



**Australian Government**

Australian Government response to the  
Foreign Affairs, Defence and Trade References  
Committee report:

Department of Defence's management of credit  
and other transaction cards

August 2017

### **Recommendation 1**

The committee recommends that the Minister for Defence directs the Australian National Audit Office to undertake biennial performance audits of the Department of Defence's management of credit and other transaction cards to ensure:

- (a) recommendations from the 2015-16 performance audit are implemented in full; and
- (b) Defence complies with performance standards set by the *Public Governance, Performance and Accountability Act 2013*.

### **Government response**

#### **Disagree**

In accordance with the Auditor-General Act 1997 Part 3 Section 8, the Auditor-General is an independent officer of the Parliament, and has complete discretion in the performance or exercise of his or her functions or powers. In particular, the Auditor-General is not subject to direction in relation to: whether or not a particular audit is to be conducted; the way in which a particular audit is to be conducted; or the priority to be given to any particular matter.

It is relevant to note that the ANAO is currently testing a sample of Defence credit card transactions as part of the 2016-17 ANAO Financial Statements audit activity. The ANAO has also advised that a follow-up of the implementation of recommendations in ANAO Report 33 Defence's Management of Credit Cards will be conducted as part of the 2016-17 ANAO Financial Statements audit of Defence.

### **Recommendation 2**

The committee recommends that the Joint Committee of Public Accounts and Audit include the Department of Defence's management of credit and other transaction cards and its compliance with the Public Governance, Performance and Accountability Act 2013, as part of its ongoing work program.

### **Government response**

#### **For JCPAA to respond.**

Acceptance of this recommendation is a matter for the Joint Committee of Public Accounts and Audit. Defence will not comment on this recommendation.

### **Recommendation 3**

The committee recommends that the Department of Defence re-examine the use of credit cards for cash advances and their acquittal processes, including independent verification of transactions for travel and purchase cards, in collaboration with the Department of Finance and the Australian National Audit Office.

#### **Government response**

##### **Disagree**

Defence does not agree with this recommendation and believes that there are adequate controls in place.

Defence Travel Cards (DTC) for authorised travel expenses such as meals are in accordance with conditions of service for the Australian Public Service (APS) and the Australian Defence Force (ADF). These conditions of service are governed by the Defence Workplace Relations Manual (DWRM) 16.2.2.14 and Pay and Conditions Manual (PACMAN) 13.3.7. The withdrawal of cash from the DTC is closely monitored and subject to forensic data analytics.

At 30 April 2017, 63,280 Defence travel cardholders had cash withdrawal access.

In regard to Defence Purchasing Cards (DPC) the cash withdrawal classification on the DPC includes physical cash, electronic funds transfer and bank cheques to businesses. Defence requires the ability to access cash from Defence Purchasing cards to enable payments in situations where cards are not accepted such as by small Australian businesses in remote locations, suppliers not having credit facilities, businesses in remote international locations such as Papua New Guinea and to support operations of limited duration.

The default cash transfer limit on all Defence Purchasing Cards is \$0. To enable the ability to access cash using a Defence Purchasing Card a business case approved by the Defence Group Chief Finance Officer (SES Band 1) is required. The withdrawal of cash from the DPC is closely monitored and subject to forensic data analytics.

At 30 April 2017, 34 cardholders (of 8,633) had cash withdrawal access on their Defence Purchasing Cards.

The review of Red Tape in Defence by Dr Alan Thomas on 28 August 2015 made a number of recommendations relating to travel and credit cards. Removing the requirement for Card Management System (CMS) supervisors to acquit credit card transactions in CMS was the first step in streamlining travel and credit card arrangements. The CMS acquittal process by the card holder has not changed. The process of checking card holder transactions has moved to a risk based sampling approach undertaken by the Chief Financial Officer head office. This includes the forensics data analytics. The CMS supervisor retains visibility of their staffs CMS transactions. Automated systems generated reminder emails to CMS supervisors notifying them of their staffs outstanding CMS transactions continues.

#### **Recommendation 4**

The committee recommends that the Department of Defence ensure that it fully addresses the issues identified in the Australian National Audit Office audit report on the use of taxis and car hire, including:

- (a) ensuring adequate controls are in place to effectively manage taxi and car hire for those unable to use the Defence travel card; and
- (b) investigating the high use of specific individual taxis, multiple expensive taxi fares and 'small hours' travel. The results of this investigation should be made publicly available on the Defence website.

#### **Government response**

##### **Agree**

a) Defence agrees with the ANAO recommendation and has enhanced the forensic data analytics program. Additionally The Defence Audit and Fraud Division are conducting further audits.

Defence has introduced personalised FLEXeTICKETS as a means of travel for staff who are under 18 years of age. Defence officials that do not have a DTC for taxi use can utilise FLEXeTICKETS in exceptional circumstances. Policy (Defence Finance Instruction Policy Management Instruction No. 2016-17/005) on issuing FLEXeTICKETS has been issued. FLEXeTICKETS can only be approved by Group Chief Finance Officers in writing prior to use and are a single use card with a limited monetary value for taxi travel. A register is maintained and reconciled. Any ticket issued but not used within 7 days of the intended travel date is cancelled.

b) Defence is conducting testing of high value taxi fares as part of their forensic testing regime. Defence agrees that the results of the forensics data analytics findings be made publicly available in relevant Defence publications however details will be limited to aggregated information such as frequency and cost but not include members details. The investigations of fraudulent matters are reported appropriately.

#### **Recommendation 5**

The committee recommends that the Department of Defence be more transparent in reporting disciplinary action taken against individuals found to have committed credit card fraud, whether steps taken are administrative or judicial in nature. This should include publishing the outcomes of disciplinary or criminal action on the Defence website and in service newspapers.

#### **Government response**

##### **Agree in Principle**

Defence notes the Recommendation and accepts that there is a need for, and would be value in, greater transparency in reporting the outcomes of disciplinary and other action taken against individuals found to have committed credit card fraud.

Defence is seeking legal advice from the Australian Government Solicitor on possible approaches and will also engage across government more broadly to seek a consistent approach to this issue, as far as possible. Defence will also examine the most effective means of publishing reports of criminal convictions and disciplinary/administrative outcomes for credit card fraud cases arising within Defence.

The Defence Military Justice system has open hearings which the public can attend including the press. The list of significant cases of fraud is reported to the Minister for Defence. The results of all convictions by higher disciplinary Service Tribunals are reported in the Service newspapers.

### **Recommendation 6**

The committee recommends that the Department of Defence evaluate its current training, education and information programs in relation to the use of credit and other transaction cards to ensure compliance with the performance standards set by the *Public Governance, Performance and Accountability Act 2013*.

### **Government response**

#### **Agree**

Defence is introducing on-line training for Credit Cards and their proper use. In addition, Defence Audit and Fraud Control Division are also providing training in their Ethics and Fraud Awareness training and presentations, including raising the awareness of the use of credit cards in communication strategies, as well as highlighting the proper use of credit cards.