

ACT AUDITOR-GENERAL'S REPORT

**MANAGEMENT AND ADMINISTRATION OF  
CREDIT CARDS BY ACT GOVERNMENT ENTITIES**

REPORT NO. 6 / 2016

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PA 15/15

The Speaker  
ACT Legislative Assembly  
Civic Square, London Circuit  
CANBERRA ACT 2601

Dear Madam Speaker

I am pleased to forward to you a Performance Audit Report titled 'Management and administration of credit cards by ACT Government entities' for tabling in the Legislative Assembly pursuant to Subsection 17(5) of the *Auditor-General Act 1996*.

Yours sincerely



Dr Maxine Cooper  
Auditor-General  
24 June 2016



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## SUMMARY

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Credit cards are a useful mechanism to facilitate the purchase of goods and services. They have advantages compared with other payment methods such as cash or cheques, including lower administrative costs and opportunities for more effective tracking of expenditure. However, their ease of use creates risks of fraud or misuse. The *ACT Public Service Integrity Policy* states:

While not attempting to pre-empt the range of risk areas that Agencies should address experience has shown that there are some areas of public sector administration that are particularly prone to breakdowns in integrity. As a matter of prudence, the Agencies should pay attention to the risks associated with ... the use of Government credit cards.

In 2015 approximately \$6.3 million was spent using ACT Government credit cards. While this represents a small percentage of overall ACT Government expenditure on goods and services using credit cards can contribute to efficiencies in purchasing and making payments, if robust controls are implemented.

## Overall Conclusion

ACT Government entities have, on the whole, effective arrangements for managing and administering credit cards. However, some entities need to: improve their timeliness for acquitting credit card statements; better classify and describe goods and services purchased; maintain appropriate documentation to explain purchases (especially those for official hospitality); and collect tax invoices for reimbursements from the Australian Tax Office. The monitoring and review of the use of credit cards could also be improved through periodic validation of the issuing of cards.

Credit cards are being used for purchases of goods and services which appear to be available through the ACT Government's whole-of-government purchasing arrangements. This presents a risk that the full benefits of these arrangements are not being realised. It is therefore important that any departure from using them is well documented. This is not occurring.

Opportunities to monitor the use of credit cards, through the *Corporate Online* service which provides timely transactional data or detailed reports on credit card use from Shared Services, are not being taken by all entities. Furthermore, acquittals could be undertaken more efficiently if paper-based systems were replaced with an automated acquittal facility.

There would be merit in assessing credit and other cards as an accounts payable mechanism for widespread use, given the potential efficiencies for the ACT Government. The Australian and New South Wales governments have mandated the use of cards for this purpose. Adopting a similar approach would likely increase the use of cards; in that case it would be important to maintain strong controls over their management and administration to reduce the risks.

## Key findings

### CREDIT CARD USE

### Paragraph

Analysis of the 479 credit cards issued by ACT Government entities as at August 2015 revealed that there was not a correlation between the number of staff in the entity and the number of cards. For example, in the Cultural Facilities Corporation 15.6 percent of staff (14 out of 90 FTE) had a card; 4.5 percent (four out of 88 FTE) in the Land Development Agency; 1.0 percent in the Health Directorate (61 out of 6 195 FTE); and 5.2 percent in Environment and Planning Directorate (15 out of 288 FTE).

2.3

Analysis of ACT Government entities' credit card expenditure in 2015 shows that:

2.7

- a total of \$6.3 million was incurred;
- the Education Directorate (including the ACT Teacher Quality Institute) incurred the highest expenditure of approximately \$2.0 million (31.9 percent of total ACT Government expenditure). The majority of this expenditure was incurred by schools, which totalled \$1.78 million (28.5 percent) of the total expenditure on credit cards by all ACT Government entities;
- the Health Directorate, Justice and Community Safety Directorate and the Canberra Institute of Technology had the next highest expenditure with \$0.8 million (12.7 percent), \$0.76 million (12.2 percent) and \$0.63 million (10.0 percent) of the total expenditure by all ACT Government entities; and
- nine of the 26 ACT Government entities were collectively responsible for less than one percent of the total expenditure.

Credit card expenditure represents a very small component of the total ACT Government supplies and services expenditure in 2015. For most ACT Government entities, credit card expenditure represented less than two percent of overall supplies and services expenditure.

2.8

Analysis of expenditure by the Education Directorate, Health Directorate, Justice and Community Safety Directorate and Canberra Institute of Technology shows that:

2.10

- except for January, the Education Directorate had a significantly higher monthly expenditure compared to the other three entities. There was some variability in expenditure in the Education Directorate, with specific 'spikes' in credit card expenditure in some months compared to others; and
- monthly expenditure by the Health Directorate, Justice and Community Safety Directorate and the Canberra Institute of Technology was generally consistent.

Analysis of the frequency of use of ACT Government credit cards in 2015 shows that:

2.13

- one hundred and ninety three cards (34.2 percent) were used in ten or more months of the year, indicating high usage. Eighty six credit cards (15.6 percent) were used in each month of the year; and
- one hundred and thirty cards (23.6 percent) were used in three or less months of the year, indicating low usage. Forty credit cards (7.5 percent) were used only in one month.

Analysis of the number of monthly statements for ACT Government credit cards in 2015 shows that: 2.15

- on average there were seven monthly statements produced for each card, indicating that not all cards were used on a regular basis;
- the Cultural Facilities Corporation, Public Trustee for the ACT and ACT Building and Construction Industry Training Fund Authority had the highest average number of monthly statements per credit card (ten), indicating that there is, on average, frequent use of credit cards issued to staff in these entities; and
- the Gambling and Racing Commission had the lowest average number of monthly activity statements per credit card, indicating that there was, on average, infrequent use of credit cards in the entity.

Analysis of the number of monthly statements for ACT Government credit cards in 2015 shows that: 2.17

- forty cards were used only in one month, with 12 (30 percent) being issued to staff in the Chief Minister, Treasury and Economic Development Directorate and four (10 percent) issued to staff in the Education Directorate – Schools and Canberra Institute of Technology; and
- for ten or more months of the year the Education Directorate had the highest usage with 55 of its 105 cards being used each month. The Health Directorate had 25 of its 67 cards used, the Canberra Institute of Technology had 20 of its 60 and Justice and Community Safety Directorate had 24 of its 84 cards used each month.

Credit cards that were used only in one month in 2015 were issued to staff in the Gambling and Racing Commission, the Canberra Institute of Technology, Chief Minister, Treasury and Economic Development Directorate, Community Services Directorate, Education Directorate, Environment and Planning Directorate, the Independent Competition and Regulatory Commission, Justice and Community Safety Directorate and the Territory and Municipal Services Directorate. 2.18

Analysis of total monthly credit card expenditure for ACT Government entities in 2015 shows that: 2.20

- between \$456 000 and \$599 000 was spent each month. (This figure does not take into account outlier months of January 2015 and February 2015. There was comparatively little use of credits cards in January 2015, but this appears to have been offset by comparatively larger use in February 2015);

- there are between 280 and 374 credit card statements produced by Westpac each month (a credit card statement is only produced if expenditure is incurred on the credit card). (This figure does not take into account outlier months of January 2015 and February 2015); and

Analysis of the value of monthly of monthly credit card statements for ACT Government entities in 2015 shows that: 2.22

- there is an inverse relationship between the number of monthly statements and associated expenditure. Significantly more monthly statements have low balances, while significantly less monthly statements have high balances; and
- 1 601 statements (39.0 percent) were for expenditure less than \$500, although this only represented 4.8 percent of the total expenditure on monthly statements. In contrast 36 monthly statements (0.9 percent) were for expenditure of \$10 000 or more and represented 8.1 percent of the total expenditure on monthly statements.

Analysis of the value of transactions for ACT Government credit cards between October 2013 and October 2015 shows that most transactions are for small expenditures. Almost half (12 567) of the transactions that took place over the two year period are for \$100 or less. Furthermore, there is a strong inverse relationship between the number of transactions and the expenditure incurred, with significantly fewer transactions being incurred for large expenditures. A total of 276 transactions took place for expenditure in excess of \$3 000. 2.24

Analysis of the number of transactions processed per credit card for ACT Government entities (except Housing ACT) that use Shared Services to assist with the administration of credit cards between October 2013 and October 2015 shows that: 2.26

- five hundred and thirteen cards were used to process 25 359 transactions;
- one hundred and twelve cards were used for less than 10 transactions; and
- three cards were used for between 300 and 600 transactions.

The three credit cards that had between 300 and 600 transactions were issued to staff in the Justice and Community Safety Directorate, the Territory and Municipal Services Directorate and the Health Directorate. Staff responsible for these cards had key responsibilities for purchasing and were using the cards as a key accounts payable mechanism. 2.27

Analysis of the number of credit card transactions for selected ACT Government entities' use of credit cards between October 2013 and October 2015 shows the Justice and Community Safety Directorate had the largest use with 5 478 transactions followed by the Health Directorate with 4 042 and the Territory and Municipal Services Directorate with 4 132. 2.29

Analysis of ACT Government entities' administrative arrangements for credit cards shows that all directorates (Chief Minister, Treasury and Economic Development, Community Services, Education and Training, Environment and Planning, Health, Justice and Community Safety, and Territory and Municipal Services) use Shared Services to assist in their administration of credit cards. However, only a few non-directorate (Canberra Institute of Technology, Capital Metro Agency, and Elections ACT) use Shared Services. 2.34

Key performance indicators in the *Services Partnership Agreement* do not adequately measure the effectiveness of Shared Services' performance as they are not useful as a measure of performance.<sup>1</sup> 2.45

There are inefficiencies in the manual paper-based administration and processing of credit card statements and acquittals. This process does not present an effective control compared with an automated system for ensuring that appropriate authorising officers have reviewed and endorsed the credit card acquittal statement and the card holder's use of the credit card. A 2012 review of Shared Services' accounts payable activities and services identified efficiencies and potential savings through the implementation of an automated credit card acquittal facility. 2.58

The ACT Government has not incurred any expenses associated with the late payment of credit cards as all ACT Government credit card expenditure is paid promptly through an automated process. Automation introduces risks, which need to be managed by the prompt, timely and accurate processing of credit card acquittal statements. 2.65

Analysis of the guidance material provided by ACT Government entities on policy and procedure for the management and use of credit cards identified that guidance material provided by the Justice and Community Safety Directorate was the most comprehensive. While all entities provided guidance in some form, not all aspects of credit card management processes were covered or not covered to the same degree as done by the Justice and Community Safety Directorate. This Directorate's guidance could be used to assist other entities. 2.82

## ISSUING OF CREDIT CARDS

Paragraph

The Education Directorate's guidance for schools (the *School Management Manual*) does not include any information on the rationale for the use of credit cards in schools. While the Education Directorate policy does provide limited guidance, given the comparatively greater use of credit cards by schools it would be prudent for such information to be included. All other ACT Government entities had guidance on the rationale for the use of credit cards in the entity, although often this was limited. 3.10

<sup>1</sup> The *Services Partnership Agreement* defines roles and responsibilities of ACT Government entities and Shared Services for the administration of credit cards.

The Australian and New South Wales governments have identified credit cards and/or payment or purchasing cards to be a key mechanism for paying for goods and services. With the exception of some business units in some ACT Government entities, which in practice use credit cards as a key accounts payable mechanism, ACT Government entities do not use credit cards as a routine accounts payable mechanism. There may be merit in doing so, in order to achieve efficiencies in administration and processing. Whole-of-government policy guidance is needed on this matter. 3.23

ACT Government entities typically require a prospective card holder to document a business need for the card and most ACT Government entities require a prospective card holder to complete and sign an acknowledgement form. Exceptions to this are the Legal Aid Commission, ACT Long Service Leave Authority and Office of the Legislative Assembly. Of 60 credit cards issued between November 2014 and December 2015 that were tested by the Audit Office, there were four instances where there was no signed acknowledgement form. 3.31

For ACT Government entities that do not use Shared Services for the administration and processing of credit cards, information maintained by the entity on the number of credit cards issued to staff matched information provided by the ACT Government’s credit card provider (Westpac). For a number of ACT Government entities that use Shared Services there was variation in the information on the number of credit cards issued to staff, as maintained by Shared Services, the entity and Westpac. The discrepancy represents a risk to the effective management and administration of credit cards. 3.36

Very few ACT Government entities have provided ongoing training and information sessions to credit card holders. Exceptions include the Justice and Community Safety Directorate, Territory and Municipal Services Directorate and Environment and Planning Directorate. These directorates’ training and information sessions represent better practice in the provision of ongoing support and guidance to credit card holders on their responsibilities and obligations. 3.44

**CONTROLS OVER CREDIT CARD USE** Paragraph

Credit card and transaction limits are being effectively managed. All ACT Government entities have established card and transaction limits; and the ACT Audit Office’s analysis of the use of credit cards did not find any instances where either the credit card or transaction limit had been exceeded. 4.12

With the exception of the use of credit cards for cash advances and withdrawals, the Territory and Municipal Services Directorate is the only directorate which has sought to place restrictions on the use of credit cards for certain merchant categories of expenditure. The Territory and Municipal Services Directorate has sought to restrict the use of its cards for ‘auto expenses’, including the use of credit cards for petrol, oils or lubricants. Such restrictions come with some risk, however, as certain types of allowable purchases may inadvertently be restricted through a broad-based restriction on merchant categories. 4.16

Analysis of the timeliness of the acquittal of credit card statements by ACT Government entities shows that: 4.25

- a significant percentage (29.0 percent) were acquitted late;
- late acquittals occurred in ten entities (Chief Minister, Treasury and Economic Development Directorate, Community Services Directorate, Education Directorate (Corporate and Schools), Environment and Planning Directorate, Health Directorate, Justice and Community Safety Directorate and the Canberra Institute of Technology). Of these entities, only Cultural Facilities Corporation and the Education Directorate - Schools do not use Shared Services for the administrative processing of credit cards; and
- the Canberra Institute of Technology had the highest percentage of credit card statements not acquitted within 30 days of the statement date; 87 statements out of 172 (50.6 percent). The Community and Services Directorate had the next highest percentage with 14 out of 35 (40.0 percent) and the Health Directorate with 43 out of 113 (38.1 percent) statements not acquitted within 30 days.

Seventy two percent of ACT Government entities provided satisfactory or good guidance on the role of reviewers of credit statement acquittals. A high degree of responsibility was placed on reviewers, which is appropriate as they have an important role in reducing the risk of inappropriate use of credit cards. Twenty eight percent of ACT Government entities did not provide adequate guidance. 4.40

There was a high compliance rate with procedures for reviewing credit card statement acquittals. Of the 852 statement acquittals reviewed by the ACT Audit Office only six were not signed by a reviewer, six were not signed by both the card holder and reviewer and there were three instances where the card holder was also the reviewer. However, managing risks is best achieved by striving to achieve 100 percent compliance. 4.41

Two hundred and sixty two transactions of the 4 128 examined by the ACT Audit Office were not supported by an appropriate description of the goods or services purchased. These transactions were commonly associated with meals and entertainment, but some related to the purchase of computers and related ICT equipment. While this is only 6.3 percent it does mean that for these purchases it is difficult to confirm that they were appropriate or undertaken for official government use. Managing the risk that funds are appropriately spent is best achieved by documentation being adequate for all transactions. 4.51

All ACT Government entities, with the exception of the Land Development Agency, have satisfactory or good guidance for requiring that sufficient documentation be retained to support the use of the credit card. Two hundred and thirty seven transactions of the 4 128 assessed by the ACT Audit Office were not adequately supported by documentation. Inadequate documentation included instances of mismatching of the invoice with the services purchased, insufficient evidence of prior approval where required and where credit card statement acquittal forms were not properly signed and authorised as required. While 237 transactions 4.64

account for only 5.7 percent, managing the risk that funds are appropriately spent is best achieved by striving to achieve documentation that is 100 percent adequate.

Eleven ACT Government entities of the 26 assessed by the ACT Audit Office did not have guidance on the use of credit cards for hospitality purposes. Twenty one transactions of the 209 hospitality transactions examined did not have evidence of pre-approval or that these were not only attended by ACT public sector personnel. Given the risk associated with government funds being used for hospitality this is an issue that warrants attention by ACT Government entities, particularly those who do not have guidance or evidence to justify expenditure. 4.73

The Justice and Community Safety Directorate guidance is an example of better practice guidance on the use of credit cards for services covered by the whole-of-government purchasing arrangement for travel and accommodation. 4.80

The Justice and Community Safety Directorate and the Territory and Municipal Services Directorate were the only ACT Government entities with guidance on the use of credit cards for goods and services covered by existing whole-of-government purchasing arrangements. There were 242 instances in 445 transactions where a credit card was used to purchase goods and services that were the subject of whole-of-government purchasing arrangements and where there was insufficient documentation of the reason why this arrangement was not used. The low use of whole-of-government purchasing arrangements presents a risk that the benefits of the arrangements are not maximised. 4.90

**MONITORING AND REVIEW OF CREDIT CARDS** Paragraph

Most corporate finance areas in ACT Government entities review credit card acquittal statements prior to their submission to Shared Services for processing or as they are being processed by the entity. While this provides a level of assurance it does not constitute an independent review of the appropriateness or otherwise of the expenditure, or is a means of identifying ways to improve the effectiveness or efficiency for procuring a good or service, e.g. through using whole-of-government arrangements. 5.8

The large ACT Government directorates and entities: the Canberra Institute of Technology, Chief Minister, Treasury and Economic Development Directorate, Community Services Directorate, Education Directorate, Environment and Planning Directorate, Health Directorate, Justice and Community Safety Directorate and Territory and Municipal Services Directorate have conducted internal audits on credit cards. The scope and objective of the credit card audits ranged from focusing on compliance to a detailed analysis of the management and administration of credit cards to identify improvements. Smaller ACT Government entities have not conducted internal audits on credit cards, due to this being impractical and oversight achieved due to their small size. 5.9

Only 16 of the 26 ACT Government entities sought to make use of *Corporate Online*, which provides an opportunity for ACT Government entities to obtain real-time transactional data on the use of credit cards. Those entities which have not 5.14

sought access to *Corporate Online* are missing an opportunity to effectively monitor and review credit card use and strategically assess data on its credit cards.

The Territory and Municipal Services Directorate and Capital Metro Agency have requested additional reporting from Shared Services in order to provide an independent monitoring and review mechanism, outside of its acquittal process. These reports assist these entities to monitor all credit card use. This is a better practice initiative.

5.17

## Recommendations

### RECOMMENDATION 1 ISSUE OF ACT GOVERNMENT CREDIT CARDS

ACT Government entities should regularly, and at least annually, review the allocation of ACT Government credit cards and determine if cards not being used should be rescinded.

### RECOMMENDATION 2 SHARED SERVICES KEY PERFORMANCE INDICATORS FOR CREDIT CARD ADMINISTRATION

Shared Services, in consultation with ACT Government entities, should amend the *Services Partnership Agreement* key performance indicators so that they are measurable and relevant to its activities for administering credit cards on behalf of ACT Government entities.

### RECOMMENDATION 3 AUTOMATED CREDIT CARD ACQUITTAL FACILITY

Shared Services should progress actions to advance the implementation of an automated credit card acquittal facility for the administration of credit cards.

### RECOMMENDATION 4 ACT GOVERNMENT POLICY ON USE OF CARDS

The Chief Minister, Treasury and Economic Development Directorate should assess the merits, or otherwise, of using cards as a key accounts payable mechanism for goods and services and, if appropriate, provide whole-of-government direction including specifying controls to manage associated risks.

#### RECOMMENDATION 5 CREDIT CARD GUIDANCE AND USE

All ACT Government entities should provide guidance on credit card management and administration for all supporting controls. However particular attention needs to be given to guidance on:

- a) tax invoices, especially explaining the need for these to be obtained for all transactions over \$82.50 (GST Inclusive) and defining what constitutes a tax invoice;
- b) appropriate retention of documentation to demonstrate appropriate use; and
- c) the use of whole-of-government purchasing arrangements, including the need for documentation to demonstrate any departures from the arrangements.

#### RECOMMENDATION 6 DATA FOR MONITORING AND REVIEW

All ACT Government entities should investigate opportunities to:

- a) access *Corporate Online* for the purpose of obtaining detailed transactional data on credit card use within the entity; or
- b) receive reports from Shared Services with respect to credit card use within the entity; and
- c) use transactional data, or reports from Shared Services, to review and evaluate the use of credit cards within the entity, including the ongoing appropriateness of the issue of credit cards to staff and any opportunities for improvement with respect to the efficient and effective management of credit cards in the entity.

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## Responses from entities

In accordance with subsection 18(2) of the *Auditor-General Act 1996*, ACT Government entities were provided with:

- a draft proposed report for comment. All comments were considered and required changes were reflected in the final proposed report; and
- a final proposed report for further comment. As part of this process, ACT Government entities were also asked to provide comments for inclusion in the final report in the Summary chapter.

Elections ACT was the only entity that provided a response for inclusion in the Summary chapter of this report.

### Elections ACT

Elections ACT notes that, in Table 2-10, Elections ACT is listed as having limited or no guidance on: the role and responsibilities of the reviewer (supervisor); use of credit cards for hospitality; and use of credit cards for goods and services covered by existing whole of government contracts. A review of Elections ACT's financial instructions on credit card use will be undertaken in 2016-17 and the financial instructions will be amended to cover these aspects of credit card management.



# 1 INTRODUCTION

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## Use of credit cards by ACT Government entities

- 1.1 In August 2015, a total of 479 ACT Government credit cards had been issued through the ACT Government's credit card facility with its banking provider (Westpac). During 2015, approximately \$6.3 million was spent using credit cards.
- 1.2 For the last four years the ACT Audit Office has audited a business process common to all ACT Government entities. This audit on *Management and Administration of Credit Cards by ACT Government Entities* is the fourth business process audit; the others being *Debt Management* (Report 1/2015), *Capital Works Reporting* (5/2014) and *Australian Capital Territory Public Service Recruitment Practices* (8/2012).
- 1.3 Business process audits can focus on a selection or all ACT Government entities. This audit considers the management and administration of credit cards by all 26 ACT Government entities. These include directorates, agencies and authorities, as well as specific business units where appropriate.

## Audit objective and scope

- 1.4 The objective of this audit is to provide an independent opinion to the Legislative Assembly on the effectiveness of the management and administration of credit cards by ACT Government entities.
- 1.5 Credit cards issued to ACT Government entities by Westpac (the ACT Government credit card provider) since October 2013 are the subject of this audit.

## Audit criteria

- 1.6 The audit considered whether ACT Government entities had effective governance and control frameworks in place for the management and administration of credit card usage. This included assessing controls over the issuing of credit cards, how credit cards were used and the monitoring and review of the use of credit cards.

## Audit approach and method

- 1.7 The audit adopted the Office's Performance Audit Methods and Practices (PAMPR) and related Policies, Practice Statements and Guidance Papers. These policies and practices have been designed to comply with the requirements of the *Auditor-General Act 1996* and relevant professional standards (including *ASAE 3500 – Performance Engagements*).
- 1.8 The audit involved:
- analysis of credit card data for individual entities and whole-of-government;
  - analysis of internal governance and control frameworks of all 26 ACT Government entities through discussions with relevant staff and consideration of key documents, policies and procedures; and
  - detailed testing of credit card acquittals and transactions for all ACT Government entities and ten schools over three months
- 1.9 A challenge for this audit has been sourcing the needed data.

## Data used in this audit

- 1.10 There is no consolidated whole-of-government credit card data or data consolidated for every entity. For the purpose of the audit, the ACT Audit Office used two sets of data, each of which portrayed different aspects of ACT Government credit card usage.
- 1.11 The ACT Audit Office relied on:
- Consolidated Monthly Statement data for each credit card issued for all ACT Government entities from Westpac (the ACT Government credit card provider); and
  - a raw data feed, which is data provided to Shared Services by Westpac on a daily basis.
- 1.12 The Consolidated Monthly Statement data was used to analyse credit card usage for the calendar year 2015. The Consolidated Monthly Statement data included the:
- name of the credit card holder and credit card number;
  - opening and closing balance;
  - purchases, cash advances, finance charges, fees and other debts for that month; and
  - payments and credits made during the month.
- 1.13 This data was available for all credit cards, provided they had been used at least once in 2015.

1.14 The raw data feed provided detailed transaction data for entities that use Shared Services to assist in the administration of credit cards.<sup>2</sup> Data was analysed for 1 October 2013 to 30 October 2015. The detailed transaction data includes:

- name of credit card holder and credit card number;
- the supplier/vendor name and location;
- the value of the transaction; and
- for international transactions, the value in the international currency and the domestic amount.

1.15 Table 1-1 shows the data that was available to the ACT Audit Office for each ACT Government entity.

**Table 1-1 Credit card data availability**

Entity	Summary Data (2015)	Transaction Data (October 2013 to October 2015)
<b>Directorates</b>		
Chief Minister, Treasury and Economic Development Directorate	Yes	Yes
- ACT Insurance Authority	Yes	No
- ACT Executive	Yes	Yes
- Gambling and Racing Commission	Yes	No
- Land Development Agency	Yes	Yes
Community Services Directorate	Yes	Yes
- Housing ACT	Yes	No
Education Directorate - Corporate	Yes	Yes
- ACT Teacher Quality Institute	Yes	Yes
Education Directorate - Schools	Yes	No
Environment and Planning Directorate	Yes	Yes
Health Directorate	Yes	Yes
Justice and Community Safety Directorate	Yes	Yes
Territory and Municipal Services Directorate	Yes	Yes
- ACTION	Yes	No
- ACT Public Cemeteries	Yes	No

<sup>2</sup> One exception is Housing ACT credit cards. While Housing ACT use Shared Services for the processing of its credit cards it is not included in the raw data feed from Westpac. The reasons for this are unknown.

Entity	Summary Data (2015)	Transaction Data (October 2013 to October 2015)
<b>Other entities</b>		
ACT Audit Office	Yes	No
ACT Building and Construction Industry Training Fund Authority	Yes	No
Canberra Institute of Technology	Yes	Yes
Capital Metro Agency	Yes	Yes
Cultural Facilities Corporation	Yes	No
Elections ACT	Yes	Yes
Independent Competition and Regulatory Commission	Yes	No
Legal Aid Commission	Yes	No
ACT Long Service Leave Authority	Yes	No
Office of the Legislative Assembly	Yes	No
Public Trustee for the ACT	Yes	No

Source: ACT Audit Office

## Internal governance and control

- 1.16 An understanding of the internal governance and control frameworks for ACT Government entities was gained through discussions and examination of key governance and administrative documents. This component of the audit sought to form an opinion on the appropriateness and effectiveness of governance and control frameworks.
- 1.17 Discussions were held with relevant ACT Government entity staff to understand policy, processing and control arrangements in place to mitigate credit card risks.

## Detailed analysis

- 1.18 The detailed testing undertaken in this audit involved consideration of 333 credit cards, the use of which had been acquitted in May 2015, December 2014 or June 2014. This involved checking and assessing 852 credit card acquittal statements and 4 128 credit card transactions.
- 1.19 The detailed testing included an analysis of credit card transactions and acquittals for:
- ACT Government entities; and
  - ten of the Education Directorate's 76 schools. Schools were selected so that a selection of large and small schools was examined and different school types, e.g. primary and secondary schools and colleges.

## 2 CREDIT CARD USE

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- 2.1 This chapter presents the analysis of credit card data and in so doing provides information on the use of credit cards by ACT Government entities and discusses the role of Shared Services which provides assistance to some entities.

### Summary

#### Key findings

	Paragraph
Analysis of the 479 credit cards issued by ACT Government entities as at August 2015 revealed that there was not a correlation between the number of staff in the entity and the number of cards. For example, in the Cultural Facilities Corporation 15.6 percent of staff (14 out of 90 FTE) had a card; 4.5 percent (four out of 88 FTE) in the Land Development Agency; 1.0 percent in the Health Directorate (61 out of 6 195 FTE); and 5.2 percent in Environment and Planning Directorate (15 out of 288 FTE).	2.3
Analysis of ACT Government entities' credit card expenditure in 2015 shows that: <ul style="list-style-type: none"><li>• a total of \$6.3 million was incurred;</li><li>• the Education Directorate (including the ACT Teacher Quality Institute) incurred the highest expenditure of approximately \$2.0 million (31.9 percent of total ACT Government expenditure). The majority of this expenditure was incurred by schools, which totalled \$1.78 million (28.5 percent) of the total expenditure on credit cards by all ACT Government entities;</li><li>• the Health Directorate, Justice and Community Safety Directorate and the Canberra Institute of Technology had the next highest expenditure with \$0.8 million (12.7 percent), \$0.76 million (12.2 percent) and \$0.63 million (10.0 percent) of the total expenditure by all ACT Government entities; and</li><li>• nine of the 26 ACT Government entities were collectively responsible for less than one percent of the total expenditure.</li></ul>	2.7
Credit card expenditure represents a very small component of the total ACT Government supplies and services expenditure in 2015. For most ACT Government entities, credit card expenditure represented less than two percent of overall supplies and services expenditure.	2.8
Analysis of expenditure by the Education Directorate, Health Directorate, Justice and Community Safety Directorate and Canberra Institute of Technology shows that:	2.10

- except for January, the Education Directorate had a significantly higher monthly expenditure compared to the other three entities. There was some variability in expenditure in the Education Directorate, with specific 'spikes' in credit card expenditure in some months compared to others; and
- monthly expenditure by the Health Directorate, Justice and Community Safety Directorate and the Canberra Institute of Technology was generally consistent.

Analysis of the frequency of use of ACT Government credit cards in 2015 shows that: 2.13

- one hundred and ninety three cards (34.2 percent) were used in ten or more months of the year, indicating high usage. Eighty six credit cards (15.6 percent) were used in each month of the year; and
- one hundred and thirty cards (23.6 percent) were used in three or less months of the year, indicating low usage. Forty credit cards (7.5 percent) were used only in one month.

Analysis of the number of monthly statements for ACT Government credit cards in 2015 shows that: 2.15

- on average there were seven monthly statements produced for each card, indicating that not all cards were used on a regular basis;
- the Cultural Facilities Corporation, Public Trustee for the ACT and ACT Building and Construction Industry Training Fund Authority had the highest average number of monthly statements per credit card (ten), indicating that there is, on average, frequent use of credit cards issued to staff in these entities; and
- the Gambling and Racing Commission had the lowest average number of monthly activity statements per credit card, indicating that there was, on average, infrequent use of credit cards in the entity.

Analysis of the number of monthly statements for ACT Government credit cards in 2015 shows that: 2.17

- forty cards were used only in one month, with 12 (30 percent) being issued to staff in the Chief Minister, Treasury and Economic Development Directorate and four (10 percent) issued to staff in the Education Directorate – Schools and Canberra Institute of Technology; and
- for ten or more months of the year the Education Directorate had the highest usage with 55 of its 105 cards being used each month. The Health Directorate had 25 of its 67 cards used, the Canberra Institute of Technology had 20 of its 60 and Justice and Community Safety Directorate had 24 of its 84 cards used each month.

Credit cards that were used only in one month in 2015 were issued to staff in the 2.18

Gambling and Racing Commission, the Canberra Institute of Technology, Chief Minister, Treasury and Economic Development Directorate, Community Services Directorate, Education Directorate, Environment and Planning Directorate, the Independent Competition and Regulatory Commission, Justice and Community Safety Directorate and the Territory and Municipal Services Directorate.

Analysis of total monthly credit card expenditure for ACT Government entities in 2015 shows that: 2.20

- between \$456 000 and \$599 000 was spent each month. (This figure does not take into account outlier months of January 2015 and February 2015. There was comparatively little use of credits cards in January 2015, but this appears to have been offset by comparatively larger use in February 2015);
- there are between 280 and 374 credit card statements produced by Westpac each month (a credit card statement is only produced if expenditure is incurred on the credit card). (This figure does not take into account outlier months of January 2015 and February 2015); and

Analysis of the value of monthly of monthly credit card statements for ACT Government entities in 2015 shows that: 2.22

- there is an inverse relationship between the number of monthly statements and associated expenditure. Significantly more monthly statements have low balances, while significantly less monthly statements have high balances; and
- 1 601 statements (39.0 percent) were for expenditure less than \$500, although this only represented 4.8 percent of the total expenditure on monthly statements. In contrast 36 monthly statements (0.9 percent) were for expenditure of \$10 000 or more and represented 8.1 percent of the total expenditure on monthly statements.

Analysis of the value of transactions for ACT Government credit cards between October 2013 and October 2015 shows that most transactions are for small expenditures. Almost half (12 567) of the transactions that took place over the two year period are for \$100 or less. Furthermore, there is a strong inverse relationship between the number of transactions and the expenditure incurred, with significantly fewer transactions being incurred for large expenditures. A total of 276 transactions took place for expenditure in excess of \$3 000. 2.24

Analysis of the number of transactions processed per credit card for ACT Government entities (except Housing ACT) that use Shared Services to assist with the administration of credit cards between October 2013 and October 2015 shows that: 2.26

- five hundred and thirteen cards were used to process 25 359 transactions;

- one hundred and twelve cards were used for less than 10 transactions; and
- three cards were used for between 300 and 600 transactions.

The three credit cards that had between 300 and 600 transactions were issued to staff in the Justice and Community Safety Directorate, the Territory and Municipal Services Directorate and the Health Directorate. Staff responsible for these cards had key responsibilities for purchasing and were using the cards as a key accounts payable mechanism. 2.27

Analysis of the number of credit card transactions for selected ACT Government entities' use of credit cards between October 2013 and October 2015 shows the Justice and Community Safety Directorate had the largest use with 5 478 transactions followed by the Health Directorate with 4 042 and the Territory and Municipal Services Directorate with 4 132. 2.29

Analysis of ACT Government entities' administrative arrangements for credit cards shows that all directorates (Chief Minister, Treasury and Economic Development, Community Services, Education and Training, Environment and Planning, Health, Justice and Community Safety, and Territory and Municipal Services) use Shared Services to assist in their administration of credit cards. However, only a few non-directorate (Canberra Institute of Technology, Capital Metro Agency, and Elections ACT) use Shared Services. 2.34

Key performance indicators in the *Services Partnership Agreement* do not adequately measure the effectiveness of Shared Services' performance as they are not useful as a measure of performance.<sup>3</sup> 2.45

There are inefficiencies in the manual paper-based administration and processing of credit card statements and acquittals. This process does not present an effective control compared with an automated system for ensuring that appropriate authorising officers have reviewed and endorsed the credit card acquittal statement and the card holder's use of the credit card. A 2012 review of Shared Services' accounts payable activities and services identified efficiencies and potential savings through the implementation of an automated credit card acquittal facility. 2.58

The ACT Government has not incurred any expenses associated with the late payment of credit cards as all ACT Government credit card expenditure is paid promptly through an automated process. Automation introduces risks, which need 2.65

<sup>3</sup> The *Services Partnership Agreement* defines roles and responsibilities of ACT Government entities and Shared Services for the administration of credit cards.

to be managed by the prompt, timely and accurate processing of credit card acquittal statements.

Analysis of the guidance material provided by ACT Government entities on policy and procedure for the management and use of credit cards identified that guidance material provided by the Justice and Community Safety Directorate was the most comprehensive. While all entities provided guidance in some form, not all aspects of credit card management processes were covered or not covered to the same degree as done by the Justice and Community Safety Directorate. This Directorate's guidance could be used to assist other entities.

2.82

## Number of credit cards issued

2.2 Table 2-1 shows the number of credit cards issued by ACT Government entities, as at August 2015.

**Table 2-1 Number of credit cards issued by ACT Government entities (August 2015)**

Entity	Number of credit cards	Number of FTE
<b>Directorates</b>		
Chief Minister, Treasury and Economic Development Directorate	57	2 460
- ACT Insurance Authority	1	15
- ACT Executive	12	NA
- Gambling and Racing Commission	6	30
- Land Development Agency	4	88
Community Services Directorate	23	899
- Housing ACT	0	233
Education Directorate - Corporate	15	845
- ACT Teacher Quality Institute	1	13
Education Directorate - Schools	70	4 303
Environment and Planning Directorate	15	288
Health Directorate	61	6 195
Justice and Community Safety Directorate	74	1 529
Territory and Municipal Services Directorate	37	885
- ACTION	1	861
- ACT Public Cemeteries	4	16
<b>Other entities</b>		
ACT Audit Office	2	41
ACT Building and Construction Industry Training Fund Authority	2	3
Canberra Institute of Technology	58	715
Capital Metro Agency	4	25
Cultural Facilities Corporation	14	90
Elections ACT	1	8
Independent Competition and Regulatory Commission	3	4
Legal Aid Commission	4	68
ACT Long Service Leave Authority	4	11
Office of the Legislative Assembly	4	47
Public Trustee for the ACT	2	43
<b>Total</b>	<b>479</b>	

Source: ACT Audit Office

Note: The FTE figure is the number of FTE in the entity as at June 2015.

- 2.3 Analysis of the 479 credit cards issued by ACT Government entities as at August 2015 revealed that there was not a correlation between the number of staff in the entity and the number of cards. For example, in the Cultural Facilities Corporation 15.6 percent of staff (14 out of 90 FTE) had a card; 4.5 percent (four out of 88 FTE) in the Land Development Agency; 1.0 percent in the Health Directorate (61 out of 6 195 FTE); and 5.2 percent in Environment and Planning Directorate (15 out of 288 FTE).

## Credit card expenditure

- 2.4 As mentioned in paragraphs 1.10 to 1.13 data on credit card usage was sourced from the:
- Consolidated Monthly Statement for each credit card issued for all ACT Government entities from Westpac (the ACT Government credit card provider); and
  - raw data feed, which is data provided to Shared Services by Westpac on a daily basis.
- 2.5 Data from both the above sources is used in undertaking the analysis of expenditure.

## Total expenditure

- 2.6 Table 2-2 shows total credit card expenditure in and by all ACT Government entities for 2015. Also shown is credit card expenditure as a proportion of the total supplies and services expenditure of each entity.

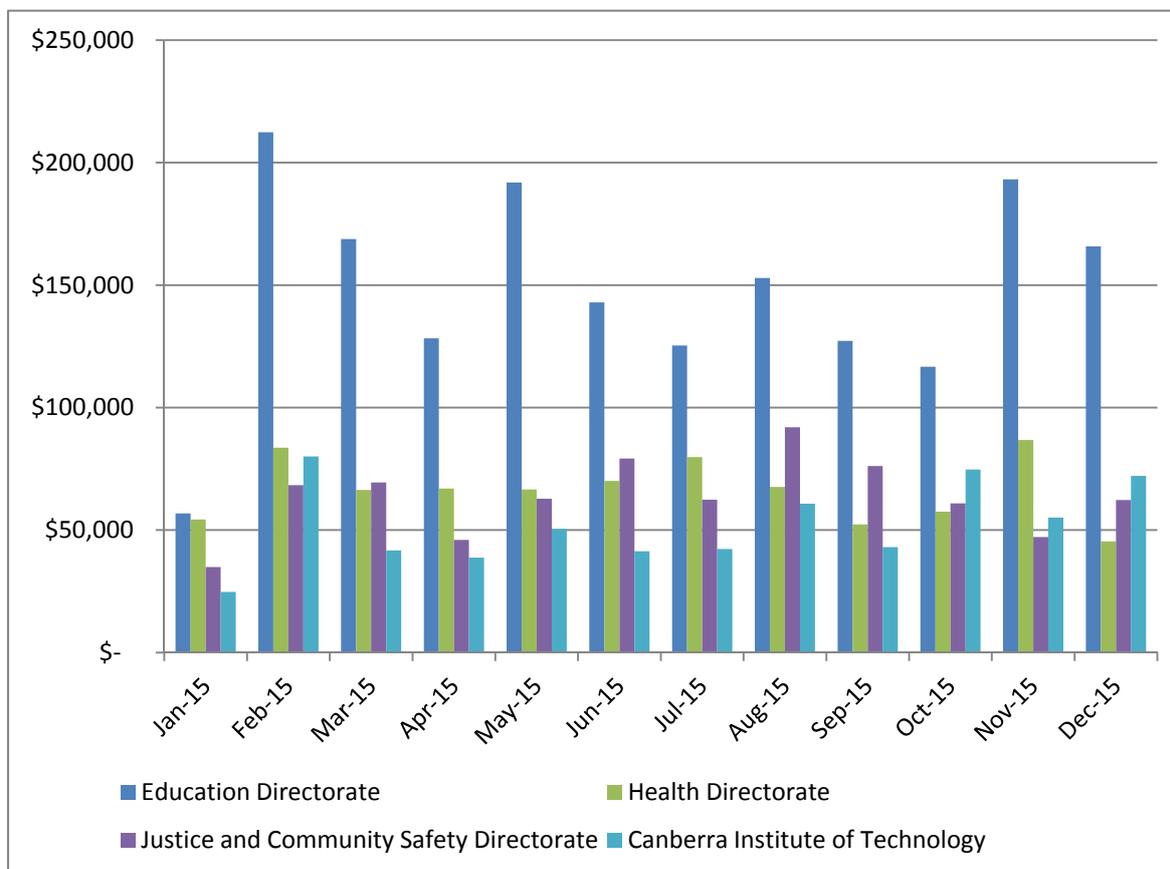
Table 2-2 ACT Government entity credit card expenditure (2015)

Entity	Total credit card expenditure (\$)	Credit card expenditure as a percentage of total ACT Government credit card expenditure (%)	Credit card expenditure as a percentage of each entity's total supplies and services expenditure (%)
<b>Directorates</b>			
Chief Minister, Treasury and Economic Development Directorate	570 811	9.11	0.25
- ACT Insurance Authority	1 433	0.02	0.17
- ACT Executive	74 753	1.19	NA
- Gambling and Racing Commission	6 534	0.10	NA
- Land Development Agency	71 580	1.14	NA
Community Services Directorate	253 994	4.05	0.67
- Housing ACT	125 886	2.01	0.15
Education Directorate - Corporate	218 751	3.49	6.88
- ACT Teacher Quality Institute	1 928	0.03	0.27
Education Directorate - Schools	1 782 291	28.45	2.91
Environment and Planning Directorate	150 890	2.41	0.60
Health Directorate	797 436	12.73	0.25
Justice and Community Safety Directorate	761 654	12.16	1.05
Territory and Municipal Services Directorate	401 992	6.42	0.26
- ACTION	15 225	0.24	0.04
- ACT Public Cemeteries	39 388	0.63	3.29
<b>Other entities</b>			
ACT Audit Office	5 478	0.09	0.24
ACT Building and Construction Industry Training Fund Authority	6 599	0.11	10.59
Canberra Institute of Technology	625 185	9.98	1.69
Capital Metro Agency	38 154	0.61	0.19
Cultural Facilities Corporation	184 158	2.94	2.59
Elections ACT	8 323	0.13	0.81
Independent Competition and Regulatory Commission	13 199	0.21	1.12
Legal Aid Commission	69 037	1.10	1.82
ACT Long Service Leave Authority	11 074	0.18	1.76
Office of the Legislative Assembly	19 794	0.32	0.62
Public Trustee for the ACT	9 288	0.15	0.58
<b>TOTAL</b>	<b>6 264 834</b>	<b>100.00</b>	

Source: ACT Audit Office

- 2.7 Analysis of ACT Government entities' credit card expenditure in 2015 shows that:
- a total of \$6.3 million was incurred;
  - the Education Directorate (including the ACT Teacher Quality Institute) incurred the highest expenditure of approximately \$2.0 million (31.9 percent of total ACT Government expenditure). The majority of this expenditure was incurred by schools, which totalled \$1.78 million (28.5 percent) of the total expenditure on credit cards by all ACT Government entities;
  - the Health Directorate, Justice and Community Safety Directorate and the Canberra Institute of Technology had the next highest expenditure with \$0.8 million (12.7 percent), \$0.76 million (12.2 percent) and \$0.63 million (10.0 percent) of the total expenditure by all ACT Government entities; and
  - nine of the 26 ACT Government entities were collectively responsible for less than one percent of the total expenditure.
- 2.8 Credit card expenditure represents a very small component of the total ACT Government supplies and services expenditure in 2015. For most ACT Government entities, credit card expenditure represented less than two percent of overall supplies and services expenditure.
- 2.9 As shown in Table 2-2 the Education Directorate, Health Directorate, Justice and Community Safety Directorate and Canberra Institute of Technology have the largest expenditure using credit cards. Figure 2-1 shows the monthly credit card expenditure for these four entities in 2015.

**Figure 2-1 Monthly expenditure by the Education Directorate, Health Directorate, Justice and Community Safety Directorate and Canberra Institute of Technology (2015)**



Source: ACT Audit Office

2.10 Analysis of expenditure by the Education Directorate, Health Directorate, Justice and Community Safety Directorate and Canberra Institute of Technology shows that:

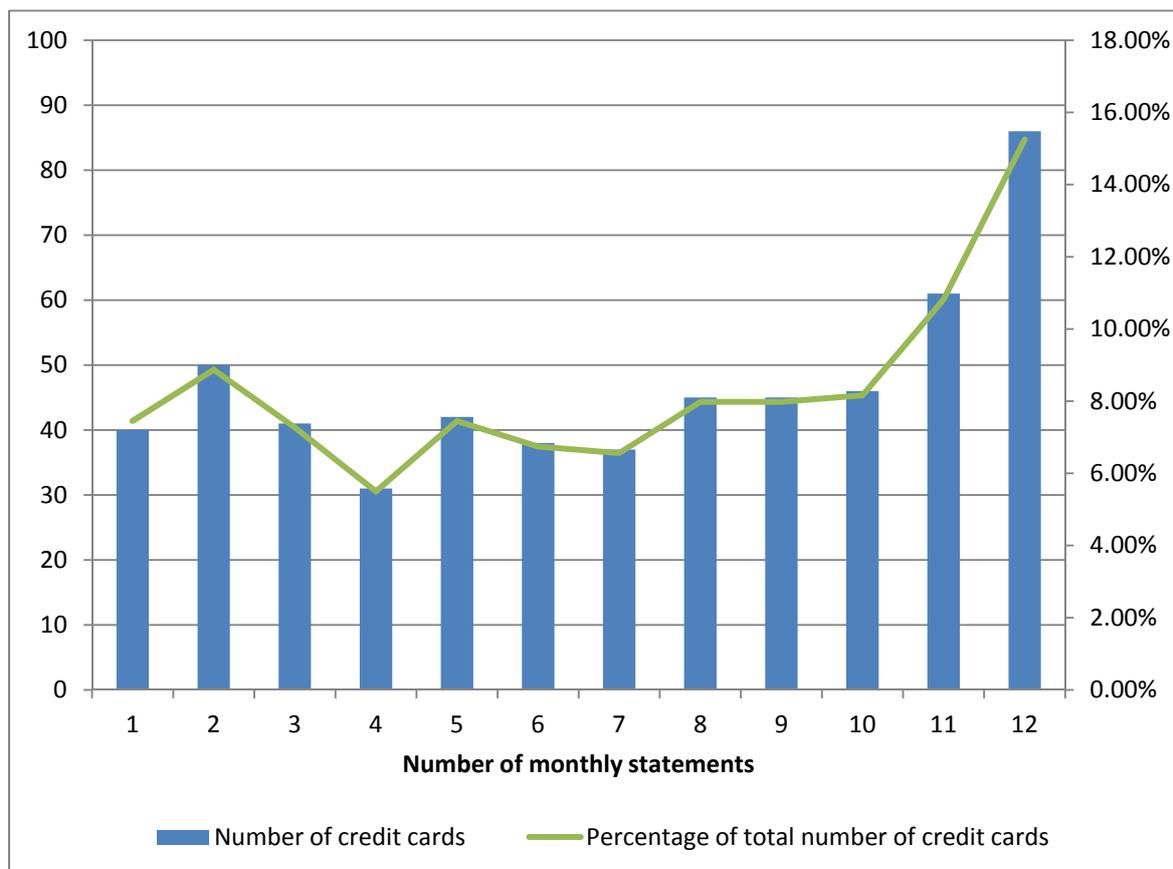
- except for January, the Education Directorate had a significantly higher monthly expenditure compared to the other three entities. There was some variability in expenditure in the Education Directorate, with specific 'spikes' in credit card expenditure in some months compared to others; and
- monthly expenditure by the Health Directorate, Justice and Community Safety Directorate and the Canberra Institute of Technology was generally consistent.

## Monthly credit card use

2.11 Monthly credit card statements are produced for each ACT Government credit card provided the card was used during the month; if there was no activity, i.e. no purchases, a statement was not produced.

2.12 Figure 2-2 shows the number of monthly credit card statements for cards used by ACT Government entities in 2015.

Figure 2-2 Frequency of use for ACT Government credit cards (2015)



Source: ACT Audit Office

2.13 Analysis of the frequency of use of ACT Government credit cards in 2015 shows that:

- one hundred and ninety three cards (34.2 percent) were used in ten or more months of the year, indicating high usage. Eighty six credit cards (15.6 percent) were used in each month of the year; and
- one hundred and thirty cards (23.6 percent) were used in three or less months of the year, indicating low usage. Forty credit cards (7.5 percent) were used only in one month.

2.14 Table 2-3 provides information on the use of credit cards, through analysis of the number of monthly credit card statements issued to each entity in 2015. It shows:

- the total number of monthly credit card statements for each ACT Government entity;
- the number of credit cards that the statements related to; and
- the average number of monthly statements per credit card.

**Table 2-3 Number of monthly statements for each ACT Government entity (2015)**

Entity	Number of monthly statements	Number of cards used	Average number of monthly statements
<b>Directorates</b>			
Chief Minister, Treasury and Economic Development Directorate	493	85	5.8
- ACT Insurance Authority	4	1	4.0
- ACT Executive	48	10	4.8
- Gambling and Racing Commission	17	5	3.4
- Land Development Agency	37	6	6.2
Community Services Directorate	97	18	5.4
- Housing ACT	66	8	8.3
Education Directorate - Corporate	120	19	6.3
- ACT Teacher Quality Institute	7	2	3.5
Education Directorate - Schools	763	86	8.9
Environment and Planning Directorate	130	21	6.2
Health Directorate	512	67	7.6
Justice and Community Safety Directorate	604	84	7.2
Territory and Municipal Services Directorate	305	40	7.6
- ACTION	10	2	5.0
- ACT Public Cemeteries	35	4	8.8
<b>Other entities</b>			
ACT Audit Office	11	3	3.7
ACT Building and Construction Industry Training Fund Authority	20	2	10.0
Canberra Institute of Technology	425	60	7.1
Capital Metro Agency	45	5	9.0
Cultural Facilities Corporation	154	15	10.3
Elections ACT	7	1	7.0
Independent Competition and Regulatory Commission	13	2	6.5
Legal Aid Commission	26	3	8.7
ACT Long Service Leave Authority	20	5	5.0
Office of the Legislative Assembly	24	4	6.0
Public Trustee for the ACT	19	2	9.5
<b>TOTAL</b>	<b>4,012</b>	<b>560</b>	<b>7.2</b>

Source: ACT Audit Office, based on data obtained from Westpac.

2.15 Analysis of the number of monthly statements for ACT Government credit cards in 2015 shows that:

- on average there were seven monthly statements produced for each card, indicating that not all cards were used on a regular basis;
- the Cultural Facilities Corporation, Public Trustee for the ACT and ACT Building and Construction Industry Training Fund Authority had the highest average number of monthly statements per credit card (ten), indicating that there is, on average, frequent use of credit cards issued to staff in these entities; and
- the Gambling and Racing Commission had the lowest average number of monthly activity statements per credit card, indicating that there was, on average, infrequent use of credit cards in the entity.

2.16 Table 2-4 shows the number of monthly statements per credit card, by entity.

**Table 2-4 Number of monthly statements per credit card (2015)**

Entity	Number of monthly statements per credit card											
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Directorates</b>												
Chief Minister, Treasury and Economic Development Directorate	12	11	6	6	5	10	4	6	8	9	4	4
- ACT Insurance Authority	-	-	-	1	-	-	-	-	-	-	-	-
- ACT Executive	-	2	3	1	-	1	1	-	2	-	-	-
- Gambling and Racing Commission	2	-	-	-	3	-	-	-	-	-	-	-
- Land Development Agency	-	1	1	1	-	-	1	-	-	1	1	-
Community Services Directorate	3	2	2	1	1	2	1	3	-	1	2	-
- Housing ACT	1	-	-	-	-	1	-	2	1	1	-	2
Education Directorate - Corporate	3	2	1	-	2	1	1	3	1	1	2	2
- ACT Teacher Quality Institute	1	-	-	1	-	-	-	-	-	-	-	-
Education Directorate - Schools	4	3	4	3	6	4	2	3	7	8	10	32
Environment and Planning Directorate	2	4	2	-	2	-	1	2	3	1	4	-
Health Directorate	2	6	7	2	6	4	2	6	7	7	7	11
Justice and Community Safety Directorate	2	5	8	4	9	10	9	8	5	3	7	14
Territory and Municipal Services Directorate	1	3	3	2	3	-	4	3	5	7	9	-
- ACTION	-	-	-	-	2	-	-	-	-	-	-	-
- ACT Public Cemeteries	-	-	-	-	-	1	1	-	-	-	2	-
<b>Other entities</b>	-	-	-	-	-	-	-	-	-	-	-	-
ACT Audit Office	-	1	1	-	-	1	-	-	-	-	-	-
ACT Building and Construction Industry Training Fund Authority	-	-	-	-	-	-	-	1	-	-	-	1
Canberra Institute of Technology	4	4	3	8	3	3	7	4	4	5	8	7
Capital Metro Agency	-	1	-	-	-	-	-	1	-	-	1	2
Cultural Facilities Corporation	-	1	-	-	-	-	1	-	1	2	4	6
Elections ACT	-	-	-	-	-	-	1	-	-	-	-	-

Entity	Number of monthly statements per credit card											
	1	2	3	4	5	6	7	8	9	10	11	12
Independent Competition and Regulatory Commission	1	-	-	-	-	-	-	-	-	-	-	1
Legal Aid Commission	-	-	-	-	-	1	-	1	-	-	-	1
ACT Long Service Leave Authority	2	1	-	1	-	-	-	-	-	-	-	1
Office of the Legislative Assembly	-	2	-	-	-	-	-	1	-	-	-	1
Public Trustee for the ACT	-	-	-	-	-	-	1	-	-	-	-	1
<b>TOTAL</b>	40	49	41	31	42	39	37	44	44	46	61	86

Source: ACT Audit Office

Note: It is possible that a number of the credit cards have either been issued or cancelled during the twelve month period. The Audit Office did not have sufficient information to make an assessment on whether credit cards had been issued or cancelled during the period.

#### 2.17 Analysis of the number of monthly statements for ACT Government credit cards in 2015 shows that:

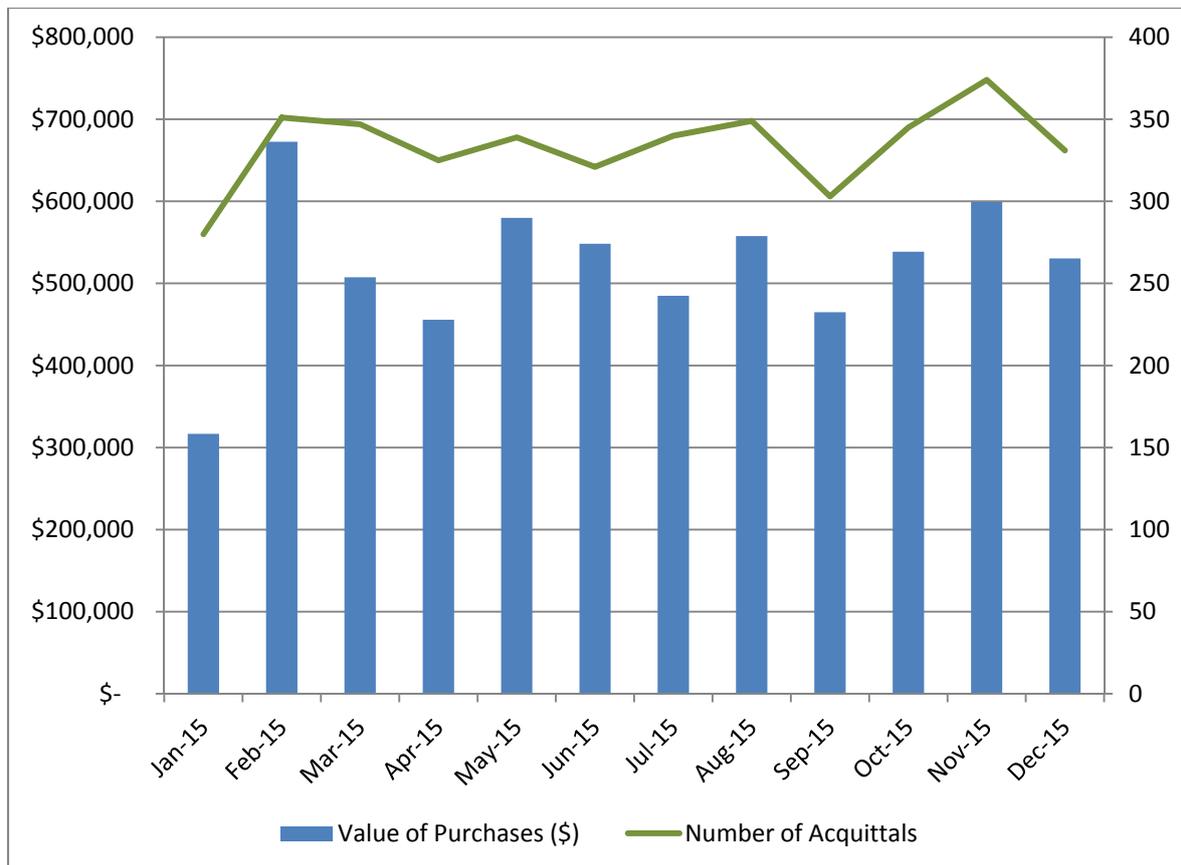
- forty cards were used only in one month, with 12 (30 percent) being issued to staff in the Chief Minister, Treasury and Economic Development Directorate and four (10 percent) issued to staff in the Education Directorate – Schools and Canberra Institute of Technology; and
- for ten or more months of the year the Education Directorate had the highest usage with 55 of its 105 cards being used each month. The Health Directorate had 25 of its 67 cards used, the Canberra Institute of Technology had 20 of its 60 and Justice and Community Safety Directorate had 24 of its 84 cards used each month.

#### 2.18 Credit cards that were used only in one month in 2015 were issued to staff in the Gambling and Racing Commission, the Canberra Institute of Technology, Chief Minister, Treasury and Economic Development Directorate, Community Services Directorate, Education Directorate, Environment and Planning Directorate, the Independent Competition and Regulatory Commission, Justice and Community Safety Directorate and the Territory and Municipal Services Directorate.

## Monthly credit card expenditure

2.19 Figure 2-3 shows total credit card expenditure in 2015 by month and the number of credit card statements produced by Westpac for all ACT Government entities.

**Figure 2-3 Monthly credit card expenditure for all ACT Government entities (2015)**



Source: ACT Audit Office

2.20 Analysis of total monthly credit card expenditure for ACT Government entities in 2015 shows that:

- between \$456 000 and \$599 000 was spent each month. (This figure does not take into account outlier months of January 2015 and February 2015. There was comparatively little use of credits cards in January 2015, but this appears to have been offset by comparatively larger use in February 2015);
- there are between 280 and 374 credit card statements produced by Westpac each month (a credit card statement is only produced if expenditure is incurred on the credit card). (This figure does not take into account outlier months of January 2015 and February 2015); and

- the highest expenditure was incurred in February with purchases totalling \$0.67 million, and the highest usage of credit cards was in November 2015, for which 374 monthly statements were produced, indicating that 374 credit cards were used in this period.

## Credit card holder expenditure

### Expenditure on monthly credit card statements

2.21 Table 2-5 shows the total number of transactions and expenditure recorded on monthly credit card statements during 2015.

**Table 2-5 Transactions and expenditure recorded on credit card statements (2015)**

Value of monthly statements (\$)	Number of monthly statements	Percentage of total monthly statements (%)	Total value of monthly statements (\$)	Percentage of total value of monthly statements (%)
0 - 100	556	13.9	24 497	0.4
100 - 200	354	8.8	52 361	0.8
200 - 300	304	7.6	75 962	1.2
300 - 400	214	5.3	74 618	1.2
400 - 500	173	4.3	77 381	1.2
500 - 1 000	708	17.7	519 402	8.3
1 000 - 2 000	682	17.0	985 991	15.8
2 000 - 3 000	364	9.1	903 154	14.4
3 000 - 4 000	254	6.3	885 738	14.2
4 000 - 5 000	163	4.1	735 791	11.8
5 000 - 6 000	60	1.5	323 446	5.2
6 000 - 7 000	51	1.3	332 780	5.3
7 000 - 8 000	26	0.7	196 628	3.1
8 000 - 9 000	27	0.7	228 687	3.7
9 000 - 10 000	35	0.9	335 938	5.4
>10 000	36	0.9	504 137	8.1

Source: ACT Audit Office

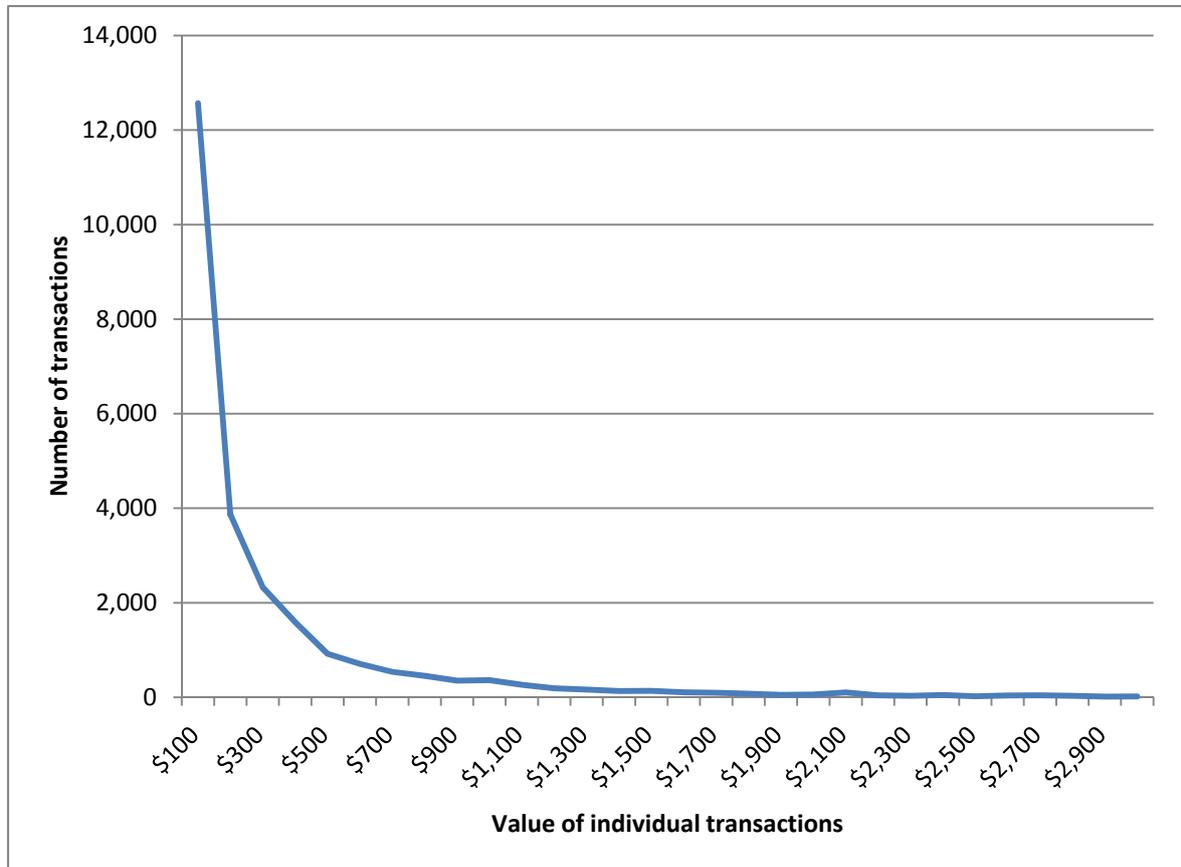
2.22 Analysis of the value of monthly of monthly credit card statements for ACT Government entities in 2015 shows that:

- there is an inverse relationship between the number of monthly statements and associated expenditure. Significantly more monthly statements have low balances, while significantly less monthly statements have high balances; and
- 1 601 statements (39.0 percent) were for expenditure less than \$500, although this only represented 4.8 percent of the total expenditure on monthly statements. In contrast 36 monthly statements (0.9 percent) were for expenditure of \$10 000 or more and represented 8.1 percent of the total expenditure on monthly statements.

### **Expenditure of \$3 000 or less**

2.23 Figure 2-4 shows the total number of transactions between October 2013 and October 2015, by the expenditure incurred for those entities (except Housing ACT) that use Shared Services to assist in the administration of credit cards (paragraph 1.14). Transactions are identified in increments of expenditure of \$100 up to \$3 000. This does not account for all credit card transactions, as a comparatively smaller number were made that exceeded \$3 000.

**Figure 2-4 Total number of transactions by expenditure (less than \$3 000) incurred by entities (except Housing ACT) that use Shared Services to assist with the administration of credit cards - October 2013 to October 2015**



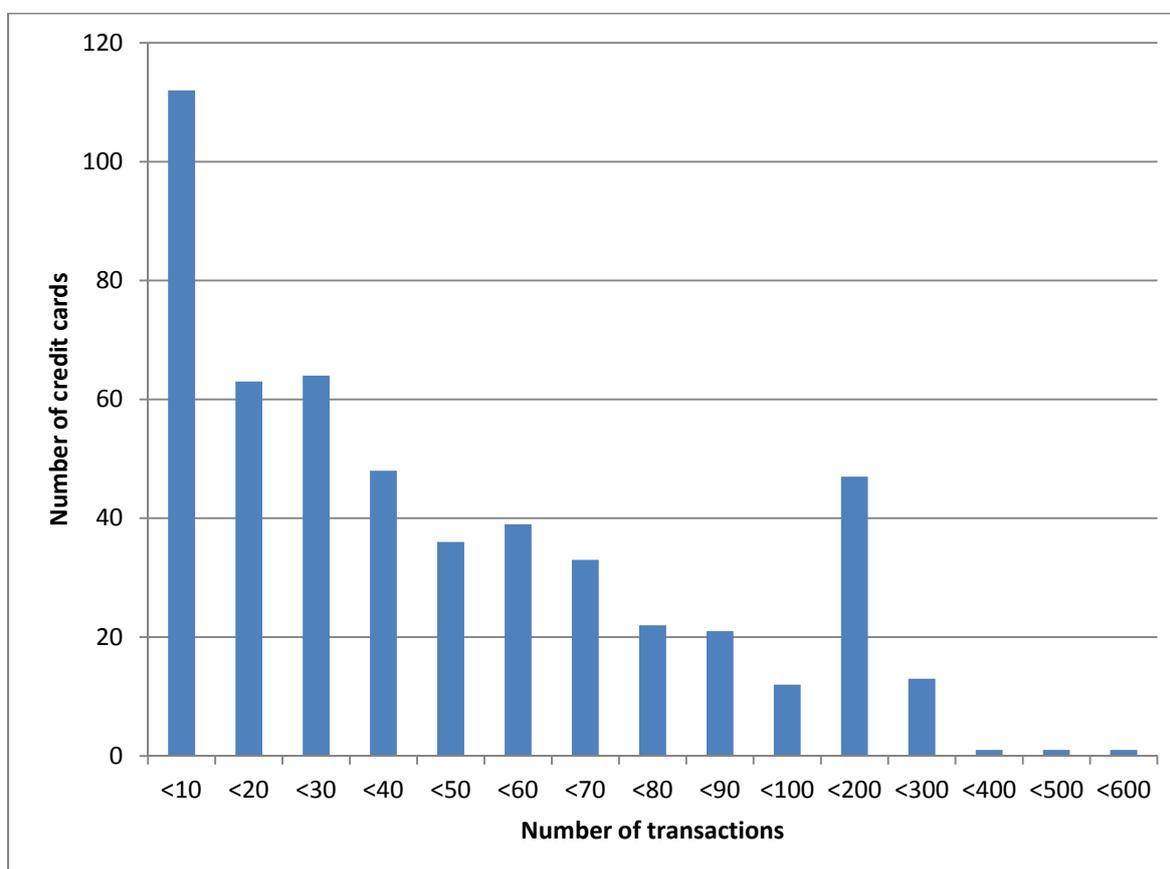
Source: ACT Audit Office

2.24 Analysis of the value of transactions for ACT Government credit cards between October 2013 and October 2015 shows that most transactions are for small expenditures. Almost half (12 567) of the transactions that took place over the two year period are for \$100 or less. Furthermore, there is a strong inverse relationship between the number of transactions and the expenditure incurred, with significantly fewer transactions being incurred for large expenditures. A total of 276 transactions took place for expenditure in excess of \$3 000.

### Number of transactions per card

2.25 Figure 2-5 shows the total number of credit card transactions processed for those entities (except Housing ACT) that use Shared Services to assist in the administration of credit cards (paragraph 1.14). These entities are the Chief Minister, Treasury and Economic Development Directorate, ACT Executive, Community Services Directorate, Education Directorate, Environment and Planning Directorate, Health Directorate, Justice and Community Safety Directorate, Territory and Municipal Services Directorate, Capital Metro Agency and Canberra Institute of Technology. These entities collectively used 513 credit cards between October 2013 and October 2015.

**Figure 2-5 Number of transactions processed per credit card for ACT Government entities (except Housing ACT) that use Shared Services to assist with the administration of credit cards – October 2013 to October 2015**



Source: ACT Audit Office

2.26 Analysis of the number of transactions processed per credit card for ACT Government entities (except Housing ACT) that use Shared Services to assist with the administration of credit cards between October 2013 and October 2015 shows that:

- five hundred and thirteen cards were used to process 25 359 transactions;
- one hundred and twelve cards were used for less than 10 transactions; and

- three cards were used for between 300 and 600 transactions.

2.27 The three credit cards that had between 300 and 600 transactions were issued to staff in the Justice and Community Safety Directorate, the Territory and Municipal Services Directorate and the Health Directorate. Staff responsible for these cards had key responsibilities for purchasing and were using the cards as a key accounts payable mechanism.

### Number of transactions by entity

2.28 Table 2-6 shows the total number of transactions for selected entities that use Shared Services to assist with the administration of credit cards between, October 2013 and October 2015.

**Table 2-6 Number of credit card transactions per entity for selected ACT Government entities that use Shared Services to assist with the administration of credit cards - October 2013 to October 2015**

Entity	Number of Transactions	Number of FTE	Transaction to FTE Ratio
<b>Directorates</b>			
Chief Minister, Treasury and Economic Development Directorate	3 451	2 460	1.4
Community Services Directorate	1 709	899	1.9
Education Directorate - Corporate	1 305	845	1.5
Environment and Planning Directorate	1 193	288	4.1
Health Directorate	4 042	6 195	0.7
Justice and Community Safety Directorate	5 478	1 529	3.6
Territory and Municipal Services Directorate	4 132	885	4.7
<b>Other entities</b>			
Canberra Institute of Technology	3 055	715	4.3
<b>TOTAL</b>	<b>24 365</b>	<b>13 816</b>	<b>1.8</b>

Source: ACT Audit Office

Note: The FTE figure is the number of FTE in the entity as at June 2015.

2.29 Analysis of the number of credit card transactions for selected ACT Government entities' use of credit cards between October 2013 and October 2015 shows the Justice and Community Safety Directorate had the largest use with 5 478 transactions followed by the Health Directorate with 4 042 and the Territory and Municipal Services Directorate with 4 132.

## Use and allocation of credit cards to staff

- 2.30 The preceding sections of this audit report presented information that shows there is low use of some credit cards, as demonstrated by the small number of transactions and monthly credit card statements issued for these cards. In contrast, a few ACT Government credit cards are being used very frequently and, in three instances, were used as a key accounts payable mechanism for the business unit.
- 2.31 Some of the credit cards that were used infrequently may have been issued and then cancelled. This may have been due to staff departure.
- 2.32 There was no evidence that ACT Government entities were regularly reviewing their credit card registers and rescinding those cards not used. If credit cards are not being used it would be prudent to rescind their authorisation for use. Having unused cards presents a risks of fraud or misuse if cards are lost.

### RECOMMENDATION 1 ISSUE OF ACT GOVERNMENT CREDIT CARDS

ACT Government entities should regularly, and at least annually, review the allocation of ACT Government credit cards and determine if cards not being used should be rescinded.

## Shared Services

- 2.33 Some ACT Government entities use Shared Services to assist in the administration of credit cards, while other entities do not.
- 2.34 Table 2-7 shows those ACT Government entities that use Shared Services.

**Table 2-7 ACT Government entities that use Shared Services for the administration of credit cards**

Entity	Shared Services administrative processes	Entities' own administrative processes
<b>Directorates</b>		
Chief Minister, Treasury and Economic Development Directorate	✓	
- ACT Insurance Authority		✓
- ACT Executive	✓	
- Gambling and Racing Commission		✓
- Land Development Agency		✓
Community Services Directorate	✓	
- Housing ACT	✓	
Education Directorate - Corporate	✓	
- ACT Teacher Quality Institute	✓	
Education Directorate - Schools		✓
Environment and Planning Directorate	✓	
Health Directorate	✓	
Justice and Community Safety Directorate	✓	
Territory and Municipal Services Directorate	✓	
- ACTION	✓	
- ACT Public Cemeteries		✓
<b>Other entities</b>		
ACT Audit Office		✓
ACT Building and Construction Industry Training Fund Authority		✓
Canberra Institute of Technology	✓	
Capital Metro Agency	✓	
Cultural Facilities Corporation		✓
Elections ACT	✓	
Independent Competition and Regulatory Commission		✓
Legal Aid Commission		✓
ACT Long Service Leave Authority		✓
Office of the Legislative Assembly		✓
Public Trustee for the ACT		✓

Source: ACT Audit Office

- 2.35 Analysis of ACT Government entities' administrative arrangements for credit cards shows that all directorates (Chief Minister, Treasury and Economic Development, Community Services, Education and Training, Environment and Planning, Health, Justice and Community Safety, and Territory and Municipal Services) use Shared Services to assist in their administration of credit cards. However, only a few non-directorate (Canberra Institute of Technology, Capital Metro Agency, and Elections ACT) use Shared Services.
- 2.36 While it is an ACT Government entities choice to use Shared Services there is a correlation between entities that use the Oracle financial management system and those who use Shared Services. Whether to use Oracle or not is also a matter for each entity and appears to be correlated with the size of an entity. Adopting the use of Oracle may not offer efficiencies for smaller entities.
- 2.37 Shared Services was established to offer efficiencies for the administration of key functions that ACT Government entities undertake. It may be that the paper-based systems that are used are currently an impediment for using Shared Services. Accordingly, if a whole-of-government automated acquittal facility is implemented, as is the subject of Recommendation 3, it would be timely for those entities that do not use Shared Services to reconsider using it.

### **Services Partnership Agreement**

- 2.38 In 2007 Shared Services entered into an agreement known as the *Single Partnership Agreement* with ACT Government entities. A new agreement was established in 2013: the *Services Partnership Agreement*. The new agreement updated the key performance indicators from the *Single Partnership Agreement*, introduced additional support services to entities and recognised changes in the structure of the ACT Government. The *Services Partnership Agreement* defines roles and responsibilities of ACT Government entities and Shared Services for the administration of credit cards.

### **Shared Services and entity roles**

- 2.39 Through the *Services Partnership Agreement* Shared Services is to provide:
- 'accurate recording of purchase card expenditure for goods and services';
  - 'monthly reconciliation of credit card clearing accounts by Directorate/Card holder'; and
  - 'maintenance of current listings of purchase card holders, approved facility and card holder credit limits'.
- 2.40 It also commits Shared Services to providing:
- 'reports to detail unacquitted credit card expenditure by card holder and aging'; and
  - 'accurate and timely capture of credit card acquittals'.

2.41 The roles and responsibilities of Shared Services and ACT Government entities under the *Services Partnership Agreement* are shown in Table 2-8.

**Table 2-8 Roles and responsibilities for credit card management in the *Services Partnership Agreement***

Roles and Responsibilities	ACT Government entities <sup>4</sup>	Shared Services
Provide approved credit card requests and regularly review credit card use	✓	
Complete and sign card holder acquittals, follow up outstanding acquittals, send acquittals with supporting documents to [Shared Services Centre] for monthly reconciliations	✓	
Provide credit card payment facility		✓
Completion of credit card ledger reconciliations		✓

Source: *Services Partnership Agreement*

2.42 Shared Services discharges its responsibilities under the *Services Partnership Agreement* (to those entities who use its services) by:

- receiving credit card acquittal documents from credit card holders for processing. Shared Services staff have advised that they have, where appropriate, queried and sought further information from credit card holders on specific credit card statements and acquittal documents;
- providing reports to ACT Government entities on unacquitted credit card expenditure by card holder and aging information; and
- providing credit card payment facilities, including loading transactions into the Oracle financial management information system, completing a reconciliation of credit card expenditure and facilitating payment of credit card invoices to Westpac.

2.43 Shared Services only provides the payment facility and completes the credit card ledger transaction reconciliations under the *Services Partnership Agreement*. To the extent that Shared Services provides reports to ACT Government entities in relation to credit card expenditure not acquitted by the card holder and, where appropriate, queries and seeks further information from credit card holders on specific credit card statements and acquittal documents, these are additional value-add services that are not required under the *Services Partnership Agreement*.

### Key performance indicators

2.44 The *Services Partnership Agreement* specifies key performance indicators for the processing of credit cards. Table 2-9 shows the key performance indicators for credit cards.

<sup>4</sup>The Partnership Agreement actually refers to Directorates.

**Table 2-9 Credit card processing key performance indicators (KPIs) as described in the *Services Partnership Agreement***

<b>Shared KPIs</b>	
Credit Card Payments processed in accordance with payment terms	100%
<b>Cascading KPIs (only measured if Shared KPIs not met)</b>	
<b>Directorate KPI</b>	
Percentage of Credit Card holders completing acquittals online (post electronic solution implementation)	95%
<b>Shared Services KPI</b>	
Percentage of correctly completed Credit Card Acquittals received by COB 21st, processed before the end of the month	100%

Source: *Services Partnership Agreement*

2.45 The key performance indicators for Shared Services' administration of credit cards are inadequate as:

- the shared Key Performance Indicator (100 percent of credit card payments processed in accordance with payment terms) does not specify what aspect of performance is actually being measured. Furthermore, Shared Services has established an automatic payment facility for ACT Government credit cards, whereby credit card balances are automatically paid in full on a monthly basis. The Key Performance Indicator has been interpreted to apply to the payment of credit card balances on all credit cards, yet this happens automatically each month; and
- if the shared Key Performance Indicator is met the subordinate Key Performance Indicators, which are entity-specific and Shared Services-specific, are not relevant and are not measured. The directorate-specific Key Performance Indicator (95 percent of credit card holders completing acquittals online) is not relevant because the application of the Key Performance Indicator is predicated on the implementation of an electronic credit card acquittal facility, which has not occurred and there is no clear timeframe for the implementation of this acquittal facility.

2.46 Key performance indicators in the *Services Partnership Agreement* do not adequately measure the effectiveness of Shared Services' performance as they are not useful as a measure of performance.<sup>5</sup>

<sup>5</sup> The *Services Partnership Agreement* defines roles and responsibilities of ACT Government entities and Shared Services for the administration of credit cards.

## RECOMMENDATION 2 SHARED SERVICES KEY PERFORMANCE INDICATORS FOR CREDIT CARD ADMINISTRATION

Shared Services, in consultation with ACT Government entities, should amend the *Services Partnership Agreement* key performance indicators so that they are measurable and relevant to its activities for administering credit cards on behalf of ACT Government entities.

### Automated credit card acquittal facility

- 2.47 The *Services Partnership Agreement* includes a key performance indicator, the usefulness of which is predicated on the implementation of an automated credit card acquittal facility. As an automated credit card facility has not yet been implemented for ACT Government credit cards this key performance indicator is therefore redundant, although it does indicate that there is an intention to progress such a system.
- 2.48 The automation of credit card acquittals was considered as part of a 2012 review of Shared Services accounts payable activities and services.

### *Shared Services review of Accounts Payable Automation*

- 2.49 In 2012 Oakton was engaged to conduct a feasibility study into the implementation of an automated accounts payable process. The study focused on Shared Services and the ACT Government entities that used Shared Services for the administration of accounts payable processes. The study considered accounts payable in its totality, which included all purchasing mechanisms and processes and therefore the use of credit cards.
- 2.50 The study identified a range of business process issues including:
- ‘perceived lack of training, variable levels of understanding of the chart of accounts and the role and responsibilities of staff in the AP process and suppliers not understanding the structure of ACT government and the business areas they are dealing with. This has resulted in an inefficient process’;
  - ‘inconsistent advice being provided to business areas and limited proactive communication from [Shared Services]. This has had a negative impact on the perception of [Shared Services] and the level of service they are providing’;
  - ‘reliance on manual processes, multiple entry of data and duplication of effort. This has resulted in a lack of confidence and understanding of the process and increased risk of data entry error’; and
  - ‘limited and inconsistent levels of access to Oracle and a limited understanding of Oracle functionality. This had resulted in unnecessary manual processes to provide information that should be able to be accessed from Oracle’.

2.51 Existing business processes were mapped and future-state business processes developed to address:

- purchasing card transactions - where a purchasing card is used to facilitate the procurement process and pay a supplier; and
- non- purchasing card transactions - where an invoice is received and processed.

2.52 Four 'streams of activity' were identified for future-state business processes:

- business process re-engineering and standardisation - 'addressing a range of actions aimed at optimising the use of ACT Government's existing investment in Oracle, streamlining procure to pay related business processes and increasing the skills and understanding of business users on the procure-to-pay process through training and education';
- purchase cards - 'focussed on the increased use of Corporate Purchase Cards and implementation of enabling technology';
- accounts payable automation - 'focussed on the centralisation of invoice receipt and the use of enabling technology to automate the process and provide electronic workflow'; and
- electronic procure to pay - 'focussed on the implementation of enabling technology and related procurement activities to allow for an electronic end-to-end procure to pay process'.

2.53 The study found:

The implementation of the business processes will require the development and documentation of standardised policies and procedures, centralisation of receipt of invoices for non-corporate purchase card transactions and will need to be supported by enabling technology solutions. The business processes and technology solutions will reduce the cycle time that it takes to process a payment through the use of electronic workflow, provide the ability to apply system based controls, increase the visibility and reporting across the AP process through the early capture of information and optimise the resources required to deliver the process through a reduction in duplication of data entry and automated capture of data.

2.54 The study concluded that the implementation of the four 'streams of activity' would lead to overall savings in the accounts payable process. Overall savings were estimated in relation to Shared Services only and not the cost savings that may be realised in ACT Government entities. Different amounts of savings were identified depending on which of the four 'streams of activity' were implemented and whether there was a broader increase in the use of purchasing (credit) cards and an associated decrease in the number of invoices received and processed by Shared Services on behalf of ACT Government entities.

### *Automated credit card acquittals*

- 2.55 There are, at present, inefficiencies in the management and administration of ACT Government credit cards related to the lack of an automated credit card acquittal facility due to:
- the manual completion and review of credit card acquittal statements, which must then be physically sent to Shared Services for processing; and
  - Shared Services' staff manually keying and processing credit card transaction details into Oracle.
- 2.56 The requirement to physically send and re-key acquittal information increases the risk of keying errors and inherently increases the time associated with processing credit card statements. There is also further inefficiency if, for example, Shared Services staff identify errors in the acquittal documents. Corrections to these would require the documentation to be physically returned to the entity (and credit card holder) for correction before being re-sent to Shared Services for processing.
- 2.57 Information on the timeliness of credit card acquittals and processing (refer to paragraphs 4.23 to 4.27) shows that ACT Government entities that used Shared Services for the processing of credit card acquittals take longer time to acquit credit card transactions.
- 2.58 The manual-based process is also not effective as a control in ensuring that appropriate authorising officers have reviewed and endorsed the credit card acquittal statement and the card holders' use of the credit card as there is no listing of the supervisors or authorising officers of credit card holders, or a register of signatures of these officers. This means there is limited ability for Shared Services or the finance areas in ACT Government entities to know whether a card holder's supervisor or authorising officer actually signed and endorsed the acquittal. An automated credit card acquittal facility, which would involve sending credit card acquittal information through authenticated log-ins, would provide greater authorisations controls.
- 2.59 There are inefficiencies in the manual paper-based administration and processing of credit card statements and acquittals. This process does not present an effective control compared with an automated system for ensuring that appropriate authorising officers have reviewed and endorsed the credit card acquittal statement and the card holder's use of the credit card. A 2012 review of Shared Services' accounts payable activities and services identified efficiencies and potential savings through the implementation of an automated credit card acquittal facility.

### **RECOMMENDATION 3      AUTOMATED CREDIT CARD ACQUITTAL FACILITY**

Shared Services should progress actions to advance the implementation of an automated credit card acquittal facility for the administration of credit cards.

## Whole-of-government banking arrangements

- 2.60 Whole-of-government banking arrangements are managed by the Shared Services Banking Team on behalf of all ACT Government entities. ACT Government credit cards are issued and facilitated through the ACT Government's whole-of-government banking arrangements with Westpac. The provision of a credit card facility is a service provided under these arrangements.
- 2.61 Notwithstanding that Shared Services is not part of the management and administrative arrangements for credit cards by some ACT Government entities (refer to Table 2-7 all credit cards are issued through the credit facility available through the whole-of-government banking arrangements).

## No fees are charged for credit cards

- 2.62 ACT Government entities do not pay any fees for the issue or administration of credit cards. Fees are only charged for:
- late payment of credit card expenses; and
  - interest on cash advances.
- 2.63 The ACT Government has not incurred any expenses associated with the late payment of credit cards as all ACT Government credit card expenditure is paid promptly through an automated process. The Shared Services Banking Finance Team has established an automatic payment facility for monthly credit card expenditure incurred by all ACT Government entities irrespective of whether Shared Services is used to assist in the management and administration of credit cards.
- 2.64 There are benefits and risks with this approach. A benefit is timeliness, which means late payment fees are avoided. However, key risks are the payment:
- may be made prior to the review and acquittal of credit card statements and expenditure by individual card holders; and
  - may need to be disputed and a payment reimbursed. The time for this may be longer than if the payment had been withheld.
- 2.65 The latter risk is mitigated by Shared Services' involvement in the management of credit cards for some ACT Government entities (refer to Table 2-7). This provides Shared Services with a measure of control. However, there is a lack of visibility by Shared Services for a significant number of credit cards. The ACT Audit Office estimates that approximately 174 credit cards, representing 40.3 percent of total expenditure using credit cards in 2015, was incurred by ACT Government credit cardholders without involvement and oversight by Shared Services. Shared Service also advised that under the automatic debit arrangements, credit card holders have up to 90 days to dispute

transactions, and that 80 percent of disputed transactions are resolved within the first 100 days.

- 2.66 The ACT Government has not incurred any expenses associated with the late payment of credit cards as all ACT Government credit card expenditure is paid promptly through an automated process. Automation introduces risks, which need to be managed by the prompt, timely and accurate processing of credit card acquittal statements.

## Guidance on policy and procedure

- 2.67 Whole-of-government guidance on policy and procedure for the management of credit cards is provided to some degree by the Chief Minister, Treasury and Economic Development Directorate.

- 2.68 The Chief Minister, Treasury and Economic Development Directorate:

... leads the ACT Public Service and provides strategic advice and support to the Chief Minister, Treasurer and Minister for Economic Development on policy, financial and economic matters, service delivery and whole-of-government issues.<sup>6</sup>

- 2.69 Its role is in accordance with *ACT Administrative Arrangements 2015 (No. 2)*, through which the Treasurer is responsible for, among other things, the budget process, financial reporting and fiscal and economic policy.

- 2.70 The Treasury unit in the Chief Minister, Treasury and Economic Development Directorate has developed some guidance for ACT Government entities through:

- *ACT Financial Delegations Better Practice Guide (2007)*; and
- *Model Director-General Financial Instructions (2007)*.

### ACT Financial Delegations Better Practice Guide (2007)

- 2.71 The *ACT Financial Delegations Better Practice Guide* provides information to heads of ACT Government entities on the delegation of their powers. It focuses on the delegation of director-general or chief executive powers under the *Financial Management Act 1996* and the *Public Sector Management Act 1994*.

- 2.72 The ACT Financial Delegations Better Practice Guide was not intended to:

... cover all possible aspect of delegation, but rather provide guidance regarding the management of financial delegations.

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<sup>6</sup> Available at the Chief Minister, Treasury and Economic Development Directorate website: <http://www.cmd.act.gov.au/functions/about>

2.73 The *ACT Financial Delegations Better Practice Guide* provides guidance for delegations relating to specific funds under the *Financial Management Act 1996* and the *Public Sector Management Act 1994* and relates to the administrative aspects of the exercise of delegations.

2.74 The *ACT Financial Delegations Better Practice Guide* provides model guidance for financial delegations including revenue collection, commitments of expenditure, authorisation of payments and control of assets.

### ***Model Director-General Financial Instructions (DGFIs)***

2.75 The *Model Director-General Financial Instructions*<sup>7</sup> were developed in 2007 to assist heads of ACT Government entities meet their responsibilities under sections 31 and 55 of the *Financial Management Act 1996*.

2.76 The *Model Director-General Financial Instructions* provide guidance on a range of financial management issues. After their initial development and release, each ACT Government entity was expected to develop its own version of the *Model Director-General Financial Instructions* tailored to its own organisational needs.

2.77 The *Model Director-General Financial Instructions* includes a credit card-specific instruction in which model guidance includes:

- policy and the rationale for the policy;
- responsibilities and accountabilities for the card holder, directors, chief finance officers, credit cards administration officers and the cardholders supervisor; and
- procedures for the approval, setting of the credit card limit, the establishment and maintenance of a credit card register, instances misuses or suspected misuse and use of the credit card.

2.78 The *Model Director-General Financial Instructions* also includes an *Agreement and Acknowledgement by Cardholders* template designed to be initialled and signed by the credit cardholder. The template outlines 14 conditions which must be adhered to by the credit card holder.

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<sup>7</sup> At the time of their release in 2007 they were called Chief Executive Financial Instructions. For ease of reference, they are referred to as Director-General Financial Instructions throughout this report.

## Guidance on policy and procedure provided by ACT Government entities

- 2.79 The ACT Audit Office examined guidance on policy and procedure for the management and administration of credit cards by each ACT Government entity. The guidance was examined against the key elements of a control framework, which includes the full range of administrative activities from the issue of credit cards, through to the use and acquittal of credit cards (Items 1 to 8 in Table 2-10). It also included consideration of guidance on the use of whole-of-government contracts. The results of this analysis, including whether the guidance is detailed and useful, is discussed in relevant sections throughout this report.
- 2.80 All ACT Government entities were able to identify guidance material that was applicable to their entity's use of credit cards. Some smaller ACT Government entities did not have entity-specific guidance, but instead referred to larger portfolio directorate guidance. Furthermore, the guidance for the Education Directorate's use of credit cards was derived from a combination of the relevant Education Directorate *Director-General Financial Instructions* and a schools-specific guidance in the form of the *School Management Manual*.
- 2.81 Appropriateness of guidance material used by ACT Government entities Table 2-10 shows the ACT Audit Office's analysis of the appropriateness of guidance material used by ACT Government entities for controlling the management and use of credit cards. This table is referred to in other chapters of this report.
- 2.82 For the purpose of the audit, Education Directorate schools are considered to be one entity. Analysis of Education Directorate schools' governance and control frameworks and results of detailed testing are presented as one entity.

**Table 2-10 Assessment of guidance on policy and procedure against key elements in a control framework**

Entity	1	2	3	4	5	6	7	8	9
<b>Directorates</b>									
Chief Minister, Treasury and Economic Development Directorate	✓	✓	✓	✓✓	✓	✓	✓	✓✓	✗
- ACT Executive	✓	✓	✓	✓✓	✓	✓	✓	✓✓	✗
- ACT Insurance Authority	✓	✓	✓	✓✓	✓	✓	✓	✓✓	✗
- Gambling and Racing Commission	✓	✓	✓	✓✓	✓	✓	✓	✓✓	✗
- Land Development Agency	✓	✓	✓	✓✓	✓	✗	✗	✗	✗
Community Services Directorate	✓	✓	✓	✗	✗	✓	✓	✓	✗
- Housing ACT	✓	✓	✓	✗	✗	✓	✓	✓	✗
Education Directorate - Corporate	✓	✓	✓	✓✓	✓	✓	✓	✗	✗
- ACT Teacher Quality Institute	✓	✓	✓	✓✓	✓	✓	✓	✗	✗
- Education Directorate - Schools	✓	✓	✓	✓✓	✓	✓	✓	✗	✓
Environment and Planning Directorate	✓	✓	✓	✓✓	✓	✓	✓	✓	✗
Health Directorate	✓	✓	✓	✓✓	✓	✓	✓✓	✓	✗
Justice and Community Safety Directorate	✓	✓	✓	✓✓	✓✓	✓	✓	✓✓	✓✓
Territory and Municipal Services Directorate	✓✓	✓	✓✓	✓✓	✓	✓	✓✓	✓	✓✓
- ACTION	✓✓	✓	✓✓	✓✓	✓	✓	✓✓	✓	✗
- ACT Public Cemeteries	✓✓	✓	✓✓	✓✓	✓	✓	✓✓	✓	✗
<b>Other entities</b>									
ACT Building and Construction Industry Training Fund Authority	✓	✓	✓	✗	✗	✓	✓	✗	✗
Canberra Institute of Technology	✓✓	✗	✓✓	✓✓	✓	✓✓	✓✓	✓	✓
Capital Metro Agency	✓	✓	✓	✓✓	✓	✓	✓	✓✓	✗
Cultural Facilities Corporation	✓	✓	✓✓	✓✓	✓	✓	✓	✗	✗
Elections ACT	✓	✓	✓	✗	✓	✓	✓	✗	✗

Entity	1	2	3	4	5	6	7	8	9
Independent Competition and Regulatory Commission	✓	✗	✗	✗	✗	✓	✓	✗	✗
Legal Aid Commission	✓	✓	✓	✗	✓	✓	✓	✗	✗
ACT Long Service Leave Authority	✓	✓	✓	✗	✓	✓	✓	✗	✗
Office of the Legislative Assembly	✓	✓	✓	✗	✓	✓	✓	✗	✗
Public Trustee for the ACT	✓	✓	✓	✓✓	✓	✓	✓	✓	✗
1) Guidance on rationale for the use and issue of credit cards 2) Guidance on the setting of credit card and transaction limits 3) Guidance on timeliness of acquittals 4) Guidance on the role and responsibilities of reviewer (supervisor) 5) Guidance on description of credit card purchases / transactions 6) Guidance on maintenance and retention of supporting documentation 7) Guidance on maintenance and retention of tax invoices to support purchases / transactions 8) Guidance on use of credit cards for hospitality 9) Guidance on use of credit cards for goods and services covered by existing whole-of-government contracts									
✓✓ <b>Good guidance</b> ✓ <b>Satisfactory guidance</b> ✗ <b>Limited or no guidance</b>									

Source: ACT Audit Office analysis of guidance provided for credit card policy and procedure by ACT Government entities

Note: Credit card users within the ACT Executive and ACT Insurance Authority refer to Chief Minister, Treasury and Economic Development Directorate guidance for the use of credit cards.

Credit card users within the ACT Teacher Quality Institute refer to Education Directorate guidance for the use of credit cards.

Credit card users within ACTION and ACT Public Cemeteries refer to Territory and Municipal Services Directorate guidance for the use of credit cards.

Credit card users within Housing ACT refer to Community Services Directorate guidance for the use of credit cards.

The Audit Office notes that there is limited guidance in the ACT Building and Construction Industry Training Fund Authority, Legal Aid Commission and ACT long Service Leave Authority policy and procedural guidance with respect to the role and responsibilities of the reviewer (supervisor). However, the risk associated with this is reduced by all credit card acquittals being signed off by the Chief Executive Officer of each respective entity.

2.83 Analysis of the guidance material provided by ACT Government entities on policy and procedure for the management and use of credit cards identified that guidance material provided by the Justice and Community Safety Directorate was the most comprehensive. While all entities provided guidance in some form, not all aspects of credit card management processes were covered or not covered to the same degree as done by the Justice and Community Safety Directorate. This Directorate's guidance could be used to assist other entities.



## 3 ISSUING OF CREDIT CARDS

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- 3.1 This chapter discusses key controls associated with the issue and use of credit cards. The chapter also discusses entities' rationale and purpose for the use of credit cards.

### Summary

#### Key findings

	Paragraph
The Education Directorate's guidance for schools (the <i>School Management Manual</i> ) does not include any information on the rationale for the use of credit cards in schools. While the Education Directorate policy does provide limited guidance, given the comparatively greater use of credit cards by schools it would be prudent for such information to be included. All other ACT Government entities had guidance on the rationale for the use of credit cards in the entity, although often this was limited.	3.10
The Australian and New South Wales governments have identified credit cards and/or payment or purchasing cards to be a key mechanism for paying for goods and services. With the exception of some business units in some ACT Government entities, which in practice use credit cards as a key accounts payable mechanism, ACT Government entities do not use credit cards as a routine accounts payable mechanism. There may be merit in doing so, in order to achieve efficiencies in administration and processing. Whole-of-government policy guidance is needed on this matter.	3.23
ACT Government entities typically require a prospective card holder to document a business need for the card and most ACT Government entities require a prospective card holder to complete and sign an acknowledgement form. Exceptions to this are the Legal Aid Commission, ACT Long Service Leave Authority and Office of the Legislative Assembly. Of 60 credit cards issued between November 2014 and December 2015 that were tested by the Audit Office, there were four instances where there was no signed acknowledgement form.	3.31
For ACT Government entities that do not use Shared Services for the administration and processing of credit cards, information maintained by the entity on the number of credit cards issued to staff matched information provided by the ACT Government's credit card provider (Westpac). For a number of ACT Government entities that use Shared Services there was variation in the information on the number of credit cards issued to staff, as maintained by Shared Services, the entity and Westpac. The discrepancy represents a risk to the effective management and	3.36

administration of credit cards.

Very few ACT Government entities have provided ongoing training and information sessions to credit card holders. Exceptions include the Justice and Community Safety Directorate, Territory and Municipal Services Directorate and Environment and Planning Directorate. These directorates' training and information sessions represent better practice in the provision of ongoing support and guidance to credit card holders on their responsibilities and obligations. 3.44

3.2 Strong controls over the issuing and use of credit cards are important in shaping user expectations and maximising the effectiveness of cards as a payment mechanism. The ACT Audit Office examined all ACT Government entities' control frameworks, including procedures for:

- issuing credit cards;
- setting credit card and transaction limits; and
- maintaining credit card registers.

## Rationale for the use and issuing of credit cards

3.3 A key control over the use of credit cards is the management of expectations regarding the reasons why a credit card is issued.

### Guidance on policy and procedure

3.4 Column 1 in Table 2-10 shows the ACT Audit Office's analysis of the guidance provided on policy and procedure for the rationale and use of credit cards by the ACT Government's 26 entities.

3.5 Almost all ACT Government entities had guidance on the rationale for the use of credit cards in the entity, although often this was limited.

3.6 The majority of ACT Government entities provide the following wording (or slight variations thereof) in their guidance:

... where ... officers are required to make purchases within their delegations urgently or where it is inconvenient to expect the officer to purchase goods and services through normal channels. Credit cards were introduced in order to allow officers to perform their duties more efficiently and effectively.

- 3.7 The Education Directorate's schools-specific guidance (the *School Management Manual*) does not provide any guidance on the rationale for the use of credit cards in schools. However, this is mitigated by the directorate's broader guidance, which is similar to that in paragraph 3.6. Schools have a comparatively greater use of credit cards (refer to paragraph 2.7).
- 3.8 Guidance provided by entities tends to focus on the use of credit cards for urgent transactions or where it is inconvenient to purchase goods or services through 'normal' channels. Some entities have, however, placed an emphasis on the use of credit cards as a payment mechanism, and have highlighted the benefits of credit cards as an efficient payment mechanism. For example, the Canberra Institute of Technology's guidance states:
- [credit cards] should be issued where they create efficiencies in the purchasing process whilst having regard to the additional risk associated with transactions proceeding with a retrospective review and approval process ...
- ... card holders are encouraged to use the prompt payment allowed by the [ credit card] as a tool for negotiating improved prices and services.
- 3.9 Similarly, the Cultural Facilities Corporation's guidance states:
- The [credit card] policy has been implemented to:
- improve efficiency and effectiveness
  - to make payments when it is not practical to use the accounts payable system for regular payments
  - reduce paperwork
  - ensure Cultural Facilities Corporation's accounts with suppliers are promptly discharged and
  - improve Cultural Facilities Corporation's cash management.
- 3.10 The Education Directorate's guidance for schools (the *School Management Manual*) does not include any information on the rationale for the use of credit cards in schools. While the Education Directorate policy does provide limited guidance, given the comparatively greater use of credit cards by schools it would be prudent for such information to be included. All other ACT Government entities had guidance on the rationale for the use of credit cards in the entity, although often this was limited.

### Use of credit cards for efficiency

- 3.11 Credit cards can be used to efficiently pay suppliers, provided this is supported by effective controls. The Australian and New South Wales governments have highlighted the usefulness of credit cards and purchasing cards as a payment method and developed policies to mandate their use.

### **Australian Government**

3.12 In 2014 the Australian Government Department of Finance released *Resource Management Guide No. 416 Facilitating Supplier Payment Through Payment Card*. The Guide is intended to apply to Australian Government non-Corporate Commonwealth entities. It states:

1. Non-corporate Commonwealth entities must establish processes that promote payment cards as a preferred option for eligible payments to suppliers valued below \$10,000.
2. Non-corporate Commonwealth entities must, to the extent practicable, provide suppliers an opportunity to request payment via a payment card for amounts below \$10,000.

3.13 For the purpose of the policy a 'payment card' can include a credit card, debit card, charge card or 'any other type of Commonwealth issue card, including virtual cards that are authorised to pay suppliers for goods or services received at the point of sale'.

3.14 According to the Guide 'the policy facilitates timely payment to suppliers, assists with their cash flow and reduces the cost to business in supplying to the Commonwealth'.

### **New South Wales Government**

3.15 According to the New South Wales Audit Office 2014 report *Use of purchasing cards and electronic payment methods*:

In December 2011, the NSW Government mandated the use of [purchasing cards] for transactions below \$3,000 ... and the replacement of cheques with EFTs where applicable.

3.16 For the purpose of the policy, a 'purchasing card (pcard) is a form of credit card, but its use is more restricted than a credit card to reduce the risk of fraud and misuse'. According to the New South Wales Audit Office 2014 report *Use of purchasing cards and electronic payment methods*, there are three types of purchasing cards:

- a traditional physical card issued to employees;
- a virtual card used by a number of staff for internet or e-procurement purchases from a single supplier; and
- a prepaid card that has a preloaded credit balance and predefined purchase categories.

### **Value Card Program**

3.17 Shared Services has advised that it is in the process of implementing a Value Card Program. The Value Card Program will initially be used as a mechanism to reimburse petty cash advance holders.

- 3.18 Value cards operate like a debit card, whereby individual cards are loaded with a pre-nominated amount and issued to a recipient (i.e. the advance holder) to use for the purchase of goods. The cards can also be used to access cash at automatic tell machines if required, although restrictions can be placed on the cards as desired. The cards come with a pre-nominated expiry date, and can also be cancelled or have 'value' removed from them as required. They are solely 'PIN' operated by the recipient of the card.
- 3.19 At the time of audit fieldwork, no value cards had been issued although Shared Services was considering options for the trial of the program.

### Guidance on rationale and use of credit cards by ACT Government entities

- 3.20 As evident from Figure 2-4, credit cards are primarily being used by ACT Government entities for low value transactions. ACT Government entities have, on the whole, not embraced the use of credit cards as a routine accounts payable mechanism for goods and services transactions of higher value. While some business units within ACT Government entities appear to be using credit cards as a routine accounts payable mechanism, this has not been widely adopted. No ACT Government entity has adopted payment or purchasing cards as an accounts payable mechanism, in lieu of credit cards.
- 3.21 There is no whole-of-government policy guidance provided for the use, or not, of credit cards as an accounts payable mechanism.
- 3.22 The 2012 feasibility study into the implementation of an automated accounts payable process (refer to paragraphs 2.49 to 2.59) identified a range of cost savings for Shared Services through better and more integrated accounts payable processes, and these were predicated on an increased use of credit cards for the payment of goods and services. With the exception of the 2012 feasibility study, which considered accounts payable more generally and partially considered the use of credit cards, no assessment has been performed with respect to whether the broader adoption of credit cards as an accounts payable mechanism has the potential to reduce the level of accounts payable activity and processing by individual entities and Shared Services. While there may be merit in adopting credit cards as a primary accounts payable mechanism, including for higher value purchases than credit cards are currently used for, there are risks with such an approach and controls over the use of credit cards will need to be strong and effective to minimise the risk of fraud and misuse.
- 3.23 The Australian and New South Wales governments have identified credit cards and/or payment or purchasing cards to be a key mechanism for paying for goods and services. With the exception of some business units in some ACT Government entities, which in practice use credit cards as a key accounts payable mechanism, ACT Government entities do not use credit cards as a routine accounts payable mechanism. There may be merit in doing so, in order to achieve efficiencies in administration and processing. Whole-of-government policy guidance is needed on this matter.

#### RECOMMENDATION 4 ACT GOVERNMENT POLICY ON USE OF CARDS

The Chief Minister, Treasury and Economic Development Directorate should assess the merits, or otherwise, of using cards as a key accounts payable mechanism for goods and services and, if appropriate, provide whole-of-government direction including specifying controls to manage associated risks.

## Controls over the issuing of cards

3.24 Controls over the issue of credit cards to staff are a key mechanism to manage risks associated with the use of credit cards. A key control is advising staff of their obligations and responsibilities and obtaining acknowledgement of their responsibilities through an acknowledgement form.

### ACT Government entity controls over the issue of credit cards

3.25 The following general processes were used by ACT Government entities for issuing credit cards:

- a documented business case as the basis for a credit card to be issued;
  - this was achieved via an acknowledgement form in most large entities and for other entities this may have been achieved via an email;
- for ACT Government entities with an identified corporate finance area, its general role was to facilitate the credit card issuance process and review credit card requests prior to approval by the relevant approver or delegate; and
- all ACT Government entities required a Westpac credit card application form to be signed by the entity representative and lodged with Westpac.

### Acknowledgement forms

3.26 Most ACT Government entities require a prospective credit card holder to complete and sign an acknowledgement form before being issued with a credit card. This is also referred to in some policies as the *Corporate Credit Card Declaration* form. The acknowledgement form is a formal acknowledgement that the card holder will comply with relevant policies and guidelines, for example the requirement to comply with *Director-General Financial Instructions*. Acknowledgement forms typically require the card holder to agree to:

- not use the credit card for other than official purposes;
- not permit the credit card to be used by another person other than the card holder;
- and

- compile all relevant supporting documentation and tax invoices as part of the completion of a monthly reconciliation and acquittal process.
- 3.27 The acknowledgement form also acts as a formal acceptance by the card holder that inappropriate use of a credit card may result in disciplinary action by the entity for the card holder.
- 3.28 Most ACT Government entities require an acknowledgement form to be completed by the card holder. Exceptions to this are:
- ACT Insurance Authority;
  - Legal Aid Commission;
  - ACT Long Service Leave Authority; and
  - Office of the Legislative Assembly.

*Compliance with controls over the issue of credit cards*

- 3.29 Table 3-1 shows the results of the ACT Audit Office's analysis of the effectiveness of controls on the issuing of credit cards by ACT Government entities, including whether:
- a business need had been identified, documented and approved by an appropriate approving officer. This was evidenced by individual entities' credit card application documents and correspondence that had been completed and approved by an appropriate approving officer;
  - an acknowledgement form was signed by the card holder; and
  - a bank credit card application form was signed by both the card holder and an appropriate approving officer.

**Table 3-1 Assessment of ACT Government entity compliance for issuing of credit cards (November 2014 to December 2015)**

Entity	Total number of cards issued	Number of cards issued assessed	Documented business need	Signed acknowledgement form	Signed card application form
<b>Directorates</b>			<b>Number of exceptions</b>		
Chief Minister, Treasury and Economic Development Directorate	44	10	-	-	-
- Land Development Agency	1	1	-	-	-
Community Services Directorate	9	5	-	-	-
Education Directorate - Corporate	11	5	-	-	-
Education Directorate - Schools	15	5	-	-	-
Environment and Planning Directorate	5	1	-	-	-
Health Directorate	23	8	-	-	-
Justice and Community Safety Directorate	10	6	-	-	-
Territory and Municipal Services Directorate	7	7	-	-	-
Canberra Institute of Technology	21	8	-	2	-
Cultural Facilities Corporation	2	2	-	-	-
Elections ACT	1	1	-	1	-
Office of the Legislative Assembly	1	1	-	1	-
<b>Total</b>	<b>150</b>	<b>60</b>	-	<b>4</b>	-

Source: ACT Audit Office

Note: For the purpose of the audit, detailed testing associated with the ACT Executive is presented within the results for the Chief Minister, Treasury and Economic Development Directorate and the ACT Teacher Quality Institute is presented within the results for the Education Directorate.

3.30 Analysis of ACT Government entity controls over the issue of credit cards shows that, of the 60 credit cards tested that were issued between November 2014 and December 2015 there were four instances where there was no signed acknowledgement form from the credit card holder of their responsibilities.

3.31 ACT Government entities typically require a prospective card holder to document a business need for the card and most ACT Government entities require a prospective card holder to complete and sign an acknowledgement form. Exceptions to this are the Legal Aid Commission, ACT Long Service Leave Authority and Office of the Legislative Assembly. Of 60 credit cards issued between November 2014 and December 2015 that were tested by the Audit Office, there were four instances where there was no signed acknowledgement form.

## Credit card registers

- 3.32 A key control with respect to the use of credit cards is establishing a credit card register. A credit card register would ideally set out:
- the names and positions of card holders; and
  - monthly and transaction limits.
- 3.33 As discussed in paragraph 2.38 under the *Services Partnership Agreement* Shared Services will maintain a credit card register for those entities using Shared Services for the management and administration of credit cards. For those ACT Government entities, and Education Directorate - Schools that do not use Shared Services, this responsibility is retained by the entity.
- 3.34 All ACT Government entities, and Education Directorate- Schools, that do not use Shared Services for the administration of credit cards were keeping appropriate records of credit cards in circulation. Information maintained in the entities and schools matched information provided by the ACT Government's credit card provider (Westpac).
- 3.35 For ACT Government entities that used Shared Services for the administration of credit cards there was, in a number of instances, discrepancies between:
- information maintained at Shared Services in the form of a credit card register;
  - information provided by the ACT Government's credit card provider (Westpac); and
  - information that was often maintained by the entity itself, usually within the corporate finance area.
- 3.36 For ACT Government entities that do not use Shared Services for the administration and processing of credit cards, information maintained by the entity on the number of credit cards issued to staff matched information provided by the ACT Government's credit card provider (Westpac). For a number of ACT Government entities that use Shared Services there was variation in the information on the number of credit cards issued to staff, as maintained by Shared Services, the entity and Westpac. The discrepancy represents a risk to the effective management and administration of credit cards.

## Training and awareness activities

- 3.37 A key control with respect to the use of credit cards is establishing training and awareness program(s) so that:
- credit card holders are aware of their responsibilities; and
  - periodic training is provided for all credit card holders to reinforce policy and procedure requirements or when changes occur in relation credit cards.

### Provision of information on issue of credit card

3.38 All ACT Government entities advised that information is provided to new credit card holders when they receive a credit card. ACT Government entities advised that this is typically achieved through a discussion with a new credit card holder by the relevant corporate finance area. As part of the discussion, an entity's credit card policy and procedure is typically discussed, as well as administrative processes for the use of credit cards and their acquittal.

### Ongoing training and communication

3.39 Very few ACT Government entities have provided ongoing training and information sessions to credit card holders. Exceptions include:

- Justice and Community Safety Directorate;
- Territory and Municipal Services Directorate; and
- Environment and Planning Directorate.

#### *Justice and Community Safety Directorate*

3.40 In December 2015, January 2016 and February 2016 the Justice and Community Safety Directorate provided training to credit card holders on a range of topics, including:

- previous internal and external audit reviews and findings;
- agency policy and procedure (including the relevant Director-General Financial Instruction);
- obligations on credit card holders on the use of credit cards and acquittal processes; and
- the use of credit cards for particular goods and services, including hospitality-related expenditure.

3.41 The Justice and Community Safety Directorate also performed training in October 2013 as part the issuance of Westpac credit cards to staff, on the switch over to Westpac as the ACT Government credit card provider.

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#### *Territory and Municipal Services Directorate*

3.42 In October 2015 the Territory and Municipal Services Directorate provided training to credit card holders on a range of topics, including:

- agency policy and procedure (including the relevant *Director-General Financial Instruction*);
- obligations on credit card holders on the use of credit cards and acquittal processes; and
- the use of credit cards for particular goods and services, including hospitality-related expenditure.

#### *Environment and Planning Directorate*

3.43 The Environment and Planning Directorate has also provided training to credit card holders on a range of topics, including:

- agency policy and procedure (including the relevant *Director-General Financial Instruction*);
- obligations on credit card holders on the use of credit cards and acquittal processes;
- requirements associated with the collection of tax invoices for purchases; and
- fringe benefit tax issues associated with the use of credit cards.

3.44 Very few ACT Government entities have provided ongoing training and information sessions to credit card holders. Exceptions include the Justice and Community Safety Directorate, Territory and Municipal Services Directorate and Environment and Planning Directorate. These directorates' training and information sessions represent better practice in the provision of ongoing support and guidance to credit card holders on their responsibilities and obligations.



## 4 CONTROLS OVER CREDIT CARD USE

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- 4.1 This chapter discusses key controls for managing the use of credit cards, including controls over the type of expenditure permitted and acquittal processes. It also examines ACT Government entities' compliance with the controls.

### Summary

#### Key findings

	Paragraph
Credit card and transaction limits are being effectively managed. All ACT Government entities have established card and transaction limits; and the ACT Audit Office's analysis of the use of credit cards did not find any instances where either the credit card or transaction limit had been exceeded.	4.12
With the exception of the use of credit cards for cash advances and withdrawals, the Territory and Municipal Services Directorate is the only directorate which has sought to place restrictions on the use of credit cards for certain merchant categories of expenditure. The Territory and Municipal Services Directorate has sought to restrict the use of its cards for 'auto expenses', including the use of credit cards for petrol, oils or lubricants. Such restrictions come with some risk, however, as certain types of allowable purchases may inadvertently be restricted through a broad-based restriction on merchant categories.	4.16
Analysis of the timeliness of the acquittal of credit card statements by ACT Government entities shows that: <ul style="list-style-type: none"><li>• a significant percentage (29.0 percent) were acquitted late;</li><li>• late acquittals occurred in ten entities (Chief Minister, Treasury and Economic Development Directorate, Community Services Directorate, Education Directorate (Corporate and Schools), Environment and Planning Directorate, Health Directorate, Justice and Community Safety Directorate and the Canberra Institute of Technology). Of these entities, only Cultural Facilities Corporation and the Education Directorate - Schools do not use Shared Services for the administrative processing of credit cards; and</li><li>• the Canberra Institute of Technology had the highest percentage of credit card statements not acquitted within 30 days of the statement date; 87 statements out of 172 (50.6 percent). The Community and Services Directorate had the next highest percentage with 14 out of 35 (40.0 percent) and the Health Directorate with 43 out of 113 (38.1</li></ul>	4.25

percent) statements not acquitted within 30 days.

Seventy two percent of ACT Government entities provided satisfactory or good guidance on the role of reviewers of credit statement acquittals. A high degree of responsibility was placed on reviewers, which is appropriate as they have an important role in reducing the risk of inappropriate use of credit cards. Twenty eight percent of ACT Government entities did not provide adequate guidance. 4.40

There was a high compliance rate with procedures for reviewing credit card statement acquittals. Of the 852 statement acquittals reviewed by the ACT Audit Office only six were not signed by a reviewer, six were not signed by both the card holder and reviewer and there were three instances where the card holder was also the reviewer. However, managing risks is best achieved by striving to achieve 100 percent compliance. 4.41

Two hundred and sixty two transactions of the 4 128 examined by the ACT Audit Office were not supported by an appropriate description of the goods or services purchased. These transactions were commonly associated with meals and entertainment, but some related to the purchase of computers and related ICT equipment. While this is only 6.3 percent it does mean that for these purchases it is difficult to confirm that they were appropriate or undertaken for official government use. Managing the risk that funds are appropriately spent is best achieved by documentation being adequate for all transactions. 4.51

All ACT Government entities, with the exception of the Land Development Agency, have satisfactory or good guidance for requiring that sufficient documentation be retained to support the use of the credit card. Two hundred and thirty seven transactions of the 4 128 assessed by the ACT Audit Office were not adequately supported by documentation. Inadequate documentation included instances of mismatching of the invoice with the services purchased, insufficient evidence of prior approval where required and where credit card statement acquittal forms were not properly signed and authorised as required. While 237 transactions account for only 5.7 percent, managing the risk that funds are appropriately spent is best achieved by striving to achieve documentation that is 100 percent adequate. 4.64

Eleven ACT Government entities of the 26 assessed by the ACT Audit Office did not have guidance on the use of credit cards for hospitality purposes. Twenty one transactions of the 209 hospitality transactions examined did not have evidence of pre-approval or that these were not only attended by ACT public sector personnel. Given the risk associated with government funds being used for hospitality this is an issue that warrants attention by ACT Government entities, particularly those who do not have guidance or evidence to justify expenditure. 4.73

The Justice and Community Safety Directorate guidance is an example of better practice guidance on the use of credit cards for services covered by the whole-of-government purchasing arrangement for travel and accommodation. 4.80

The Justice and Community Safety Directorate and the Territory and Municipal Services Directorate were the only ACT Government entities with guidance on the use of credit cards for goods and services covered by existing whole-of-government purchasing arrangements. There were 242 instances in 445 transactions where a credit card was used to purchase goods and services that were the subject of whole-of-government purchasing arrangements and where there was insufficient documentation of the reason why this arrangement was not used. The low use of whole-of-government purchasing arrangements presents a risk that the benefits of the arrangements are not maximised. 4.90

4.2 Strong controls over the use of credit cards are a means by which entities can manage their use, maximise their effectiveness as a payment mechanism and minimise risks. The ACT Audit Office examined compliance with the following controls:

- delegations;
- acquittal processes, in relation to:
  - timeliness;
  - review and sign-off;
  - clarity of description of purchases;
  - documentation; and
- whole-of-government purchasing arrangements, where appropriate.

## Delegations

4.3 Delegations are used to control expenditure so that it is appropriate and within limits. Credit card limits operate as a control over expenditure and provide some protection against misuse. A credit card limit is the total amount that can be spent using the card and is typically identified for a period of a month. A transaction limit is the total amount that may be spent in a single purchase.

### Establishing credit card and transaction limits

4.4 Column 2 in Table 2-10, shows the ACT Audit Office's assessment of the guidance provided on policy and procedure for setting credit card and transaction limits by the ACT Government's 26 entities.

- 4.5 Most ACT Government entities provide satisfactory, although not specific guidance on setting credit card and transaction limits. A general statement the same as, or very similar to, the following is provided:

Transaction limits for each purchase should be set at a level consistent with anticipated usage. The transaction limit is the total amount that can be expended in a single purchase.

The credit limit is the total amount that may be expended within a period - usually one month. It is often useful to establish the credit limit at an amount twice the estimated monthly usage to allow a lapse of time for settlement of the previous month's transactions.

- 4.6 The ACT Building and Construction Industry Training Fund Authority's guidance on policy and procedure for credit card and transaction limits specifies credit card limits for the Chief Executive Officer and two staff within the Authority. However, it does not provide any guidance or requirements on transaction limits.

- 4.7 The Environment and Planning Directorate's guidance while also satisfactory does not set a credit card limit, but it does provide a guide stating:

EPD cards are usually \$5,000

- 4.8 The Canberra Institute of Technology and the Independent Competition and Regulatory Commission did not provide any guidance on policy or procedure for setting credit card and transaction limits.

### **Alignment of credit card and transaction limits with expenditure delegations**

- 4.9 ACT Government entities use one of two practices for managing credit card expenditure within delegations:

- an automatic expenditure delegation that aligns with the credit card or transaction limit established for the card. This is typically achieved through the agency delegations instrument or policy; or
- establishing a credit card or transaction limit within an expenditure delegation for the credit card holder.

- 4.10 Table 4-1 shows which practices ACT Government entities use to manage credit card expenditure so that it is within expenditure delegation limits.

**Table 4-1 Entity practices for managing credit card and transaction limits within expenditure delegation limits**

Entity	Automatic delegation for credit card limit	Credit card limit within individual delegation
<b>Directorates</b>		
Chief Minister, Treasury and Economic Development Directorate		✓
- ACT Executive		✓
- ACT Insurance Authority	✓	
- Gambling and Racing Commission		✓
- Land Development Agency		✓
Community Services Directorate		✓
Education Directorate - Corporate		✓
Education Directorate - Schools		✓
Environment and Planning Directorate	✓	
Health Directorate		✓
Justice and Community Safety Directorate	✓	
Territory and Municipal Services Directorate	✓	
- ACTION	✓	
- ACT Public Cemeteries	✓	
<b>Other entities</b>		
ACT Building and Construction Industry Training Fund Authority		✓
Canberra Institute of Technology	✓	
Capital Metro Agency	✓	
Cultural Facilities Corporation	✓	
Elections ACT		✓
Independent Competition and Regulatory Commission		✓
Legal Aid Commission		✓
ACT Long Service Leave Authority		✓
Office of the Legislative Assembly		✓
Public Trustee for the ACT		✓

Source: ACT Audit Office

Note: For the purpose of the audit, detailed testing the ACT Teacher Quality Institute is presented within the results for the Education Directorate.

### Compliance with delegations

- 4.11 As evident from Table 4-1, all ACT Government entities have established credit card and transaction limits.
- 4.12 Credit card and transaction limits are being effectively managed. All ACT Government entities have established card and transaction limits; and the ACT Audit Office's analysis of the use of credit cards did not find any instances where either the credit card or transaction limit had been exceeded.

### Restrictions on use of cards

- 4.13 The ACT Government credit card facility allows for the blocking of certain transactions on credit cards, i.e. credit cards may not be used for transactions relating to certain merchants. These restrictions can be applied to the credit card facility as a whole, or to individual cards as required.
- 4.14 The option to restrict the use of cards for cash advances and withdrawals is routinely adopted for ACT Government credit cards. However, the credit card facility allows the option to block transactions relating to a range of merchant categories of expenditure including (but not limited to):
- 'airline' expenditure;
  - 'auto rental' expenditure;
  - 'lodging' expenditure;
  - 'auto expense'; and
  - 'food & beverage' expenditure.
- 4.15 Restrictions can be placed on the use of credit cards at the time of application or may be retrospectively applied as necessary.
- 4.16 With the exception of the use of credit cards for cash advances and withdrawals, the Territory and Municipal Services Directorate is the only directorate which has sought to place restrictions on the use of credit cards for certain merchant categories of expenditure. The Territory and Municipal Services Directorate has sought to restrict the use of its cards for 'auto expenses', including the use of credit cards for petrol, oils or lubricants. Such restrictions come with some risk, however, as certain types of allowable purchases may inadvertently be restricted through a broad-based restriction on merchant categories.

## Acquittal processes

- 4.17 The credit card acquittal process is a means by which entities can obtain assurance of the appropriate use of credit cards. It includes:
- matching each transaction on the credit card statement to the supporting documentation retained by the credit card holder, including tax invoices; and
  - documenting a description of the item and stating the purpose of the purchase.
- 4.18 The acquittal process is the means whereby a credit card holder's supervisor or delegate can confirm that the credit card holder has adhered to the entity's policy and procedure guidance and that the purchases are appropriate and for official purposes only. It also provides a way of identifying unauthorised or fraudulent transactions.
- 4.19 The ACT Audit Office assessed the:
- timeliness of acquittals; and
  - review and sign-off of acquittals.

## Timeliness of acquittals

- 4.20 The timely acquittal of credit card transactions reduces the risk that fraudulent transactions will go undetected for extended periods of time, thereby limiting the ability to prevent further fraudulent transactions from occurring.

## Policy and procedural guidance

- 4.21 Column 3 in Table 2-10 shows the ACT Audit Office's assessment of the guidance provided on policy and procedure for the timeliness of acquittals provided by the ACT Government's 26 entities.
- 4.22 All ACT Government entities, except for the Independent Competition and Regulatory Commission, provide guidance on policy and procedure for the acquittal of credit card statements which is satisfactory or good. Two ACT Government entities specify times for acquittal:
- the Territory and Municipal Services Directorate, which requires credit card holders to provide 'monthly reconciliation and all supporting documents to ... supervisor for checking no later than five working days after receiving ... monthly statement from Shared Services Finance'; and
  - the Canberra Institute of Technology, which requires a credit card statement acquittal 'within three (3) weeks of receipt of the ... statement'

### **Compliance with guidance on policy and procedure**

- 4.23 Of the 852 credit card acquittal statements assessed by the ACT Audit Office, 245 (29.0 percent) were acquitted later than 30 days after the statement's settlement date.
- 4.24 Table 4-2 shows the timeliness of acquittal of credit card statements within a 30 day period by ACT Government entities.

**Table 4-2 Acquittal of credit card statements within 30 days**

Entity	Number of credit card statements not acquitted within 30 days	Percentage of entity credit card statements not submitted within 30 days (%)
<b>Directorates</b>		
Chief Minister, Treasury and Economic Development Directorate	33	29.7
- ACT Executive	-	-
- ACT Insurance Authority	-	-
- Gambling and Racing Commission	-	-
- Land Development Agency	-	-
Community Services Directorate	14	40.0
Education Directorate - Corporate	7	29.2
Education Directorate - Schools	4	13.8
Environment and Planning Directorate	12	30
Health Directorate	43	38.1
Justice and Community Safety Directorate	30	21.1
Territory and Municipal Services Directorate	13	18.3
- ACTION	-	-
- ACT Public Cemeteries	-	-
<b>Other entities</b>		
ACT Building and Construction Industry Training Fund Authority	-	-
Canberra Institute of Technology	87	50.6
Capital Metro Agency	-	-
Cultural Facilities Corporation	2	12.5
Elections ACT	-	-
Independent Competition and Regulatory Commission	-	-
Legal Aid Commission	-	-
ACT Long Service Leave Authority	-	-
Office of the Legislative Assembly	-	-
Public Trustee for the ACT	-	-
<b>Total</b>	<b>245</b>	<b>29.0</b>

Source: ACT Audit Office

Note: For the purpose of the audit detailed testing associated with the ACT Teacher Quality Institute is presented within the results for the Education Directorate.

- 4.25 Analysis of the timeliness of the acquittal of credit card statements by ACT Government entities shows that:
- a significant percentage (29.0 percent) were acquitted late;
  - late acquittals occurred in ten entities (Chief Minister, Treasury and Economic Development Directorate, Community Services Directorate, Education Directorate (Corporate and Schools), Environment and Planning Directorate, Health Directorate, Justice and Community Safety Directorate and the Canberra Institute of Technology). Of these entities, only Cultural Facilities Corporation and the Education Directorate - Schools do not use Shared Services for the administrative processing of credit cards; and
  - the Canberra Institute of Technology had the highest percentage of credit card statements not acquitted within 30 days of the statement date; 87 statements out of 172 (50.6 percent). The Community and Services Directorate had the next highest percentage with 14 out of 35 (40.0 percent) and the Health Directorate with 43 out of 113 (38.1 percent) statements not acquitted within 30 days.
- 4.26 The timeliness of acquittal of credit card statements by ten entities: the Chief Minister, Treasury and Economic Development Directorate, Community Services Directorate, Education Directorate (Corporate and Schools), Environment and Planning Directorate, Health Directorate, Justice and Community Services Directorate, Canberra Institute of Technology needs to be improved. This is particularly important given that the Shared Services Banking Team has established an automatic payment facility for monthly credit card expenditure for all ACT Government credit cards. Timely acquittal is a means of reducing risk such as erroneous or fraudulent payments not being detected in a timely manner for the purpose of taking corrective action quickly.
- 4.27 As eight of the ten ACT Government entities identified as having acquitted their credit card statements late use Shared Services for the administration of credit cards, this suggests that the current paper based acquittal process is inefficient.
- 4.28 As discussed in paragraphs 2.55 to 2.59, implementation of an automated credit card acquittal facility may achieve greater efficiency in the administration of credit cards. Shared Services advised that it had been envisaged that an automated credit card acquittal facility would be implemented using the 'raw data feed' that is provided by Westpac on a daily basis.
- 4.29 Recommendation 3 is likely to be useful in addressing late acquittals through examining and, if found appropriate, implementing an automated electronic credit card facility.

### **Appropriate review and sign-off**

- 4.30 As discussed in paragraph 4.18, a key control over the use of credit cards is the review and sign-off of acquittals by a credit card holder's supervisor or authorising officer.

## Guidance on policy and procedure

4.31 Shared Services has published guidance (for the benefit of those ACT Government entities that use Shared Services for the administration of credit cards) for submitting monthly acquittals:

Card holders are required, under agency Director-General Financial Instructions, to **submit monthly** acquittals to Shared Services out-lining expenditure which equates to the closing balance on the card holder statement for the period. The submitted acquittal must have:

- supporting documentation of individual expenses against matching transaction on the statement,
- account codes consistent with the current Oracle Chart of Accounts,
- correct tax category breakup for each transaction appearing on the statement,
- a copy of the full card holder statement for the reconciled period attached,
- approval for expenditure by an appropriate financial delegate,
- an acquittal that has been signed by the nominated card holder, and
- counter signed by an Authorising Officer.

4.32 Shared Services has also published guidance requiring that:

**Authorising Officers** must review the acquittal to ensure:

- correct procedures for purchasing have been followed by the card holder,
- Oracle accounting flex fields are applicable to the transaction appearing on the statement,
- purchases were for official purposes only,
- the transaction, card limits have not been exceeded,
- appropriate supporting documentation is attached with the acquittal.

4.33 Column 4 in Table 2-10 shows the ACT Audit Office's analysis of the guidance provided on policy and procedure for reviewing acquittals.

4.34 Eighteen of the 26 ACT Government entities (69.2 percent) provided satisfactory or good guidance for those who review acquittals, particularly with respect to the review of monthly statements and acquittals. Most guidance requires reviewers of credit card acquittals to ensure:

- correct procedures for purchasing have been followed by the card holder;
- that purchases were for official purchases only;
- that transaction, card limits have not been exceeded; and
- that appropriate documentation is attached for acquittal.

- 4.35 Obligations such as these place a high degree of responsibility on reviewers. This is appropriate as it is important in reducing the risk of inappropriate use of credit cards.
- 4.36 Eight of the ACT Government's 26 entities (31.0 percent) have limited or no guidance on the role of those who review acquittals. These entities are:
- the Community Services Directorate;
  - Housing ACT;
  - the ACT Building and Construction and Training Fund Authority;
  - Elections ACT;
  - the Independent Competition and Regulatory Commission;
  - the Legal Aid Commission;
  - the ACT Long Service Leave Authority; and
  - the Office of the Legislative Assembly.<sup>8</sup>
- 4.37 While Elections ACT, the Legal Aid Commission, the ACT Long Service Leave Authority and the Office of the Legislative Assembly did not provide any guidance on the role of the reviewer, they did provide some overarching guidance, as follows:
- Elections ACT – Deputy Electoral Commissioner: 'ensure correct procedures for purchase have been followed by the card holder' and 'ensure that purchases were for official purpose only'
  - Legal Aid Commission – Credit Card Administration Officer: 'perform monthly credit card reconciliations'
  - ACT Long Service Leave Authority – Chief Finance Officer and Finance Manager: 'ensure correct procedures for purchasing have been followed by the card holder' and 'ensure that purchases were for official purposed only'
  - Office of the Legislative Assembly – Finance staff: 'Finance staff will independently examine the credit card statements and corresponding receipts each month to determine that chargers are appropriate and related to the office business of the Office and that relevant certification and authorisation has occurred'

### Compliance with guidance on policy and procedure

- 4.38 Table 4-3 shows the results of testing by the ACT Audit Office of controls for review and sign off of credit card acquittal statements.

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<sup>8</sup> The Audit Office notes that there is limited guidance in the ACT Building and Construction Industry Training Fund Authority, Legal Aid Commission and ACT Long Service Leave Authority policy and procedural guidance with respect to the role and responsibilities of the reviewer (supervisor). However, this is mitigated by all credit card acquittals being signed off by the Chief Executive Officer of each respective entity.

**Table 4-3 Review and approval of credit card acquittal statements**

	Number of credit card acquittal statements not signed by a reviewer	Number of credit card acquittal statements not signed by both card holder and reviewer	Number of credit card acquittal statements reviewed by the card holder
Chief Minister, Treasury and Economic Development Directorate		1	
- Land Development Agency		1	
Health Directorate	4		2
Public Cemeteries Authority	1		
Canberra Institute of Technology		4	
Public Trustee for the ACT	1		

Source: ACT Audit Office

4.39 Of the 852 credit card statement acquittals examined:

- six (0.7 percent) were not signed by a reviewer;
- six (0.7 percent) were not signed by either the card holder or a reviewer; and
- two (0.3 percent) were approved by the card holder.

4.40 Seventy two percent of ACT Government entities provided satisfactory or good guidance on the role of reviewers of credit statement acquittals. A high degree of responsibility was placed on reviewers, which is appropriate as they have an important role in reducing the risk of inappropriate use of credit cards. Twenty eight percent of ACT Government entities did not provide adequate guidance.

4.41 There was a high compliance rate with procedures for reviewing credit card statement acquittals. Of the 852 statement acquittals reviewed by the ACT Audit Office only six were not signed by a reviewer, six were not signed by both the card holder and reviewer and there were three instances where the card holder was also the reviewer. However, managing risks is best achieved by striving to achieve 100 percent compliance.

## Maintaining appropriate supporting documentation

- 4.42 It is important that purchases made using credit cards are appropriately described and documented so that accountability can be assured.

### Appropriately describing purchases

- 4.43 Consistent and accurate classification and description of credit card purchases provides transparency and information for decision making. It also allows the authorising and reviewing officers to determine if the goods or services purchased are for official government use.

### Guidance on policy and procedure

- 4.44 Column 5 in Table 2-10 shows the ACT Audit Office's analysis of ACT Government entities' guidance for policy and procedure for describing credit card purchases.

- 4.45 Guidance provided by 22 of the ACT Government's 26 entities for describing goods or services purchased for the purpose of credit card acquittal statements was either satisfactory or good. The policies for these entities typically stated:

... card-holders must ensure there is a clear description of the good / services purchased on supporting each invoice/invoices. The description "goods" is not sufficient. The description is required so that expenditure can be easily checked, reconciled and coded to the correct ledgers...

- 4.46 The guidance from the Justice and Community Safety Directorate contained additional detail on how goods or services are required to be described. The Directorate's guidance states:

The description "goods" is not sufficient. The description is required so that expenditure can easily be checked, reconciled and acquitted via the Credit Card Acquittal form and coded to the correct ledgers.

Although it is recognised that the Corporate Credit Card Acquittal form has limited space, a meaningful description should be included. Where appropriate to the circumstances, supporting documentation can also be attached to the acquittal form. Examples of inadequate descriptions, together with examples of better descriptions are provided...<sup>9</sup>

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<sup>9</sup> A useful Table is provided (at page 17 of the DGFI) on common purchases including: catering, meal allowances, refreshments, road toll, taxis, parking, utensils, computers, chairs and stationery. [ C/F JACS D-GFI – 2.9 Credit Cards (version 3.3 dated 8 July 2014)].

- 4.47 This was supported by detailed guidance showing examples of inadequate descriptions and how the purchases should have been described.
- 4.48 The ACT Building and Construction and Training Fund Authority, the Land Development Agency, the Community Services Directorate, Housing ACT and the Independent Competition and Regulatory Commission did not have any specific guidance requiring credit card holders to appropriately describe the expenditure.

#### **Compliance with guidance on policy and procedure**

- 4.49 The ACT Audit Office assessment of credit card expenditure by ACT Government entities shows some credit card transactions had not been appropriately described.
- 4.50 Table4-4 shows the results of testing the description of credit card purchases.

**Table 4-4 Description of credit card purchases**

Entity	Total number of transactions	Transactions not appropriately described	Percentage of transactions not appropriately described (%)
<b>Directorates</b>			
Chief Minister, Treasury and Economic Development Directorate	562	58	10.3
- ACT Executive	23	5	21.7
- ACT Insurance Authority	2	-	-
- Gambling and Racing Commission	5	-	-
- Land Development Agency	51	-	-
Community Services Directorate	200	1	0.5
Education Directorate - Corporate	182	52	28.6
Education Directorate - Schools	376	10	2.7
Environment and Planning Directorate	165	3	1.8
Health Directorate	444	30	6.8
Justice and Community Safety Directorate	660	71	10.8
Territory and Municipal Services Directorate	321	-	-
- ACTION	17	7	41.2
- ACT Public Cemeteries	40	4	10.0
<b>Other entities</b>			
ACT Building and Construction Training Fund Authority	15	-	-
Canberra Institute of Technology	859	14	1.6
Capital Metro Agency	4	-	-
Cultural Facilities Corporation	67	-	-
Elections ACT	2	-	-
Independent Competition and Regulatory Commission	21	-	-
Legal Aid Commission	55	-	-
ACT Long Service Leave Authority	12	-	-
Office of the Legislative Assembly	22	7	31.8
Public Trustee for the ACT	23	-	-
<b>Total</b>	<b>4 128</b>	<b>262</b>	<b>6.3</b>

Source: ACT Audit Office

Note: For the purpose of the audit detailed testing associated with the ACT Teacher Quality Institute is presented within the results for the Education Directorate.

- 4.51 Two hundred and sixty two transactions of the 4 128 examined by the ACT Audit Office were not supported by an appropriate description of the goods or services purchased. These transactions were commonly associated with meals and entertainment, but some related to the purchase of computers and related ICT equipment. While this is only 6.3 percent it does mean that for these purchases it is difficult to confirm that they were appropriate or undertaken for official government use. Managing the risk that funds are appropriately spent is best achieved by documentation being adequate for all transactions.

### **Maintaining appropriate supporting documentation and tax invoices**

- 4.52 All transactions involving the expenditure of public monies should be supported by adequate evidence. This serves to mitigate fraud or misuse, facilitate decision making and improve accountability and governance.

### **Guidance on policy and procedure**

- 4.53 Columns 6 and 7 in Table 2-10 show the ACT Audit Office's assessment of the guidance provided on policy and procedure for the retention of appropriate supporting documentation and tax invoices for credit card purchases by ACT Government entities.
- 4.54 All ACT Government entities, with the exception of the Land Development Agency, had good or satisfactory guidance that required appropriate documentary evidence be retained to confirm transactions are legitimate and correct.

4.55 ACT Government entities typically provided guidance such as:

Tax invoices are required for transactions in order to comply with Goods and Services Tax (GST) requirements (except in limited circumstances such as overseas purchases where an invoice is sufficient). In circumstances where tax invoices are not available, statutory declarations must be provided.

...

All purchase documentation must be retained to verify the expenditure was legitimate and to support payment of the monthly statement.

...

Related paperwork such as tax invoice/invoices, credit card docketts, receipts etc...and any supporting transaction summary...should be attached to the statement...

4.56 Tax invoices need to be collected and retained for the purpose of claiming GST input tax credits. All purchases over \$82.50 GST inclusive must be supported by a tax invoice to claim the GST credit for the ACT Government entity.

4.57 All ACT Government entities, with the exception of the ACT Building and Construction Industry Training Fund Authority and Land Development Agency, had satisfactory or good guidance on policy and procedure for collecting and retaining tax invoices.

4.58 Most ACT Government entities' policy and procedural guidance identified the need to obtain a tax invoice, but did not provide any further information. The policy and procedural guidance typically stated:

related paperwork such as tax invoice/invoices, credit card docketts, receipts etc...and any supporting transaction summary...should be attached to the statement.

4.59 The Justice and Community Safety Directorate and the Canberra Institute of Technology's policy and procedural guidance provided further information on what constitutes a tax invoice, with policy and procedural guidance stating:

For an invoice to be considered a Tax Invoice or Tax Receipt it must:

- contain the words 'Tax Invoice' or 'Tax Receipt';
- contain the ABN of the supplier;
- state if GST is included in the purchase price; and
- if the entire amount of supply does not contain GST the amount of GST must be specified (note: these requirements are mandatory on purchases of \$82.50 GST inclusive and over)

4.60 The Health Directorate had comprehensive guidance on the importance of obtaining a tax invoice for the purpose of being able to obtain input tax credits on the purchase of goods and services to cover the risks to the Territory in not being able to recover input tax credits. Its guidance was specific:

... must first ascertain that the supplier has an ABN<sup>10</sup> and is registered to collect GST prior to authorising the full amount of expenditure. If a supplier does not have an ABN and the purchase is greater than \$82.50 (including GST), the card holder must withhold 46.5% from the payment.

### **Compliance with guidance on policy and procedure**

4.61 The ACT Audit Office assessed supporting documentation for credit card transactions by verifying that originals or copies of invoices and receipts were attached to the relevant credit card transaction and that tax invoices were obtained for transactions of \$82.50 or more. Where an original or copy of the receipt was not available, evidence of a Statutory Declaration was sought, as is provided in accordance with approved procedures. Table 4-5 shows the result of testing supporting documentation.

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<sup>10</sup> Australian Business Number

**Table 4-5 Supporting documentation for credit card transactions**

Entity	Total number of transactions	Number of transactions not supported by appropriate documentation	Percentage of transactions not supported by appropriate documentation
<b>Directorates</b>			
Chief Minister, Treasury and Economic Development Directorate	562	26	4.6
- ACT Executive	23	3	13.0
- ACT Insurance Authority	2	-	-
- Gambling and Racing Commission	5	-	-
- Land Development Agency	51	-	-
Community Services Directorate	200	-	-
Education Directorate - Corporate	182	1	0.6
Education Directorate - Schools	376	48	12.8
Environment and Planning Directorate	165	1	0.61
Health Directorate	444	8	1.8
Justice and Community Safety Directorate	660	103	15.6
Territory and Municipal Services Directorate	321	-	-
- ACTION	17	1	5.9
- ACT Public Cemeteries	40	3	7.5
<b>Other entities</b>			
ACT Building and Construction Industry Training Fund Authority	15	1	6.6
Canberra Institute of Technology	859	34	3.9
Capital Metro Agency	4	-	-
Cultural Facilities Corporation	67	5	7.5
Elections ACT	2	-	-
Independent Competition and Regulatory Commission	21	-	-
Legal Aid Commission	55	-	-
ACT Long Service Leave Authority	12	-	-
Office of the Legislative Assembly	22	3	13.6
Public Trustee for the ACT	23	-	-
<b>Total</b>	<b>4 128</b>	<b>237</b>	

Source: ACT Audit Office

Note: For the purpose of the audit detailed testing associated with the ACT Teacher Quality Institute is presented within the results for the Education Directorate.

- 4.62 A review of credit card expenditure across ACT Government entities shows there were 237 transactions of the 4 128 examined by the ACT Audit Office were not supported by appropriate documentation or tax invoices.
- 4.63 A key shortcoming in relation to the collection and retention of tax invoices related to internet-based transactions. In a number of instances related to internet-based purchases, tax invoices were not provided, and an email confirmation or email receipt was typically provided as support for the credit card purchase. This was a common feature of internet-based transactions across all ACT Government entities.
- 4.64 All ACT Government entities, with the exception of the Land Development Agency, have satisfactory or good guidance for requiring that sufficient documentation be retained to support the use of the credit card. Two hundred and thirty seven transactions of the 4 128 assessed by the ACT Audit Office were not adequately supported by documentation. Inadequate documentation included instances of mismatching of the invoice with the services purchased, insufficient evidence of prior approval where required and where credit card statement acquittal forms were not properly signed and authorised as required. While 237 transactions account for only 5.7 percent, managing the risk that funds are appropriately spent is best achieved by striving to achieve documentation that is 100 percent adequate.

### Use of credit cards for hospitality

- 4.65 Under sections 31 and 55 of the *Financial Management Act 1996* directors-general and chief executive officers are responsible for all expenditure within their respective entities. This includes setting expectations, and establishing controls, with respect to the use of credit cards for hospitality. If not properly managed, expenditure on hospitality can reduce public confidence in, and adversely impact on, an entity's reputation.
- 4.66 The ACT Audit Office focused on purchases of food and beverages, and catering for official hospitality.
- 4.67 Key principles and considerations with hospitality are whether:
- the people attending the event are predominantly from organisations other than those within the public sector;
  - the primary purpose is for the government entity to establish or maintain a business relationship with external people and organisations; and
  - the hospitality 'event' is designed to progress government priorities and outcomes.

### Guidance on policy and procedure

- 4.68 Column 8 in Table 2-10 shows the ACT Audit Office's analysis of ACT Government entities' guidance for policy and procedure for the use of credit cards for hospitality purposes.

4.69 Eleven ACT Government entities (the Land Development Agency, the Education Directorate (ACT Teacher Quality Institute, Schools; the ACT Building and Construction Industry Training Fund Authority, Cultural Facilities Corporation, Elections ACT, the Independent Competition and Regulatory Commission, Legal Aid Commission, the ACT Long Service Leave Authority and the Office of the legislative Assembly) did not have specific guidance on the use of credit cards for hospitality.

4.70 The Justice and Community Safety Directorate has provided useful guidance on the use of credit cards for hospitality purposes. In this respect the Justice and Community Safety Directorate guidance states:

When using the ACT Government Corporate Credit Card for hospitality or sensitive expenses, it is important to note the occasion, attendees and why the expense is being incurred. It should be noted that purchases of this nature will require prior approval from the Director-General or Business Unit Managers/Executive Directors, in accordance with the JACS Hospitality, Gifts and Benefits policy. The completion of an Entertainment Approval and Fringe benefits Declaration form (available on the JACS internet) must be completed and forwarded with any payment documentation.

Some examples of hospitality related/sensitive expenses may include, but are not limited to the following:

• Flowers	• Official Gifts	• Phone Cards
• Gift Vouchers	• Pocket PC	• Digital Cameras
• Alcohol	• Mobile Phones	

For further guidance, refer to DGF1 2.5 Official Hospitality, the JACS Hospitality, Gifts and benefits Policy, or contact Shared Services Finance Reporting Team for clarification prior to making these purchases.

### Compliance with guidance on policy and procedure

4.71 The appropriateness of expenditure associated with use of credit cards for hospitality purposes was assessed by considering whether pre-approvals were obtained and attendees were not limited to ACT public sector personnel. Table 4-6 shows the results of testing of the use of credit cards for hospitality purposes.

**Table 4-6 Use of credit cards for hospitality expenditure**

Entity	Total number of hospitality-related transactions	Number of hospitality-related transactions without pre-approval	Percentage total number of hospitality-related transactions without pre-approval or where attendees were limited to ACT public sector personnel
<b>Directorates</b>			
Chief Minister, Treasury and Economic Development Directorate	47	-	-
- ACT Executive	1	-	-
- ACT Insurance Authority	-	-	-
- Gambling and Racing Commission	3	-	-
- Land Development Agency	4	-	-
Community Services Directorate	2	-	-
Education Directorate - Corporate	1	1	100.0
Education Directorate - Schools	18	-	-
Environment and Planning Directorate	10	6	60.0
Health Directorate	6	4	66.7
Justice and Community Safety Directorate	46	8	17.4
Territory and Municipal Services Directorate	1	-	-
- ACTION	-	-	-
- ACT Public Cemeteries	3	-	-
<b>Other entities</b>			
ACT Building and Construction Industry Training Fund Authority	-	-	-
Canberra Institute of Technology	44	2	4.6
Capital Metro Agency	4	-	-
Cultural Facilities Corporation	10	-	-
Elections ACT	-	-	-
Independent Competition and Regulatory Commission	6	-	-
Legal Aid Commission	3	-	-
ACT Long Service Leave Authority	-	-	-
Office of the Legislative Assembly	-	-	-
Public Trustee for the ACT	-	-	-
<b>Total</b>	<b>209</b>	<b>21</b>	<b>10.0</b>

Source: ACT Audit Office

Note: For the purpose of the audit the ACT Teacher Quality Institute is presented within the results for the Education Directorate.

- 4.72 Twenty one of the 209 hospitality related transactions examined by the ACT Audit Office did not have evidence of pre-approval or were attended only by ACT public sector personnel.
- 4.73 Eleven ACT Government entities of the 26 assessed by the ACT Audit Office did not have guidance on the use of credit cards for hospitality purposes. Twenty one transactions of the 209 hospitality transactions examined did not have evidence of pre-approval or that these were not only attended by ACT public sector personnel. Given the risk associated with government funds being used for hospitality this is an issue that warrants attention by ACT Government entities, particularly those who do not have guidance or evidence to justify expenditure.

## Whole-of-government purchasing arrangements

- 4.74 Shared Services Procurement, on behalf of the ACT Government, has established a number of whole-of-government purchasing arrangements that are designed to deliver savings to the Territory. Two key whole-of-government purchasing arrangements are for:
- travel and accommodation; and
  - stationery and office supplies.

### Guidance on policy and procedure

- 4.75 Column 9 in Table 2-10 shows the ACT Audit Office's analysis of ACT Government entities guidance on policy and procedure for the use of credit cards for goods and services covered by whole-of-government purchasing arrangements for travel and accommodation and stationary and office supplies.
- 4.76 Only two of the 26 ACT Government entities examined had guidance on the use of whole-of-government purchasing arrangements when using credit cards. These were the:
- Territory and Municipal Services Directorate; and
  - Justice and Community Safety Directorate.

### *Travel and accommodation*

- 4.77 All ACT Government entities are required to use the whole-of-government purchasing arrangement for travel and accommodation to maximise the benefits to the Territory unless there are exceptional circumstances.

4.78 The Justice and Community Safety Directorate requires that:

Travellers approved to hold a corporate credit card should not use it to purchase airline tickets or accommodation other than in exceptional circumstances such as cancelled flights or lost tickets where these costs cannot be paid under the agreed charging arrangements...

4.79 If a credit card is used to pay for travel or accommodation the Justice and Community Safety Directorate's guidance requires an explanation:

Has travel or accommodation been paid using the credit card? If Yes, state why travel or accommodation was not booked using [the travel provider] and attach reasons and supporting documentation to credit card acquittal AND attach tax invoice.

4.80 The Justice and Community Safety Directorate guidance is an example of better practice guidance on the use of credit cards for services covered by the whole-of-government purchasing arrangement for travel and accommodation.

#### *Stationery and office supplies*

4.81 All ACT Government entities are required to use the whole-of-government purchasing arrangement for the supply of stationery and office products in order to maximise the benefits to the Territory unless there are exceptional circumstances.

4.82 The Justice and Community Safety Directorate reinforce this whole-of-government requirement in their guidance on policy and procedures. For example, the Justice and Community Safety Directorate's policy requires that:

The whole government contract with OfficeMax must be used unless the particular items are not available from OfficeMax or are required urgently (under 24 hours). In addition, card holders must provide a reason for purchasing stationery on their credit card and not through OfficeMax. This is to be attached to the credit card acquittal ...

4.83 The Justice and Community Safety Directorate guidance is an example of better practice guidance on the use of credit cards for goods covered by the whole-of-government stationary and office supplies purchasing arrangement.

#### **Compliance with guidance on policy and procedure**

4.84 Table 4-7 shows the ACT Audit Office assessment of the use of credit cards used for purchases covered by Shared Service's whole-of-government purchasing arrangements for travel and accommodation and stationery and office supplies.

**Table 4-7 Use of credit cards for purchases covered by whole-of-government purchasing arrangements for travel and accommodation and stationery and office supplies**

Entity	Total number of transactions	Number of transactions relating to whole-of-government contracts	Percentage of transactions relating to whole-of-government contracts
<b>Directorates</b>			
Chief Minister, Treasury and Economic Development Directorate	58	54	93.1
- ACT Executive	4	2	50.0
- ACT Insurance Authority	-	-	-
- Gambling and Racing Commission	-	-	-
- Land Development Agency	-	-	-
Community Services Directorate	23	3	13.0
Education Directorate - Corporate	49	46	26.4
Education Directorate - Schools	59	39	69.6
Environment and Planning Directorate	17	9	52.9
Health Directorate	69	30	43.5
Justice and Community Safety Directorate	45	37	82.2
Territory and Municipal Services Directorate	17	9	52.9
- ACTION	-	-	-
- ACT Public Cemeteries	7	1	14.3
<b>Other entities</b>			
ACT Building and Construction Industry Training Fund Authority	4	4	100
Canberra Institute of Technology	77	4	5.2
Capital Metro Agency	-	-	-
Cultural Facilities Corporation	7	1	14.3
Elections ACT	-	-	-
Independent Competition and Regulatory Commission	-	-	-
Legal Aid Commission	-	-	-
ACT Long Service Leave Authority	-	-	-
Office of the Legislative Assembly	5	2	40.0
Public Trustee for the ACT	4	1	25.0
<b>Total</b>	<b>445</b>	<b>242</b>	<b>54.3</b>

Source: ACT Audit Office

Note: For the purpose of the audit detailed testing associated with the ACT Teacher Quality Institute is presented within the results for the Education Directorate.

- 4.85 There were 445 transactions where a credit card was used to purchase goods and services that appeared to be the subject of whole-of-government purchasing arrangements for travel and accommodation and stationery and office supplies. For 242 instances there was insufficient evidence or documentation of the reason for not using the existing whole-of-government purchasing arrangement.
- 4.86 Maximising whole-of-government purchasing arrangements provides benefits such as reducing costs, which are important to realise. In 2012, the Victorian Auditor-General published a performance audit report: *Personal Expense Reimbursement, Travel Expenses and Corporate Credit Cards*, which considered, in part, compliance with existing whole-of-government contracting arrangements.
- 4.87 In considering compliance with State Purchase Contracts (whole-of-government arrangements for aggregating purchases of goods and services to secure significant discounts) the Victorian Auditor-General stated:
- The departments in this audit made significant savings from using these contracts. However, audited departments and the Department of Treasury and Finance (DTF) have not fully realised potential savings because significant purchasing still occurs outside these contracts. Apart from the Department of Justice (DOJ), departments have not understood or managed contract leakage – spending outside of these mandatory arrangements. Realising savings through SPCs directly affects the government’s savings targets.
- 4.88 This led the Victorian Auditor-General to recommend that:
- Public sector agencies should report and address expenditure occurring outside of mandated State Purchase Contracts and [the] DTF should request an acquittal of contract leakage from participating agencies.
- 4.89 Discussions with ACT Government entities identified that there were circumstances where it may be time critical or more efficient for items to be acquired outside of usual purchasing arrangements. ACT Government entities identified two main reasons for not using the whole-of-government purchasing arrangements:
- not all items needed are covered by the purchasing arrangement;<sup>11</sup> and
  - the threshold of \$100 needed to make a purchase of stationery and office supplies through the existing whole-of-government contract was not met.

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<sup>11</sup> This was the reason the Education Directorate schools provided.

- 4.90 The Justice and Community Safety Directorate and the Territory and Municipal Services Directorate were the only ACT Government entities with guidance on the use of credit cards for goods and services covered by existing whole-of-government purchasing arrangements. There were 242 instances in 445 transactions where a credit card was used to purchase goods and services that were the subject of whole-of-government purchasing arrangements and where there was insufficient documentation of the reason why this arrangement was not used. The low use of whole-of-government purchasing arrangements presents a risk that the benefits of the arrangements are not maximised.

#### **RECOMMENDATION 5      CREDIT CARD GUIDANCE AND USE**

All ACT Government entities should provide guidance on credit card management and administration for all supporting controls. However particular attention needs to be given to guidance on:

- a) tax invoices, especially explaining the need for these to be obtained for all transactions over \$82.50 (GST Inclusive) and defining what constitutes a tax invoice;
- b) appropriate retention of documentation to demonstrate appropriate use; and
- c) the use of whole-of-government purchasing arrangements, including the need for documentation to demonstrate any departures from the arrangements.

## 5 MONITORING AND REVIEW OF CREDIT CARDS

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- 5.1 This chapter discusses ACT Government entity monitoring and review of the use of credit cards.

### Summary

#### Key findings

	Paragraph
Most corporate finance areas in ACT Government entities review credit card acquittal statements prior to their submission to Shared Services for processing or as they are being processed by the entity. While this provides a level of assurance it does not constitute an independent review of the appropriateness or otherwise of the expenditure, or is a means of identifying ways to improve the effectiveness or efficiency for procuring a good or service, e.g. through using whole-of-government arrangements.	5.8
The large ACT Government directorates and entities: the Canberra Institute of Technology, Chief Minister, Treasury and Economic Development Directorate, Community Services Directorate, Education Directorate, Environment and Planning Directorate, Health Directorate, Justice and Community Safety Directorate and Territory and Municipal Services Directorate have conducted internal audits on credit cards. The scope and objective of the credit card audits ranged from focusing on compliance to a detailed analysis of the management and administration of credit cards to identify improvements. Smaller ACT Government entities have not conducted internal audits on credit cards, due to this being impractical and oversight achieved due to their small size.	5.9
Only 16 of the 26 ACT Government entities sought to make use of <i>Corporate Online</i> , which provides an opportunity for ACT Government entities to obtain real-time transactional data on the use of credit cards. Those entities which have not sought access to <i>Corporate Online</i> are missing an opportunity to effectively monitor and review credit card use and strategically assess data on its credit cards.	5.14
The Territory and Municipal Services Directorate and Capital Metro Agency have requested additional reporting from Shared Services in order to provide an independent monitoring and review mechanism, outside of its acquittal process. These reports assist these entities to monitor all credit card use. This is a better practice initiative.	5.17

## Monitoring and reviewing credit card use

5.2 An important control mechanism in assuring credit cards are used appropriately is to routinely monitor and review their management and administration. This:

- reduces the risk of misuse; and
- provides an opportunity to improve performance, potentially identifying efficiencies.

5.3 Monitoring and review activities undertaken by ACT Government entities includes:

- entity finance areas reviewing credit card acquittals prior to internal processing or being sent to Shared Services for processing;
- monitoring credit card transactions using *Corporate Online*; and
- internal audits of the use of credit cards.

### Review of credit card acquittals prior to processing

5.4 The monitoring and review processes used by ACT Government entities is generally limited to checking whether:

- the acquittals were completed correctly;
- there were supporting invoices; and
- the reviewing (authorising) officer has signed off.

5.5 While this monitoring and review is appropriate it needs to be supported by other reviews such as those provided through internal audits and periodic strategic analysis.

### Internal Audits

5.6 Table 5-1 shows ACT Government entities who have undertaken internal audits on credit cards.

**Table 5-1 ACT Government entity internal audits on credit cards**

Entity	Audit Completion
Canberra Institute of Technology	July 2015
Chief Minister, Treasury and Economic Development Directorate	November 2012
Community Services Directorate	February 2013 and May 2016
Economic Development Directorate	April 2013
Education Directorate	July 2013
Environment and Planning Directorate	August 2013
Health Directorate	October 2007
Justice and Community Safety Directorate	March 2014
Territory and Municipal Services Directorate	February 2010 and May 2014

Source: ACT Audit Office

- 5.7 All of the largest ACT Government directorates and entities have undertaken internal audits on credit cards. In contrast, however, smaller ACT Government entities have not. Smaller ACT Government entities advised that conducting such audits was impractical and unnecessary because of the small number of cards and transactions. Furthermore, they considered that they had sufficient visibility of transactions as their corporate finance areas were providing a form of assurance through their involvement in facilitating credit card acquittals.
- 5.8 Most corporate finance areas in ACT Government entities review credit card acquittal statements prior to their submission to Shared Services for processing or as they are being processed by the entity. While this provides a level of assurance it does not constitute an independent review of the appropriateness or otherwise of the expenditure, or is a means of identifying ways to improve the effectiveness or efficiency for procuring a good or service, e.g. through using whole-of-government arrangements.
- 5.9 The large ACT Government directorates and entities: the Canberra Institute of Technology, Chief Minister, Treasury and Economic Development Directorate, Community Services Directorate, Education Directorate, Environment and Planning Directorate, Health Directorate, Justice and Community Safety Directorate and Territory and Municipal Services Directorate have conducted internal audits on credit cards. The scope and objective of the credit card audits ranged from focusing on compliance to a detailed analysis of the management and administration of credit cards to identify improvements. Smaller ACT Government entities have not conducted internal audits on credit cards, due to this being impractical and oversight achieved due to their small size.

## Access to data for monitoring and review

### *Corporate Online*

- 5.10 The ACT Government's credit card provider, Westpac, provides ACT Government entities, if they wish to use it, with *Corporate Online*. This is an internet-based electronic platform that provides a suite of transactional services, including the ability to view real-time account balances and transactions and electronic transactional and statement data.<sup>12</sup> *Corporate Online* offers a means by which an entity can obtain specific transactional data on credit card use for the purpose of monitoring and review.
- 5.11 Access to *Corporate Online* is granted by Westpac at the request of the ACT Government entity that issues the credit card. Table 5-2 shows the ACT Government entities that currently have access to *Corporate Online*.

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<sup>12</sup> Westpac Online Product Brochure 2015

**Table 5-2 ACT Government entities with access to *Corporate Online***

Entity	Corporate Online Access
<b>Directorates</b>	
Chief Minister, Treasury and Economic Development Directorate	✓
- ACT Executive	✓
- ACT Insurance Authority	✓
- Gambling and Racing Commission	✓
- Land Development Agency	✓
Community Services Directorate	✓
- Housing ACT	✗
Education Directorate - Corporate	✗
- ACT Teacher Quality Institute	✗
Education Directorate - Schools	✗
Environment and Planning Directorate	✗
Health Directorate	✗
Justice and Community Safety Directorate	✗
Territory and Municipal Services Directorate	✗
- ACTION	✗
- ACT Public Cemeteries	✓
<b>Other entities</b>	
ACT Audit Office	✓
ACT Building and Construction Industry Training Fund Authority	✗
Canberra Institute of Technology	✗
Capital Metro Agency	✓
Cultural Facilities Corporation	✓
Elections ACT	✓
Independent Competition and Regulatory Commission	✓
Legal Aid Commission	✓
ACT Long Service Leave Authority	✓
Office of the Legislative Assembly	✓
Public Trustee for the ACT	✓

Source: ACT Audit Office

5.12 Only 16 of the 26 ACT Government entities had access to *Corporate Online*. Those entities who do not use *Corporate Online*, which is available without charge, are not taking advantage of the advantages it offers for monitoring and review, and strategic data analysis.

- 5.13 Real-time, electronic transactional data is directly available for those ACT Government entities that have access to *Corporate Online*. A limitation is that data is only available from the time when access was granted. Beyond an audit context, the ability to access up to date and detailed transactional data relating to credit cards would be of benefit to individual entities, from a governance and assurance perspective, as well as at a whole-of-government level, where such data could be used to inform procurement policy and purchasing arrangements. As mentioned in paragraphs 2.30 to 2.32, there is merit in ACT Government entities' reviewing the current allocation of credit cards to staff, given that there appears to be low use by some credit card holder.
- 5.14 Only 16 of the 26 ACT Government entities sought to make use of *Corporate Online*, which provides an opportunity for ACT Government entities to obtain real-time transactional data on the use of credit cards. Those entities which have not sought access to *Corporate Online* are missing an opportunity to effectively monitor and review credit card use and strategically assess data on its credit cards.

### Shared Services reports

- 5.15 Another opportunity for ACT Government entities to obtain information on staff use of credit cards is the reports Shared Services provides.
- 5.16 Since November 2014, Shared Services has been providing the Territory and Municipal Services Directorate with a detailed report, which covers outstanding acquittals, expenditure by month and summary journal information for each period. The report includes information such as:
- expenditure summary data by card holder;
  - outstanding acquittals by card holder; and
  - consolidated journal information for each card holder for each period.
- 5.17 The Territory and Municipal Services Directorate and Capital Metro Agency have requested additional reporting from Shared Services in order to provide an independent monitoring and review mechanism, outside of its acquittal process. These reports assist these entities to monitor all credit card use. This is a better practice initiative.

**RECOMMENDATION 6      DATA FOR MONITORING AND REVIEW**

All ACT Government entities should investigate opportunities to:

- a) access *Corporate Online* for the purpose of obtaining detailed transactional data on credit card use within the entity; or
- b) receive reports from Shared Services with respect to credit card use within the entity; and
- c) use transactional data, or reports from Shared Services, to review and evaluate the use of credit cards within the entity, including the ongoing appropriateness of the issue of credit cards to staff and any opportunities for improvement with respect to the efficient and effective management of credit cards in the entity.



# APPENDIX A: LEGISLATIVE REQUIREMENTS FOR THE ADMINISTRATION OF CREDIT CARDS

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Key legislative requirements for the management of credit cards by ACT Government entities derive from the *Financial Management Act 1996*.

## *Financial Management Act 1996 – general requirements*

Subsection 31(1) of the *Financial Management Act 1996* provides:

The responsible director-general of a directorate is accountable to the responsible Minister of the directorate for the efficient and effective financial management of the directorate.

Subsection 55(2) of the *Financial Management Act 1996* similarly provides (for territory authorities):

The chief executive officer of the territory authority is responsible, under the responsible Minister, for the efficient and effective financial management of the authority.

Subsection 31(2) of the *Financial Management Act 1996* also provides:

... the responsible director-general of a directorate is responsible, under the responsible Minister, for ensuring—

- d) that proper accounts and records are kept of the transactions and affairs of the directorate in accordance with generally accepted accounting principles; and
- e) that adequate control is maintained over the assets of the directorate and assets in the control of the directorate; and
- f) that adequate control is maintained over the incurring of liabilities by the directorate.

Subsection 55(3) of the *Financial Management Act 1996* similarly provides (for territory authorities):

... the chief executive officer of the territory authority is responsible, under the responsible Minister, for ensuring the following:

- a) that the expenses incurred by the authority are properly authorised; and
- ...
- d) that payments made by the authority are properly authorised and correctly made;
- ...
- e) that adequate control is maintained over the assets of the authority and assets under the authority's control; and
- f) that adequate control is maintained over the incurring of liabilities by the authority



## Audit reports

<b>Reports Published in 2015-16</b>	
Report No. 05 – 2016	Initiation of the Light Rail Project
Report No. 04 – 2016	The management of the financial arrangements for the delivery of the Loose-fill Asbestos (Mr Fluffy) Insulation Eradication Scheme
Report No. 03 – 2016	ACT Policing Arrangement
Report No. 02 – 2016	Maintenance of Public Housing
Report No. 01 – 2016	Calvary Public Hospital Financial and Performance Reporting and Management
Report No. 10 – 2015	2014-15 Financial Audits
Report No. 09 – 2015	Public Transport: The Frequent Network
Report No. 08 – 2015	Annual Report 2014-15
<b>Reports Published in 2014-15</b>	
Report No. 07 – 2015	Sale of ACTTAB
Report No. 06 – 2015	Bulk Water Alliance
Report No. 05 – 2015	Integrity of Data in the Health Directorate
Report No. 04 – 2015	ACT Government support to the University of Canberra for affordable student accommodation
Report No. 03 – 2015	Restoration of the Lower Cotter Catchment
Report No. 02 – 2015	The Rehabilitation of Male Detainees at the Alexander Maconochie Centre
Report No. 01 – 2015	Debt Management
Report No. 07 – 2014	2013-14 Financial Audits
Report No. 06 – 2014	Annual Report 2013-14
<b>Reports Published in 2013-14</b>	
Report No. 05 – 2014	Capital Works Reporting
Report No. 04 – 2014	Gastroenterology & Hepatology Unit, Canberra Hospital
Report No. 03 – 2014	Single Dwelling Development Assessments
Report No. 02 – 2014	The Water and Sewerage Pricing Process
Report No. 01 – 2014	Speed Cameras in the ACT
Report No. 08 – 2013	Management of Funding for Community Services
Report No. 07 – 2013	2012-13 Financial Audits
Report No. 06 – 2013	ACT Auditor-General's Office Annual Report 2012-13
Report No. 05 – 2013	Bushfire Preparedness

These and earlier reports can be obtained from the ACT Audit Office's website at <http://www.audit.act.gov.au>.

