Management of credit cards

Credit cards enable agencies to purchase a wide range of goods and services with reduced administrative costs, and greater convenience and flexibility for staff, compared to using cash or cheques. However, the use of credit cards can expose agencies to risks of inappropriate or wrong-headed expenditure and/or some agencies are not managing their credit card expenditure in a manner consistent with, and that demonstrates due diligence in their use. Agencies, therefore, should establish controls to effectively manage these risks. Such controls should include: insisting that staff are using credit cards for business purposes only; ensuring that staff have an understanding of the purpose for which credit cards are to be used; and using risk-based processes to check the validity of credit card expenditures. Once established, processes and controls within this framework should remain streamlined and effective.

Requirements relating to the use of credit cards by agencies are provided in the Financial Management and Accountability Act 1997 (FMA Act), the Financial Management and Accountability Regulations 1997 (FMA Regulations) and Financial Management and Accountability Orders 2003 (FMA Orders). These requirements relate to such things as the need to make efficient, effective and ethical use of Commonwealth resources, ensuring an expenditure is appropriately authorised and the imposition of penalties on release of Commonwealth credit card funds.

The ANAO recently completed a cross-agency audit of the management of credit cards and how agencies managed their credit card expenditure. The audit made four recommendations, which were directed at: strengthening controls over the issue and cancellation of credit cards; improving approval processes, guidance and training related to purchasing with credit cards and how agencies managed their relationship with the credit card provider; and ensuring agencies get value for money when processing credit card services.

Recent publications from the ANAO

AMAG Audit Report No. 2008-08 Employment and Management of Locally Appointed Staff
AMAG Audit Report No.2 2008-08 Tourism Australia
AMAG Audit Report No. 2008-08 Establishment and Management of the Commonwealth Credit Card
AMAG Audit Report No. 2008-08 The Business Partnership Agreement between the Department of Employment, Education and Workplace Relations (DEEWR) and Centrecare
AMAG Audit Report No.2008-08 The Senate Order for Department and Agency Contacts (Calendar Year 2007) Complex
AMAG Audit Report No.2008-08 Royal Geographical and Geophysical Survey in the Southern Ocean
AMAG Audit Report No 2008-06 Centrally Tied-off Salam
AMAG Audit Report No.2008-07 National Marine Line
AMAG Audit Report No.2008-07 Administration of the Tobacco, Fishing and Forestry Post-2005 (SP) Scheme
AMAG Audit Report No.2008-06 Disability Employment Services

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Use of Memoranda of Understanding (MOUs)

High level accountability arrangements for public sector agencies are prescribed by legislation. The legislation framework is primarily based on ‘vertical accountability’, with each agency having sole responsibility for its budget, and needing to ensure that its activities are appropriately supported. However, there is increasing recognition of the benefits to whole of government approaches, which can include: promoting best practice across agencies; ensuring an appropriate governance framework is in place; and achieving best value in the delivery of government services.

While there are obvious benefits arising from whole of government arrangements under consideration, it is important that any arrangement is tailored to the particular needs of the group of agencies involved, and that an appropriate governance structure is in place. Such arrangements are primarily designed for agencies being individually accountable.

In recent years the ANAO has completed a number of performance audits of cross-agency arrangements. A common theme emerging from the ANAO’s analysis of the performance of cross-agency audit working arrangements is that, while there are benefits to whole of government approaches, there is a key factor that influences success in an appropriate governance structure.

Forms of coordination across agencies include ministerial committees, traditional interdepartmental committees, an exchange of correspondence, and the use of more formal Memoranda of Understanding (MOUs). It is important that any such structure or coordination process is in place by agencies meet accepted standards of good governance, as are tailored to the particular whole of government arrangements under consideration, and are appropriately supported.

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Use of Memoranda of Understanding (MOUs) continued

A New Performance Auditing Standard

The roles and responsibilities of the Auditor-General are set out in the Auditor-General Act 1997. One responsibility of the Auditor-General is to set auditing standards, including those related to performance auditing. When performing an audit function, ANAO staff and contractors are expected to comply with Auditing Standards determined by the Auditor-General.

The purpose of the ANAO’s Auditing Standards is to provide public sector entities - and government agencies - with guidance on performing audits of public sector activities. The standards set out the minimum requirements of professional work expected of ANAO staff and were most recently issued in July 2008.

The Auditing and Assurance Standards Board (AASB) has issued a new standard for performance audits. ASAU 2003 Performance Audits, which applies to audits commencing on or after 1 January 2004. This new standard replaces the existing performance auditing standards ASAU 9900 Performance Auditing and ASG 981 Planning Performance Audits. The AASB has included in the standard the need to ensure that the audit reports are high quality, consistent, and undertaken in a manner that is expected of performance audits throughout Australia, in both the public and private sectors.

The new standard will not require substantive change to the ANAO’s approach or reporting arrangements. However, there may be some changes to the way we report audit conclusions in our performance audit final reports. We expect these changes to be reflected in performance audits completed after 1 July 2009. ANAO contact officers are available to brief Audit Committees and senior agency managers on the new standard.

In the August 2008 edition of Audit Focus, the ANAO highlighted two major reports published by the Joint Committee on Public Accounts and Audit (JCPAA) in June and August 2008 - Report 49 - Tax administration and Report 46 - Progress on equipment acquisition and financial reporting in Defence. These inquiries were initiated by the JCPAA to reflect the Committee’s concern about financial reporting and ensure that the financial results are in line with the financial accounts and statements of Commonwealth.

The JCPAA has a statutory duty to examine all reports of the Auditor-General that are presented to the Parliament, and report the results of its deliberations to both Houses of Parliament. In its review of audit reports, the Committee considers: the significance of the program or issues reported; the accuracy of the audit findings; the response of the audited agencies, as detailed in the audit report, and the extent of any public interest in the audit report. A key focus of the JCPAA is whether the recommendations of the ANAO on actions to be taken have been properly implemented.

The JCPAA is whether the recommendations of the Auditor-General are being properly implemented. Over the period from November 2005 to August 2008, the JCPAA has reviewed 34 Auditor-General’s reports for the specified delivery of services, and the nature and extent of services provided, and

The JCPAA is whether the recommendations of the Auditor-General are being properly implemented. Over the period from November 2005 to August 2008, the JCPAA has reviewed 34 Auditor-General’s reports to resolve any disputes between the parties.

MDGs and SLAs do not have the same legal status as contracts as it is logistically not possible for an agency that is part of the Commonwealth of Australia to enter into a contract with another agency that is not a separate legal entity, but MOUs should be managed with the same degree of rigor as contracts. As MDGs between agencies are administrative, as distinct from legal instruments, they should not include provisions such as responsibilities, liabilities and warranties that purport to have legal effect.

JCPAA review activities

The acquisition of defence equipment is a significant area of Government expenditure. In 2007-08 DMO, which is responsible for overseeing and supporting Defence’s weapons systems, platforms and other matériel, expended some $13 billion in both major and minor capital expenditure acquisitions and equipment.

Managing major defence equipment acquisitions that successfully deliver the required capability for the Australian Defence force represents a significant challenge. With Defence equipment often expensive and technically complex, there are generally major risks of delivering the required capability on schedule and within budget.

Increased transparency and accountability are apparent in the progress major Defence acquisition projects. This has been the focus of the Parliament’s Audit Office in its review of DMO’s defence material organisations and Major Projects Report 2007-08.

The Audit Committee on Public Accounts and Audit has also been established by the Government approving funding to enable the ANAO to review, in a more detailed manner, the major Defence projects being managed by the DMO.
A determinant of an appropriate structure to formalise arrangements and processes is to settle performance indicators or standards for the delivery/receipt of the specified services and set out the services to be provided by both parties and the responsibilities of each entity. The Audit Committees and senior agency managers on the ANAO audit final reports. ANAO highlighted two major reports published by the Joint Committee of Public Accounts and Audit (JCPAA) in June and August 2008: Report 410 – Progress on Government approving funding to enable the ANAO’s formal review conclusion on information technology and human resources. The first report on the review of nine Defence equipment acquisition projects was tabled in the Parliament on 27 November 2008. This review, which has the support of the Parliament and the Government, represents a substantial step towards improving transparency and public accountability in major Defence procurement.

The 2007-08 report is the pilot of an annual audit of major projects and is developed in conjunction with the DMO. It covers the cost, time, and quality aspects applicable to DMO projects, and includes the Auditor-General’s financial review conclusion. The review is conducted on a rolling basis, with the report for each project released after the ANAO’s formal review conclusion on information technology and human resources. The objectives of the review are to ensure that the Defence portfolio is well-managed, with major Defence acquisitions progressing on schedule and within budget. The first report on the review of nine Defence equipment acquisition projects was tabled in the Parliament on 27 November 2008. This review, which has the support of the Parliament and the Government, represents a substantial step towards improving transparency and public accountability in major Defence procurement.

The JCPAA also has a statutory duty to examine all ASX. One responsibility of the Auditor-General are set out in the Audit Committees ‘audit standards’ act to establish requirements and provide explanatory guidance for persons performing auditing functions. When performing an auditing function, ANAO staff and contractors are expected to comply with Audit Committees ‘audit standards’ act to establish requirements and provide explanatory guidance for persons performing auditing functions. When performing an auditing function, ANAO staff and contractors are expected to comply with Auditing Standards determined by the Associate Auditor-General, as detailed in the ANAO’s Better Practice Guide, Audit Report No. 47, 2006–07, Administration of Australian Government equipment acquisition and financial reporting system. The acquisition of Defence equipment is a significant area of Government expenditure. In 2007-08, DMO, which is responsible for acquiring and supporting Australia’s Defence force represents a significant challenge. With Defence equipment acquisitions and activities, there are a number of regulatory, risk management, and contract management issues that need to be addressed. The JCPAA also has a statutory duty to examine all major Defence acquisition projects. A program has now been established, with the Defence portfolio.

In the August 2008 edition of Audit Focus, the JCPAA highlighted two major reports published by the Joint Committee of Public Accounts and Audit (JCPAA) in June and August 2008: Report 410 – Progress on Government approving funding to enable the ANAO’s formal review conclusion on information technology and human resources. The first report on the review of nine Defence equipment acquisition projects was tabled in the Parliament on 27 November 2008. This review, which has the support of the Parliament and the Government, represents a substantial step towards improving transparency and public accountability in major Defence procurement.

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New Performance Auditing Standard

The new standard, as set out in the above paragraphs, provides an approach to performance engagement which addresses the agency's need for a high level of risk management and contract management in their operations. The new standard also sets out the minimum requirements for a performance audit, including those related to performance auditing. When performing a performance audit, the ANAO staff and contractors are expected to comply with the Performance Auditing Standard. The ANAO is to establish requirements and provide explanatory guidance for the performance audit work conducted in the Australian public sector.
Management of credit cards

Credit cards enable agencies to purchase a wide range of goods and services with related administrative costs, and provide convenience and flexibility for staff, compared to using cash or cheques. However, the use of credit cards can expose agencies to risks of inappropriate or unauthorised expenditure, and in some instances, fraud. Agencies have management frameworks in place to address these risks, including guidance on the use and controls over purchasing with credit cards and how agencies managed their relationship with the credit card provider.

The ANAO found that the four agencies subject to audit generally had sound controls over the issue and cancellation of credit cards and had all issued specific guidance on their use. The audit found a number of instances where controls were identified but were not properly applied by the cardholder. For example, the audited agencies had not properly ensured that cardholders understood their obligations when using credit cards and had not had all the selected agencies notified when they were enrolled on a new credit card. The audit made four recommendations, which were directed at:

- strengthening controls over the issue and use of credit cards;
- improving approval processes, guidance and training related to purchasing with credit cards and how agencies managed their relationship with the credit card provider;
- reviewing cardholder agreements for terms in relation to their use; and
- improving controls over the issue of Commonwealth credit cards across the agencies.

Recent publications from the ANAO

AMAG Audit Report No.3-2008-09 Employment and Management of Locally Engaged Staff
AMAG Audit Report No.2-2008-09 Establishment and Management of the Commonwealth Credit Card Scheme
AMAG Audit Report No.1-2008-09 The Business Partnership Agreement Between the Departments of Education, Employment and Workplace Relations, DEEWoR and Centrelink
AMAG Audit Report No.8-2008-09 Centrelink’s Tip-off System
AMAG Audit Report No.9-2008-09 National Welfare Line
AMAG Audit Report No.2008-09 Administration of the Telecommunications Charging and Forfeiture Po 2005 (CP) Scheme
AMAG Audit Report No.2008-09 Disability Employment Services

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Use of Memoranda of Understanding (MOUs)

High level accountability arrangements for public sector agencies are prescribed by legislation. The legislative framework is primarily based on ‘vertical accountability’, with each agency having sole responsibility for its particular budget appropriations and being accountable for the achievement of outcomes and outputs. The top level government agencies include the Financial Management and Accountability Act 1997 which sets the broad policy prescriptions for government departments and agencies. The Senate Order for Departmental and Agency Arrangements for Programs and the related funding arrangements for programs and the related funding arrangements for programs and are appropriately supported.

In recent years the ANAO has conducted a number of performance audits of cross-agency arrangements. A common theme emerging from the ANAO’s analysis of the performance of cross-agency arrangements is that, while there are benefits to such arrangements, there are key factors that influence the success of cross-agency arrangements. Factors of coordination across agencies include ministerial committees, traditional interdepartmental committees, an exchange of correspondence, and the use of more formal Memoranda of Understanding (MOUs). It is important that any structure or coordination processes in place by agencies meet accepted standards of good practice and that the use of Memoranda of Understanding (MOUs) are appropriately supported.
Management of credit cards

Credit cards enable agencies to purchase a wide range of goods and services with reduced administrative costs, and greater convenience and flexibility for staff, compared to using cash or cheques. However, the use of credit cards can expose agencies to risks of inappropriate or unauthorized expenditure and in some agencies, credit card expenditure can be considerable, with some agencies spending millions of dollars on purchase cards. Agencies, therefore, should establish controls to effectively manage these risks. Such controls include informing cardholders of their obligations when using credit cards and having risk-based processes to check the validity of credit and expenditure. Streamlining and controlling controls within this framework should remain consistent and effective.

Requirements relating to the use of credit cards by agencies are provided in the Financial Management and Accountability Act 1997 (FMA Act), the Financial Management and Accountability Regulations 1997 (FMA Regulations) and Financial Management and Accountability Orders 2003 (FMA Orders). These requirements relate to such things as the need to make reasonable, effective and efficient use of Commonwealth resources, ensuring an expenditure is appropriately authorised and the imposition of penalties on release of Commonwealth credit cards.

The ANAO recently completed a cross agency audit on the management of credit cards that reviewed controls over issuing and canceling of credit cards and credit card expenditure. It also examined guidance and training related to purchases with credit cards and how agencies managed their relationship with the credit card provider.

The ANAO found the four agencies subject to audit generally had sound controls in place and were effective and efficient. Credit cards were used consistently and their effectiveness of controls over the use of Commonwealth credit cards varied across the agencies. Where instances of poor operating controls were identified they typically arose from the card holder’s desire to obtain proper approval for expenditure and retain sufficient supporting documentation and inadequate credit card reconciliation statements, which were not completed correctly, supported by incomplete or incorrect documentation and verified by the cardholder and independent auditor. The audit found that inadequate inappropriate expenditure or fraud in any of the audited agencies. However, the ANAO considered that all of the selected agencies needed to strengthen key controls over credit cards to further reduce the risk of misuse of credit cards. The audit made four recommendations, which were directed at:

- strengthening controls over the issue and cancellation of credit cards;
- improving approval processes, guidance and training for relevant staff;
- strengthening the control framework for purchases by implementing risk-based reviews; and
- ensuring agencies get value for money when procuring credit card services.

Recent publications from the ANAO

AMAG Audit Report No. 2007–08 Employment and Management of Locally Employed Staff

AMAG Audit Report No. 2007–08 Employment and Management of Locally Employed Staff

In addition to the audit of the Management of credit cards and the new performance auditing standard, the ANAO has recently provided more than 20 years continuous service to the AG. The staff members were:

- Cox Anna
- Graham Johnston
- Bill Barry
- Veronica Lai
- Christine Beard
- John McNamara
- Gordon Cure
- Dianne Coomman
- David Cameron
- Ani Solomon
- Punja Daith
- Susan Sarkeit
- Craig Dean
- Ros Millar
- Rosemary Faddoul
- Michael Watson
- Paul Hickey
- Peter White

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Use of Memoranda of Understanding (MOUs)

The Auditor-General has recently recognised the contribution and commitment of 20 staff who have provided more than 20 years continuous service to the ANAO. The staff members were:

- Cox Anna
- Graham Johnston
- Bill Barry
- Veronica Lai
- Christine Beard
- John McNamara
- Gordon Cure
- Dianne Coomman
- David Cameron
- Ani Solomon
- Punja Daith
- Susan Sarkeit
- Craig Dean
- Ros Millar
- Rosemary Faddoul
- Michael Watson
- Paul Hickey
- Peter White

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Audit Focus

Use of Memoranda of Understanding (MOUs)

High level accountability arrangements for public sector agencies are prescribed by legislation. The legislative framework is primarily based on ‘vertical accountability’, with agencies having self-responsibility for particular budget appropriations and being accountable for the achievement of outcomes and outputs. The key legislative governance agencies include the Financial Management and Accountability Act 1997 and the Public Service Act 1999. This legislation, together with any agency-specific legislation, provides the framework for agencies to deliver outcomes specified by the Australian Government. In this context, agencies typically report and are accountable at an individual agency level.

In contrast, dealing with increasingly complex international and national challenges such as security, global financial markets, climate change, Indigenous disadvantage has required agencies to form partnerships and work together. While there are benefits to whole of government arrangements, a key factor that influences success is an appropriate governance structure.

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Use of Memoranda of Understanding (MOUs)

High level accountability arrangements for public sector agencies are prescribed by legislation. The legislative framework is primarily based on ‘vertical accountability’, with agencies having self-responsibility for particular budget appropriations and being accountable for the achievement of outcomes and outputs. The key legislative governance agencies include the Financial Management and Accountability Act 1997 and the Public Service Act 1999. This legislation, together with any agency-specific legislation, provides the framework for agencies to deliver outcomes specified by the Australian Government. In this context, agencies typically report and are accountable at an individual agency level.

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