

Chapter 1

Introduction

Referral of inquiry

1.1 On 10 November 2016, the Senate referred an inquiry into the Department of Defence's management of credit and other transaction cards to the Foreign Affairs, Defence and Trade References Committee for inquiry and report by 11 May 2017. The terms of reference for this inquiry are as follows:¹

The Department of Defence's management of credit and other transaction cards with particular reference to:

- a. Controls in place to manage credit card expenditure including action to prevent credit card misuse and minimise risk to the Commonwealth;
- b. Issuing of CabCharge 'Fastcards' and 'E-tickets' to staff including monitoring and management of e-ticket accounts;
- c. Controls in place on the use of fuel cards for commercial and military vehicles, including compliance testing of the assurance framework;
- d. Implementation of the Department of Defence's new governance arrangements for credit card management;
- e. Legislative requirements and framework set out in the *Financial Management and Accountability Act 1997* and its successor, the *Public Governance, Performance and Accountability Act 2013*; and
- f. any other related matters.

Conduct of the inquiry

1.2 The committee advertised the inquiry on its website and wrote to individuals and organisations likely to have an interest in the inquiry and invited them to make written submissions.

1.3 The committee received two submissions to the inquiry. Additional information was received from the Departments of Defence and Finance, the Australian Institute of Criminology and the Australian Payments Clearing Association.

1.4 Two public hearings were held in Canberra on 7 March and 6 April 2017, at which witnesses from the Australian Institute of Criminology, the Australian National Audit Office (ANAO) and the Departments of the Attorney-General's, Defence and Finance, gave evidence.

Structure of report

1.5 The report contains four chapters. This introduction outlines the scope and process of the inquiry. Chapter 2 briefly outlines the unique nature of the Defence resource management environment. It also describes the requirements for the proper

1 *Journals of the Senate*, No.14-10 November 2016, p. 4.

use of relevant monies established by the *Public Governance Performance and Accountability Act 2013 (No. 123, 2013 with amendments No.126, 2015)* (PGPA) and the Commonwealth resources management framework under the public management reform agenda which was introduced in 2013. The public management reform agenda, through the Commonwealth resources management framework and the PGPA, frames the ANAO performance audit report into Defence's management of credit and other transaction cards, which triggered the inquiry.²

1.6 Chapter 3 summarises the key issues explored by the committee during the inquiry, illustrating these through an examination of case studies for each card type. It also considers the implications for the governance of credit and other transaction cards in the Department of Defence. Chapter 4 concludes with the committee's view and recommendations for ensuring the proper use of relevant monies by the Department of Defence when using credit and other transaction cards.

Acknowledgements

1.7 The committee thanks all those who contributed to the inquiry by making submissions, providing additional information or expressing their views through correspondence and emails. The committee acknowledges those who gave their time to attend the public hearings and give evidence.

2 Australian National Audit Office, *Defence's Management of Credit and other Transaction Cards*, ANAO Report No. 33 2015-16 Performance Audit. (ANAO Report, 2016)