

SENATE STANDING COMMITTEE ON LEGAL AND CONSTITUTIONAL AFFAIRS
ATTORNEY-GENERAL'S DEPARTMENT

Question No. 134

Senator Humphries asked the following question at the hearing on 18 October 2011:

Credit Cards

- a) How many staff in each department and agency have a corporate credit card?
- b) What is their classification?
- c) What action is taken if the corporate credit card is misused?
- d) How is corporate credit card use monitored?
- e) What happens if misuse of a corporate credit card is discovered?
- f) Have any instances of corporate credit card misuse have been discovered?
- g) List staff classification and what the misuse was, and the action taken.
- h) What action is taken to prevent corporate credit card misused?

The answer to the honourable senator's question is as follows:

a) –b)

Department/Agency	a) Number of cards	(b) Classification of card holders
Attorney General's Department	636	Credit cards are generally issued to staff who are required to undertake travel or who are required to undertake corporate procurement for the department.
Australian Commission for Law Enforcement Integrity	25	Integrity Commissioner x 1 SES Band 1 x 1 EL2 x 6 EL1 x 7 APS6 x 4 APS5 x 3 APS4 x 3
Australian Crime Commission	91	Chief Executive Officer x 1 SES Band 2 x 1 SES Band 1 x 9 EL2 x 30 EL1 x 26 APS6 x 2 APS5 x 6 APS4 x 9 APS3 x 2 Secondees x5
Australian Customs and Border Protection	1077	Chief Executive Officer x 1 SES Band 3 x 3 SES Band 2 x 13

		SES Band 1 x 48
		Customs Level 5 (EL2) x 30
		Customs Level 4 (EL1) x 26
		Customs Level 3 (APS6) x 2
		Customs Level 2 (APS5) x 6
		Customs Level 1 (APS4) x 9
Australian Federal Police	391	AFP Band 2
	1 317	AFP Band 3
	1 323	AFP Band 4
	989	AFP Band 5
	468	AFP Band 6
	789	AFP Band 7
	227	AFP Band 8
	302	AFP Band 9
	80	SES
38	Special Member, Seconded and Contractors	
Australian Government Solicitor	75	Selected administrative and legal staff
Australian Human Rights Commission	17	Credit cards are generally limited to Statutory Office Holders, Executive staff and staff who are required to undertake corporate procurement.
Australian Law Reform Commission	3	SES Band 3 x 1
		SES Band 2 x 1
		SES Band 1 x 1
Australian Security and Intelligence Organisation	1 087	ASIO Officer Grade 3 – SES (APS4 to SES)
CrimTrac	32	Chief Executive Officer x 1
		SES x 2
		SES Band 1 x 9
		EL2 x 14
		EL1 x 8
		APS6 x 2
		APS4 x 9
High Court of Australia	11	High Court Employee Level 2 x 1
		High Court Employee Level 4 x 3
		High Court Employee Level 6 x 3
		High Court Employee Exec Level 1 x 2
		SES x 2
Insolvency and Trustee Service Australia	17	APS3 to SES1 (Lower levels are site support staff)
Office of the Director of Public Prosecutions	23	Director x 1
		EL1 x 1
		APS6 x 4
		APS5 x 5
		APS4 x 3
		APS3 x 2
Office of Parliamentary Counsel	2	Agency Head x 1
		SES Band 1 x 1

Attorney-General's Department

- c) Where a corporate credit card appears to have been fraudulently misused, the matter is treated in accordance with the Department's Fraud Control Plan which includes investigation and potential prosecution or other administrative or civil sanctions. In addition, action is taken to recover funds and the fraud is reported as a breach of the *Financial Management Act 1997* and to the Australian Institute of Criminology.
- d) All purchases must be approved by an independent authorised officer who is not the credit card holder. The Department also conducts regular sample testing of credit card transactions to identify personal use. Credit card transactions are posted daily in the Financial Management Information System, the "merchant code" indicates the type of purchase, with all new merchant codes being investigated.
- e) See response to c)
- f) Yes.

In 2011 to date: 0

In 2010-11: 0

In 2009-10: 1 (Territories Division. Any inquiries about the matter should be addressed to the Department of Regional Australia, Regional Development and Local Government.)

- g) One matter was identified relating to the use of a corporate credit card by an EL1 officer within the Territories Division while it was located within the Attorney-General's Department. Territories Division subsequently transferred to the Department of Regional Australia, Regional Development and Local Government. The Department understands that the officer has since resigned and monies are being recovered. Any inquiries about the matter should be addressed to the Department of Regional Australia, Regional Development and Local Government.
- h) The Department has established a number of internal controls to prevent and detect fraudulent credit card misuse. Each credit card holder is required to sign a corporate credit card agreement acknowledging their obligation to use the card for proper purposes. Further instructions are provided in the Chief Executive Instructions and incorporated into training available to all Departmental officers.

All credit cards are issued with a specific transaction and monthly credit card limit commensurate with their responsibilities. All usage is approved by an independent authorised officer who is not the credit card holder. On an annual basis credit card holders are required to certify their compliance with the *Financial Management Act 1997* as part of the Department's certificate of compliance processes. The Department also conducts regular sample testing of credit card transactions to identify personal and fraudulent use.

Staff are encouraged to report all instances of suspected fraud to their supervisor, the Department's Strategic Planning and Governance Section, or anonymously via the Department's Report a Suspected Fraud web form.

Australian Commission for Law Enforcement Integrity

- c) For suspected intentional misuse, investigation in accordance with Fraud Control Guidelines.
- d) Reconciliation of monthly card statements against retained transaction receipts. Monthly sign off by card holder and card holder's supervisor. All statements checked by Agency finance staff.
- e) For suspected intentional misuse, investigation in accordance with Fraud Control Guidelines.
- f) There have been no instances where intentional misuse by ACLEI employees was discovered or suspected.
- g) Not applicable
- h) Reconciliation of monthly card statements against retained transaction receipts. Monthly sign off by card holder and card holder's supervisor on Credit Card statements. All Credit Card statements checked by Agency finance staff each month. Annual accountability training for all staff. Upon issue of a corporate credit card, card holders are required to sign an acknowledgement of the responsibilities of corporate credit card holders and an Agreement by the Cardholder to the rules of use of the corporate credit card. The issue of all Corporate Credit Cards is approved centrally by the Director Corporate Services based on stated business need. ANAO audit financial transactions as part of the annual assurance audit and ACLEI conducts an internal audit of financial controls annually (performed by outsourced service provider). Both audits contain random checking of credit card transactions and controls.

Australian Crime Commission

- c) In accordance with Chief Executive Instructions, any case of apparent misuse is reported and investigated internally under ACC misconduct procedures and referred to the AFP. The transactions are recorded as FMA Act s60 breaches in the annual Certificate of Compliance.
- d) Credit cards are issued on approval of the relevant National Manager and reviewed monthly by the ACC credit card Administrator. The monthly statements are issued to card holders to acquit and they must have the expenditure signed off by an independent financial delegate (usually the supervisor) as appropriate business use. The Chief Financial Officer spot reviews the statements when approving payment.
- e) See response to c).
- f) There were 3 instances notified in the ACC 2010-11 certificate of Compliance of inadvertent misuse.
- g) Classification – EL2 level staff
Scenario: Cardholders used their Corporate Credit Card to pay for non business costs:
One instance - condolences notice in The Age for former staff member,
Two instances - token gift of appreciation to departing staff member;
Action: Chief Financial Officer and cardholder notified of the breach. Staff members were officially cautioned and asked to re-read the ACC Credit Card policy. Amounts were repaid by the staff members concerned. Staff induction process updated to include appropriate use of credit cards.
- h) Card holders are required to sign a Cardholder Agreement and Acknowledgement Form on receipt of their Corporate Credit Card. The Agreement and Form are witnessed and returned to the Credit Card Administrator. This acknowledges that the cardholder understands the responsibilities and limitations of the Corporate Credit Card. The majority of Corporate

Credit Cards have a \$2,000 transaction limit and a \$10,000 monthly limit in order to limit the value of purchases made.

Credit card usage is required to be acquitted each month. Every credit card holder must have the monthly expenditure signed off as appropriate business use, by an independent financial delegate (usually the supervisor).

Australian Customs and Border Protection Service

- (c) When the misuse of a corporate credit card is suspected, an investigation is conducted by the Integrity and Professional Standards (IP&S) Branch. Where I&PS detect instances of serious non compliance with the use of a credit card (that is, activity that is potentially criminal in nature) the matter may be referred to either the AFP or the Commonwealth Director of Public Prosecutions.
- (d) Credit card holders are required to acquit their credit card within 5 days of the end of the billing period. A second official is required to authorise the entry of the transaction to the Financial Management Information System (FMIS). Internal Audit also performs bi-annual substantive testing of all credit card transactions which includes using Computer Assisted Audit Techniques (CAATs) to identify any transactions which do not meet the specified criterion. Follow up action is taken when necessary.
- (e) See the response for (c)
- (f) Since 1 July 2010 until 30 September 2011, there were three instances of credit card misuse that have been detected and referred to the Integrity and Professional Standards area for investigation.
- (g) Of the three instances of credit card misuse detected:
 - There is one instance of alleged use of an official credit card to purchase personal items. This instance of non compliance involves a Customs Level 2 Officer. This matter is currently with the Commonwealth Director of Public Prosecutions.
 - There is another instance of alleged use of an official credit card to purchase personal items currently under investigation. The allegation relates to an SES officer.
 - There is one instance of credit card misuse which is currently under investigation, involving a potential fraud committed by a third party using a credit card issued to a Customs Officer. This matter is to be referred to the relevant police jurisdiction.
- (h) The internal controls that are in place to prevent corporate credit card misuse include the following.
 - Officials are required to sign a Credit Card Holder Agreement stating that they agree to comply with the conditions set out in that Agreement;
 - Ensuring that only officers at Director (CL5, EL2 equivalent) and above can authorise corporate credit card applications after identifying that a legitimate business need exists for the staff members to hold a corporate credit card;
 - Undertaking bi-annual internal credit card audits which include substantive testing of credit card transactions using Computer Assisted Audit Techniques (CAATs). Any transactions identified that are outside of the normal expenditure pattern are reviewed and additional information is sought from credit card holders as required;

- Customs and Border Protection relies on internal policy documentation to educate staff and make them aware of their responsibilities as a credit card holder including what constitutes official expenditure and which transactions can be processed using the corporate credit card. These documents include the Chief Executives Instructions (CEIs), an Instructions and Guideline on corporate credit cards, the Corporate Credit Card Holder Agreement and other published resources on the Intranet which are circulated through out Customs and Border Protection via correspondence and media;
- Internal system controls have been implemented which requires all acquitted transactions to be reviewed and authorised by an independent person before the transactions are posted in the FMIS;
- Managers review credit card expenditure within their respective business areas on an ongoing basis, with any misuses being reported to the Executive and Integrity & Professional Standards; and
- Limits are placed on the amount of monthly expenditure that can be incurred on a particular credit card. Individual transaction limits also apply to each card.

Australian Federal Police

- c) A complaint is raised and action taken as detailed in the response to question e) below. The AFP's legislative and governance framework provide very clear direction on the requirements for AFP appointees in relation to the use of AFP corporate credit cards.
- d) All card transactions are recorded in the AFP online expense management system - Spendvision. Cardholders are required to acquit all expenditure via Spendvision and cardholder supervisors are required to approve all expenditure via Spendvision. Cardholder monthly statements and acquittal documentation is held centrally by the shared services centre.
- e) The AFP is committed to its members behaving at all times in a manner that upholds the AFP's core values and the organisation's reputation and integrity. The AFP has a strong integrity framework that includes effective prevention strategies and a robust professional standards framework. This framework is directed by Part V of the *Australian Federal Police Act 1979* (the Act) and further supported by specific AFP governance. Part V of the Act provides for sanctions that may include training and development, remedial action or termination of employment.

Where misuse of a corporate credit card by an AFP member is detected, the misuse is reported to the AFP's professional standards area. Misuse may be as a result of a mistake or misunderstanding. If misuse is determined to be misconduct it will be dealt with under Part V of the *AFP Act 1979*. If the misconduct is determined to be serious or criminal, the complaint will be subject to investigation by Professional Standards investigators and, if established, sanctions under Part V can be applied or addressed through a criminal prosecution. Where the misconduct is determined not to be serious, the matter will be referred to the relevant management team to be addressed managerially.

- f) No instances of fraudulent (criminal) misuse were discovered during the 2010-11 financial year.
One matter from a previous year is before the courts in Brisbane.
- g) Not applicable. The matter from a previous financial year at the AFP Band 5 level is currently before the courts in Brisbane.

- h) The Commissioner's Financial Instructions and National Guideline on Corporate Credit Cards outline the AFP's policy on the use of corporate credit cards. In addition to this the following controls are in place to prevent credit card misuse:
- when obtaining a corporate credit card, cardholders are required to acknowledge their responsibilities over the use of the card;
 - there are transaction limits on each transaction;
 - there are monthly limits on the value of transactions;
 - the credit card must be approved by a delegate.

Australian Government Solicitor

- c) AGS has no experience of misuse of credit cards by employees. AGS employees are subject to AGS's Code of Conduct, which would be applied in any relevant situation.
- d) Line managers of card holders monitor the monthly accounts and approve payments to the card provider.
- e) See response to c) above.
- f) No internal abuses.
- g) Not applicable.
- h) AGS's internal controls draw attention to the requirements of cardholders and ensure independent review of payments. Transaction limits are created and enforced by the card provider.

Australian Human Rights Commission

- c) Detailed procedures for investigating misuse of Commonwealth resources are laid down in the Commission's Chief Executive Instructions's and Fraud Control Plan. The identified procedures specify potential penalties and action for any misuse.
- d) Monthly account reconciliation and review and approval by relevant delegates and internal and external audit.
- e) See answer to part (c)
- f) No.
- g) Not applicable.
- h) All card holders are required to sign a card holder responsibilities form acknowledging these responsibilities. Also refer to answer to part d) above.

Australian Law Reform Commission

- c) Misuse of the corporate credit card is covered in the ALRC's Fraud Plan and in accordance with the ALRC's Procedures for Determining Breaches of the Code of Conduct, established in accordance with subsection 15(3) of the *Public Service Act*. If misconduct is found to have occurred, sanctions may be applied in accordance with s 15(3) of the *Public Service Act*.
- d) All corporate credit cards are reconciled monthly to the credit card statement and receipts. All expenditure must be covered by a receipt that has been approved for payment by the Chief Financial Officer (CFO) or President. The reconciliations are checked by the Finance Manager and then approved either by the CFO or President. All payments must be approved by both the card holder and their manager/supervisor. Where expenditure is by the President, the CFO checks and approves the expenditure. Where expenditure is by the CFO, the

President checks and approves the expenditure. Where expenditure is by the Finance Manager, the President or CFO checks and approves the expenditure

- e) See c) above.
- f) No, there have been no instances of corporate credit card misuse.
- g) Not applicable.
- h) See c) above

Australian Security Intelligence Organisation

- c) Should a corporate credit card be misused, staff are counselled and, in some cases, the credit card may be cancelled and withdrawn from use by the staff member.
- d) All transactions against a corporate credit card are approved by Line Managers. ASIO's Finance Team conducts spot checks and regular, random audits of credit card transactions are also carried out.
- e) Please refer to response (c).
- f) ASIO identified fifty-four instances of misuse of corporate credit cards during the 2010/11 financial year, and twenty-one instances of misuse in the current (2011/12) financial year.
- g) No instances of malicious misuse have been identified. Misuse of corporate credit cards has been identified at various classification levels. These identified misuses primarily consist of officers mistakenly using their corporate credit card for personal transactions or instances where the use of their corporate credit card was unavoidable (i.e. in an emergency situation). When a corporate credit card is misused, line managers are notified, staff are counselled and, in some cases, the credit card may be cancelled and withdrawn from use by the staff member.
- h) To prevent the misuse of corporate credit cards, ASIO staff sign a 'User Agreement' with terms and conditions of use. Staff are also provided with training on appropriate usage, and all credit cards have transaction and card limits. All transactions against corporate credit cards are approved by Line Managers.

Commonwealth Director of Public Prosecutions (CDPP)

- c) Appropriate action in accordance with the *Financial Management Act 1997*, *Financial Management Regulations 1997*, the Chief Executive's Instructions, the CDPP's Fraud Control Plan and the CDPP Code of Conduct.
- d) Individual credit card holders must retain all documentation associated with any purchase and payment to support their individual monthly statement. Monthly review and reconciliation of card holder's credit card statements are independently performed.
- e) See (c)
- f) No.
- g) N/A
- h) See (d).

CrimTrac

- c) The action will depend on the nature of the misuse and circumstances. Action may include card cancellation, criminal action in the case of fraud, action for breach of the APS code of conduct, training or no action.

- d) Credit card use is monitored monthly via reconciliation of credit card statements and supervisor review of all transactions. There is also a periodic review of credit cards held by the agency.
- e) The action will depend on the nature of the misuse and circumstances. Action may include card cancellation, criminal action in the case of fraud, action for breach of the APS code of conduct, training or no action.
- f) CrimTrac had no instances of credit card misuse in 2010-11 or 2011-12 FYTD.
- g) Not Applicable.
- h) CrimTrac has clear policies on the use of credit cards. Credit card holders are required to acknowledge the credit card terms of use and policy, undertake training and credit card use is monitored.

High Court of Australia

- c) The Court would follow the procedures outlined in the Court's Managing *Underperformance and Misconduct* policy if a corporate credit card had been misused.
- d) Monthly credit card statements are reviewed and authorised by the card holder's supervisor.
- e) Refer response provided at part c.
- f) No.
- g) Not applicable.
- h) There are a number of strategies used by the Court to prevent corporate credit card misuse including:
 - all cardholders are required to sign a credit cardholder statement of responsibility at the time they are issued with the credit card;
 - all new employees attend an induction day which includes a segment on the Court's values and code of conduct; and
 - staff attend code of conduct refresher training.

Insolvency and Trustee Service Australia (ITSA)

- c) Reference : Procedural Rule 3

National Managers are required to withdraw and request cancellation of a card holder's corporate credit card where it is found that the official has not complied with the Chief Executive Instructions, (in particular, the conditions specified in the Cardholder Agreement and Acknowledgement Form signed by the official).

Every ITSA official who discovers an instance of corporate credit card misuse, or a suspected case of misuse, is to report it, as soon as practicable, to the National Manager, Corporate Strategy and Support (through their National Manager/ Business Services Manager, as appropriate).

- d) It is the responsibility of certifying officials to ascertain if improper or unauthorised use of a card has occurred or is suspected.

Periodic reviews are performed to monitor the frequency of usage for corporate credit cards. The CCC statement should be reconciled to the transaction vouchers and receipts/tax invoices from the supplier provided by the CCC card holder. Any additional charges should be followed up, initially with the card holder, and if necessary with the CCC provider.

- e) Reference : Procedural Rule 3

National Managers are required to withdraw and request cancellation of a card holder's corporate credit card where it is found that the official has not complied with the Chief Executive Instructions (in particular, the conditions specified in the Cardholder Agreement and Acknowledgement Form signed by the official).

Every ITSA official who discovers an instance of corporate credit card misuse, or a suspected case of misuse, is to report it, as soon as practicable, to the National Manager, Corporate Strategy and Support (through their National Manager/ Business Services Manager, as appropriate).

Incident investigation is carried out to determine the level, nature and extent of misuse, in accordance with the requirements set out in the *Fraud Control Guidelines*.

- f) No known instances.
- g) No known instances.
- h) Card holders are to ensure that:
 - they keep their corporate credit card in safe custody and, under no circumstances, allow it to be used by any other person (including NOT providing card details to another ITSA official);
 - they use it only for official purposes;
 - they obtain a receipt/tax invoice from the supplier which clearly identifies the goods or services purchased. These documents should, as soon as possible after purchase, be forwarded to the appropriate accounts payable area for entry into the financial management system. Where goods are purchased over the phone, the card holder must personally document the full details of the purchase and seek a receipt;
 - they do not perform a 'Certifying Official' role on any expenditure that occurs through the use of their own corporate credit card;
 - they do not exceed the approved financial or other specified limits for their card;
 - they notify ITSA's finance area immediately that they are no longer required to use a corporate credit card, so that the card can be cancelled; and
 - if they discover that their corporate credit card has been lost or stolen, they are to immediately advise (initially by phone and subsequently in writing) the corporate credit card provider, their supervisor and ITSA's finance area of the details and circumstances of the loss. Failure to promptly advise the corporate credit card provider may render a card holder personally liable for any misuse of the lost card.

Office of Parliamentary Counsel (OPC)

- a) Two.
- b) Agency Head and SES Band 1.
- c) Investigated in accordance with the Commonwealth Fraud Control Guidelines.
- d) Corporate credit card use is monitored by the Accountant.
- e) Any instances of misuse are to be reported to a member of the Senior Management Team and investigated in accordance with the Commonwealth Fraud Control Guidelines.
- f) No.
- g) Not applicable.

- h) The following controls are in place to prevent corporate credit card misuse:
- instructions and guidance provided by OPC's Chief Executive Instructions and procedural guidelines;
 - cardholder agreement and acknowledgement form signed by each cardholder;
 - the card issuing official and the Accountant cannot be issued with a credit card;
 - monitoring of cardholder use and a reporting mechanism in place;
 - corporate credit card use is not the preferred option of payment for procurement of goods or services and purchases using the corporate credit card must undergo the same approval processes as other procurements; and
 - cardholders cannot withdraw cash from the card or use the card for private expenditure.