to apply, it would default to the Ministerial entitlement. This aligned closely with the previous practice where all travel was recorded against entitlements under the Parliamentary Entitlements Act 1990. The alternative of making the default position as the Senators or Members entitlement was both administratively complex and unnecessarily burdensome on Ministers.

4.53 ANAO considers that Finance's procedure of recording all Ministerial spouse travel as being under the uncapped entitlement to travel for official purposes, unless advised otherwise, does not provide a sound basis for administering what are legally distinct and separate spouse travel entitlements. In particular, there are insufficient controls to prevent spouses of Ministers exceeding the limit of nine trips to Canberra per annum or the three interstate trip limit, when not travelling for official purposes given the absence of a positive declaration of the purpose of the trip.

4.54 ANAO also noted that the procedure identified by Finance was not consistently applied in 1999–2000. In this respect, ANAO found that:

- Finance's monthly management reports recorded all travel undertaken in 1999–2000 by the spouses of a number of Ministers as being for official purposes. ANAO's transaction sample included a number of spouse travel transactions that were coded by Finance as being for official business, but in none of those instances was Finance able to provide ANAO with any information on or indication about what official business was involved¹³⁹; and

¹³⁹ In two instances, spouse travel was recorded by Finance against the entitlement to travel on official business but associated dependent travel was recorded by Finance as being for a 'holiday trip'.

- ANAO matching of data held by Finance with that held by Ministers' home departments revealed instances of incorrect recording against entitlements by Finance. This included occasions when home departments advised ANAO that Ministers' spouses were on official business but Finance recorded travel against the limited entitlement to travel as a spouse of a Senator or Member. There were also instances of Finance recording travel by a Minister's spouse as being for official purposes when, according to home department records, it was not.¹⁴⁰

4.55 While appreciating the administrative simplicity of Finance's current entitlements allocation procedures, ANAO considers the integrity of the system for spouse and dependent travel would be enhanced if a travel declaration similar to that sought from Parliamentarians was required for all occasions on which spouses and dependents travel at Commonwealth expense. An appropriate form of declaration would: enable spouses and/or Parliamentarians (on behalf of spouses and their dependent children) to identify all instances of travel at Commonwealth expense; declare the purpose of the travel (where relevant) and identify the entitlement being exercised; provide a means for evidencing conversion and pooling elections; and enable Finance to obtain a certification from the traveller that travel was in accordance with entitlements.

4.56 Finding: To compensate for the extensive and regular periods which Parliamentarians spend away from home, and to lessen the continual disruption to family life, spouses (or another person nominated by the Parliamentarian) and dependent children of Parliamentarians have entitlements to travel at Commonwealth expense. In 1999–2000, most Parliamentarians accessed their spouse and dependent travel entitlements with payments by Finance totalling \$1.32 million. Unlike most other travel entitlements, the cost of spouse and dependent travel is not publicly reported.

¹⁴⁰ In these circumstances, there is a risk of the Minister exceeding his or her spouse travel entitlements. ANAO raised with Finance examples of miscoding that may have led to entitlements being exceeded. Finance advised ANAO that the spouse travel and the category under which it is coded are reported in the Monthly Management reports where Ministers have an opportunity to notify Finance of any changes in the category of travel against which the travel should be recorded.

4.57 Despite the range and complex nature of spouse and dependent travel entitlements, there is no requirement for Parliamentarians to identify the entitlement that is being used for a particular instance of travel. Instead, based on available information, Finance allocates travel against an entitlement and relies on Parliamentarians to correct monthly management reports if Finance's presumption is incorrect. ANAO's analysis of monthly management reports and end-of-year reports found that they do not consistently and accurately report on spouse and dependent travel entitlements. In addition, ANAO identified instances of entitlements being breached, for which recoveries of \$4 737 are now underway in relation to nine Parliamentarians.

Recommendation No.16

4.58 ANAO recommends that Finance improve the administration of Parliamentarians' spouse/nominee and dependent children travel entitlements by:

- (a) examining the merits of expanding the public reporting of Parliamentarians' travel costs to include the cost of spouse/nominee and dependent children travel entitlements;
- (b) seeking to introduce into the Senators and Members handbook a requirement for there to be a travel declaration completed for all occasions on which spouses/nominees and dependent children travel at Commonwealth expense; and
- (c) implementing effective procedures to monitor trip counts; inform Parliamentarians when their spouse/nominee and/or dependent children have reached the limit of their entitlements; identify instances where travel exceeds entitlements; and make appropriate adjustments, or take recovery action.

Agencies responded to the recommendation as follows:

4.59 **Disagreed:** Finance.

4.60 Specific comments by Finance are set out below:

- Effective and robust systems are already in place to monitor trip counts and take appropriate action. Changes to public reporting and the introduction of requirements to provide declarations from Parliamentarians' spouses and dependents are beyond Finance's authority and are matters for the Government to consider.

4.61 ANAO comment: Based on the analysis undertaken, it was not apparent to ANAO that effective and robust systems were in place in 1999–2000 to monitor trip counts and take appropriate action. The end-of-year reports provided by Finance to Parliamentarians in November 2000 indicated 38 instances where spouse and dependent travel entitlements had been breached, but Finance did not seek any repayment or other advice from those Parliamentarians at the time it sent out the end-of-year reports. In May 2001, Finance advised ANAO that, in all but six of these instances, the end-of-year report was in error, although no corrections have been advised by Finance to the relevant Parliamentarians to inform their certifications. Following queries being raised with Finance by ANAO, recovery action has been taken including raising debit notes against nine Parliamentarians for spouse and dependent travel outside of entitlement. No recovery action has been taken by Finance in other instances identified by ANAO where travel may be outside of entitlement.

Retirement travel

4.62 Following a Senator or Member’s retirement or departure from the Parliament, he or she is able to travel within Australia at Commonwealth expense for non-commercial purposes on scheduled commercial/commuter air services, mainline rail services and other government services, or by motor coach or other vehicles operating as regular carriers. This is commonly known as retirement travel. Depending on the length of parliamentary service and any Ministerial or other official offices held, a retired or former Parliamentarian may access Life Gold Pass travel entitlements¹⁴¹ or Severance Travel entitlements.¹⁴²

¹⁴¹ Life Gold Pass entitlements continue until the Life Gold Pass holder dies. There is a 12-month mourning period during which spouses of deceased Life Gold Pass holders may continue to travel at Commonwealth expense.

¹⁴² The length of time for which the Severance Travel entitlement is available varies depending upon the length of Parliamentary service. It ranges from six months for Senators and Members that served in one Parliament prior to retirement, up to five years for service in six Parliaments. Unlike Life Gold Pass holders, spouses of Severance Travellers are not provided with travel entitlements.

4.63 The cost of retirement travel entitlements in 1999–2000 was at least \$2 million.¹⁴³ The cost of retirement travel entitlements is not publicly reported which reduces accountability for these entitlements. In addition, according to the Australian Taxation Office, the value of retirement travel benefits does not form part of the recipient’s assessable income for taxation purposes.¹⁴⁴

4.64 Although there is a limit on the number of trips allowed per year for some retired Parliamentarians,¹⁴⁵ there is no financial cap on the cost to the Commonwealth of retirement travel entitlements. Retirement travel entitlements were accessed in 1999–2000 by at least 149 retired Parliamentarians, and by the spouses of at least 84 retired Parliamentarians,¹⁴⁶ at an average cost of \$13 242 (see Figure 4.7). In many respects, the travel entitlements of retired Parliamentarians and their spouses are greater than those of sitting Parliamentarians and their spouses, as follows:

- Parliamentarians who retired before January 1994 or who had qualified for a Life Gold Pass prior to January 1994 may travel without limit at Commonwealth expense provided travel is for non-commercial purposes.¹⁴⁷ For example, one Life Gold Pass holder (excluding spouse) took more than 100 return trips at Commonwealth expense in 1999–2000 at an aggregate cost of \$95 654. In comparison, sitting Parliamentarians may only travel when on parliamentary business, electorate business, official business or (in defined circumstances) party business; and

¹⁴³ This figure may not represent the full cost of retirement travel. For example, Finance advised ANAO in July 2001 that the cost of car transport for five former Prime Ministers in 1999–2000 was \$46 534 but Finance had advised the then Special Minister of State in November 2000 that car transport costs totalled \$101 165 for 1999–2000. In addition, Finance data indicated that only five Parliamentarians travelled on transport other than on scheduled air services in 1999–2000, at a cost of \$1 159. In this respect, records made available to ANAO did not include documented arrangements to capture the costs of any travel paid for by the Commonwealth on the passenger rail services sold by the Commonwealth in 1997. Finance did not report any travel on these services by retired Parliamentarians in 1999–2000. However, ANAO noted that, in certifying his report, one Life Gold Pass Holder indicated that he and his spouse had, in fact, travelled on one of the privatised rail services in 1999–2000 but that this usage had not been reflected in the report prepared by Finance and provided to him.

¹⁴⁴ Taxation Ruling TR 1999/10, *Income tax and fringe benefits tax: Members of Parliament—allowances, reimbursements, donations and gifts, benefits, deductions and recoupments*, paragraph 23 and paragraphs 84 to 88.

¹⁴⁵ In July 2001, Finance advised ANAO that the Remuneration Tribunal had determined that a trip limit was the most appropriate cap in these circumstances.

¹⁴⁶ While Life Gold Passes issued to sitting Senators and Members are suspended until he or she retires from Parliament, their spouses are permitted to use retirement travel entitlements at Commonwealth expense for scheduled transport services on return visits to Canberra coinciding with travel to Canberra by the Senator or Member, in addition to the nine return visits available to all spouses of sitting Parliamentarians.

¹⁴⁷ For example, this may include travel on holiday trips within Australia.

- spouses of retired Parliamentarians issued with a Life Gold Pass prior to 1976 are provided with unrestricted access to travel at Commonwealth expense.¹⁴⁸ The spouse of one pre-1976 Life Gold Pass holder took more than 70 return trips at Commonwealth expense in 1999–2000 at a cost of \$50 944.¹⁴⁹ Spouses of Parliamentarians issued with a Life Gold Pass after 1976 are provided with up to 25 return trips per year at Commonwealth expense. In comparison, spouses of Senators and Members are provided with a maximum of nine return trips to Canberra each year, three interstate trips and trips to attend official functions to which they have been invited.

Figure 4.7

Analysis of use of Parliamentarians' retirement travel entitlements in 1999–2000

<i>Payments Range^A</i> <i>\$</i>	<i>Number of retired Parliamentarians</i>
140 000 to 149 999	1
130 000 to 139 999	-
120 000 to 129 999	-
110 000 to 119 999	-
100 000 to 109 999	-
90 000 to 99 999	-
80 000 to 89 999	-
70 000 to 79 999	-
60 000 to 69 999	-
50 000 to 59 999	3
40 000 to 49 999	2
30 000 to 39 999	7
20 000 to 29 999	13
10 000 to 19 999	46
1 to 9 999	77

Note:
^A Represents the total cost of travel by each retired Parliamentarian and their spouse, where relevant.

Source: ANAO analysis of Finance 1999–2000 end-of-year management reports provided to retired Parliamentarians

¹⁴⁸ Subject again to the requirement that travel not be for commercial purposes.

¹⁴⁹ The highest cost incurred for spouse travel in relation to a current Parliamentarian in 1999–2000 was \$40 935.

Legal framework

4.65 Some retirement travel privileges are provided for in Remuneration Tribunal Determinations whilst others are provided by the Executive. As a result, these latter privileges may be varied or withdrawn. In this context, the legal framework for retirement travel privileges is complex and difficult to understand. Grandfathering provisions make administration problematic because the available benefits, and any limits on those benefits, vary according to length and nature of Parliamentary service, and the date of retirement.¹⁵⁰

4.66 There is also uncertainty concerning the legal basis for some privileges provided to retired Parliamentarians. Finance advises Life Gold Pass holders that, in addition to the entitlement to travel by scheduled commercial/commuter services, they have an entitlement to access official car transport for direct travel between home and the nearest airport, and between the airport and the capital city destination.¹⁵¹ Finance advised ANAO that the provision of official car transport at Commonwealth expense was a decision of a former Minister, based on departmental advice that such benefits could be provided without the need for legislative cover. However, ANAO's legal advice was that:

The only transport services which are subject to Life Gold Pass are those which are provided on a scheduled or regular basis. We consider that as COMCAR, hire care, self-drive vehicle and taxi transport services are not provided on a regular or scheduled basis, but are rather provided on demand, that these are outside the scope of the Life Gold Pass under the Determinations as presently drafted.

4.67 ANAO considers that this advice presents an anomaly which should be examined by Finance as soon as practicable.

¹⁵⁰ Expenditure for one Severance Traveller included one return trip that was incurred at Commonwealth expense in December 1999 after the entitlement had ceased. Finance did not detect this breach as part of its accounts processing procedures. In response to ANAO's April 2001 request for advice, Finance advised ANAO in May 2001 that the Pass Holder had informed Finance in February 2001 that he had exceeded his entitlement. Recovery action commenced in May 2001 for the amount of \$1 774.

¹⁵¹ Life Gold Pass holders' end-of-year reports for 1999–2000 included \$238 245 in official car transport costs and \$574 in car parking costs. In comparison to Life Gold Pass Holders, Severance Travellers were not provided with an entitlement to official car transport in 1999–2000, despite there being no difference in terms of the mode of travel provided for in the Remuneration Tribunal Determinations.

Management reporting to retired Parliamentarians

4.68 Finance advised ANAO, in May 2001, of the processes and systems it has in place in relation to the administration of retirement travel entitlements, as follows:

Finance prepares an annual report to all Life Gold Pass Holders. Finance then seeks Life Gold Pass Holder certification that the entitlement usage in the report is correct and within entitlement. At the same time, Finance seeks Life Gold Pass Holder advice on any unreported use of frequent flyer points for travel within entitlement. It is only when all of these steps are completed and the responses received and analysed that Finance is able to complete the picture of the Life Gold Pass Holder's travel usage for the year in question.

For 1999–2000, the last of the Life Gold Pass Holder reports were sent out for verification in January 2001.¹⁵² The follow up action remains work in progress and a number of the issues identified by the ANAO were already being addressed in accordance with our usual procedures.

4.69 In July 2001, Finance advised ANAO that the format of the reports provided to retired Parliamentarians changed in late 2000 when a new management information system was introduced by Finance. Finance advised that, previously, reports showed all travel in the period regardless of when payment occurred (that is, an accrual basis, which was consistent with the accrual nature of the entitlement). However, in 1999–2000 the reports changed to showing only that travel paid for during the period, regardless of when travel occurred (that is, a cash basis, which is inconsistent with the accrual nature of the entitlement).¹⁵³ In this context, ANAO considers that the 1999–2000 management reports do not provide a sound basis for managing retirement travel entitlements, including monitoring limits (where applicable) on the number of trips that may be taken each year.

¹⁵² In response to further ANAO inquiries, in June 2001, Finance advised ANAO that reports for seven Life Gold Pass Holders had been prepared but, due to a mistake by Finance, were not dispatched until 18 June 2001.

¹⁵³ For example, Finance advised ANAO of one instance where August 1999 travel will be reported in 2000–2001 report.

4.70 ANAO found that Finance provided most Life Gold Pass Holders and each Severance Traveller with a report that listed their retirement travel costs paid during the period 1 July 1999 to 30 June 2000. However, former Prime Ministers were not provided with reports of their use of their Life Gold Pass travel entitlement.¹⁵⁴ One consequence of this is that former Prime Ministers, unlike other Life Gold Pass Holders, were not asked to: identify any discrepancies or amendments that should be made to reports of their travel; advise of any use of Frequent Flyer Points; or certify that travel was used for non-commercial purposes within Australia.¹⁵⁵ ANAO considers that, for management and accountability purposes, it is important that timely, accurate and comprehensive¹⁵⁶ reports be provided to all retired Parliamentarians, including the five former Prime Ministers, and that certification of the use of public monies occur.

4.71 Reports were provided between December 2000 and June 2001 to 142 retired Parliamentarians.¹⁵⁷ This represents a substantial delay in administrative procedures. The delay is even greater than that for the end-of-year reports for sitting Parliamentarians (provided in November 2000), and is compounded because, unlike sitting Parliamentarians, retirement travellers do not receive monthly management reports to assist them in managing their use of their entitlement.

¹⁵⁴ In July 2001, Finance advised ANAO that:

In previous years the usage of entitlements by former Prime Ministers has been the subject of regular (annual) requests for information under the Freedom of Information Act. As part of the consultation process, reports on costs associated with entitlements were provided to former Prime Ministers. For example, this occurred in 1997–98 and in 1998–99. For this reason, no duplicative and separate reporting process was required and none occurred. In 1999–2000, it was anticipated that the same process would occur. In the event, no FOI request was made and arrangements are in hand to provide a report to former Prime Ministers.

¹⁵⁵ In addition to former Prime Ministers, one severance traveller who retired during 1999–2000 was also not provided with a report of retirement travel and was not asked to provide the certification sought from other severance travellers.

¹⁵⁶ In addition to retirement travel benefits, former Prime Ministers are provided with an office and facilities to operate the office, staff and a staff travel budget. In November 2000, Finance advised the then Special Minister of State that costs of five former Prime Ministers totalled \$1.45 million comprising: \$806 835 in staff costs; \$358 337 in accommodation costs; \$177 753 in travel costs; and \$102 464 in administration expenses. Finance does not produce an end of year report for each former Prime Minister on these costs, or seek a certification from the entitlee.

¹⁵⁷ One Life Gold Pass Holder was provided with his report in October 2000 after making a written request for a report on entitlement usage.

4.72 The annual reports provided to most 1999–2000 retirement travellers were organised by ticket reference number rather than by trip (a trip can involve more than one ticket reference number and a ticket reference number can relate to more than one trip in terms of the entitlement). The reports also did not reconcile usage of official car transport with scheduled commercial/commuter services or include counts of trips taken against the applicable limit (if any). Combined with providing reports only once a year and well after the end of the relevant financial year, ANAO considers that the format of the reports does not assist retired Parliamentarians to monitor their usage of their entitlement.¹⁵⁸

Certification of entitlements usage

4.73 When provided with the 1999–2000 end-of-year management report, former Parliamentarians were asked by Finance to identify any discrepancies or amendments; advise of any use of Frequent Flyer Points; and certify that travel was used for non-commercial purposes within Australia. The entitlement recipients were not asked to certify that the reports include all trips undertaken in the year or that usage has been within the limits set by the Remuneration Tribunal. This reduces the value of the certification provided as an internal control.

4.74 There is no legal obligation on retired Parliamentarians to provide the requested certification. In this context, Finance records indicated that at least two retired Parliamentarians refused to certify their use of their retirement travel entitlements. As of February 2001, certifications had been received by Finance from 67 retired Parliamentarians (45 per cent). By July 2001, the response rate had risen to 83 retired Parliamentarians (56 per cent). In response to inquiries from ANAO, in July 2001 Finance advised ANAO that it would, in the near future, follow-up with those retired Parliamentarians who had not yet certified their report for the period 1 July 1999 to 30 June 2000.

¹⁵⁸ ANAO's inquiries also revealed errors in reports, in particular travel was included that did not relate to the former Parliamentarian with other reports including travel taken as part of Parliamentary service prior to retirement. ANAO also noted that some retired Parliamentarians have raised concerns with Finance that the format of the reports does not assist them to manage their use of their entitlements.

Compliance issues

4.75 In relation to retirement travel, the Remuneration Tribunal's Report of 1993 stated that

the most important condition is that the [Life Gold] pass may only be used for non-commercial purposes. Neither the retired Member nor any commercial organisation with which the Member is associated is entitled to receive any financial benefit from the travel.

4.76 The same restriction applies to Severance Travellers. However, other than end of year voluntary certification, Finance has no procedures in place to assure itself that travel costs do not relate to commercial purposes.

4.77 Of those Life Gold Pass Holders and Severance Travellers who were subject to the limit of 25 return trips per annum, ANAO's analysis of Finance data identified two travellers who exceeded their trip limit for 1999–2000.¹⁵⁹ The analysis showed that the cost of 1999–2000 travel outside entitlement for one traveller was \$291, for which Finance has now raised debit notes, and \$14 642 for the second. In relation to the second instance, to date Finance has only sought recovery of \$10 778. Documentation provided to ANAO by Finance stated that Finance has sought to recover the cost of cheapest fares rather than the cost of all trips taken above the limit of 25 trips per annum.¹⁶⁰

4.78 ANAO also examined spouse travel for a sample of Life Gold Pass Holders (Severance Travellers have no spouse travel entitlement). The Remuneration Tribunal Determinations require Life Gold Pass Holders' spouses to be accompanying the Pass Holder or, with effect from 1 May 2000, accompanying or joining their spouse. ANAO's analysis of retirement travel reports provided by Finance to Life Gold Pass holders identified former Parliamentarians whose spouse travel included trips where the spouse did not accompany or (where relevant) join the former Parliamentarian. As of 25 May 2001, debit notes had been issued to two former Parliamentarians for repayment of a total of \$2 104. Finance is still investigating a further instance identified by ANAO to the value of \$809.

¹⁵⁹ Finance's August 1999 processing procedures in respect of retirement travel acknowledge that there have been previous breakdown's in processes for ensuring trip limits were not exceeded.

¹⁶⁰ Separate to the recovery for trips above the limit of 25 per annum, Finance has also sought repayment of \$1 245 for this Life Gold Pass Holder in relation to spouse travel that was outside entitlement.

4.79 In addition to concerns about the legal basis of the entitlement (see above), in March 2001 ANAO advised Finance that official car transport appeared to be being used by Life Gold Pass Holders in other than approved circumstances. Subsequent to ANAO's inquiries, in late May 2001 Finance commenced recovery action against 45 Life Gold Pass holders for a total amount of \$14 198. In July 2001, Finance provided ANAO with updated information on recovery action, as follows:

- six debit notes to the value of \$873 were cancelled following further advice from the relevant retired Parliamentarians that demonstrated travel was within entitlement. This included a number of instances where retired Parliamentarians had travelled on rail journeys but the reports prepared by Finance did not capture this travel. This reinforces the concern raised by ANAO in footnote 143 above that the reports prepared by Finance may not represent the full cost of retirement travel;
- the amount owing from six former Parliamentarians was reduced by \$710;
- 21 retired Parliamentarians had repaid \$4 020; and
- 18 debit notes to the value of \$8 595 remained unpaid.

4.80 Finding: Retired Parliamentarians and, in certain circumstances, their spouses, are entitled to travel within Australia at Commonwealth expense. In many respects, the travel entitlements of retired Parliamentarians and their spouses are greater than those of sitting Parliamentarians and their spouses. The total cost of 1999–2000 retirement travel was at least \$2 million. Although in some cases there is a limit on the number of trips allowed per year, there is no financial cap on the cost to the Commonwealth of retirement travel entitlements. The cost of retirement travel entitlements is also not publicly reported, reducing accountability for these entitlements.

4.81 ANAO identified systemic deficiencies in the administration of retirement travel entitlements. The annual reports provided to retired Parliamentarians on travel taken at Commonwealth expense during the year are not timely, are on occasion inaccurate, and the format of the reports does not assist retired Parliamentarians to monitor adequately their usage of their entitlement. On the basis of these reports, Finance requests most retired Parliamentarians to certify their use of entitlements but such certifications are voluntary and, of themselves, do not provide sufficient basis to confirm all travel taken at Commonwealth expense is identified and is within entitlement. ANAO identified instances where retired Parliamentarians and their spouses had travelled at Commonwealth expense outside of their entitlement. Finance's

investigations were not yet complete at the time of audit but, to 8 June 2001, a total of \$29 146 in debit notes had been issued to 49 retired Parliamentarians. Some debit notes were subsequently cancelled or reduced by Finance such that, as of 20 July 2001, recoveries had occurred or were still in progress in relation to 43 retired Parliamentarians to the value of \$27 562.

Recommendation No.17

4.82 ANAO recommends that Finance improve the administration of retirement travel entitlements by:

- (a) clarifying the basis for retirement travel privileges provided other than under Remuneration Tribunal Determinations;
- (b) documenting administrative procedures that ensure adherence to any limits or restrictions on travel by retired Parliamentarians and their spouses;
- (c) examining the merits of expanding the public reporting of Parliamentarians' travel costs to include the cost of retirement travel entitlements;
- (d) providing retired Parliamentarians with timely, accurate and comprehensive information on their use of their entitlements; and
- (e) implementing effective procedures for the monitoring and enforcement of limits on retirement travel, and taking prompt recovery action where travel is not within entitlement.

Agencies responded to the recommendation as follows:

4.83 **Disagreed:** Finance.

4.84 Specific comments by Finance are set out below:

- Retirement travel privileges provided other than under Remuneration Tribunal Determinations are not unclear. In relation to the pre-1976 group of Life Gold Pass Holders, it remained open to the executive power of the Commonwealth to grant benefits of this type following the decision in *Brown v West*. Public reporting is a matter best considered by the Government on its merits. Current control mechanisms are effective in recovering funds where travel is not within entitlement. The evidence from the audit suggests error rates lower than 0.2 per cent. Consistent with current practice, Finance will continue to review its procedures.

4.85 ANAO comment: Travel entitlements of former Parliamentarians are complex and there is an uncertain legal basis for some privileges. In this context, ANAO identified systemic deficiencies in the administration of retirement travel entitlements including: an absence of public accountability for this expenditure; the usage reports prepared by Finance are not timely and do not contain relevant and comprehensive information; and compliance procedures are ineffective. In this latter respect, ANAO's audit work identified an error rate of 32 per cent with recovery action completed, or still in progress, in relation to 43 former Parliamentarians for exceeding their retirement travel entitlements.

5. Office Management Entitlements

This chapter discusses the management and accountability framework for a range of Parliamentarians' office management entitlements.

Introduction

5.1 Under the *Parliamentary Entitlements Act 1990*, Senators and Members, Parliamentary Office-holders and Ministers are entitled to various services and allowances to enable them to manage and operate the offices necessary to fulfilling their official, parliamentary and electorate duties. The schedule of benefits set out in the Act may be varied, omitted or added to by determinations of the Remuneration Tribunal, or by regulations made by the Governor-General. This has occurred in regard to office management entitlements through Determination 1998/26 (as amended) and the Parliamentary Entitlements Regulations 1997 (the Regulations). The Act also provides that it does not limit the benefits afforded by the Government to a Minister for the purpose of carrying out functions as a Minister. In this context, the Government has approved a range of additional office management entitlements for Ministers.

5.2 Under applicable ministerial determinations, there are limits upon the menu of items available to Parliamentarians under a number of office management entitlements, such as office accommodation space and the types of office equipment and general requisites available. There is very little flexibility for Parliamentarians to vary from those arrangements, or to tailor their expenditure on various office-related goods and services to meet individual needs or preferences. However, the majority of office management entitlements are not capped at any financial limit in a given year, the most significant exception to that being the capped allowance for use on information delivery and communication services. Accordingly, Parliamentarians are able to exercise considerable discretion and individual judgement as to the level of expenditure that is reasonable and appropriate within the terms of each entitlement, and the circumstances of their particular constituency and parliamentary duties.

5.3 ANAO reviewed the administrative arrangements for the management of a sample of office management entitlements as set out in Figure 5.1. Responsibility for the management of these entitlements involves DoS, DHR, Finance (primarily through M&PS), and Ministers' home departments. A range of other office management entitlements, relating principally to the infrastructure of electorate and Parliament House offices, were not reviewed.

Figure 5.1

Office management entitlements examined by ANAO

<i>Entitlement</i>	<i>Head of authority</i>	<i>Managing agencies</i>
Personalised letterhead stationery, newsletters for distribution to constituents, and other approved printed material	Parliamentary Entitlements Regulations 1997	For Senators—DoS For Members—DHR and Finance
Electorate office and residential telephone services	<i>Parliamentary Entitlements Act 1990</i> , Schedule 1, item 7 Remuneration Tribunal Determination Number 26 of 1998 (as amended)	Finance Home departments
Photographic services	<i>Parliamentary Entitlements Act 1990</i> , Schedule 1, item 6	Finance
Office requisites	<i>Parliamentary Entitlements Act 1990</i> Schedule 1, item 7	Finance Home departments
Information delivery services (became Communications Allowance as from 1 July 2000)	Remuneration Tribunal Determination Number 26 of 1998 (as amended)	DoS, DHR & Finance
Constituent Request Program—flag component	<i>Parliamentary Entitlements Act 1990</i> , Schedule 1, item 2	Finance

Source: ANAO analysis of relevant legislation, Determinations and agency information

5.4 A July 1999 report by a consulting firm engaged by Finance to undertake a review of M&PS' operational environment and governance framework noted that the risk inherent in the provision of electorate office facilities is relatively high in comparison to the entitlements managed by other areas within M&PS. In particular, the review noted the need for greater certification (or independent verification) and correct authorisation, as well as a requirement for ensuring regular reconciliations in respect to a number of office management entitlements.

5.5 ANAO's audit identified areas in which the administrative framework associated with some office management entitlements had been recently improved by Finance, either during 1999–2000 or subsequently. However, ANAO also identified scope for further improvement relating to:

- opportunities to expand the use of benchmarking analysis and reporting to assist in the management of office management entitlements;
- the potential for the accountability framework to be enhanced through the public reporting of Parliamentarians' use of those entitlements; and
- enhancement of the control framework for the public money involved.

Accountability framework

5.6 A consistent and significant characteristic of Parliamentarians' use in 1999–2000 of the office management entitlements reviewed was the significant variation in the level of expenditure incurred by individual Parliamentarians (see Figure 5.2).

Figure 5.2**Analysis of use of selected office management entitlements in 1999–2000**

<i>Entitlement category</i>	<i>Total reported cost \$ million</i>	<i>Lowest cost \$</i>	<i>Average cost \$</i>	<i>Highest cost \$</i>
Personalised stationery, newsletters and other printing:				
• Members	5.518	1 294	37 287	219 004
• Senators	0.554	n/a ^A	7 103	n/a ^A
Telephone services:				
• Electorate offices	2.225	775 ^B	10 416 ^B	36 071
• Mobile	0.719	155 ^B	3 364 ^B	19 234
• Residential	0.361	136 ^B	1 978 ^B	9 581
Photographic services				
• Senators and Members (excluding Prime Minister, Ministers and Opposition Office-holders)	0.156	0	812 ^C	16 804
Electorate office requisites	1.87	116 ^D	8 276	38 483
• Photocopy paper ^E	0.687	174	3 971	23 598
Information delivery services	3.55	1 620	15 916	44 227
Office-holders official postage ^F	0.169	0	15 382	97 945
Flags for presentation to constituents	0.555	0	2 444	16 880
Notes:				
A Not available—elements of Senators' external printing costs not individually recorded by DoS in 1999–2000.				
B Lowest and average costs exclude those Parliamentarians not present in the Parliament for the full year or for whom home departments met these costs.				
C The mode of 1999–2000 expenditure by Senators and Members under this entitlement was zero. Including the Prime Minister, Ministers and Opposition Office-holders, the average is \$1 453.				
D Includes expenditure through Finance by Ministers and Parliamentary Secretaries for whom home departments met most of these costs. The lowest expenditure through Finance excluding these Parliamentarians was \$916.				
E These costs are part of overall electorate office requisites expenditure. Photocopy costs were not separately reported in 1999–2000 for Parliamentarians managed through M&PS' Victorian State office.				
F This is the cost of credits purchased by the relevant departments in 1999–2000 for addition to Office-holders' postage meters and franking machines, and may not reflect the cost of postage actually used in 1999–2000. This figure excludes Ministers as the costs incurred under this entitlement by Ministers' home departments were not reliably identifiable due to inconsistent cost recording practices within the departments.				

Source: ANAO analysis of Finance 1999–2000 end-of-year management reports and DoS and DHR expenditure reports and documentation

5.7 For example, the disparity in expenditure between Members under the entitlement to personalised letterhead stationery, newsletters and other approved printed material for distribution to constituents was high. The average cost per Member in 1999–2000 was \$37 287, but the highest cost incurred was \$219 004, and the lowest \$1 294 (see

Figure 5.3).¹⁶¹ The average cost to DoS for all personalised stationery and printing for Senators in 1999–2000 was \$7 103 per Senator.¹⁶²

Figure 5.3

Analysis of Members' 1999–2000 printing expenditure

<i>Payments Range \$</i>	<i>Number of Members</i>
>200 000	1
175 000 to 199 999	0
150 000 to 174 999	0
125 000 to 149 999	0
100 000 to 124 999	4
75 000 to 99 999	10
50 000 to 74 999	20
25 000 to 49 999	58
0 to 24 999	55

Source: ANAO analysis of Finance 1999–2000 end-of-year management reports to Members, and DHR 1999–2000 expenditure reports and documentation

5.8 There was also considerable variability in the use made by Senators and Members of the entitlement to photographic services in 1999–2000. The Prime Minister, Ministers and Opposition Office-holders each have an extended, uncapped entitlement under the extant Ministerial approval. Excluding those Parliamentarians, Senators and Members accounted for aggregate costs of about \$156 000 under the entitlement in 1999–2000. Seven Senators and Members accounted for an aggregate expenditure of \$63 000, with a further 98 Senators and Members incurring the remaining \$93 000. No costs were recorded against 87 Senators and Members. Average expenditure on photographic services by Senators and Members was \$812, with the highest individual expenditure being \$16 804, and the lowest zero.¹⁶³ (See Figure 5.4). Similarly, under the entitlement to flags for presentation to constituents, the average cost across all Parliamentarians in 1999–2000 was \$2 444, with the highest individual cost being \$16 880, and the lowest zero. Six per cent of Parliamentarians accounted for about 30 per cent of aggregate costs under this entitlement in 1999–2000 (see Figure 5.4).

¹⁶¹ Finance records indicate that Members' 1998–99 expenditure (excluding the DHR component) ranged from zero to \$200 000 at an average of \$49 200, with total expenditure being \$7.2 million; and that average expenditure in 1997–98 was \$31 100, with total expenditure of \$4.6 million.

¹⁶² For comparison purposes, DoS records indicate that the cost to DoS of the entitlement in 1996–97 was about \$300 000 at an average per Senator of \$3 945.

¹⁶³ Zero was also the mode for expenditure by Senators and Members under this entitlement in 1999–2000.

Figure 5.4**Analysis of Parliamentarians' 1999–2000 expenditure under entitlements to photographic services and flags for presentation to constituents**

<i>Payments Range \$</i>	<i>Number of Senators and Members</i>	
	<i>Photographic services (excluding Prime Minister, Ministers and Opposition Office-holders)</i>	<i>Flags for presentation (all Parliamentarians)</i>
>16 000	1	1
14 000 to 15 999	0	2
12 000 to 13 999	1	2
10 000 to 11 999	0	4
8 000 to 9 999	2	4
6 000 to 7 999	1	6
4 000 to 5 999	2	19
2 000 to 3 999	5	54
1 to 1 999	93	106
0	87	29

Source: ANAO analysis of Finance 1999–2000 end-of-year management reports and AUSPIC invoices

5.9 Similar variations in individual expenditure in 1999–2000 were also apparent in regard to Parliamentarians' general office requirements and telephone services. The highest aggregate cost incurred by a Parliamentarian through Finance for office requisites was \$38 483. The lowest cost reported for a Parliamentarian present in the Parliament for the full year, and who was neither a Minister nor Parliamentary Secretary¹⁶⁴ in 1999–2000, was \$916. Of those Parliamentarians for whom photocopy paper expenditure was separately reported by Finance, there was similar variation in individual expenditure. The highest reported cost incurred on photocopy paper in 1999–2000 was \$23 598, and the lowest \$174.

5.10 Excluding Parliamentarians who were not a Senator or Member for the full year, and Ministers and Parliamentary Secretaries for whom home departments appear to have met all or most of these costs, the cost to Finance¹⁶⁵ for individual Parliamentarians ranged from \$775 to \$36 071 for electorate office telephone and facsimile services (at an average of \$10 416); \$155 to \$19 234 for electorate office mobile telephone services (at an average of \$3 364); and \$136 to \$9 581 for residential telephone services (at an average of \$1 978).

¹⁶⁴ Analysis of the costs reported by Finance in the management reports for 1999–2000 highlighted that some Ministers and Parliamentary Secretaries had very low, or no, expenditure on electorate office stationery and office requirements through Finance in 1999–2000. In those cases, it appears that the electorate office requirements were met through the relevant Ministers' portfolio departments. The Ministers of State Entitlements handbook provides that a Minister's department is responsible for stationery and office requisites for the Minister's Parliament House office, separate Ministerial office in the capital city, and a joint Ministerial/electorate office. Where a Minister obtains office requisites through the portfolio department, the limitation in the menu of items available through Finance does not apply.

¹⁶⁵ As reported in the 1999–2000 end-of-year management reports.

5.11 In addition to the basic entitlement to information delivery and communications services, the Parliamentary Entitlements Act provides that Ministers, Opposition Office Holders, Presiding Officers, the Leader of a Minority Party, and Government and Opposition Whips in the Senate and the House of Representatives are entitled to unlimited postage for official business. This entitlement is provided through franking machines managed by the relevant Parliamentary chamber departments in the Office-holders' Parliament House offices; Finance in their electorate offices; and Ministers' home departments. Aggregate costs incurred by the chamber departments and Finance in respect of this entitlement in 1999–2000 were \$169 200, of which one Office-holder accounted for \$97 945.¹⁶⁶ The costs incurred under this entitlement by Ministers' home departments were not reliably identifiable due to inconsistent cost recording practices within the departments.

Benchmarking analysis and reporting

5.12 There will, of course, be a number of reasons for the variation in expenditure by individual Parliamentarians in operating their respective offices. These may include the nature and location of electorates; the particular parliamentary duties being undertaken; individual judgements as to the best means of servicing the specific needs of particular constituencies; travel undertaken by respective Parliamentarians in the course of the year which may have necessitated extensive long distance mobile calls, and the extent to which a Parliamentarian utilises telephone services to remotely connect to the Parliamentary computer network. However, there can also be other reasons for significant variations. These could include billing errors or unauthorised use.

5.13 Accurate and comprehensive management information regarding the expenses incurred is important to assist Parliamentarians in the exercise of their individual judgements regarding their use of these entitlements. As discussed in Chapter 3, Finance provides Parliamentarians with monthly and end-of-year management reports of the costs incurred by them through Finance. Those reports do not include costs incurred through the Parliamentary departments or Ministers' home departments. Parliamentarians are also able to direct questions regarding their entitlements, including queries about usage to date, to the Account Management Unit within Finance. For 1999–2000, Finance requested Parliamentarians to certify that the aggregate costs reported in the monthly management reports were within entitlement under the terms of the relevant Acts and Determinations.

¹⁶⁶ This is the cost of credits purchased by the relevant departments in 1999–2000 for addition to the Office-holder's postage meter and franking machine, and may not reflect the cost of postage actually used in 1999–2000.

5.14 To enhance the efficacy of the existing management reports in assisting Parliamentarians to make informed judgements regarding their use of office management entitlements, there would be benefit in including benchmarking analysis into the reports. This could consist of periodic reports to each Parliamentarian comparing their expenditure under relevant entitlements against an appropriate cohort of benchmarks, such as that described in Chapter 3. This may include comparisons with the Parliamentarian's own previous usage; the usage of Members with similar electorates or Senators from the same State; and the average use generally by Members and/or Senators. For example, the monthly financial reports provided to Members of the Canadian House of Commons include benchmarking analysis that compares, by entitlement, office management expenditures incurred on behalf of the Member with the average costs for other Members from that Member's province or territory; and with the average costs for all Members.

5.15 As well as enhancing the information available to Parliamentarians on which to base individual judgements, analysis of this nature would be of considerable assistance in the timely identification of any unusually high usage or other anomalies in the reported costs that warrant further investigation or correction. In late 2000, Finance introduced some benchmarking to assist its management of Parliamentarians' telephone services, with anomalies in an individual Parliamentarian's usage patterns being referred to that Parliamentarian for clarification. The provision to Parliamentarians of benchmarking information, as a matter of course rather than exception, in respect of their use of a range of office management entitlements, would be of benefit in assisting them to manage the entitlements in respect of which they are requested to provide certifications. In July 2001, Finance advised ANAO that: *'the requirements to be able to show past year etc have already been identified by Finance as an enhancement and are being implemented as resources permit.'*

Public reporting

5.16 Public reporting of the cost of Parliamentarians' entitlements is an important element in the accountability framework. This is particularly the case for entitlements that are not subject to a financial limit. As is discussed in Chapter 2, periodic public reporting of the costs incurred by the members of some overseas legislatures in managing their offices has been adopted as an important part of the accountability framework in those jurisdictions.

5.17 Currently, the only public reporting of individual Parliamentarians' expenditure¹⁶⁷ is the six-monthly tabling in the Parliament of each Parliamentarian's costs under most of their travel and related entitlements, which are largely uncapped (see Chapter 4). The public reporting of travel costs was introduced in 1997, following a series of inquiries into allegations of misuse of travel entitlements by some Parliamentarians, in order to improve the accountability framework for expenditure under those entitlements.

5.18 ANAO considers that, in light of the considerable variation in the costs incurred by individual Parliamentarians based on their individual judgements, the extension of public reporting to the costs incurred by members of the Australian Federal Parliament in operating their electorate and Parliament House offices would similarly enhance the accountability framework for that expenditure, particularly for those entitlements that currently are subject to no financial limit. It is acknowledged that extending the public reporting of Parliamentarians' expenditure to other entitlements is a matter that will require agreement by the Government to progress.¹⁶⁸

5.19 Finding: A consistent and significant characteristic of Parliamentarians' use in 1999–2000 of the office management entitlements reviewed, many of which are not subject to a financial limit, was the significant variation in the level of expenditure incurred by individual Parliamentarians. In late 2000, Finance introduced some benchmarking to assist its management of Parliamentarians' telephone services, with anomalies in an individual Parliamentarian's usage patterns being referred to that Parliamentarian for clarification. The provision to Parliamentarians of benchmarking information, as a matter of course rather than exception, in respect of their use of office management entitlements would be of benefit in assisting them to make informed judgements regarding their use of entitlements in respect of which they are requested to provide certifications. The efficacy of the existing management reports for that purpose would be enhanced by incorporating benchmarking analysis into the reports. This could consist of periodic reports to each Parliamentarian comparing their expenditure under relevant entitlements against an appropriate cohort.

¹⁶⁷ DHR has attempted to quantify the average cost to it of providing facilities and services to Members of the House of Representatives. The department's 2000–01 Portfolio Budget Statements (PBS) indicated an average cost per Member of \$77 000, increasing to \$81 000 per Member in its 2001–02 PBS.

¹⁶⁸ In regard to this, DHR advised ANAO in July 2001 that: '*The Canadian example is one of parliamentary administration comprehensively reporting on this expenditure and Parliament not the government should determine such matters.*'

5.20 ANAO also considers that, given the practical limits that apply to the ability of relevant departments to identify the use to which expenditure under a range of office management entitlements has been put, and the significant variation in the costs incurred by individual Parliamentarians under various entitlements, the overall accountability framework for those entitlements would be enhanced by the comprehensive periodic public reporting of the expenditure incurred.

Recommendation No.18

5.21 ANAO recommends that Finance, in consultation with the Departments of the House of Representatives and the Senate:

- (a) develop and implement appropriate benchmarking reporting to individual Parliamentarians of the expenses incurred by them under the range of office management entitlements; and
- (b) to enhance the accountability framework for those expenses, develop proposals for their periodic public reporting for consideration by Government and the Parliament.

Agencies responded to the recommendation as follows:

5.22 *Agreed:* DoS, DHR.

Disagreed: Finance.

5.23 Specific comments by DoS, DHR and Finance are set out below:

- In **agreeing** with the recommendation, agencies commented as follows:
 - **DoS:** The department concurs with Recommendation No.18 that the Department of Finance and Administration, in consultation with the Departments of the Senate and the House of Representatives, provide benchmark reports of entitlement expenses to individual parliamentarians and enhance the public reporting of that expenditure; and
 - **DHR:** Benchmarking cannot happen without satisfactory rationalisation of the delivery of the entitlements and services from a single source. This is the sort of outcome that would result from adopting the practices of similar jurisdictions' administration of Members' entitlements. Canada, for example, has a comprehensive system of reporting to both the members individually and to the House of Commons. As stated in the response to Recommendation No.3, DHR has endeavoured to report on Members' expenses through the Portfolio Budget Statement.

- In **disagreeing** with the recommendation, **Finance** commented as follows:
 - Finance has previously made a number of suggestions on reforms to framework and other issues. Benchmarking the reported usage of uncapped entitlements for the purpose of identifying anomalies for internal purposes such as follow-up by Finance to verify its correctness is pursued by Finance. In the absence of more fundamental reforms to the entitlements framework, the benefits of public reporting of benchmarks for uncapped entitlements are not clear. The Government and each Chamber in the Parliament would need to jointly agree to commission any such a review and to its terms of reference.

5.24 ANAO comment: Examination of the documentation provided to ANAO identified that, apart from the recently introduced benchmarking of an individual Parliamentarian’s expenditure under telephone services against their own previous usage history, Finance does not undertake benchmarking analysis of Parliamentarians’ expenditure under office management entitlements against that incurred by an appropriate cohort in order to identify anomalies that warrant further investigation. Nor is any benchmarking analysis provided to Parliamentarians to enable them to make informed judgements regarding their use of those largely unlimited entitlements. ANAO has suggested that there would be merit in a comprehensive review of the framework for Senators’ and Members’ entitlements being undertaken against approaches adopted in similar jurisdictions (see Recommendation No.2). This recommendation is aimed at strengthening the stewardship of public money, improving the services provided to Parliamentarians and enhancing public disclosure within the current Parliamentary entitlements system.

Personalised stationery and printing

5.25 Prior to 1990, personalised letterhead stationery for Senators and Members was printed and supplied under an administrative convention by the Parliamentary chamber departments, DoS and DHR, primarily utilising in-house printing facilities.¹⁶⁹ The passing of the Parliamentary Entitlements Act in 1990 formalised Parliamentarians’ entitlement to personalised letterhead stationery. The Parliamentary Entitlements

¹⁶⁹ In July 2001, DHR advised ANAO that: *‘in the past and currently, if the Speaker has felt or feels that Members are being denied appropriate services and facilities, then these have been delivered through the auspices of DHR.’*

Regulations made under the Act in November 1997 replaced that entitlement with an entitlement to personalised letterhead stationery; newsletters for distribution to constituents; and other printed material, as approved by the Minister, for distribution to constituents.¹⁷⁰

Administrative arrangements

5.26 The Regulations provide both Senators and Members with an unlimited entitlement to personalised letterhead stationery, newsletters and other approved printed material for distribution to constituents. However, the existing administrative arrangements have resulted in differences in the nature of entitlement that is made available to Senators as compared to Members.

5.27 Finance is responsible for the administered funds appropriated under the Act for this entitlement. However, DHR also administers aspects of Members' personalised stationery and printing entitlements, meeting some of those costs from its departmental funds.¹⁷¹ DoS administers all personalised stationery and other printing requirements for Senators, and meets all associated costs from its departmental funds. By ministerial determination, there is no access for Senators to the administered funds managed by Finance.¹⁷²

5.28 Under the existing arrangements, both Senators and Members are provided with unlimited quantities of personalised letterhead stationery and envelopes. Members may also have unlimited volumes of newsletters and other approved material externally printed, in addition to a capped printing allowance provided in-house by DHR (see paragraph 5.31). By administrative arrangement, however, Senators are restricted to a monthly allowance of 5 000 A4 sheets in total, whether printed internally by DoS or outsourced by DoS to external printers. Senators may transfer all or part of their monthly allowance to another Senator. Monthly allowances not used in a given month are forfeited.

¹⁷⁰ Under this latter provision, on 19 November 1997, the then Special Minister of State approved the provision to Senators and Members of magnetised calendars and emergency and community information cards.

¹⁷¹ The Appropriation (Parliamentary Departments) Act provides the departmental funds of the Parliamentary Departments.

¹⁷² DoS and DHR also provide Senators and Members, respectively, with a limited annual supply of Christmas cards from their departmental funds.

5.29 Members may also have unlimited quantities of magnetised calendars and other community and information cards printed for distribution to constituents. These items were approved for Senators and Members by the Special Minister of State under the Regulations in November 1997. However, under the DoS guidelines, Senators are restricted to a maximum of 15 000 small calendars (three to an A4 page) per annum, which is deducted from their monthly printing allowance. The calendars cannot be magnetised and may be one colour only.

5.30 Certain restrictions in terms of the permitted item cost and/or quantity and/or quality for individual items available under this entitlement have also been identified at various times. For example, the guidelines for Members included in the Senators' and Members' Entitlements handbook issued by Finance state that the paper for printing newsletters must cost no more than \$10 per ream of A4 paper or \$20 per ream for A3 paper, and that the maximum size for a newsletter is four sheets of A4 paper or two sheets of A3 paper. Senators are restricted to a specified quality of paper for personalised letterhead stationery, but there are no limits applying to the paper Members may choose to have printed for letterhead stationery.

Administrative arrangements for Members

5.31 As noted, both DHR and Finance are involved in providing Members with personalised stationery and other printing services. DHR provides Members with an in-house printing service. This service is not provided under the auspices of the Act, Remuneration Tribunal Determinations or Regulations, but by long standing convention as an additional service to Members out of DHR's departmental funds. Members are limited to set quantities of paper supplies per annum under that service.¹⁷³

¹⁷³ The Speaker has approved that individual Members be limited to 42 000 sheets of A4 paper or equivalent per annum, with higher limits applying for executive Office-holders and their opposition shadows, and unlimited entitlements for the Prime Minister and Leader of the Opposition for internal Parliament House use. Members have the capacity to have additional sheets transferred to them by other Members, up to a limit of an additional 42 000 sheets per annum.

5.32 In addition to this internal printing service, Members are able to access unlimited external printing services for items approved under the 1997 Regulations. By administrative arrangement arising from historical factors, Members are required to access the first \$3 850 of their annual expenditure under that entitlement through DHR, which meets the cost from its departmental funds. Once that limit has been exhausted, Members may incur unlimited expenditure from the administered funds managed by Finance, but can elect to access those requirements through DHR, Finance or both.¹⁷⁴

5.33 Whether this entitlement is accessed by a Member through DHR (including under the initial allowance) or through Finance, the process that applies is that the Member selects the printer and provides the relevant department with one written quote for a given job. This must be accompanied by a certification. The pro-forma certification by the Member states that the expenditure is within his or her entitlement¹⁷⁵ for personalised letterhead stationery and other approved written material for parliamentary or electorate business (but not party business); and that it represents value for money and/or that the selection of the printer was in accordance with government purchasing policies and guidelines.

5.34 To the extent possible given the limited documentation provided by the Member, some checks are undertaken by departmental officials to ascertain whether the relevant guidelines have been complied with in regard to the form of printing, such as the size of a newsletter, the number of colours used or the cost per ream of paper.¹⁷⁶ However, in a number of the printing transactions reviewed by ANAO, the documentation

¹⁷⁴ Where Members arrange external printing jobs through DHR, DHR meets the costs in the first instance from its departmental funds and seeks reimbursement from Finance from the administered funds. In 1999–2000, DHR maintained a manual spreadsheet of Members' printing costs in order to identify when a Member had exhausted the \$3 850 allowance. Separately, the DHR financial management system recorded each Member's printing costs met by DHR under the initial allowance, and the additional costs for that Member that were recovered from Finance. ANAO noted a number of instances in which, according to those records, Members had not exhausted the initial DHR allowance before accessing printing under the entitlement directly through Finance. In five cases, no costs were recorded as incurred through DHR for 1999–2000 but there was significant expenditure incurred through Finance. ANAO also noted a number of anomalies between the manual spreadsheet and the 1999–2000 expenditure reports in respect to the costs recorded as having been met by DHR for particular Members. DHR advised ANAO that it has introduced a more detailed recording system for the 2000–01 financial year.

¹⁷⁵ This certification makes no distinction between the initial allowance through DHR and the unlimited entitlement through the administered funds managed by Finance. In most examples reviewed by ANAO, Members seeking personalised stationery or printing through Finance advised Finance that their initial DHR allowance was exhausted.

¹⁷⁶ However, ANAO noted instances in the sample of printing transactions reviewed in which such checks did not appear to have been performed. For example, ANAO noted instances in which four colours appear to have been used in newsletters, rather than the two permitted.

provided by the Member did not include the details necessary to enable the departmental official to form a judgement as to whether the guidelines had been complied with.¹⁷⁷ In one example noted by ANAO, Finance met the cost of a single total price quoted and invoiced by the printer for the supply of a range of printed items¹⁷⁸, thereby providing no capacity for Finance to assess the value for money provided for each type of item.

5.35 No further checks are undertaken in regard to ascertaining the eligibility of the content or purpose of the proposed printing, or verifying the competitive value for money provided by the quote. The departmental official then raises a purchase order on the printer nominated by the Member. Payment is made upon receipt of an invoice and certification from the Member's office that the goods were received.

5.36 Members are advised in the Senators' and Members' Entitlements handbook issued by Finance that any Member entering into a legal contract for provision of printing before receiving an official purchase order from the relevant M&PS State Manager may be personally liable for the cost of the stationery.¹⁷⁹ In raising a purchase order, which Finance provides directly to the printer nominated by the Member, Finance enters into a contract, agreement or arrangement under which public money will become payable. The Finance CEIs stipulate that an official who has been delegated the authority to enter into contracts or agreements must ensure that the proposal to spend public money has been approved in accordance with the policies of the Commonwealth¹⁸⁰; and that officers involved with the procurement of goods and services must have regard to the CPGs, as required by FMA Regulation 8.¹⁸¹ In doing so, Finance officials are reliant upon the certifications provided by the Member to satisfy the officials' FMA Act obligations and ensure all printing obtained is for eligible purposes. As noted in Chapter 3, these arrangements appear

¹⁷⁷ For example, ANAO noted a number of instances in which the quote and invoice documentation provided by the Member specified the number of newsletters to be produced but provided no information as to the newsletter's size, number of pages or number of colours used. In many cases, the documentation provided did not enable any assessment of the cost of paper compared to the printing costs. In other examples, the documentation did not identify the type of paper and number of colours used in the printing of personalised letterhead stationery.

¹⁷⁸ The items listed on the invoice included a supply of Christmas cards for which there is no entitlement through Finance. The invoice was not notated by Finance with any clarification of the eligibility of that item or as to whether the cost of the cards was included in the payment made by the department.

¹⁷⁹ Within the sample of transactions reviewed, ANAO noted two instances in which printing was obtained prior to a purchase order being sought through Finance.

¹⁸⁰ Finance CEIs 4.4.1—Officials are referred to the FMA Regulation 13 requirement for approval under Regulation 9.

¹⁸¹ Finance CEIs 4.3.1

to be inconsistent with the views expressed by Finance that: *'it would be legally inappropriate, and in many cases nonsensical, to attempt to overlay FMA Act requirements (for the approval of public money) on Parliamentary entitlements.'* (See Figure 3.2 and paragraph 3.16.)

Administrative arrangements for Senators

5.37 In contrast, all printing requests for Senators are submitted through the DoS print shop, which has enhanced capabilities in comparison to the DHR in-house printing facility. DoS determines whether it will undertake the requested printing itself or, based on cost and capacity considerations, outsource the work to one of a panel of external printers. Those printers are selected as a result of periodic competitive tendering processes conducted by DoS. Printing for the Senate chamber and parliamentary committees takes precedence over work for individual Senators. DoS makes payment on external printing services upon receipt of an invoice and certification by a DoS official that the goods were received and charges correct. These arrangements provide an effective control framework as there is full segregation of the ordering, receipting and payment functions.

Scope for rationalisation

5.38 The existing administrative arrangements for Members under this entitlement create unnecessary duplication of service provision, as well as the potential for confusion among Members. It also results in incomplete management information being reported to Members, and makes reliable analytical review of expenditure under the entitlement very difficult.

5.39 Despite both departments being responsible for the delivery of the same entitlement to individual Members, there are no formal liaison arrangements between DHR and Finance for the management of the entitlement other than the periodic requests by DHR for reimbursement from the administered funds managed by Finance. Ad-hoc queries are made at an officer level, but neither department is fully aware of the costs incurred by the other on behalf of individual Members¹⁸², or of advice that one or the other may have provided to a Member regarding a particular printing request.¹⁸³

¹⁸² DHR is unaware of the expenditure Members incur directly through Finance. Neither DHR nor Finance is able to monitor an individual Member's use against those elements of the entitlement that are limited, such as the restriction to 7 000 business cards per annum.

¹⁸³ In July 2001, DHR advised ANAO that: *'Experience has shown that if one department refuses a request for printing the Member might have more luck with the other; in other words there are differences in interpretation in the guidelines applying to the Members' printing.'*

5.40 In 1999–2000, whilst some 70 per cent of Members continued to arrange at least some of their printing through DHR after the initial allowance had been exhausted, about 70 per cent of overall expenditure by Members under the entitlement was arranged directly through Finance. There are no arrangements in place to provide Members with comprehensive information regarding their use of the entitlement. DHR does not provide Members with management reports. The monthly management reports provided to Members by Finance do not include expenditure incurred through DHR utilising the initial allowance, and only reflect an aggregate figure for the cost of additional printing arranged through DHR.¹⁸⁴ Members who choose to arrange all of their printing under the entitlement through DHR receive no reporting of the transaction details underlying the expenditure recorded against them in Finance’s management reports. Members who do not incur costs in excess of the initial DHR allowance, and incur no costs directly through Finance, receive no management reports on their use of this entitlement in the course of a given financial year. In May 2001, Finance advised ANAO that: *‘the Monthly Management Reports provide information on entitlements administered by Finance. Reporting by the Parliamentary Departments is an issue for the Parliamentary Departments.’*

5.41 In that context, Finance also advised ANAO that: *‘It is not apparent that the extent of liaison between DHR and Finance is an issue of any significance.’* This is not the view held by DHR. In November 2000, an internal DHR paper noted that no formal policy had been developed for the purchase and supply of Members’ personalised stationery, and that there are currently no procedures in place for the overall management of the entitlement. The paper stated that, currently, the guidelines comprise advice of piecemeal decisions made on an ‘as needs’ basis by a succession of Ministers, and that the guidelines that did exist had been documented by DHR in the absence of a consolidated advice from Finance. It also noted that the administrative arrangements for the entitlement result in inefficiencies, including confusion and wasted time for Members through the irregular application of the guidelines which results in inequitable services; confusion and late payments for suppliers; duplication of effort and administrative overhead for both departments; and additional costs for DHR. In July 2001, DHR advised ANAO that part of the problems identified in the audit can be attributed to the uncertainty about which department is responsible.

¹⁸⁴ The aggregate figures reflect total reimbursement payments made by Finance to DHR in a period but do not identify to the Member the details of each transaction involved, including cost, supplier or a description of the items printed.

5.42 The somewhat arbitrary split of responsibilities between DHR and Finance appears to be a result of historical factors. Several years ago, the then Speaker determined that DHR would fund items not covered by the allowance provided under the Act.¹⁸⁵ This evolved into the current arrangements whereby Members have to access the first component of the entitlement through DHR before gaining access to the uncapped entitlement administered by Finance. More recently, the previously supplemented items provided by DHR were included under that uncapped entitlement by virtue of the 1997 Regulations and subsequent determinations by the Special Minister of State. Consideration was given at that time to rationalising the management of Members' personalised stationery and printing entitlement. In July 2001, DHR advised ANAO that: *'in 1997 [it] had agreed with DoFA to enter into a purchaser-provider arrangement to manage Members' printing. DoFA failed to proceed with the arrangement.'* Ultimately, no change was made to the funding or administrative arrangements.

5.43 In May 2000, DHR advised Finance of a number of concerns it held in regard to the existing administrative arrangements and proposed that, as it provides Members with extensive in-house printing services that are often used to provide products not covered by the personalised stationery and printing entitlement under the Regulations, it assume full administrative responsibility for that entitlement as well. In June 2000, Finance advised DHR that it was exploring the issues and would seek to develop a mutually agreed solution to the problems perceived by DHR. In May 2001, Finance advised ANAO that several discussions on this issue had occurred between itself and DHR, and that the departments

¹⁸⁵ Until 1997, the DAS guidelines did not consider calendars and similar items for distribution to constituents to be eligible for funding from the special appropriation provided by the Act for the entitlement to personalised letterhead stationery. However, the DHR guidelines for the use of the initial DHR allowance did allow for calendars to be printed. As a consequence, Members were encouraged to spend the DHR allocation on calendars and similar items not covered by the supplementary allowance available through DAS to maximise the benefit of the combined allocations. In June 1997, the then Speaker approved a recommendation by the Clerk of the House that DHR no longer fund calendars and similar items to provide consistency between the range of items available through DHR and DAS. In August 1997, DHR was provided with legal advice which confirmed that Members were not eligible for personalised calendars for distribution to households in the electorate under the terms of the Act entitlement to personalised letterhead stationery. Following representations from a number of Members, the then Speaker approved that Members be allowed to convert their in-house printing allowance (which is not provided under the Act) to a dollar amount to have limited quantities of calendars produced by DHR or outsourced to a commercial printer of their choice. In November 1997, the Government agreed to creating Regulations under the Act to provide the authority for other approved material for distribution to constituents to be provided Senators and Members. The Special Minister of State subsequently approved the supply to Senators and Members of magnetised calendars and emergency and community information cards for distribution to constituents. The 1997 Regulations also resolved the issue of the eligibility of Members to newsletters which, although routinely accessed by Members under the Act entitlement to personalised letterhead stationery, were also a questionable item under the terms of the legislation.

were proposing to have further discussions to clarify the issues. However, in July 2001, DHR advised ANAO that this: *'is not a true reflection of the situation. There have been two inconclusive discussions with DoFA, in July 2000 and April 2001. DoFA has given no further indication that discussions are to occur and has not responded to correspondence on this matter.'*

5.44 The existing arrangements do not assist in providing a cost-efficient and effective means of servicing Members' requirements under the entitlement, or in providing a comprehensive information base to support appropriate oversight of the expenditure of Commonwealth funds. ANAO considers that benefits could be expected to arise from rationalisation of the management of Members' entitlement to personalised stationery and printing under a single department.

5.45 Finding: The existing administrative arrangements for Members under the entitlement to personalised letterhead stationery and other printing for distribution to constituents create unnecessary duplication of service provision, as well as the potential for confusion among Members. It also results in incomplete management information regarding their use of the entitlement being reported to Members, and makes reliable analytical review of expenditure under the entitlement very difficult. There are no formal liaison arrangements between DHR and Finance in respect to the management of the entitlement. In November 2000, an internal DHR paper noted that no formal policy had been developed for the purchase and supply of Members' personalised stationery, and that there are currently no procedures in place for the overall management of the entitlement. In July 2001, DHR advised ANAO that: *'in 1997 [it] had agreed with DoFA to enter into a purchaser-provider arrangement to manage Members' printing. DoFA failed to proceed with the arrangement.'* Ultimately, no change was made to the funding or administrative arrangements. ANAO considers that benefits could be expected to arise from rationalisation of the management of Members' entitlement to personalised stationery and printing under a single department.

Recommendation No.19

5.46 ANAO recommends that Finance and the Department of the House of Representatives undertake a review of the costs and benefits of rationalising the management of Members' printing entitlements and services under a single department which might then be put to Government for consideration.

Agencies responded to the recommendations as follows:

5.47 Agreed: DHR.

Disagreed: Finance

5.48 Specific comments by DHR, Finance and DoS are set out below:

- In **agreeing** with the recommendation, **DHR** commented that: DHR believed that this had already been undertaken in 1997 at officer level with the Department of Finance and Administration. The arrangement concluded then was for DHR to provide the printing services on a purchaser-provider basis. DHR and Finance have discussed a number of ways the delivery of services and facilities might be rationalised. In addition to the provision of Members' personalised stationery there is an opportunity, for example, for the stamp allowance which DHR pays, that comes within a Members' communications allowance, to be discontinued and Members then able to access the total of the communications allowance with greater flexibility.
- While not responding to the recommendation, **DoS** commented that: Although the recommendation does not apply directly to the Department of the Senate, the possibility that management of Members' printing entitlements might be transferred to DoFA would encourage similar arrangements to be made for Senators' printing entitlements. At paragraph 5.37, it is stated that the Department of the Senate's management of Senators' printing entitlements provides an effective control framework. As ANAO acknowledges that the department's administration is effective, the department sees no reason why the administration of Senators' printing entitlements should be transferred to DoFA.
- In **disagreeing** with the recommendation, **Finance** commented that: the current framework and the arrangements governing the usage of printing entitlements are complex. The issues highlighted by the ANAO as worthy of a review by their nature include the scope for the imposition of restrictions in terms of how much and how entitlements can be accessed under the current legislative and policy framework. Given the potential sensitivities to be addressed by such a review, it would need the joint agreement of the Government and the House of Representatives for it to proceed.

5.49 ANAO comment: The recommendation is directed at reviewing the existing arrangements to provide for Members' printing services entitlement to be managed through a single department, as is the case already for Senators, in order to simplify the arrangements. ANAO considers that benefits could be expected to arise from such rationalisation. In implementing this recommendation, it is not implicit that the nature of the entitlement itself necessarily be reviewed. Consideration of those matters could arise in the context of a review such as that detailed in Recommendation No.2.

Accountability processes

5.50 Excluding the cost of the DHR internal printing service¹⁸⁶, the aggregate printing costs incurred by Members in 1999–2000 was \$5.518 million, at an average cost per Member of \$37 287. DHR incurred costs of \$0.495 million from its departmental funds, and incurred a further \$1.266 million in costs reimbursed from the administered funds managed by Finance. Finance incurred direct costs on behalf of Members of \$3.757 million. The total cost to DoS of all personalised stationery and printing for Senators in 1999–2000 was \$0.554 million¹⁸⁷ at an average of \$7 103 per Senator.

5.51 There are a number of accountability points in the incurring of that expenditure. The legislation places no restrictions on the purposes for which Parliamentarians may use personalised letterhead stationery; and the only legislative restriction on other approved printed material is that it be for distribution to constituents. However, for a number of years, both the Speaker of the House of Representatives and the President of the Senate have issued guidelines advising Parliamentarians that it would be appropriate to limit the use of these items to parliamentary and electorate business, but not party business. This requirement is generally imputed to gain consistency with the specific requirements that are set out in the legislation and relevant Determinations for the use of postage and other information delivery services.¹⁸⁸ However, the legal basis for this interpretation has not been tested.¹⁸⁹

¹⁸⁶ The cost of in-house printing undertaken for Members in 1999–2000 was not separately recorded by DHR, and the available records relating to volumes consumed by individual Members are not sufficiently reliable to support analysis. A new cost management system introduced by DHR will collect internal printing costs for each Member from 2000–01 onwards.

¹⁸⁷ This includes \$191 500 in expenditure on external printing. DoS expenditure records for 1999–2000 do not enable this expenditure to be attributed to individual Senators.

¹⁸⁸ Under Determination 1998/26 (as amended), Parliamentarians are entitled to use commercial services, including Australia Post, for the distribution of letters, newsletters and parcels and electronic services at Commonwealth expense in relation to parliamentary or electorate (but not party) business, up to a maximum of \$25 000 each financial year.

¹⁸⁹ The capped nature of the information delivery services entitlement has generally been seen as providing a de-facto limit on the capacity for Members to utilise the uncapped personalised stationery and printing entitlement. This is because Members are not entitled to pay for distribution costs from their printing entitlement, and must meet those costs from either their capped information delivery services allowance, or their electorate allowance. However, ANAO noted that in 1999–2000 a number of Members utilised local and city newspapers to print and distribute material to constituents, either as insertions or as an embedded article within the newspaper. This was accessed under their entitlement to the printing of newsletters. In some cases reviewed by ANAO, the newspaper involved specifically noted on the quote and invoice that insertion charges were to be paid separately or had been waived.

5.52 Guidelines issued to Senators by DoS provide that printing and photocopying services are restricted to the preparation of parliamentary material associated with Senators' parliamentary duties, and that material related to political party or election campaign matters cannot be accepted. DoS advised ANAO that the guidelines are consistent with the Parliamentary Entitlements Act and the requirement to avoid use of appropriations for party political purposes. The department's guidelines were considered by the Senate Appropriations and Staffing Committee in April 2000, with no changes resulting.

5.53 DoS requires Senators to submit the proposed text of newsletters and other printing requests to the Deputy Usher of the Black Rod for clearance. Where the text is considered to be outside of the guidelines provided, the Senator is required to revise the text before the printing will be undertaken.

5.54 In lieu of requiring Members to submit proposed text for review, Finance requires Members to provide it with a certification at the time of submitting printing requests to the effect that the expenditure is within his or her entitlement and will be for parliamentary or electorate business, but not party business. As noted in Chapter 2, these terms have not been defined, and to date Parliamentarians have been provided with general guidance only on what constitutes parliamentary, electorate and party business. Finance does not sight or retain a copy of the material printed using the entitlement. Finance advised ANAO that:

What Finance does do is actively refer all allegations of use outside of entitlement to the Special Minister of State who follows up formally with the Parliamentarian to seek a response.

5.55 For printing provided to Members via its in-house printing service, DHR undertakes a content review process of the kind required by DoS before accepting material for printing. The DHR guidelines issued in July 1999 provided that newsletters containing reference to party political or election campaign matters could not be accepted for printing, and that material that was defamatory or not in keeping with parliamentary standards would not be accepted. To that end, DHR required that, in addition to the certification process, a sample of the material to be printed was to be submitted with printing requests. The guidelines noted that the certification was a Finance requirement. Where DHR considered the material proposed for printing to be outside of a Member's entitlement, it requested changes before approving the printing.

5.56 Since November 1999, however, for external printing services accessed by Members under the entitlement provided by the Regulations, DHR has undertaken a similar process to that of Finance. At that time, DHR advised Members that, as the requirement to submit a sample of proposed text for external printing was not imposed by Finance, in future Members need only provide DHR with a certification. DHR advised Members that this placed the onus on them, but that DHR staff would continue to provide advice on these matters if requested. DHR advised ANAO that it had changed its policy in respect of printing undertaken under the Regulations because the differing requirements had contributed to significant confusion and duplication of effort, with Members questioning the requirement for review by DHR when Finance did not impose that requirement.¹⁹⁰ DHR also undertakes reviews of allegations of misuse of Members' printing entitlement received from external parties. Material requested by Members to be printed by DHR through the in-house printing service continues to be assessed prior to acceptance.

Value for money

5.57 As well as ensuring that payments made are within entitlement and consistent with the relevant guidelines, Government policy requires agencies to seek value for money in procuring goods and services for the Commonwealth.¹⁹¹ The FMA Regulations also require approvers of expenditure to have regard to the CPGs, which state that open and effective competition is a central operating principle for all Commonwealth procurement.¹⁹² (See discussion in Chapter 3 regarding the applicability of the FMA Act and Regulations to Parliamentarians' entitlements).

5.58 The processes undertaken by DoS for Senators' printing include the assessment by DoS of the comparative value for money of undertaking the printing internally compared to outsourcing; and the selection by the department of a panel of external printers through periodic competitive tendering exercises. Through these processes, DoS is able to demonstrate that it has conducted reasonable inquiries as to the value for money represented by the expenditure on printing for Senators.

¹⁹⁰ In July 2001, DHR advised ANAO that the decision to stop checking samples of material: *'accorded with DoFA practices and helped DHR accommodate what was becoming an unmanageable workload.'*

¹⁹¹ The Commonwealth Procurement Guidelines (CPG) March 1998 p. 3 state that value for money is the essential test against which agencies must justify any procurement outcome, and that persons entering into financial commitments (such as contracts) should be satisfied that the Commonwealth is unable to obtain better value for money.

¹⁹² CPG p. 7.

5.59 In that regard, Finance and DHR rely upon the provision by the Member involved of a pro-forma certification that the quote received represents value for money and/or the printer was selected in accordance with Commonwealth procurement policies and guidelines. The guidelines issued by DHR advise Members that, in order to meet the requirements of the FMA Act, *'it is suggested that competitive quotes be periodically obtained to ensure that suppliers are providing value for money.'*

5.60 The Senators' and Members' Entitlements handbook issued by Finance advises Members that they should: certify that the selection of the supplier or printer has been made in accordance with Commonwealth procurement policies and guidelines (i.e. selection was based on value for money, open and effective competition, ethics and fair dealing, accountability and reporting, national competitiveness and industry development and support for other Commonwealth policies). The handbook also advises Members that written records including details of quotes should be retained including, for example, evidence that the Department of the House of Representatives had approved the supplier or printer. DHR advised ANAO that it does not approve the suppliers or printers engaged by Members.

5.61 The nature of the certification required to be provided by Members to Finance¹⁹³ before it will raise a purchase order for printing under the Member's statutory entitlement¹⁹⁴ essentially requires Members to have undertaken inquiries of the type normally undertaken in the process of approving expenditure under FMA Regulation 9, in order to inform such a certification. ANAO considers that it is good administrative practice for the expenditure of public money to be subjected to value for money assessments and open and effective competition in order to promote the proper use and management of that public money (see Chapter 3).

5.62 ANAO reviewed the 1999–2000 printing transactions for a small sample of Members.¹⁹⁵ In a number of cases, all or most of the Member's 1999–2000 printing costs were incurred through a single printer. This can involve the expenditure of substantial amounts of public money. For

¹⁹³ As noted earlier, DHR also requires that Members provide this certification when accessing printing under the entitlement provided by the Parliamentary Entitlements Regulations, advising Member in its July 1999 printing guidelines that it was a Finance requirement (see paragraph 5.55).

¹⁹⁴ Under the Parliamentary Entitlements Regulation 1997.

¹⁹⁵ That review was limited to transactions reported in the Members' monthly management reports. Until October 1999, printing expenditure was not included in those reports. When introduced in October 1999, the year-to-date figure only was reported. Accordingly, transaction details for expenditure prior to October 1999 was not available for inclusion in the ANAO sample.

example, the printing requirements of one Member represented at least \$203 249 in business for a single printer in 1999–2000. Other examples of significant expenditure with an individual printer in 1999–2000 were noted, ranging from at least \$41 698 to \$87 801.¹⁹⁶

5.63 There is no restriction on the type of paper Members may use for personalised letterhead stationery, but the printing may only include two colours (with a third allowed for a signature). It is normally expected that the higher the quality of the paper, the higher will be the price per sheet; while unit discounts would normally be expected for larger volumes in a single order. However, ANAO noted that, within the sample of printing transactions reviewed, there was considerable variation in the unit costs incurred by Members for letterhead stationery which did not appear to be easily explainable in terms of differences in quality or volume. For example, one Member expended \$0.17 cents per sheet of letterhead on a volume of 20 000 sheets. Another spent \$0.05 cents per sheet for similar letterhead, despite the order involving only half the volume (10 000 sheets); while a third expended \$0.165 cents per sheet for an order of only one quarter the volume of the first Member (5000 sheets). Each of those Members had ordered two colour letterhead printed on 90 gsm paper.

5.64 ANAO noted another example in which the price paid by one Member to the same printer for letterhead stationery varied between \$0.06 and \$0.12 cents per sheet, with an order of 100 000 sheets carrying a very similar price per sheet to an order for 40 000 sheets. The quotes and invoices provided to Finance by the Member did not include sufficient detail to identify the reason for this price differential.

5.65 In May 2001, Finance advised ANAO that variation in unit costs of printing is not surprising, and can occur for several reasons, including that:

- in line with Government policies for stimulation of regional development, local Members are keen to support local businesses, and that variation in costs can therefore occur due to the size and location of the business; and
- in practice, value for money considerations include not only the unit costs of printing but the cost of freight; low or no freight costs associated with local supply will often make the overall costs competitive; and that, in almost every case where this occurs, the local member will choose the local supplier.

¹⁹⁶ Additional expenditure incurred by those Members during 1999–2000 may have also been incurred with the same printers but was not reviewed in this audit.

5.66 ANAO notes that Finance does not currently obtain from Members, or seek subsequently to sight, documentation that would enable it to identify the factors that were taken into account by Members in forming the value for money assessment that underpins the certification provided. ANAO also notes that, in many instances, there will be more than one local supplier available to a Member.

5.67 Despite advising Members that documentation should be retained, neither Finance nor DHR undertake monitoring or follow-up processes to support their ongoing reliance upon the pro-forma certifications provided by Members with printing requests. Members are not required to provide either department with information regarding the processes that were undertaken in selecting printers; the basis used for determining that quotes received represented value for money; or whether they have periodically obtained competitive quotes. Nor have Members been provided with specific guidance as to how such activities should be conducted.

5.68 ANAO acknowledges that a number of factors may be involved in the determination of value for money by a Parliamentarian. Indeed, the CPGs note that it is not an attribute or criterion in itself, but is a basis for comparing alternative solutions. It is through the consideration of both financial and non-financial benefits and risks that the value for money offered by competing providers can be best assessed. However, such assessments must be documented and, therefore, accountable. The accountability framework for Members' printing would be enhanced by the application of systematic periodic review by the departments responsible for the public money involved of Members' processes for the selection of printers and value for money assessments. As noted earlier, Finance and DHR¹⁹⁷ are also reliant upon the relevant Member's certification in order to ascertain whether printing has been undertaken for eligible purposes (see paragraphs 5.54 to 5.56). In that context, periodic reviews of Members' printing transactions would also provide a mechanism for obtaining systematic assurance as to the on-going reliability of those certifications as a key control in the existing administrative arrangements for this entitlement.

¹⁹⁷ In the case of DHR, this applies only to printing undertaken by external printers. The content of printing requested to be undertaken internally by DHR as part of the additional in-house printing service it provides to Members is subject to scrutiny by DHR before it will be accepted for printing.

5.69 Finding: In lieu of requiring Members to submit proposed text for review, Finance and DHR require Members to provide a certification at the time of submitting external printing requests to the effect that the expenditure is within his or her entitlement and will be for parliamentary or electorate business, but not party business. Finance and DHR do not sight or retain a copy of the material printed using the entitlement. Allegations of misuse of Parliamentarians' printing entitlements received by the departments from external parties are investigated.

5.70 Finance and DHR also rely upon the provision by the Member involved of a pro-forma certification that the quote provided for a particular printing task represents value for money and/or the printer was selected in accordance with Commonwealth procurement policies and guidelines. Despite advising Members that documentation should be retained, neither Finance nor DHR undertake monitoring or follow-up processes to support their ongoing reliance upon the pro-forma certifications provided. Members are not required to provide either department with information regarding the processes that were undertaken in selecting printers; the basis used for determining that quotes received represented value for money; or whether they have periodically obtained competitive quotes. Nor have Members been provided with specific guidance as to how such activities should be conducted.

5.71 The accountability framework for Members' printing would be enhanced by the application of systematic periodic review by the departments responsible for the public money involved of Members' processes for the selection of printers and value for money assessments. Periodic reviews of Members' printing transactions would also provide a mechanism for obtaining systematic assurance as to the on-going reliability of the certifications provided as a key control in the existing administrative arrangements for this entitlement.

Recommendation No.20

5.72 ANAO recommends that, to enhance the accountability framework for Members' expenditure under their entitlement to personalised letterhead stationery and other printing for distribution to constituents, and to provide assurance as to the ongoing reliability of the certifications provided by Members as a key control for that expenditure, Finance and the Department of the House of Representatives undertake systematic periodic reviews of Members' processes for the selection of printers and value for money assessments.

Agencies responded to the recommendation as follows:

5.73 Agreed: DHR.

Disagreed: Finance.

5.74 Specific comments by DHR and Finance are set out below:

- In **agreeing** with the recommendation, **DHR** commented that: This would necessitate Members to be provided with procedural material and education of their staff in purchasing. DHR estimates that it is already costing it around \$67 000 per annum to process Members' personalised stationery entitlements for which it was never funded. While it agrees with the recommendation, there are further resource implications for DHR before it could undertake such matters as the education and audit activities that would be required.
- In **disagreeing** with the recommendation, **Finance** commented that: the procedures for Members requiring personalised letterhead and other printing are adequate and are as outlined in the Handbook. They include: certification that expenditure is in entitlement; certification that selection of a printer is in accordance with the Commonwealth's procurement policies and guidelines; retention of written records including details of quotes; and advice to Finance of the name of the supplier, description of the job and cost. The order is placed by Finance on behalf of the Member and is paid when the Member receives an invoice and advises that the goods have been received. Checks of process are made by Finance at these stages.

5.75 ANAO comment: The Senators' and Members' Entitlements handbook issued by Finance advises Members that they should: certify that the selection of the supplier or printer has been made in accordance with Commonwealth procurement policies and guidelines (i.e. selection was based on value for money, open and effective competition, ethics and fair dealing, accountability and reporting, national competitiveness and industry development and support for other Commonwealth policies). The handbook also advises Members that written records including details of quotes should be retained. ANAO reviewed the 1999–2000 printing transactions for a small sample of Members. In a number of cases, all or most of the Member's 1999–2000 printing costs were incurred through a single printer. This can involve the expenditure of substantial amounts of public money. ANAO notes that Finance does not currently obtain from Members, or seek subsequently to sight, documentation that would enable it to identify the factors that were taken into account by Members in forming the value for money assessment that underpins the certification provided.

Electorate office and residential telephone services

5.76 Parliamentarians are entitled to both office and residential telephone services at Commonwealth expense. Under guidelines approved by the Special Minister of State¹⁹⁸, electorate offices are provided with four exchange lines, and the Senator or Member is entitled to a mobile telephone. Under Determination 1998/26 (as amended), Senators and Members are also entitled to the cost of all calls¹⁹⁹ from two telephone services in their private residence, together with the cost of installation, maintenance and rental of one telephone answering machine.²⁰⁰

5.77 Neither the Parliamentary Entitlements Act nor the Determination specify any limit on the purposes for which these telephone services can be used at Commonwealth expense. In August 2000, Finance advised the then Special Minister of State that accepted practice is that electorate office telephones are for parliamentary or electorate business, while residential telephone services may also be used for private purposes.

5.78 Determination 1998/26 also provides that Parliamentarians shall be issued with a Telephone Services Charge Card (commonly referred to as a Telecard). In this case, the Determination did specify that the card may only be used by the Parliamentarian personally, and only for the purposes of parliamentary or electorate business.

¹⁹⁸ The Act provides that Senators and Members are entitled to office accommodation in the electorate, together with the equipment and facilities necessary to operate the office, as approved by the Minister.

¹⁹⁹ Determination 2000/02 dated 4 May 2000 provided that, as from the next billing period following the issue of the Determination, Senators and Members were also entitled to the rental costs on two residential telephone lines at Commonwealth expense. Prior to that, they were required to reimburse Finance for the cost of rental and installation on residential telephone lines.

²⁰⁰ ANAO reviewed the 1999–2000 residential telephone transactions for a small sample of Parliamentarians. Two instances were noted in which the Parliamentarians had been provided with a mobile telephone in lieu of one of the two permitted residential telephone lines. The Senators' and Members' Entitlements handbook issued by Finance states that: '*A mobile telephone service may not be substituted for one of the telephone lines in the private residence.*' Given that, in April 2001 ANAO queried with Finance the provision of mobile telephones in the instances noted. In May 2001, Finance advised ANAO that: '*The mobile phones appear to have been provided under the arrangement whereby Senators and Members can have a personal mobile phone cost met in lieu of a communication line.*' Finance did not identify the basis of that arrangement, and provided no explanation as to the disparity between that advice and the guidelines set down in the handbook it issues.

5.79 There is no financial limit on any of these telephone services entitlements. According to the monthly and end-of-year management reports provided to Senators and Members, the total cost incurred by Finance under this entitlement for 1999–2000 was \$3.305 million²⁰¹, comprising:

- electorate office services (including Telecard and fax)—\$2.225 million;
- electorate office mobile telephone services—\$0.719 million; and
- residential telephone services—\$0.361 million.

Administrative framework

5.80 The Finance CEIs require that, before approving the payment of an account, Business Group officials who have the delegation to authorise payments must ensure that, among other things, the amount to be paid is correct; and payment is being made for the goods that have been received or the services have been rendered.²⁰² Adequately fulfilling this requirement in respect of Parliamentarians' telephone services has been an area of difficulty for some time. This has been due in part to the competing requirements of appropriate payment approval and certification procedures, and concerns to protect Parliamentarians' privacy.

5.81 A February 1991 instruction by the then Minister for Administrative Services required that, in future, telephone accounts provided to DAS would not show details of calls made. The policy was reinforced in October 1993 in a circular issued to all Senators and Members by the responsible Parliamentary Secretary. Finance documentation indicates that, at that time, the telephone services provider was unable to provide itemised accounts directly to individual Senators and Members.

5.82 Subsequently, the management of Parliamentarians' telephone services did not satisfy a number of the criteria of a robust payment control framework. In 1999–2000:

- neither Finance nor the Parliamentarian received an itemised account of the telephone services being charged for. Finance received aggregated invoices for each Parliamentarian incorporating single line items for total call charges against each telephone line; total calls against the Telecard account; and charges for the fax service operated by the Parliamentarian, together with rental and service charges;
- payment was made directly to the telecommunications provider by Finance on the basis of the aggregate invoice received;

²⁰¹ In the case of some Ministers and Parliamentary Secretaries, some or all of these costs were met by their respective home departments and are not reflected in this figure.

²⁰² Department of Finance and Administration Chief Executive's Instructions, Section 4.1.

- the information provided to Parliamentarians, via the monthly management reports, showed the aggregate amounts paid by Finance under the categories of official home telephone costs, electorate office telephone services (excluding mobile and facsimile), electorate office mobile telephones, and electorate office facsimile services. This reporting did not separately advise Parliamentarians of the usage recorded against their Telecard; and
- the only certification requested of Parliamentarians as to the correctness of the charges and their eligibility within the entitlements was in the form of the annual certification requested of the Parliamentarian that the aggregated use of all entitlements shown in the end-of-year management reports was within entitlement. The end-of-year report and associated certification excluded Ministers' and Parliamentary Secretaries' electorate office telephone services (including Telecard costs) incurred by home departments.

5.83 As a result of these arrangements, Parliamentarians were not provided with the cost or transaction details that would enable them to check the accuracy of the invoiced charges²⁰³ or, in the case of the Telecard, to certify with confidence that all use made of the card during the year was within the limitations set down by the Determination. As a consequence of the recent inquiry into the unauthorised use of a Parliamentarian's Telecard, Finance has re-evaluated the accountability regime applying to payments for telephone services, particularly the Telecard entitlement.

Administrative arrangements for Telecards

5.84 A May 2000 review by M&PS of the entitlements accountability arrangements recognised that the existing framework had not adequately supported the effective management by both Parliamentarians and Finance of the Telecard entitlement. Some months prior to that, a review of M&PS' governance framework had highlighted concerns about the management of Telecards. It reported that a key business risk was that the allocation of Telecards had not been adequately controlled, monitored or managed, leading to the potential for unauthorised use. The review recommended in July 1999 that all Telecards should be recalled and cancelled or a stocktake conducted to identify Telecards in current use.

²⁰³ In Audit Report No.9 1997–98, *Management of Telecommunications Services in Selected Agencies*, pp. 49–50, ANAO noted that, on the basis of the data provided by the selected agencies for the 1995–96 financial year, the total value of billing anomalies for the major supplier amounted to some five per cent of the total value of those agencies' expenditure with the provider in that year. ANAO recommended that, inter alia, agencies institute systems for reviewing supplier accounts and record any instances of apparent overcharging and undercharging.

5.85 ANAO notes that the payment made to Finance in October 2000 by a Minister in respect of unauthorised use of the Parliamentarian's Telecard covered calls made using the Telecard in the period January 1994 to the end of August 1999 (when the Telecard was cancelled by Finance). In May 2001, Finance advised ANAO that:

Questions of control of the allocation and monitoring of the usage of Telecards were actively being addressed by Finance in 1998 and again in 1999. Since that period, Finance has developed strict controls for the allocation and monitoring of use of Telecards. Finance maintains records of all cards issued, including those destroyed.

5.86 In March 2001, Finance notified Senators and Members that, as the result of a review in late 2000 of the use and management of Telecards, the Special Minister of State had instructed Finance to implement a process whereby Telecards are cancelled and renewed on an annual basis, with Senators and Members being required to indicate if they wished to retain access to a Telecard. All existing Telecards were cancelled in April 2001. Senators and Members are now required to personally sign an acknowledgement of receipt of the Telecard and associated PIN number, including that they have read the conditions applying to the use of the card.

5.87 Finance also advised ANAO that, as from October 2000, the monthly management reports provided to Senators and Members were amended to include a separate line item for Telecard usage.

Itemised billing

5.88 The July 1999 review of M&PS' governance framework also identified a key business risk that incorrect charges could be paid as a result of incorrect billing allocation by the provider. The review recommended that telephone accounts should be certified by Parliamentarians prior to payment or, if the existing system remained in place (whereby aggregate invoices were paid directly by Finance), that a program of random audits should be implemented to verify the accuracy of accounts.

5.89 In May 2001, Finance advised ANAO that, although the course recommended by the review had not been implemented, it had introduced alternative procedures that would achieve the same outcomes. The procedures identified by Finance involved the use of benchmarking techniques whereby Finance maintains records of a Parliamentarian's Telecard and residential telephone costs for comparison with subsequent accounts, with anomalies being referred to the Parliamentarian for clarification. The documentation of these processes provided to ANAO

by Finance related primarily to the 2000–2001 financial year. Contemporaneous documentation of such processes having been undertaken during 1999–2000 was not generally provided.

5.90 The benchmarking currently undertaken by Finance is restricted to the comparison of an individual Parliamentarian’s telephone charges to those invoiced for that Parliamentarian in a previous period. It would be of benefit in monitoring and managing the entitlement for Finance to extend its benchmarking analysis to develop and implement a cohort of benchmarks of the type described in Chapter 3 and earlier in this chapter.

5.91 In August 2000, Finance advised the Minister that, given the responsibility placed on individual Senators and Members, it is desirable that they have access to the itemised accounts—if they wish to do so. Finance also advised that it was desirable that the responsibility to report any beyond entitlement usage (as distinct from providing a certification that all usage is within entitlement) be placed with Senators and Members. The Minister agreed that Parliamentarians be advised that:

- it is the responsibility of individual Senators and Members to ensure the proper use of telephone services provided to them (i.e. that they are used appropriately and within entitlement, and to advise Finance of any use outside entitlement); and
- to this end, if they wish, Finance will arrange for Telstra to send itemised accounts directly to them.

5.92 The accountability framework for Parliamentarians’ telephone services entitlements has been substantially improved since the end of the 1999–2000 financial year. Expanding the information provided to Parliamentarians through access to itemised telephone accounts is an improvement on the arrangements that existed in 1999–2000 to support the provision by Parliamentarians of certifications regarding that expenditure. The introduction of benchmarking analysis of invoices received from telecommunications providers in respect of Parliamentarians’ telephone services is also an improvement in Finance’s payment control processes for these entitlements. These improvements, together with the revised arrangements for the provision and control of Telecards, have enhanced the capacity of both Parliamentarians and Finance to provide assurance that instances of incorrect charges or unauthorised use of telephone services will be identified in a timely manner. ANAO considers that there may be scope for further improvement through: expansion of the benchmarking analysis currently undertaken; the provision of such analysis to Parliamentarians; and consideration of the public reporting of expenditure under this and other uncapped entitlements.

5.93 Finding: The accountability framework for Parliamentarians' telephone services entitlements has been substantially improved since the end of the 1999–2000 financial year. The expansion of the information provided to Parliamentarians through access to itemised telephone accounts and the separate reporting of Telecard usage in the monthly management reports is an improvement on the arrangements that existed in 1999–2000 to support the provision by Parliamentarians of certifications regarding that expenditure. The introduction by Finance of benchmarking analysis of invoices received from telecommunications providers in respect of Parliamentarians' telephone services is also an improvement in Finance's payment control processes for these entitlements. These improvements, together with revised arrangements for the provision and control of Telecards, have enhanced the capacity of both Parliamentarians and Finance to provide assurance that instances of incorrect charges or unauthorised use of telephone services will be identified in a timely manner. ANAO considers that there may be scope for further improvement through: expansion of the benchmarking analysis currently undertaken; the provision of such analysis to Parliamentarians; and consideration of the public reporting of expenditure under this and other uncapped entitlements.

Photographic services

5.94 The Parliamentary Entitlements Act provides that Parliamentarians are entitled to '*photographic services provided in Parliament House as approved by the Minister*'. The extant Ministerial approval in respect of photographic services for Parliamentarians was made in 1989 and predates the passing of the Act in 1990. That approval provides that Senators and Members may book two photographic sessions in Canberra each year for a formal portrait and an informal session. It also provides that additional photographic sessions in Canberra for activities relating to parliamentary responsibilities of Senators and Members can be undertaken if photographers are available.

5.95 Photographic services for Senators and Members are provided by AUSPIC, formerly the Government Photographic Service, which was established to meet the photographic needs of the Parliament and its members. Parliamentarians book photographic sessions directly with AUSPIC, which then invoices Finance for the session, film and processing costs. In 1998, AUSPIC was moved from the Finance portfolio into the Prime Minister and Cabinet (PM&C) portfolio. ANAO understands that, as at May 2001, it was planned that AUSPIC would return to Finance.

5.96 Finance was invoiced for about \$330 000 in photographic services for Parliamentarians in 1999–2000.²⁰⁴ The Prime Minister, Ministers and Opposition Office-holders, who have an unlimited entitlement to photographic services under the extant Ministerial approval, accounted for just over half of that (\$174 000)²⁰⁵, with Senators and Members incurring the remaining \$156 000.

5.97 In paying AUSPIC accounts for photographic services in 1999–2000, Finance did not seek verification from the relevant Parliamentarians that the services had been received as invoiced. In May 2001, Finance advised ANAO that, from February 2001, all certification requirements have been met and no accounts paid without such verification.

5.98 The ability of Senators and Members to access additional photographic sessions beyond the basic two session entitlement, and uncertainty as to who bears responsibility for the resulting costs, has led to a number of issues in the management of this entitlement. The extant Ministerial approval provides that Senators and Members are responsible for the cost of prints arising from such additional sessions, but is silent as to responsibility for the cost of the sessions themselves and associated film and processing costs.

5.99 In October 2000, Finance advised PM&C that its understanding was that Senators and Members are provided with a basic entitlement of two sessions; that provided there is no additional cost, additional services may be provided; and that if there are any additional costs, they are borne by the Minister's home department or the individual Senator or Member. This has not been the basis on which the entitlement has been administered.

²⁰⁴ This includes \$89 700 invoiced by AUSPIC for services delivered between March and June 2000 but not paid by Finance for a number of months pending resolution of aspects of the entitlement. Consequently, those costs were not reflected in the aggregate expenditure shown in the 1999–2000 end-of-year management reports provided to Senators and Members for certification in November 2000.

²⁰⁵ This excludes Parliamentary Secretaries. For most of 1999–2000, Parliamentary Secretaries were not appointed as Ministers. Some Ministerial expenditure may also have been incurred through portfolio departments, however no consolidated information was available on this.

5.100 In 1999–2000, a number of Parliamentarians utilised photographic services in addition to the basic two session entitlement.²⁰⁶ Prior to 1997–98, Finance paid AUSPIC a retainer of \$196 000 per annum for services to Senators and Members. However, since 1997–98 payment to AUSPIC has been made by Finance on invoices which itemised the services provided to each Parliamentarian. As an organisation that is now funded through fee recovery, AUSPIC has charged an additional fee for each session, including those above the limit of two. Those fees have been paid at Commonwealth expense, not at the expense of the Senator or Member involved. The costs of prints arising from additional sessions appear to have been invoiced to the relevant Senator or Member, as provided under the Ministerial approval. The Senators’ and Members’ Entitlements handbook issued by Finance advised Parliamentarians of the two sessions allowed per year, but made no reference to, and provided no guidelines regarding, the accessing by Senators and Members of the additional sessions contemplated in the 1989 Ministerial approval.

5.101 In May 2001, Finance advised ANAO that it was clarifying the charging practices and administration by AUSPIC. Finance noted that the approval in 1989 could not reasonably be interpreted to have envisaged administrative arrangements that allow de facto expansion to a capped entitlement. Finance also advised ANAO that:

The 1989 approval to fully use existing capacity at marginal cost (that is the cost of the prints) did not envisage a fee for service arrangement that in turn led to increasing costs.

5.102 ANAO notes that, in 1999–2000, the Commonwealth met significant costs arising from photographic sessions used by Senators and Members in addition to their basic two session entitlement. Internal Finance documentation indicates that this has been the case since at least 1998. This is at odds with the interpretation of the entitlement advised to PM&C by Finance in October 2000.

5.103 In those circumstances, ANAO considers that, in order to adequately underpin the certifications requested of Parliamentarians in respect to their use of the photographic services entitlement, there is a need for the extent of the entitlement and associated administrative arrangements to be clarified, both for the latter’s information and better

²⁰⁶ During 1999–2000, 37 Senators and Members booked more than two photographic sessions. Four of those had between 10 and 20 sessions, and three had between 20 and 35. ANAO estimates that, based on AUSPIC’s charges, the benchmark cost of the basic two session entitlement, with accompanying prints, would have been in the order of \$1 000. In 1999–2000, 36 Parliamentarians incurred costs in excess of that, to an aggregate value of about \$78 000.

accountability. There is also a need for Parliamentarians to be provided with enhanced guidance regarding the entitlement, their cost responsibilities arising from the use of additional services, and the types of services that are considered to be within entitlement.

Consistency with the Parliamentary Entitlements Act

5.104 The entitlements for photographic services provided under the current Ministerial approval are inconsistent with the terms of the Act. The 1989 Ministerial approval provides Senators and Members with photographic services in Canberra, whereas the 1990 Act specifically provided for such services to only be provided in Parliament House. The Ministerial approval also provides for extended entitlements for the Prime Minister, Ministers and nominated Opposition Office-holders. In particular, it enables those Parliamentarians to use staff photographers travelling on assignment or for AUSPIC to book photographers interstate to undertake the assignment. In practice, this has been extended to include providing the Leader of the Opposition in the House of Representatives with an AUSPIC photographer for the duration of a general election campaign, and the subsequent provision of a presentation leather satchel containing captioned photographs of each event during the campaign. The Prime Minister is also provided with this service.

5.105 The High Court found in *Brown v West* (1990) 160 CLR 195, that, where the Remuneration Tribunal or the Parliament has determined a particular allowance, the Executive has no discretion to alter or supplement that allowance. If any extension to this benefit is to be made, it must be done by either a determination of the Remuneration Tribunal or by regulation (pursuant to s.9 of the Act). There were instances in which Senators and Members were provided with photographic services outside of Parliament House during 1999–2000, including for the giving of speeches at the National Press Club and ceremonial occasions at Government House, the Australian War Memorial and the Lodge.

5.106 The Parliamentary Entitlements Act provides that the Government is able to make executive approvals extending the benefits to be afforded to Ministers for the purpose of carrying out functions as a Minister.²⁰⁷ Therefore, the Ministerial approval in respect of the photographic services to be provided to the Prime Minister and Ministers was not affected by the subsequent passage of the Act. However, this is not the case in respect to the services provided to Opposition Office-holders, Presiding Officers, or Senators and Members in general.

²⁰⁷ Clause 4(4)(b) of the *Parliamentary Entitlements Act 1990*.

5.107 Internal Finance documentation shows that the department became aware of this issue in the context of preparing for the 1998 Federal election, particularly as it relates to the provision of photographic services outside of Parliament House to the Leader of the Opposition, including photographers travelling on assignment. However, no action was taken at that time to address this issue.

5.108 ANAO considers that the issue of consistency between the entitlements being provided under the extant Ministerial approval and the terms of the entitlement under the Act should be reviewed to ensure there is a sound legislative basis for all photographic services provided to Parliamentarians.

5.109 Finding: In paying AUSPIC accounts for photographic services in 1999–2000, Finance did not seek verification from the relevant Parliamentarians that the services had been received as invoiced. In May 2001, Finance advised ANAO that, from February 2001, all certification requirements have been met and no accounts paid without such verification.

5.110 ANAO notes that, in 1999–2000, the Commonwealth met significant costs arising from photographic sessions used by Senators and Members in addition to their basic two session entitlement. ANAO considers that, in order to adequately underpin the certifications requested of Parliamentarians in respect to their use of the photographic services entitlement, there is a need for the extent of the entitlement and associated administrative arrangements to be clarified, both for the latter's information and better accountability. There is also a need for Parliamentarians to be provided with enhanced guidance regarding the entitlement, their cost responsibilities arising from the use of additional services, and the types of services that are considered to be within entitlement. The issue of consistency with the terms of the entitlement under the Parliamentary Entitlements Act should also be considered to ensure there is a sound legislative basis for all photographic services provided to Parliamentarians.

Recommendation No.21

5.111 ANAO recommends that, in order to adequately underpin the certifications requested of Parliamentarians in respect to their use of the photographic services entitlement, Finance:

- (a) clarify the extent of the photographic services entitlement and associated administrative arrangements; and
- (b) provide Parliamentarians with enhanced guidance regarding the entitlement, their cost responsibilities arising from the use of additional services, and the types of services that are considered to be within entitlement.

Agencies responded to the recommendation as follows:

5.112 *Disagreed:* Finance.

5.113 Specific comments by Finance are set out below:

- The entitlement has not changed and does not require clarification. The Special Minister of State has clarified the administrative arrangements to apply and these are being implemented.

5.114 ANAO comment: The Senators' and Members' Entitlements handbook issued by Finance, including the most recent version issued in December 2000, advised Parliamentarians of the two photographic sessions allowed per year, but made no reference to, and provided no guidelines regarding, the accessing by Senators and Members of the additional sessions contemplated in the 1989 Ministerial approval. There is a need for Parliamentarians to be provided with enhanced guidance regarding the entitlement, their cost responsibilities arising from the use of additional services, and the types of services that are considered to be within entitlement. The issue of the consistency of the extant Ministerial approval with the terms of the entitlement under the Parliamentary Entitlements Act should also be considered to ensure there is a sound legislative basis for all photographic services provided to Parliamentarians.

Other office management entitlements

5.115 ANAO also reviewed the management in 1999–2000 of Parliamentarians' entitlement to office requisites; information delivery services, including postage; and flags for presentation to constituents under the Constituents Request Program.

Office requisites

5.116 Parliamentarians are entitled to equipment, stationery and general requisites for their electorate and Parliament House offices. Finance is responsible for Parliamentarians' electorate offices, while DoS and DHR are responsible for Parliament House offices. The entitlement to office

equipment is not capped to any financial limit, but the Special Minister of State has approved guidelines relating to the standard fit out of equipment, including copying and mailing equipment, that each Parliamentarian is entitled to. Parliamentarians may choose to supplement that equipment utilising their electorate allowance or other funds raised. The cost of office equipment was not reported in the management reports provided to Parliamentarians by Finance for 1999–2000.

5.117 Similarly, there is no financial limit upon the costs that may be incurred by a Parliamentarian for stationery and general office requisites for their electorate and Parliament House offices. However, they are limited to the particular menu of items available through the arrangements negotiated by the relevant departments as a result of competitive tendering exercises. Finance advised ANAO that, in consultation with electorate offices in Western Australia, New South Wales and the ACT, it was undertaking a review to assess the adequacy of the existing menu of items in meeting Parliamentarians' requirements.

5.118 The office requisites available to Parliamentarians include unlimited quantities of photocopy paper. Parliamentarians may choose to use their office copying facilities to produce newsletters and other information kits for distribution to constituents instead of, or as well as, accessing their external printing entitlement. Where this is the case, the cost of such copying and reproduction is not reflected in the Parliamentarian's expenditure under the personalised stationery and printing entitlement as reported in the monthly management reports. This may impact upon the comparability of Parliamentarians' reported expenditure under that entitlement.

5.119 The accounting system used by Finance to manage Parliamentarians' entitlements allows for the recording of photocopy paper expenditure by each Parliamentarian separately to that of other office requisites.²⁰⁸ The cost of photocopy paper purchases in 1999–2000 was reported separately in the monthly management reports for Parliamentarians from all States except those managed through M&PS' Victorian Branch office.

5.120 Based on the end-of-year management reports for 1999–2000, aggregate costs incurred by Finance on stationery and office requisites for Parliamentarians' electorate offices was \$1.87 million, with at least \$0.687 million of that relating to photocopy paper.

²⁰⁸ An internal audit commissioned by M&PS in November 1999 had highlighted that the July 1999 management reports compiled under a previous management information system had not included expenditure under a variety of office management entitlements, including photocopy paper. Reporting of expenditure under this and a number of other entitlements was introduced as from the monthly report for expenditure in October 1999, with expenditure in previous months included in the aggregate year-to-date expenditure reported.

Information delivery services (Communications)

5.121 Under Determination 1998/26 (as amended), Parliamentarians are entitled to use commercial services, including Australia Post, for the distribution of letters, newsletters and parcels and electronic services at Commonwealth expense in relation to parliamentary or electorate (but not party) business, up to a maximum of \$25 000 each financial year.²⁰⁹ Any funds remaining unexpended at the end of a financial year may be carried over into the following financial year, to the limit of an additional \$25 000.

5.122 As a result of historical factors, within that entitlement the Parliamentary chamber departments provide each Parliamentarian with an annual allowance of \$1 620 for purchasing stamps and stamped envelopes at the Parliament House Australia Post Office. The remainder of Parliamentarians' annual entitlement, which is managed through an outsourced provider engaged by Finance, can be expended on a variety of information delivery and communication services, including the use of a postage meter in the electorate office, but may not be used for the purchase of stamps.

5.123 In 1999–2000, Parliamentarians were provided with separate monthly management reports on the details of their expenditure under this entitlement directly by Finance's outsourced provider. The aggregate expenditure was reported by Finance in the end-of-year management reports Parliamentarians were requested to certify. The 1999–2000 financial year was the first year of operation of the outsourced arrangement, and the procedures for reporting and allocating expenditure against the correct Parliamentarian took some time to bed down. At one stage, Finance undertook a compliance audit of the outsourced provider to assist in identifying the cause of errors that had occurred and developing improved procedures. A number of adjustments were made to Parliamentarians' end-of-year balances to account for errors by the outsourced provider in allocating expenditure.

5.124 On the basis of the end-of-year reports provided to Parliamentarians, none exceeded their 1999–2000 entitlement under the information delivery services/communications entitlement. Aggregate costs incurred under this entitlement in 1999–2000 were \$3.55 million.

²⁰⁹ Until January 2000, this entitlement was known as the Information Delivery Services entitlement, and was capped at \$22 000 per annum. The entitlement was revised to include electronic services and the cap raised to \$25 000 per annum with effect 1 January 2000. A pro-rata cap applied for the 1999–2000 year. As from July 2000, the entitlement was re-named the Communications Allowance and expanded to specifically cover the cost of the establishment and maintenance of web sites. From that date, a Member representing an electorate of 300 000 square kilometres or more is entitled to aggregate their entitlement under the Communications Allowance with their charter transport allowance.

5.125 This entitlement is, by its nature, intrinsically linked to the entitlement to personalised stationery and printing for distribution to constituents. The specific limitation set down by the Remuneration Tribunal on the use of information delivery services (that is, that it be for parliamentary or electorate business, but not party business) has generally been thought to also apply to the printing entitlement, despite the absence of a specific legislative limitation on that entitlement. As is the case with the printing entitlement, Parliamentarians have not been provided with clear guidelines as to the uses of postage and other information delivery services that would be considered to fall within the entitlement, or for which the entitlement may not be used.

5.126 Given the increasing use by Members of insertions in newspapers to distribute newsletters to constituents, it may be appropriate, in the absence of a more fundamental review of the entitlements framework, for the relationship between these entitlements to be considered to ensure that the current structure adequately satisfies the underlying intention of the entitlements. Consideration could be given to the aggregation and, potentially, overall capping of these entitlements to provide Parliamentarians with adequate flexibility in servicing their electorates, while maintaining responsible budgetary and accountability controls. A review of this nature would also need to consider the implications of the recent amendment allowing Members with large electorates to aggregate their charter allowance with the information delivery services entitlement, now known as the communications allowance.

Constituents' Request Program—Flag Component

5.127 The Parliamentary Entitlements Act provides that Senators and Members are entitled to Australian flags and printed material related to national symbols for presentation to constituents. In addition to a number of items related to national symbols²¹⁰, the Senators' and Members' Entitlements handbook states that the National Flag, the Aboriginal Flag and the Torres Strait Islander Flag are available for distribution to eligible bodies.²¹¹ Senators and Members are advised that they are to exercise

²¹⁰ Senators and Members may obtain the following items for distribution to the general public: a book on the flags of Australia; cassette recordings of the National Anthem; printed words of the National Anthem; prints of the Australian Coat of Arms; Australian floral emblem seed packets; National Symbols kit consisting of pamphlets on the National Flag, Coat of Arms, Floral Emblem, National Gemstone and the Order of Australia; and photographs of The Queen of Australia and The Queen and Duke of Edinburgh.

²¹¹ These include schools, local councils, churches and other non-profit or benevolent community organisations, associations and groups which have occasion to display the flag from flag poles on their premises or which display the flag on special public occasions or in halls or meeting rooms. Flags are also available to community organisations, Australian exchange students and humanitarian aid workers undertaking official visits or duties overseas.

their discretion in determining eligible recipients.²¹² Each type of flag is available in a range of sizes at a cost ranging from \$4.80 to \$80 per flag. There is no financial limit on this entitlement, or on the number of flags of each type a Parliamentarian may request in a given year.

5.128 The monthly management reports provided to Parliamentarians by Finance in 1999–2000 reported on the aggregate costs incurred under the flag element of this entitlement. There was no reporting on the number of flags paid for by Finance on the Parliamentarian’s behalf, or on the cost of other material requested by Parliamentarians for distribution to constituents. Total costs incurred by Finance in 1999–2000 for flags provided to Parliamentarians was about \$555 000, at an average of \$2 444. Highest individual expenditure was \$16 880, with the lowest being zero.

5.129 The July 1999 review of M&PS’ governance framework identified a number of business risks associated with this entitlement. These were the risk that unauthorised personnel approve requests for flags; a lack of management reporting and monitoring of requests for flags; and flags received are not reconciled with invoices before payment. The review recommended that:

- a list of authorised signatories should be maintained and used to identify requests that have unauthorised approval; and
- a reconciliation should be performed between delivery dockets, original order and invoice received before payment is made.

5.130 ANAO’s review of a sample of payments for flags requested by Senators’ and Members’ offices in 1999–2000 showed that Finance was yet to implement the recommendations of the review. In May 2001, Finance advised ANAO that the recommendation to prepare a list of authorised signatories was considered impractical because of high turnover in the staff within Parliamentarians’ offices, and that the default position adopted is to check that orders have been placed by the Parliamentarian’s office. It is not clear that this approach, although practical, adequately addresses the business risk identified by the 1997 review as not all staff in a Parliamentarian’s office may be authorised to place such orders.

²¹² The handbook advises Senators and Members that the discretion extends to situations where a special case exists for a flag of non-standard size or of more durable material. The handbook also advises that flags should not be made available under this program to businesses, commercial enterprises or private individuals (with the exception of exchange students and humanitarian aid workers.)

5.131 In each case reviewed by ANAO, payment was made by Finance without any reconciliation to a delivery docket or certification of the goods actually received by the relevant electorate office. As a result, the payment procedures in respect of this entitlement did not ensure the satisfaction of FMA Act obligations. In May 2001, Finance advised ANAO that the monthly management reports provide the Parliamentarian with an opportunity to undertake a reconciliation and to advise Finance of any discrepancies; and that the end-of-year certifications also provide a sign-off that the usage was in entitlement. ANAO notes that this approach is not in accordance with the Finance CEIs which require that, before approving the payment of an account, Business Group officials who have the delegation to authorise payments must ensure that, among other things, the amount to be paid is correct; and payment is being made for the goods that have been received or the services have been rendered.

5.132 Finding: Payments for flags requested by Senators' and Members' offices in 1999–2000 for presentation to constituents amounted to aggregate expenditure of about \$555 000. ANAO's review of a sample of payments showed that Finance was yet to implement the recommendations of a 1999 review. In each case reviewed by ANAO, payment was made by Finance without any reconciliation to a delivery docket or certification of the goods actually received by the relevant electorate offices. As a result, the payment procedures in respect of this entitlement did not ensure the satisfaction of FMA Act obligations and did not comply with the requirements of Finance's CEIs. In July 2001, Finance advised ANAO that it is looking at changing the process to obtain certification of goods received prior to payment.

Recommendation No.22

5.133 ANAO recommends that Finance review its payment procedures for flags requested by Parliamentarians' electorate offices under the Constituents Request Program to ensure receipt of the invoiced goods is verified before payment is made.

Agencies responded to the recommendation as follows:

5.134 Agreed with qualification: Finance.

5.135 Specific comments by Finance are set out below:

- Agreement is in principle subject to successful negotiation with the current supplier.

6. Ministers' Home Departments

This chapter examines the management by Ministers' and Parliamentary Secretaries' home departments of the additional entitlements the departments provide to them.

Background

6.1 In addition to the entitlements provided to all Senators and Members, Ministers (including Parliamentary Secretaries) are provided with a range of additional entitlements. Administrative and financial responsibility for Ministers' additional entitlements is shared by M&PS within Finance, Ministers' respective home departments, the Parliamentary departments, the Protective Security Coordination Centre in the Attorney-General's Department and the Department of Defence (in relation to Special Purpose Aircraft).

Accounts and records

6.2 Section 48 of the FMA Act requires Chief Executives of Agencies to keep accounts and records in accordance with the Finance Minister's Orders. The Orders require Chief Executives to ensure that the accounts and records of his or her agency '*properly record and explain the Agency's transactions*'.

6.3 According to advice provided to ANAO by agencies, total expenditure in 1999–2000 by home departments on Parliamentarians' entitlements amounted to some \$8.9 million (see Figure 6.1). The major component of this amount was \$7.6 million in entitlements provided to 43 Ministers and Parliamentary Secretaries.²¹³ There was significant variability in the average cost incurred by agencies in providing goods and services to their Ministers to assist them in their official duties, ranging from \$47 000 to \$267 000 per office holder.

²¹³ The remaining \$1.3 million related to overseas travel costs met by DFAT and Austrade.

Figure 6.1**Ministers' home departments' estimated direct costs for Ministers' and Parliamentary Secretaries' entitlements 1999–2000**

<i>Agency</i>	<i>Total \$'000</i>	<i>Average \$'000</i>
Department of the Prime Minister and Cabinet	800	267
Attorney-General's Department	519	260
Department of Health and Aged Care	698	233
Department of Communications, Information Technology and the Arts	639	213
Department of Veterans' Affairs	211	211
Department of the Treasury	618	206
Department of Education, Training and Youth Affairs	362	181
Department of Family and Community Services	361	181
Department of Agriculture, Fisheries and Forestry—Australia	538	179
Department of Foreign Affairs and Trade ^A	1 782	176
Department of Immigration and Multicultural Affairs	326	163
Department of Defence	319	160
Department of Finance and Administration	461	154
Department of Industry, Science and Resources	436	145
Department of Employment, Workplace Relations and Small Business	390	130
Department of Transport and Regional Services	331	110
Department of the Environment and Heritage	93	47
HOME DEPARTMENTS' TOTAL	8 884	177
Note:		
^A Includes overseas travel costs met by DFAT and Austrade. These costs are excluded in the calculation of averages.		

Source: Based on data provided by home departments

6.4 In mid-November 2000, ANAO wrote to the Secretary of each portfolio department requesting that they provide a consolidated report for the portfolio of all Ministerial expenditures in 1999–2000. A number of agencies had difficulty responding to ANAO's request for details on expenditure made on Ministerial entitlements as systems and/or procedures were not in place to identify such expenditure.²¹⁴ Accordingly, the figure of \$8.9 million reported in Figure 6.1 needs to be treated with some caution as departments may not have identified all relevant

²¹⁴ In this respect, ANAO noted that a number of home departments did not report to ANAO any fringe benefits tax paid in relation to Ministers' entitlements, although these same departments had advised Finance that they had, in fact, paid fringe benefits tax in respect of Ministerial entitlements.

expenditure and the nature of Ministerial roles is variable. This may, at least in part, explain the significantly lower than average expenditure reported to ANAO by some agencies.²¹⁵

6.5 On the basis of the information that was provided by agencies, ANAO selected a sample of transactions in each agency for examination of supporting documentation for the payment of public money. Most home departments held, or subsequently obtained, sufficient and appropriate supporting documentation for the payments made. However, six departments were unable to provide ANAO with sufficient documentation to support the payments made, particularly in relation to travel expenditure and hospitality. In the absence of this information, ANAO was unable to assess how the expenditure related to official Ministerial business or was otherwise within entitlement.

6.6 Finding: Ministers' home departments are required to maintain accounts and records that properly record and explain the agency's transactions, including those relating to expenditure on Ministers' offices and other Ministerial entitlements. ANAO sampled transactions for all home departments and found that most held, or subsequently obtained, sufficient and appropriate supporting documentation for payments made in 1999–2000. However, six departments were unable to provide ANAO with sufficient documentation to support payments made in 1999–2000, particularly in relation to travel expenditure and hospitality.

Recommendation No.23

6.7 ANAO recommends that home departments review their approval and payment of accounts procedures to ensure that they maintain accounts and records that properly document expenditure on Ministerial entitlements, including how the expenditure relates to official business or is otherwise within entitlement.

Agencies responded to the recommendation as follows:

6.8 **Agreed:** AFFA, AG's, Austrade, DCITA, DETYA, DEWRSB, DFAT, DHAC, DTRS, DVA, Environment, FaCS, ISR, PM&C, Treasury.

Agreed with qualification: Defence.

Disagreed: Finance.

²¹⁵ For example, one of the agencies with significantly lower than average expenditure made a number of revisions to the figures first provided to ANAO.

6.9 Specific comments by FaCS, DCITA, DHAC, DVA, PM&C, Treasury, Defence, Finance and DIMA are set out below:

- In **agreeing** with the recommendation, agencies commented as follows:
 - **FaCS** anticipates carrying out this review as part of an overall review of procedures surrounding parliamentary entitlements;
 - **DCITA** already has account processing and record keeping procedures in place. We have recently reviewed these procedures and are in the process of enhancing procedural mechanisms to double check that expenditure is within ministerial entitlements;
 - **DHAC**: Processes relating to the receipt of appropriate supporting documentation and recording of expenditure are regularly reviewed. Changes have already been implemented;
 - **DVA** notes that the department maintains records which accurately document expenditure on Ministerial entitlements;
 - **PM&C** notes that the department was able to provide appropriate supporting documentation in relation to ministerial expenses during the audit. PM&C believes that the existing departmental procedures are sufficient to ensure that expenditure on ministerial entitlements is properly documented and within entitlements but, in accordance with the recommendation, the department will review its approval and payment of accounts procedures to ensure that they are effective; and
 - **Treasury** will undertake a review of the approval and payments procedures as recommended.
- In **agreeing with qualification** with the recommendation, **Defence** commented that: the extent to which this recommendation can be implemented will be contingent upon Ministers providing adequate certification. The Department of Finance and Administration should develop standard certification documentation for use by Ministers and departments to facilitate compliance with this recommendation. Adoption of a standard recording structure for Ministers and departments would overcome the current *ad hoc* system and reduce ambiguities.
- In **disagreeing** with the recommendation, **Finance** stated that: in respect of Finance, the department has already implemented such processes in its home department procedures.
- **DIMA** did not respond to the recommendation, but commented that: DIMA has acceptable procedures in place for approval and payment of accounts and was able to demonstrate that it held records that

properly document expenditure on Ministerial entitlements, including how the expenditure relates to official business or is otherwise within entitlement. Notwithstanding this, the Secretary has asked that the department's Chief Financial Officer review all relevant Chief Executive's Instructions, together with Administrative Instructions, to ensure that sufficiently clear and comprehensive guidance is provided to appropriate staff.

Control framework

6.10 Section 44 of the FMA Act imposes an obligation on the Chief Executive of each agency to '*manage the affairs of the Agency in a way that promotes the proper use of the Commonwealth resources for which the Chief Executive is responsible*'. The FMA Regulations²¹⁶ further provide that Chief Executives are authorised to issue CEIs to officials in that agency on any matter necessary or convenient for carrying out or giving effect to the FMA Act or the Regulations; for ensuring or promoting the proper use and management of public money, public property and other resources of the Commonwealth; and for proper accountability for that use and management.

6.11 A small number of home departments had some limited procedural documentation in place, usually relating to Ministerial hospitality expenditure. There is also a lack of coordination between Finance and the home departments resulting in inconsistent procedures and practices by agencies in the management of public money. For example, the instructions of some agencies proscribe as inappropriate particular types of expenditure that other agencies consider to be an acceptable use of public money.

6.12 None of the 17 home departments had in place CEIs that were specific to their administration of entitlements provided to their Minister(s). Six agencies advised ANAO that they rely on certifications from Ministers or Ministers' offices that payment should be made. ANAO found that these certifications generally comprise no more than an indication that payment be made to the supplier. None of the certifications examined by ANAO made any reference to how the expenditure related to Ministerial business or was otherwise within the Minister's entitlements.

²¹⁶ Regulation 6(1).

6.13 Where reliance is to be placed on certifications or sign-offs by Ministers' offices, it would be prudent for departments to agree, in advance, the administrative procedures to be undertaken (including the format of any certification), and for the department to have some means of periodically verifying that the agreed procedures have been implemented and are effective. In this respect, one department advised ANAO that, as a result of the audit, it had initiated changes to payment procedures to ensure that payments are in line with Finance guidelines and the FMA Act. The department further advised that a full review of these procedures was to be undertaken following completion of the ANAO audit.

6.14 An essential element to be addressed by all home departments is to have procedures in place that guard against funds under their control being used other than for official purposes. Where certification forms an integral part of the control framework, certifications should explicitly state that goods and services were used for official Ministerial business. Further assurance can be obtained through appropriate procedures such as matching travel expenditure incurred on behalf of Ministers, their spouses and dependents to official travel itineraries. For other types of expenditure, procedures will need to be tailored according to the nature of portfolio business, the manner in which the Minister wishes to organise his or her office(s) and the nature of the expenditure.

6.15 Finding: Control structures for entitlements expenditure by Ministers' home departments are generally in need of strengthening. A small number of departments had some limited procedural documentation in place, usually relating to Ministerial hospitality. Significant reliance is placed on certifications or sign-offs by individual Ministers and/or their offices but there is an absence of comprehensive certification and reporting arrangements to support and reinforce that reliance. There is also a need to strengthen coordination between Finance and the home departments to improve procedures and practices by departments in the management of public money. Where reliance is to be placed on certifications by Ministers' offices, it would be prudent that departmental procedures be agreed in advance with Ministers (including the format of any certification) and for the department to have some means of periodically verifying that the agreed procedures have been implemented and are effective.

Recommendation No.24

6.16 ANAO recommends that, where reliance is placed by home departments on payment checking and certification by Ministers or their offices, the procedures to be undertaken (including the format of any certification) be agreed and documented in advance and the departments periodically verify that these procedures have been implemented and are effective.

Agencies responded to the recommendation as follows:

6.17 **Agreed:** AFFA, AG's, Austrade, Defence, DETYA, DEWRSB, DFAT, DHAC, DTRS, DVA, Environment, FaCS, ISR, PM&C, Treasury.

Agreed with qualification: DCITA.

Disagreed: Finance.

6.18 Specific comments by Defence, DHAC, DVA, ISR, PM&C, Treasury, DCITA, Finance and DIMA are set out below:

- In **agreeing** with the recommendation, agencies commented as follows:
 - **Defence** noted that its comments under Recommendation No.23 relating to standardisation of certification documentation (see paragraph 6.9) also applied in respect to this recommendation;
 - **DHAC:** Procedures relating to ministerial entitlements and the procedures followed to verify expenditure are currently under review and guidelines are being established with the Ministers' offices. New processes have been implemented;
 - **DVA:** The Department currently has procedures in place for payments to be certified by the Minister's Office, but will review the procedures to ensure that they fully meet this recommendation;
 - **ISR** noted that it agrees and already complies;
 - **PM&C** notes that there are established certification procedures for accounts checked in minister's offices and paid by the department. However, it will ensure, as recommended, that these are agreed with the respective offices and documented and that the department periodically verifies implementation and effectiveness; and
 - **Treasury:** Procedures will be documented and periodically reviewed.
- In **agreeing with qualification** with the recommendation, **DCITA** commented that: DCITA considers that it is appropriate for Ministers or their staff to certify that expenditure is for ministerial or electorate business and, in the case of Ministerial travel expenditure, to undertake cross checking against the Minister's itinerary. DCITA considers that

it is sufficient for departmental officials to follow up with the Minister's Offices if not enough information is provided to satisfy the approving officer. DCITA is in the process of developing documented procedures for handling ministerial entitlements, including detailed certification requirements, in consultation with the Ministers' Offices.

- In **disagreeing** with the recommendation, **Finance** stated that: in respect of Finance, the department has already implemented such procedures.
- **DIMA** did not respond to the recommendation, but commented that: DIMA has arrangements in place with the Minister's office that ensure that staff administering accounts for expenses obtain verification for individual transactions. These arrangements have been agreed to orally. The Department will take steps to formalise this arrangement by documenting the agreed procedures in advance and periodically verifying their effective implementation.

Accountability arrangements

6.19 Finance's *Ministers of State—Entitlements* handbook notes that responsibility for ensuring that the accessing of allowances and benefits is within entitlements rests with each Minister. In this context, there are a number of accountability arrangements for Ministerial entitlements expenditure made by M&PS. However, the accountability system for entitlements expenditure by Ministers' home departments is systemically weak concerning:

- certification of the use of entitlements;
- regular reporting on entitlement usage and cost;
- annual reporting on entitlement usage and cost; and
- public reporting on the cost of entitlements (see Figure 6.2).

Figure 6.2

Accountability arrangements for expenditure by Finance and home departments

<i>Accountability technique</i>	<i>Finance (M&PS)</i>	<i>Home departments</i>
Certifications concerning use of entitlements by Parliamentarians	Certification sought in relation to a range of entitlements.	No prescribed certification arrangements. Some departments rely on limited 'sign-offs' from Ministers but the format of such sign-offs does not provide sufficient assurance that expenditure is for official purposes or otherwise within entitlement.
Regular reporting on entitlement usage	Monthly reporting to each Parliamentarian on entitlements used and the cost of this usage but there is no certification of the monthly reports.	Only four ^A of the 17 home departments provided regular expenditure reports to their Ministers in 1999–2000. ANAO considers the value of these reports as an internal control would be increased if the format of any certification to be provided to the department was agreed in advance.
Annual reporting on entitlement usage	Report provided once a year to each Parliamentarian with a request that the Parliamentarian certify that use was in accordance with entitlements.	Only one department provides an annual report to its Ministers.
Public reporting on the cost of entitlements	Six-monthly reporting in Parliament of travel costs paid by Finance, including Ministerial travel costs.	Other than official car transport costs paid for by the home department, there is no public reporting of costs.
<p>Note:</p> <p>^A Based upon advice to ANAO received from departments. Supporting documentation was not provided to ANAO by two of the four departments.</p>		

Source: Advice by Finance and home departments and ANAO analysis

6.20 There is an inconsistent application of normal procurement accountabilities to expenditure made by home departments in relation to their Ministers' entitlements. In particular, different standards are, on occasions, applied to approving expenditure that has been arranged by, or on behalf of, Ministers' offices with minimal information sought from Ministers' offices to allow an informed decision to be made about whether the expenditure represents proper use of Commonwealth resources (see also Chapter 3). The result has been that, in some instances, although officials are approving the expenditure of public monies, they

are not taking explicit steps to determine or document that the expenditure makes efficient and effective use of public money.²¹⁷ This was particularly the case in relation to hospitality expenditure.

6.21 Finding: The accountability system for entitlements expenditure by Ministers' home departments is inadequate due to the absence of prescribed certification arrangements, regular reporting to Ministers on entitlements usage and costs, and public reporting of the cost of entitlements. There is also an inconsistent application of normal procurement processes to expenditure made by departments in relation to their Ministers' entitlements as minimal information is often sought from Ministers' offices to allow an informed decision to be made about whether the expenditure represents proper use of Commonwealth resources.

Recommendation No.25

6.22 ANAO recommends that Finance coordinate for consideration by Ministers the development of a comprehensive and robust accountability framework for Ministerial entitlements administered by home departments including:

- (a) guidance to officials on their legal obligations in relation to approving expenditure that has been arranged by, or on behalf of, Ministers and/or their offices;
- (b) periodic reporting by departments to Ministers on entitlements use and costs; and
- (c) disclosure in annual reports of the cost of entitlements provided to Ministers by their departments.

Agencies responded to the recommendation as follows:

6.23 Agreed: AFFA, AG's, Austrade, DCITA, Defence, DETYA, DEWRSB, DFAT, DHAC, DTRS, DVA, Environment, FaCS, ISR, Treasury.

Agreed with qualification: PM&C.

Disagreed: Finance.

²¹⁷ FMA Regulation 9 requires that an approver must not approve a proposal to spend public money unless the approver is satisfied, after making such inquiries as are reasonable, that the proposed expenditure: is in accordance with the policies of the Commonwealth; and will make efficient and effective use of the public money.

6.24 Specific comments by AFFA, FaCS, DCITA, DEWRSB, DHAC, Treasury, PM&C, Finance and DIMA are set out below:

- In **agreeing** with the recommendation, agencies commented as follows:
 - **AFFA:** The proposed report does not deal with the difficulties for a delegate under Regulation 9 of the *Financial Management and Accountability Act 1997* where the expenditure is made by the office of a portfolio Minister or Parliamentary Secretary. For instance, much expenditure is routine, such as office consumables. It is not clear from the proposed report whether before making routine purchases a Reg 9 delegate is required in every case to ‘... *be satisfied, after making such inquiries as are reasonable, that the proposed expenditure ... will make efficient and effective use of the public money.*’ (see paragraph 6.20). It is also not clear the extent to which it is incumbent on the delegate to be satisfied that the expenditure represents value for money. AFFA also notes that Departments will need to be consulted in the development of the framework for Ministerial entitlements;
 - **FaCS** notes that under the current arrangements it is difficult to obtain a consolidated view of total ministerial expenditure. This would have implications for the reporting of the cost of entitlements in annual reports should the current arrangements persist;
 - **DCITA** provides reports to Ministers on a monthly basis detailing expenditure on entitlements. Departmental officials also cross check accounts on a regular basis to identify instances of unusually high usage or other anomalies and bring these to the attention of the relevant Minister and seek further information as required;
 - **DEWRSB:** The department agrees that the approach proposed would assist departments in relation to their responsibilities;
 - **DHAC:** Part (a) The department supports the recommendation that Finance develop a more robust accountability framework; Part (b) This department already provides periodic reports to Ministers on expenditure; Part (c) The department has no objection to this proposal, noting it is a matter for the whole-of-government; and
 - **Treasury** supports the coordination by the Department of Finance and Administration of an accountability framework for consideration by Ministers, including: guidance on legal obligations relating to approving Ministerial expenditure; periodic reporting by departments to Ministers; and disclosure of the costs of entitlements provided to Ministers in the department’s annual report.
- In **agreeing with qualification** with the recommendation, **PM&C**

commented that: While this recommendation does not raise matters within the responsibility of PM&C, it believes it is important that the accountability framework for ministerial expenses clearly delineates the respective responsibilities of ministers, their departments and Finance and that Finance should not have a role in monitoring or deciding on entitlements issues in particular cases that are the responsibilities of ministers or their departments.

- In **disagreeing** with the recommendation, **Finance** commented that: This is counter to the principles in the FMA Act. The CEOs of home departments have a responsibility to ensure home department officials are aware of their legal obligations.
- **DIMA** did not respond to the recommendation, but commented that: DIMA would welcome steps which would provide improved guidance to officials in assisting them to meet and discharge their obligations under the relevant legislation. The department fully complies with this recommendation in terms of the existing accountability framework. The Minister's Office is provided with a monthly report on entitlements expenditure. Annual Report guidelines are issued by the Department of Prime Minister and Cabinet.

6.25 ANAO comment: The recommendation proposes that Finance undertake a coordination role in the development of a comprehensive and robust accountability framework for Ministerial entitlements. As is indicated by the support of most home departments, this recommendation is necessary because of inadequacies in the current framework.

Official hospitality

6.26 The *Ministers of State—Entitlements* handbook states that Ministers have financial responsibility within Australia for hospitality other than under the Guest of Government Program; and that such costs are to be borne by Ministers' home departments²¹⁸ or from their own resources. Procedures to be followed in determining payment or reimbursement are identified as being matters for Ministers and their departments. However, many home departments do not have documented procedures and/or guidelines governing Ministerial official hospitality.

²¹⁸ In addition, all Parliamentarians are permitted by the Australian Taxation Office to claim a tax deduction for the cost of providing light refreshments in the nature of morning and afternoon teas to staff and visitors as well as entertainment (food and drink) provided for the public at large. Source: Australian Taxation Office, Taxation Ruling TR 1999/10, *Income tax and fringe benefits tax: Members of Parliament—allowances, reimburses, donations and gifts, benefits, deductions and recoupsments*, paragraphs 174 to 181.

6.27 The Department of Prime Minister and Cabinet (PM&C) has produced guidelines for agencies concerning official Ministerial hospitality expenditure. These guidelines are included as an Appendix in Finance's *Ministers of State—Entitlements* handbook and a number of home departments have included the PM&C guidelines in their own CEIs. The PM&C guidelines provide a sound construct for the administration of hospitality expenditure. The principles outlined in the guidelines include that:

- it is normally expected that the majority of those offered hospitality on any occasion would be from outside a Minister's office or department, or other portfolio agencies; and
- care should be taken that expenditure on official hospitality is not incurred in circumstances where it could reasonably be argued that the hospitality was either inappropriate or unnecessary for the conduct of official business, noting that the provision of hospitality in each case may need to be justified publicly, including to the Auditor-General or the Parliament.

6.28 One home department commented to ANAO that the principle that the majority of those offered hospitality on any occasion be from outside a Minister's office or department does not preclude the occasional provision of hospitality where the majority of those attending may be from within the Minister's portfolio. ANAO's examination of a sample of expenditure indicates that the frequency of this form of 'hospitality' is somewhat greater than envisaged in the PM&C guidelines. In July 2001, PM&C advised ANAO that:

[It] points out in this regard the need for caution in considering a sample of hospitality expenses. The requirement for the types of exceptions envisaged in the guidelines—hospitality for advisory bodies and occasional working lunches, for example—will vary across portfolios and the hospitality entitlement needs to be administered with regard to the circumstances of each case.

6.29 A number of agencies were unable to provide appropriate documentation to support all Ministerial hospitality expenditure incurred in 1999–2000. For example, they could not provide ANAO with any details of the purpose of certain hospitality functions. Significant inconsistencies were also noted in the type of expenditure that different departments considered to be an acceptable use of public money.

6.30 Fringe Benefits Tax (FBT) is payable by home departments where entertainment is provided to an employee, unless the entertainment falls into an exempt category (for example, morning and afternoon teas that do not include alcohol). In relation to Ministerial hospitality, this requires home departments to have procedures in place to identify hospitality expenditure that is subject to FBT. For this reason, some home departments maintain hospitality registers, whilst others require the completion of a claim form for all instances of hospitality expenditure. However, some home departments do not have the necessary procedures in place to identify Ministerial hospitality that should be subject to FBT.

6.31 Finding: The PM&C guidelines concerning official Ministerial hospitality provide a sound construct for the administration of hospitality expenditure. ANAO's examination of a sample of expenditure indicates that the frequency of 'hospitality' provided to Commonwealth officials is somewhat greater than envisaged in the PM&C guidelines. In addition, a number of home departments were unable to provide appropriate documentation to support all Ministerial hospitality expenditure in 1999–2000. For example, they could not provide ANAO with any details of the purpose of certain hospitality functions. As well, there were significant inconsistencies in the type of expenditure that different departments considered to be an acceptable use of public money.

Recommendation No.26

6.32 ANAO recommends that home departments improve their administration of hospitality expenditure by reviewing policies and procedures for Ministerial hospitality expenditure in terms of the guidelines produced by the Department of the Prime Minister and Cabinet.

Agencies responded to the recommendation as follows:

6.33 Agreed: AFFA, AG's, Austrade, DCITA, Defence, DEWRSB, DFAT, DHAC, DTRS, DVA, Environment, FaCS, ISR, PM&C, Treasury.

Agreed with qualification: DETYA.

Disagreed: Finance.

6.34 Specific comments by Defence, DCITA, DHAC, DVA, ISR, PM&C, Treasury, DETYA, Finance and DIMA are set out below:

- In **agreeing** with the recommendation, agencies commented as follows:
 - **Defence:** It would be helpful to both Ministers and departments if standard documentation were introduced on which the Minister or his or her delegate would certify that official hospitality

expenditure is in line with the PM&C Guidelines. This would ensure a more standard approach to the interpretation of hospitality for Ministers and departments. This may also reduce inconsistencies in the type of expenditure that, according to the ANAO report, different departments consider an acceptable use of public money;

- **DCITA:** DCITA's Chief Executive's Instructions set out the principles for official hospitality by Ministers provided within Australia. These principles are in accordance with the Department of the Prime Minister and Cabinet's guidelines. DCITA also advised that official hospitality was included in the department's review of handling ministerial entitlements referred in its comments under Recommendation No.23 (see paragraph 6.9), and that procedures for handling official hospitality accounts will be included in the new procedures mentioned in its comments under Recommendation No.24 (see paragraph 6.18);
 - **DHAC:** The Department supports this recommendation and has already initiated new procedures for recording and verifying hospitality expenditure. The Department would also value the provision of up-to-date and full guidelines on entitlements by the Department of Finance and Administration and the Department of the Prime Minister and Cabinet;
 - **DVA** agrees with this recommendation and notes that the department's Chief Executives Instruction 5.15 (Official Hospitality) is consistent with PM&C guidelines;
 - **ISR** noted that it agrees and already complies;
 - **PM&C** requires hospitality forms to be completed and is satisfied that this system is effective in ensuring that fringe benefits tax liabilities are met; and
 - **Treasury** will review the Department of Prime Minister and Cabinet guidelines for official hospitality and use them as a basis for improving administration of hospitality expenditure.
- In **agreeing with qualification** with the recommendation, **DETYA** commented that: the thrust of the recommendation should be directed towards the underlying PM&C guidelines. If ANAO has observed inconsistencies in expenditure that agencies believe to be consistent with the guidelines, there would seem to be a prima facie case for revisiting the guidelines themselves.
 - In **disagreeing** with the recommendation, **Finance** stated that: in respect of Finance, the department has already implemented such processes in its home department procedures.

- **DIMA** did not respond to the recommendation, but commented that: the department's formal guidance on this matter, in the form of an Administrative Circular, is currently being reviewed and updated. The Department of the Prime Minister and Cabinet has agreed to provide DIMA with a copy of the latest version of its guidelines on official Ministerial hospitality.

Administrative guidance

6.35 The *Ministers of State—Entitlements* handbook issued by Finance sets out the additional entitlements of Ministers including relevant information for home departments such as the division of financial responsibility for entitlements between Finance and home departments. Other information relevant to home departments includes: the section on 'Car Transport' as home departments administer this aspect of a Minister's official travel; the section on 'Special Purpose Aircraft' as officials from home departments often accompany their Ministers on Special Purpose Aircraft and therefore need to know the rules that apply to passengers; the section on 'Travel by Spouse and Dependent Children' as home departments often pay the car transport costs associated with this travel; and the section on 'Ministerial Leave' as it advises that all costs incurred by a Minister and his or her family are to be met personally.

6.36 The *Ministers of State—Entitlements* handbook is issued to all Ministers, but Finance does not at the same time provide each home department with a full copy of the handbook. It is difficult to envisage how departments can be fully effective in their administration of Ministers' entitlements without access to the relevant, up-to-date handbooks. Of the 17 home departments included in the audit, only five reported to ANAO that they were using a current version of the handbook. Ten departments advised ANAO that they did not have a copy of the handbook, although some had obtained extracts. The remaining two departments had been using the 1996 version of the handbook.

6.37 Finance officials responsible for administering Ministerial expenditure by their Ministers are provided with the relevant handbook. In this context, Finance advised that its procedures involve checking expenditure by its Ministers against the relevant guidelines produced and issued by M&PS. This would seem to be an approach worthy of adoption by all departments. Providing all home departments with a full copy of the current handbook would assist those departments in meeting their FMA Act obligations, as well as reinforcing the division of administrative responsibilities between Finance and home departments. In this context, ANAO found that some home departments are unclear

on what entitlements they are to administer, and how this is to occur. For example:

- Finance's handbook states that Finance is to meet electorate office accommodation and office requisite costs for the Minister and electorate office staff. However, ANAO found that some home departments had met these costs with the result that different procedures and standards were applied to this expenditure;
- Finance's handbook also states that Finance is to meet all travel costs of Ministers except official car transport costs. However, ANAO noted a number of examples of home departments meeting travel costs including: Ministerial charters²¹⁹; accommodation costs²²⁰; and spouse transport associated with travel under the Senator/Member entitlement; and
- one department advised ANAO that, over time, amounts referred to Finance for payment had become too large to leave unpaid and, as a result, the department had paid the costs until Finance could provide advice and precise information on the department's responsibilities and formally agree what funds should be transferred.

6.38 It is to be expected that there will be occasions where Finance and home departments will need to communicate in relation to their shared administration of entitlements provided to Ministers. ANAO's audit fieldwork revealed that there was an absence of effective information sharing in relation to 1999–2000 entitlements payments, as the following examples demonstrate:

- Finance advised ANAO that, as part of its process of checking travel tickets, issues sometimes arise that cause a wider examination of the entitlements paid for the traveller. However, where travel relates to a Minister, Finance does not consult with the Minister's home department to ensure the examination is comprehensive. In this

²¹⁹ One home department paid \$28 067 in 1999–2000 for air charters that a Minister had undertaken and certified as being related to the carrying out of his Ministerial functions. Ministerial charter costs are supposed to be paid by Finance. One consequence of the home department meeting these costs is that the 1999–2000 reports on travel costs tabled in Parliament materially understated the charter costs for this Minister. Another consequence was that the *Ministers of State: Charter Certification* was not prepared. The Minister provided the department with a form of certification for each of the air charters paid for by the department but this did not encapsulate all aspects of that included in the *Ministers of State: Charter Certification* form. The department acknowledged to ANAO that procedural mistakes had been made and advised that it was preparing written procedural instructions to ensure that the problem does not recur. The department also advised ANAO that subsequent checking had confirmed that each account related to air charters use by the Minister for purposes related to his functions as a Minister.

²²⁰ In June 2000, one department paid the direct costs of accommodation required for a Minister at short notice with Finance separately paying travelling allowance to the Minister in July 2000. The travelling allowance was subsequently repaid to Finance.

context, included in ANAO's sample of travelling allowance claims was a payment to one Minister in respect of September 1999 travel to Canberra. Included in expenditure paid by the Minister's home department was a car hire during the same period in the Minister's home state. ANAO drew this transaction to the attention of Finance and the home department. Finance advised ANAO that this is an issue the ANAO should raise with the home department as its records indicate that the Minister was entitled to the travelling allowance claimed. The home department advised ANAO that it accepts the certification by the Minister's office that all such expenditure is in accordance with Finance guidelines; and

- in another instance, confusion as to the arrangements to apply when a Minister's accommodation costs had been paid by the home department led to Finance also paying travelling allowance to the Minister. Repayment of the travelling allowance occurred in February 2001.

6.39 Finding: Finance issues a *Ministers of State—Entitlements* handbook, which sets out the additional entitlements of Ministers including relevant information for home departments such as the division of financial responsibility for entitlements between Finance and home departments. This handbook is issued to all Ministers, but Finance does not at the same time provide each home department with a full copy of the handbook. Yet Finance itself relies on the handbook as part of its checking of its Ministers' expenditure. The provision to all home departments of a full copy of the current handbook would assist those departments in meeting their FMA Act obligations, as well as reinforcing the division of administrative responsibilities between Finance and home departments. In this context, ANAO found that some home departments are unclear on what entitlements they are to administer, and how.

Recommendation No.27

6.40 ANAO recommends that coordination arrangements for administering Ministerial entitlements be improved by:

- (a) Finance providing each home department with a complete copy of the *Ministers of State—Entitlements* handbook as well as any amendments or updates to this handbook as and when they are made; and
- (b) each home department and Finance nominating a formal liaison contact(s) so that uncertainties can be promptly addressed, and better practice experiences shared.

Agencies responded to the recommendation as follows:

6.41 Agreed: AFFA, AG's, Austrade, DCITA, Defence, DETYA, DEWRSB, DFAT, DHAC, DTRS, DVA, Environment, FaCS, ISR, PM&C, Treasury.

Disagreed: Finance.

6.42 Specific comments by AFFA, DCITS, DEWRSB, DVA, ISR, PM&C, Treasury, Finance and DIMA are set out below:

- In **agreeing** with the recommendation, agencies commented as follows:
 - **AFFA** suggests that the handbook contain all information required by home departments for guidance in the management of Parliamentary expenditure. AFFA also suggests that the handbook be reviewed in consultation with home departments to remove ambiguity and clarify areas of uncertainty. This will also reduce the number of times it is necessary for home departments to contact the Department of Finance and Administration for guidance.
 - **DCITA:** There needs to be a standard practice across home departments for administering ministerial entitlements. DCITA suggests that DOFA review the *Ministers of State—Entitlements* handbook, in consultation with home departments, with the view to clearly identifying the division of responsibility between the two and broadening its coverage to include entitlements that are the responsibility of home departments;
 - **DEWRSB:** The department agrees that the approach proposed would assist departments in relation to their responsibilities;
 - **DVA:** This should overcome a constant source of frustration experienced by home departments at present. To be held accountable for payments and yet not be able to obtain a copy of the guidelines is certainly an unsatisfactory situation;
 - **ISR** agrees, in particular with Part (a), that 'Finance provide each home department with a complete copy of the *Ministers of State – Entitlements* handbook as well as any amendments or updates';
 - **PM&C:** This recommendation is primarily a matter for the Department of Finance and Administration. PM&C would take part in a formal liaison system is established but questioned the need for that degree of formality, given the limited degree of overlap; and
 - **Treasury:** Part (a) Treasury strongly supports the recommendation that the Department of Finance and Administration provides each home department with a copy of, and regular updates to, the *Ministers of State—Entitlements* handbook, and Part (b) A

departmental liaison officer will be appointed from the Accounting and Financial Management Unit of the Treasury.

- In **disagreeing** with the recommendation, **Finance** commented that: the handbook is provided to Ministers and their staff. Departmental Liaison Officers on Ministers' staff already have access to the handbook. Moreover, the functions of the home departments and those of Finance are separate and distinct. Home departments have no role in interpreting or administering the entitlements administered by Finance. When approached by departments, Finance will explain the entitlements for which Finance is responsible and those for which departments are responsible.
- **DIMA** did not respond to the recommendation, but commented that: DIMA would welcome full access to relevant guidelines produced by the Department of Finance and Administration. The department has aimed at best practice by having a dedicated officer located within the Parliamentary and Services Section, and independent of the department's Resource Management area, for handling of financial management and reporting for usage of entitlements.

6.43 ANAO comment: The strong support of most home departments for this recommendation highlights the need for improved coordination between Finance and home departments to ensure the efficient and effective administration of Ministerial entitlements. Roles and responsibilities need to be more clearly defined and consistently high standards applied to public money spent on Ministerial entitlements.

Official car transport

6.44 The *Ministers of State—Entitlements* handbook states that M&PS (within Finance) is responsible for the provision of all travel within Australia by Ministers except official car transport costs. According to the handbook, each Minister's home department is responsible for the cost of official cars, including any privately plated vehicle in Canberra.

6.45 Ministers are entitled to use car transport for official purposes anywhere in Australia. To this end, Ministers have access to: COMCAR; chauffeur-driven hire cars or taxis; short-term self-drive hire cars; and may elect to have a private plated vehicle on long-term hire in Canberra in lieu of COMCAR or a dedicated driver in lieu of COMCAR services. The *Ministers of State—Entitlements* handbook also states that Ministers' spouses, when travelling within Australia for official purposes, may use car transport at Commonwealth expense between home and the airport and/or between the airport and the place being visited (or place of temporary residence).

6.46 ANAO examined in detail a sample of official car transport costs paid for by home departments. Given the lack of detail in the supporting documentation, ANAO sought further information from ten home departments, for example where the car hire did not appear to reconcile to other official travel costs of the relevant Minister or spouse. Four of these departments provided ANAO with a satisfactory explanation for all the hires in question. However, the remaining six departments provided insufficient details on which to base an audit opinion. ANAO considers that it would be good practice for home departments to periodically reconcile Ministers' official car travel costs to appropriate supporting documentation and official travel itineraries.

Dedicated car-with-driver services

6.47 COMCAR provides a dedicated driver service to the Prime Minister, the Deputy Prime Minister, the Deputy Leader of the Liberal Party and the Deputy Leader of the National Party. The *Ministers of State—Entitlements* handbook states that a dedicated driver service can also be arranged for other Ministers in Canberra and/or in their home state.

6.48 According to the *Ministers of State—Entitlements* handbook, COMCAR has established a national panel of chauffeur-driven hire cars and executive taxi contractors which meet particular service standards. Ministers may use these companies or an appropriate local chauffeur-drive hire car or taxi service.

6.49 Five departments have arrangements with providers other than COMCAR to provide dedicated car-with-driver transportation services to Ministers. ANAO's analysis indicated that the rates of some companies being used were significantly higher than those available through COMCAR. ANAO sought advice and documentation from each home department on the process by which the providers were selected as well as any relevant contracts including service standards and pricing schedules. Only one department had conducted a competitive tender. Two departments advised ANAO that the provider had been chosen by the respective Ministers, and another department did not identify the basis for the original selection of the provider. On the basis of this advice, reasonable inquires do not appear to have been made by three departments to ensure that that the proposed expenditure would make efficient and effective use of public money or that compliance with the CPGs was achieved. Accordingly, it is unclear how the requirements of the FMA Act and Regulations²²¹ were met.

²²¹ See FMA Regulations 8, 9, 12 and 13.

6.50 The fifth department has made an arrangement with the private sector at a cost of \$1 500 per week to provide the Minister with car-with-driver services as required. This represents an annual cost of \$78 000. Unlike the arrangements with COMCAR, the arrangement does not require keeping records of individual trips and times. While this particular arrangement was not competitively tendered, it was based on advice from the department to the Minister's office that it represented value for money. The department advised ANAO that this followed a Government decision authorising alternative preferred driver arrangements to COMCAR.

6.51 A signed written contract is a fundamental tenet of sound contracting processes. This is because successful contract management requires articulation of standards of service and deliverables in the contract, specified obligations for the provider to submit verifiable information regarding performance and clearly defined prices. However, none of the five departments had signed a contract with the provider(s) and, as a result, service standards, performance monitoring arrangements and pricing schedules were not specified.

6.52 Finding: Ministers' home departments are responsible for the cost of official car transport, with Finance being responsible for the cost of all other travel within Australia by Ministers. Although this entitlement is limited to travel for official purposes, a number of home departments do not effectively monitor compliance with this policy.

6.53 Five home departments have arrangements for private sector provision of car-with-driver transportation services to Ministers. However, only one department had conducted a competitive tender. Another department made an arrangement, without competitive tender, with the private sector at a cost of \$1 500 per week to provide the Minister with car-with-driver services as required. Two departments advised ANAO that the provider had been chosen by the respective Ministers, and another department did not identify the basis for the original selection of the provider. On the basis of this advice, it is unclear how the requirements of the FMA Act and Regulations concerning ensuring that proposed expenditure would make efficient and effective use of public money and demonstrated compliance with the CPGs were met. Furthermore, none of the five departments had signed a contract with the provider(s) and, as a result, service standards, performance monitoring arrangements and pricing schedules were not specified.

Recommendation No.28

6.54 ANAO recommends that home departments improve their administration of official travel expenditure by implementing contractual arrangements for dedicated car-with-driver services that accord with the Financial Management and Accountability Regulation requirements and Chief Executive's Instructions, and are effectively managed.

Agencies responded to the recommendation as follows:

6.55 **Agreed:** AFFA, AG's, Austrade, Defence, DEWRSB, DFAT, DHAC, DTRS, DVA, Environment, FaCS, ISR.

Agreed with qualification: DCITA, DETYA.

Disagreed: Finance.

6.56 Specific comments by DFAT, DHAC, DCITA, DETYA, PM&C and DIMA are set out below:

- In **agreeing** with the recommendation, agencies commented as follows:
 - **DFAT** noted that it agreed with the recommendation but it is not currently applicable to it; and
 - **DHAC:** The Department notes that its car-with-driver arrangements represented an improvement on the previous monopoly system, but is currently reviewing its processes to ensure there is an appropriate contract representing value for money.
- In **agreeing with qualification** with the recommendation, agencies commented as follows:
 - **DCITA:** DCITA does not disagree in principle with the proposal that long term contracts for car hire be arranged. However, we consider that this approach may not always be practical and would be administratively complex. For example, Ministers may use a wide range of providers in different cities and, even within one location, would require the flexibility to use alternative providers if service is unavailable or inadequate. This means that a department may be required to arrange a multiplicity of contracts for comparatively small amounts. Any savings achieved in hourly rates may well be offset by the increased cost of administration. DCITA notes that any requirement for a competitive tender process would be subject to the relevant department's general procurement thresholds.
 - **DETYA:** DETYA commented that it believed that an agency and its Minister should have the discretion to decide whether contractual arrangements are required to support 'car-with-driver' services.

One would not, for example, contemplate a contractual arrangement with a taxi company for departmental staff travel. Individual transactions are small valued and a value for money judgement needs to be made about the transaction costs needed to support the use of this service. We would suggest an approach whereby an agency, in conjunction with its Minister, is required periodically to assess and record the basis for decisions about its car-with-driver services for the Minister.

- **PM&C** commented that it does not currently have arrangements for private sector provision of car-with-driver services.
 - **DIMA** did not respond to the recommendation, but commented that: In relation to car-with-driver services, we believe that our procedures are compliant. We are taking steps to confirm this.
-



Canberra ACT
7 August 2001

P. J. Barrett
Auditor-General

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