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OFFICIAL - Sensitive

Review of Commissioner Expenses

Australian Securities and Investments Commission (ASIC)

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Draft Report

Pitt GROUP

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EXECUTIVE SUMMARY

Background

Pitt Group was engaged by the Australian Securities and Investments Commission (ASIC) to undertake a review of ASIC Commissioners' travel expenses, allowances, and other corporate card expenditure for the period 1 July 2018 to 30 September 2020. The review assessed whether travel, allowances and other expenses were paid and acquitted in accordance with legislative requirements, ASIC policies and procedures and Remuneration Tribunal determinations.

Permitted travel, allowances and other expenditure for Commissioners are set by the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the Remuneration Tribunal. In addition, Commissioners are required to comply with the ASIC Credit Card and International Travel policies but are not required to comply with the Domestic Travel policy. Under the PGPA Act, Commissioners have authority to approve their own expenses and typically rely on their Executive Assistants to book travel, prepare acquittal documentation for their approval, and arrange for submission.

Key issues and improvement opportunities

s 47C, s 47E (a) [redacted].

The credit card acquittal process varies between Commissioners and their Executive Assistants. The review noted inconsistencies in the descriptions used for expenses and captured in summary sheets, inconsistencies in the completion of summary sheets and variation in the quality of supporting documentation. In some cases, acquittals occurred several months after the statement period. There were also multiple examples of incorrect or incomplete acquittal documents.

The review identified the following key opportunities to improve ASIC systems and processes governing Commissioners' travel, allowances and expenditure:

- Ensure policies related to Commissioners expenditure are consistent and complete. There are instances where it is unclear whether ASIC policies apply to Commissioners as well as policies not covering current practices (e.g. use of Ubers).
- Develop and implement standard practices for acquittal of Commissioner's corporate credit cards. There is significant variance between Commissioners which has reduced the consistency and overall quality of acquittals.
- Develop appropriate controls to identify and report potential remuneration in accordance with Remuneration Tribunal Determinations.
- s 47C, s 47E (a) [redacted]

Further review

The review found the significant majority of Commissioner expenditure and allowances conformed with ASIC policies and Remuneration Tribunal determinations. However, the review noted 3.7% of expenditure items that may represent non-conformant expenditure, with 3.4% relating to a single Commissioner. These items require further review to determine whether they are, in fact, breaches, but do not represent a systemic issue for ASIC.

DETAILED ISSUES

1. ASIC travel and expenditure policies and reporting

The *PGPA Act* and Remuneration Tribunal determinations provide the legislative and regulatory framework for ASIC Commissioner allowances and other expenditure. Commissioners are also required to comply with the *ASIC Finance Policy – Corporate Credit Cards* (June 2019) and *ASIC International Travel Policy* (October 2019) but are specifically excluded from having to comply with the *ASIC Domestic Travel Policy* (June 2019).

Excluding Commissioners from complying with the Domestic Travel policy creates ambiguity for their travel expenditure. Remuneration Tribunal determinations cover most, but not all, situations. For example, there is no determination that refers to the use of ride share. In contrast, the Domestic Travel policy explicitly precludes staff from using a corporate credit card to pay for ride share (however staff may reclaim the expense). To reduce ambiguity and bring Commissioner travel in line with the organisation's approach to travel, a similar approach to that used in the International Travel policy should be adopted. Specifically, the policy should include a statement to the effect that the policy applies to Commissioners "subject to determinations made by the Remuneration Tribunal and the provisions of individual employment contracts".

Under the PGPA Act and referenced in s5.5 of the Credit Card policy, Commissioners have the authority to approve their own expenses.

s 47C, s 47E (a) [redacted] Commissioners rely upon their own Executive Assistants and the Commission Secretariat to book travel, prepare acquittal documentation for their approval and arrange for submission expenditure.

Commissioners adopt different approaches to booking and paying for flights and accommodation and being paid travel allowance. For instance, bookings through QBT can be made online or by telephone (resulting in different data captured for bookings) and international flights can be booked directly or through QBT. Some Commissioners pay for their accommodation by corporate credit card and have their allowance reduced accordingly, while others are paid an allowance that covers accommodation.

s 47C, s 47E (a) [redacted]

- [redacted]
- [redacted]
- [redacted]
- [redacted].

Different administrative approaches by Executive Assistants combined with reporting limitations make it impossible to fully reconcile all travel, allowances and expenditure. This is discussed further under Issue 2.

1.1 Process Improvement Opportunities

The review identified the following improvement opportunities:

- Ensure policies related to Commissioners expenditure are consistent and complete
- Implement system and/or procedural changes to enable cross-matching of related expenses between ASIC and external systems.

[1] ASIC travel is managed by the whole-of-Australian Government travel provider QBT.

2. Acquittals

Under the Credit Card policy, Commissioners are responsible for acquitting their monthly corporate credit card statements. The Commission Secretariat provides statements to Commissioners and their Executive Assistants each month. Executive Assistants collate, scan and save copies of receipts with the statement. A coversheet is used to confirm and approve the acquittal. All documents are saved in SharePoint. If a receipt is missing, a statutory declaration by the Commissioner is saved as evidence of expenditure.

The review found the quality of the acquittal process varies between Commissioners. Different descriptions were used for similar expenses, particularly relating to travel, and there was broad variation in the quality of the supporting documentation file. Credit card acquittal summary sheets were often not dated, finalised or signed. There was a significant number of credit card statements that were acquitted late and, in some instances, statements were not acquitted for more than six months.

Table 2.1 identifies policy beaches associated with credit card acquittals across Commissioners.

The review noted that three of eight Commissioners used statutory declarations to claim expenses when they had not retained a receipt. Two Commissioners made declarations for seven and eleven expenses respectively. The third Commissioner made declarations for seventy-nine expenses for a total value of $2,214.90. While there is no suggestion that the related expenditure was not work related, the use of statutory declarations should be an exceptional not common practice.

2.1 Potential Policy Breaches and/or Control Breakdown								
Issue	Instances / Value by Commissioner							
	A	B	C	D	E	F	G	H
Missing Acquittal	2[2]	-	-	-	-	2[3]	-	-
Missing Summary Sheets	-	-	6	-	-	-	-	-
Missing/incorrect Docs	-	-	17[4]	-	-	-	-	-
Value			$13,299.99[5]					
Uber (no reason provided)	-	-	10	-	-	-	-	-
Value			$317.50				-	
Indecipherable Receipt	-	-	9	-	-	-	1	-
Value			$227.45				$60.48	

2.2 Process Improvement Opportunity
The review identified the following improvement opportunity: • Develop and implement standard practices for acquittal of Commissioner's credit cards.

[2] 1 of these acquittals was for March 2020 and may have had no expenditure due to Covid-19
[3] These acquittals were for May & June 2020 and may not have had expenditure
[4] There appeared to be an additional 14 items to the 17 identified; however, in these instances, there were no cover / summary sheet for the acquittal but there was missing item numbers in SharePoint
[5] One instance related to an international airfare ($9,722.26 - Rpt ID 0000077476) acquitted in Dec 2019 without documentation

3. Travel allowance

Commissioners are entitled to an allowance for all travel more than one day (i.e. overnight stays) covering accommodation, meals and incidentals. It is common practice for Commissioner's accommodation to be booked by their Executive Assistant and paid for using a corporate credit card. In this situation, the Commissioner is entitled to and paid an amount comprising the meals and incidentals component. Allowances are paid in accordance with the *Remuneration Tribunal Travel Determination*. The accommodation component varies based upon location, but a standard amount is paid for meals and incidentals irrespective of location.

The review found there are different approaches to making travel allowance payments to Commissioners. Payments are either made for individual trips or for multiple trips taken over a period (usually a calendar month). Also, file notes indicate occasions where adjustments to travel allowance payments were made to balance previous over or under payments (not necessarily related to the travel activity). Calculations for travel allowance payments are not retained and could not be validated by the review.

The review examined all travel undertaken by Commissioners and travel allowance payments made to Commissioners from 1 July 2018 to 30 September 2020. Reports from ASIC's finance and HR systems and the external travel system were provided. s 47C, s 47E (a) [redacted] Where necessary, corporate credit card statements were used to confirm travel (i.e. accommodation payments).

For Commissioner H, allowances were paid in bulk, preventing reconciliation of allowances to specific travel. To test the accuracy of travel allowance payments, the maximum eligible travel allowance amount payable to the Commissioner was calculated. The calculation was based on the total days travelled between 1 July 2018 and 30 September 2020 and the location of travel (from accommodation receipts). Accommodation was paid on the corporate credit card, so the maximum eligible amount was calculated based on meals and incidentals entitlements only. The review found that the total amount paid the Commissioner was well below the maximum eligible amount and there is no evidence of overpayment for the period.

For Commissioner C, incomplete acquittals prevented the reconstruction of travel and the calculation of a maximum eligible travel allowance amount. The review was unable to confirm that nineteen[6] travel allowance payments were within the limits set by the Remuneration Tribunal. This equated to thirty-five per cent of trips undertaken and $9,588 of allowances paid to the Commissioner.

Subject to the limitations identified above, the review determined that most travel and allowances conform with limits set by the Remuneration Tribunal. Table 3.1 contains details of allowances that require further examination to determine conformation with limits.

3.1 Potential Overpayment

Issue	Commissioner							
	A	B	C	D	E	F	G	H
Potential Instances	3[7]	2[8]	Cannot determine	-	-	2[9]	-	-
Value	$1270.00	$424.00		-	-	$431.15	-	-

[6] Report IDs (all preceded by 00000) - 62721, 65012, 65010, 66966, 67624, 70487, 71154, 73709, 7434574748, 76889, 76888, 76887, 76891, 77760, 78444, 78568, 78763, 79044
[7] Potential overpayments related to same day travel – report IDs 0000062368, 0000074352 and 0000074350
[8] Potential overpayments based on total days travelled – report IDs 0000066087 and 0000066921
[9] Potential overpayments related to same day travel – report IDs 0000063356 0000063341

4. Other expenditure

s 47C, s 47E (a) [redacted] Subject to these limitations, the review determined that 96.3% of expenditure items conforms with ASIC policy and / or Remuneration Tribunal determinations.

The review identified 157 expenditure items that may not conform with policies and determinations (145 of those expenditure items relate to Commissioner C). Additional evidence is required to determine whether this expenditure conforms or represents personal use. Expenditure related to these items is included in Table 4.1.

Partner Airfares

The review identified three instances of airfares purchased for partners on corporate credit cards. Two of these relate to spouse induction / reunion travel using business class fares. The review cited ASIC approval for this travel under the ASIC Relocation Policy. Under this policy, overseas relocation assistance is discretional rather than automatic. Relocation assistance for Commissioners is also guided by the *Remuneration Tribunal Relocation Assistance Guidelines*, which allows for 'reunion' travel by family members based on economy class airfares. The guidelines require that requests for relocation assistance are made in writing to the Remuneration Tribunal, preferably by the Minister. The review was unable to determine that such a request was made or that the payments had been identified as potential remuneration.

Use of Taxis and Ubers

The review noted four Commissioners used Ubers for travel on a total of 208 occasions. The ASIC Credit Card policy cross-references the ASIC Domestic Travel policy which prevents the payment of ride share (Ubers) on corporate credit cards. However, Commissioners are specifically excluded from the Domestic Travel policy, creating ambiguity regarding the use of credit cards for this purpose.

The review noted that several Commissioners made occasional use of taxis (or Ubers) to travel to/from the office and home when working late or carrying sensitive materials. Typically, this was limited to 5 to 10 times per annum. However, Commissioner C used Ubers or taxis 128 times to travel between home and the office, usually within business hours, for a total value of $8,654.87.

ICT Purchases

Typically, ICT purchasing is undertaken centrally to ensure that ASIC retains appropriate control over assets. However, since March 2020, two Commissioners have purchased Wifi dongles and related recharges to support remote operations. An additional Commissioner purchased a Lenovo Laptop value at $827 in the same period. Whilst Commissioners may have appropriate authority to make these purchases, it is important that ASIC implements processes to record and manage these assets.

Other Expenditure

The review identified ten additional expenditure items for Commissioner C that potentially constitute personal expenses. The largest of these items was a two-year Qantas Club membership for $828. The review was unable to determine whether the payment had been identified as potential remuneration. Most other items were for taxi and Uber use outside business hours that could not be related to business travel.

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4.1 Potential Personal Use								
Personal Expenditure	Instances / Value by Commissioner							
	A	B	C	D	E	F	G	H
Partner Airfares[10]	1	-	-	-	-	-	-	2
Value	$305.59							$15,449.76
Personal Use of Taxis	-	-	134[11]	-	-	-	-	-
Value			$3557.73					
ICT Purchases	-	3	1	-	-	6	-	-
Value		$559.00	827.00			$359.00		
Other Expenditure	-	-	10[12]	-	-	-	-	-
Value	-	-	$1,630.71					

4.2 Process Improvement Opportunities
The review identified the following improvement opportunity: • Develop appropriate controls to identify and report remuneration in accordance with Remuneration Tribunal Determinations

End report

[10] Report IDs 0000060423, 0000060752,0000064756
[11] 128 instances related to taxis to/from ASIC office and home
[12] Major item is Qantas Club ($828 – Report ID 0000060515)