

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Budget Estimates

2016 - 2017

**Division/Agency:** Australian Securities and Investments Commission

**Question No:** 222

**Topic:** IOOF

**Reference:** Written

**Senator:** Ketter, Chris

**Question:**

1) What oversight does ASIC have of the “broader and more comprehensive review” of IOOF’s compliance arrangements referred to in ASIC’s media release of 8 July 2016 (16-221MR)? What are the terms of reference for this review? At what stage is the review at? Who is the external compliance consultant that has been engaged to conduct the review? What involvement did ASIC and IOOF each have in choosing the external consultant and setting the terms of reference, scope and processes for the review? What scope did IOOF have to choose the consultant? If the review has been completed, what has the review found? What steps has ASIC taken and will ASIC take to be satisfied about the robustness of the review?

2) To what extent is it correct that the terms of reference of the PwC report commissioned by IOOF meant no emails, interviews or computer files could be reviewed as part of the PwC investigation? Will the ‘broader and more comprehensive’ review be able to access emails, interviews and computer files?

3) On 24 August 2016 ASIC issued a media release regarding an enforceable undertaking with My Adviser, an IOOF brand. Why was this not included in ASIC’s media release of 8 July 2016? Why was IOOF not mentioned as the parent of My Adviser in the release of 24 August 2016?

**Answer:**

1) ASIC provided extensive comments to IOOF regarding the scope of the terms of reference for the review prior to its finalisation and the engagement of the external consultant by IOOF. ASIC has been monitoring IOOF’s progress and has received a quarterly report on progress from IOOF. The review is ongoing. Upon its completion, ASIC will review any findings and will monitor IOOF’s implementation of any recommendations. If there are any concerns with the adequacy of the review ASIC will follow these up with IOOF.

The terms of reference for the review are comprehensive and extend to the entire IOOF group. This review, at ASIC's recommendation, assesses the adequacy of the processes within IOOF's overall compliance framework compared to internationally accepted industry standards. It also assesses whether there are any specific risks/weaknesses within its compliance framework, in addition to a focused review of areas such as breach reporting, conflicts management, disclosure, cyber security, cultural issues and the whistleblower policy.

The external compliance consultant is PricewaterhouseCoopers (PwC). IOOF and ASIC agreed for IOOF to choose the consultant so long as the consultant was acceptable to ASIC. IOOF approached PwC after consultation with ASIC. After careful consideration ASIC

formed the view that there are significant benefits derived from the use of PwC in this review due to their experience, competence and understanding of the IOOF businesses. It will also assist in more effectively incorporating any recommendations into IOOF's future internal audit program.

The review has two phases and separate reporting deliverables. Phase I of the review was completed on 22 September 2016 and report prepared by the external consultant was provided to ASIC on 6 October 2016.

Phase I of the review focused on a review of the design of the IOOF compliance framework against international compliance standards. The review was performed through discussions with those charged with governance, a walk through with the compliance team members and an inspection of relevant documents. Identified strengths and opportunities for improvement were discussed in depth. Strengths include compliance resources, compliance obligation identification and maintenance processes. Opportunities for improvement include compliance training and awareness, refining controls to be more specific, measurable, accurate, and timely and that can be tested independently and the introduction of a risk based approach when testing compliance obligations.

Phase II has begun and will assess the extent to which the compliance risk management framework has been embedded within the relevant compliance policies of IOOF.

IOOF have implemented a number of new systems and processes in the past 12 months to improve their compliance including the implementation of the Compliance Management Systems (CMS), Risk Vision (RV) and reporting to its IOOF Risk and Compliance Committee and OneSum for managing and monitoring compliance obligations across all IOOF entities.

2. The terms of reference of the PwC report commissioned by IOOF made provision for the review by PwC of emails, staff interviews and access to computer files as required. This is the same for the broader and more comprehensive review.

3. ASIC's investigation into My Adviser Pty Ltd, and a particular representative and agent of it, was entirely separate to the inquiries commenced by ASIC in July 2015. As at 8 July 2016, ASIC's investigation into My Adviser was ongoing and it would not have been appropriate to comment about this ongoing investigation at this time and in the context of a different inquiry.

The ASIC Media Release of 24 August 2016 related to an Enforceable Undertaking offered to ASIC by My Adviser Pty Ltd. IOOF is a distinct and separate legal entity to My Adviser and was not a party to the Enforceable Undertaking. IOOF was therefore not mentioned in the Media Release.