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# Summary and recommendations

## Background

1. Where Australian Public Service (APS) employees<sup>1</sup> are required to travel on Department of Defence (Defence) business, Defence's policy is that it will provide its employees with the facility to meet reasonable travel costs on the basis that they neither gain nor lose financially.

2. Travel allowance payments are made through the Defence Travel Card (DTC)<sup>2</sup>, Defence's payroll system and Defence's financial management information system, depending on the type of allowance and whether the traveller has a DTC. The estimated amount of travel allowances paid to APS employees through the three payment systems for the period 1 July 2016 to 30 June 2018 is shown in Table 1.

**Table 1: Estimate of travel allowances paid to Australian Public Service employees in Defence (July 2016 to June 2018)**

| Allowance type                     | Payment method   | 2016–17<br>\$ (estimate) <sup>d</sup> | 2017–18<br>\$ (estimate) <sup>d</sup> |
|------------------------------------|--|---------------------------------------|---------------------------------------|
| Meals and incidentals <sup>a</sup> | DTCs (primarily cash withdrawals)                            | 16,900,244                            | 17,110,518                            |
| Meals and incidentals              | Defence financial management information system <sup>b</sup> | 147,754                               | 145,844                               |
| Motor vehicle                      | Defence payroll system                                       | 357,983                               | 366,212                               |
| Part day travel                    | Defence payroll system                                       | 181,428                               | 179,485                               |
| <b>Total<sup>c</sup></b>           |  | <b>17,587,409</b>                     | <b>17,802,059</b>                     |

Note a: Defence defines incidentals as minor expenses incurred casually and in addition to the amounts provided for meals.

Note b: Used when the employee does not hold a DTC, or when the card is not accepted.

Note c: This total is net of refunded, repaid, and disputed transactions during the period, which appear as negative amounts in each of the three systems listed.

Note d: The reasons amounts reported are estimates rather than actuals, and the criteria and method used to compile information for this set of transactions are outlined in Appendix 3.

Source: ANAO analysis of Defence data.

## Rationale for undertaking the audit

3. The administration of employee allowances is a routine corporate function undertaken by government sector entities. Effective arrangements for the administration of allowances support entities to demonstrate the proper use of public money.

4. This audit focused on travel allowances, rather than all allowances paid to Defence's APS employees as originally outlined in the ANAO's 2017–18 Annual Audit Work Plan, because:

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1 For the purposes of this audit, Defence's Australian Public Service employees comprise the Secretary of Defence, and Defence employees at the Senior Executive Service (SES) level, Executive Level (EL), and Australian Public Service (APS) employment categories. This audit did not include travel allowances paid to Australian Defence Force personnel.

2 A credit card issued to individual employees to pay for Defence related travel expenses.







Cards Fraud Risk Assessment (current as at June 2019) identified three areas of high risk and set out controls that were expected to reduce the residual risk to 'medium'. In March 2019, Defence Finance Group recommended that the Enterprise Business Committee note that 'no individual high risk areas within financial management decision making have been identified'. Defence advised that its recommendation took into consideration 'work that had been undertaken to mitigate some of the risks'. However, the committee was not advised that the controls set out in the March 2018 risk assessment had not yet been fully implemented or that the effectiveness of additional compliance activities had not yet been assessed.

15. Defence has not yet established appropriate and effective controls to ensure that accurate travel allowances are paid to eligible employees. ANAO analysis indicated that Defence's preventative controls are not fully effective, with Defence unable to provide documented approvals for 21 per cent of the sample travel allowance transactions reviewed as part of this audit. Defence has progressively implemented detective controls since July 2017, in the form of credit card compliance activities, and expects that these activities will continue to evolve to address emerging and ongoing risks.

16. Defence has not fully implemented recommendations from the following review and audit relating to the administration of travel allowances:

- The 2015 *Review of Red Tape in Defence* made 20 recommendations related to Defence's administration of travel. Defence reported to its Enterprise Business Committee that ten of these recommendations had been completed as at 14 February 2018. The ANAO assessed that of the 10 recommendations reported as completed, five have not yet been implemented.
- Auditor-General Report No.33 2015–16, *Defence's Management of Credit and other Transaction Cards* made two recommendations to improve Defence's management of credit cards. Defence advised that these recommendations had been completed in January 2016 and March 2016 respectively. The ANAO has assessed that one recommendation has been partially implemented, and the other has been progressively implemented since July 2017.

17. The 2015 *Review of Red Tape in Defence* recommended the introduction of an automated travel management system to simplify and improve the effectiveness of Defence's administration of travel. In December 2016, Defence approved \$11.9 million to implement the Travel and Expense Management project, which was 'paused' in March 2019, and subsequently 'ceased', after expenditure of over \$10 million and delays in implementation. Reporting to the Enterprise Business Committee on the status of this project was largely positive until December 2018, shortly before the project was paused.

18. Assurance on compliance activities is provided internally through regular reporting to the Defence Enterprise Business Committee and Defence Audit and Risk Committee. External assurance on compliance with minimum standards for managing risks and incidents of fraud is provided through annual certification by the accountable authority, as required by the Public Governance, Performance and Accountability Rule 2014. This performance audit identified instances where Defence reports to senior committees overstated the progress of activities intended to improve the administration of travel and credit cards.

## Recommendations

**Recommendation no.1** Defence:

**Paragraph 2.38**

- (a) review its travel guidance material to eliminate duplication and inconsistency and promote compliance with relevant policies and processes; and
- (b) implement a process that ensures Defence policy relevant to travel is accurately reflected in guidance material and tools.

**Department of Defence Response:** *Agreed.*

## Summary of the Department of Defence's response

19. The proposed report was provided to the Department of Defence. The Department's summary response is below and its full response is at Appendix 1.

Defence welcomes the findings contained in the audit report on Defence's Administration of Travel Allowances paid to APS employees and agrees with the single recommendation.

Through its own internal review processes, Defence had already begun work on a number of initiatives to improve its administration and oversight of travel allowances and associated travel card processes. Defence has been actively improving the administration of travel allowances, making significant progress in the last six months. Some improvement initiatives were delayed pending the introduction of the travel requisition and expense management system project that was being relied upon to introduce a range of new controls. Following testing, this project has now ceased.

Defence commenced the implementation of a system that would support the administration of travel including the requisition, approval and acquittal of travel. Defence envisaged that this replacement system would also undertake the calculation and authorisation of travel allowances. Such issues were the subject of previous review recommendations. It became apparent through the implementation project that the varied and complex nature of some of the travel allowances paid to Australian Defence Force (ADF) and Australian Public Service (APS) officials would make the use of an off the shelf commercial software system difficult at this time. Defence will implement further controls and processes for travel administration whilst meeting the business requirements of the organisation. Principles underpinning this work will focus on making it easier for staff to comply, moving to electronic approvals by supervisors and improved management reporting.

As a result of this audit, Defence established a Travel Board in May 2019 to bring together the Defence groups responsible for overseeing travel expenditure. The Board will govern travel policy, controls processes and compliance. It will report to the organisation's Enterprise Business Committee and Defence Committee on progress made in improving travel administration, compliance and performance across the business.

## Key messages from this audit for all Australian Government entities

20. Below is a summary of key messages, including instances of good practice, which have been identified in this audit that may be relevant for the operations of other Commonwealth entities.

### **Governance and risk management**

- Informed decision-making by senior leaders and governance committees relies on accurate and timely advice and management reporting.
- Risk-based controls and testing can help provide assurance that departmental requirements have been complied with and payments are accurate.

### **Policy/program implementation**

- Clear alignment between policy, guidance and administrative systems facilitates compliance with policy and process requirements.



# 1. Background

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## Introduction

1.1 The Department of Defence (Defence) may require its personnel to travel in order to perform their duties. Where Australian Public Service (APS) employees<sup>4</sup> are required to travel on Defence business, Defence's policy is that it will provide its employees with the facility to meet reasonable travel costs on the basis that they neither gain nor lose financially.

1.2 Defence's APS employees can claim allowances as specified in the Defence Enterprise Agreement.<sup>5</sup> Payments are made through the Defence Travel Card (DTC)<sup>6</sup>, Defence's payroll system and Defence's financial management information system, depending on the type of allowance and whether the traveller has a DTC.<sup>7</sup>

1.3 Defence expended \$246 million on travel in 2017–18 and \$237 million in 2016–17<sup>8</sup>, reflecting Defence's large, dispersed and mobile workforce.<sup>9</sup> These amounts reflect expenditure by Australian Defence Force personnel and APS employees for flights, accommodation, car hire and the majority of travel allowances incurred during official travel.<sup>10</sup>

## Expenditure on allowances claimed for business travel

1.4 Defence's financial management information system identifies expenditure of approximately \$93 million in 2017–18 and \$90 million in 2016–17 on allowances paid to Australian Defence Force personnel and APS employees travelling on official business. These amounts include travel allowances claimed for meals and incidentals<sup>11</sup>, part day travel<sup>12</sup>, and the use of a private motor vehicle. Of these amounts, approximately 20 per cent is claimed by APS employees (\$17,802,059 in 2017–18 and \$17,587,409 in 2016–17 as set out in Table 1.1).

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4 For the purposes of this audit, Defence's APS employees comprise the Secretary of Defence, Defence employees at the Senior Executive Service level, Executive Level and APS employment categories. This audit did not include travel allowances paid to Australian Defence Force personnel.

5 This audit examined three types of travel allowance payments: meals and incidentals, motor vehicle and part day travel. The rates for each type of allowances are outlined in Appendix 2.

6 A credit card issued to individual employees to pay for Defence related travel expenses.

7 As at January 2019, 15,383 APS employees held a (Diners) DTC and 2,297 also held a (Mastercard) DTC.

8 Department of Defence, *Defence Annual Report 2017–18*, p. 165.

9 As at 30 June 2018, Defence employed 18,784 APS and 57,957 Australian Defence Force personnel.

10 These figures exclude personnel related travel expenses such as training and travel for leave purposes.

11 Incidentals are other minor expenses incidental to travel.

12 Defence pays part day travel allowance to assist an employee with additional expenses they may incur when performing duty temporarily away from their place of work for at least 10 hours but not involving an overnight stay. Under Australian taxation legislation, part day travel allowance is considered assessable income and is paid through Defence's payroll system.

**Table 1.1: Estimate of travel allowances paid to Australian Public Service employees in Defence (July 2016 to June 2018)**

| Allowance type                     | Payment method   | 2016–17<br>\$ (estimate) <sup>d</sup> | 2017–18<br>\$ (estimate) <sup>d</sup> |
|------------------------------------|--|---------------------------------------|---------------------------------------|
| Meals and incidentals <sup>a</sup> | DTCs (primarily cash withdrawals)                            | 16,900,244                            | 17,110,518                            |
| Meals and incidentals              | Defence financial management information system <sup>b</sup> | 147,754                               | 145,844                               |
| Motor vehicle                      | Defence payroll system                                       | 357,983                               | 366,212                               |
| Part day travel                    | Defence payroll system                                       | 181,428                               | 179,485                               |
| <b>Total<sup>c</sup></b>           |  | <b>17,587,409</b>                     | <b>17,802,059</b>                     |

Note a: Defence defines incidentals as minor expenses incurred casually and in addition to the amounts provided for meals.

Note b: Used when the employee does not hold a DTC, or when the card is not accepted.

Note c: This total is net of refunded, repaid, and disputed transactions during the period, which appear as negative amounts in each of the three systems listed.

Note d: The reasons travel allowance amounts reported are estimates rather than actuals, and the criteria and method used to compile information for this set of transactions, are outlined in Appendix 3.

Source: ANAO analysis of Defence data.

1.5 Three Defence Groups have responsibility for various aspects of travel allowance administration:

- Defence People Group manages the personnel policy aspects of travel, and processing of allowances paid through Defence's payroll system.
- Defence Estate and Infrastructure Group manages Defence's implementation of Whole-of-Government Travel arrangements, maintains Defence's travel budget tools, provides procedural guidance on travel through its intranet site, and provides travel booking services for Australian Defence Force conditions of service, courses and long term international postings travel.
- Defence Finance Group manages DTCs, the credit card management system, and the payment of travel allowances through the financial management information system.<sup>13</sup>

1.6 Defence's management of travel was examined in 2015 through the *Review of Red Tape in Defence*. Defence agreed to all 20 recommendations aimed at improving the management of travel in Defence.<sup>14</sup>

## Rationale for undertaking the audit

1.7 The administration of employee allowances is a routine corporate function undertaken by government sector entities. Effective arrangements for the administration of allowances support entities to demonstrate the proper use of public money.

13 Additional areas of Defence are involved in the administration of travel for Australian Defence Force personnel. Australian Defence Force travel allowances are not included in the scope of this performance audit.

14 Twenty of the 42 recommendations from the review related to Defence's administration of travel. Defence's progress with implementing these recommendations is discussed further in Chapter 3.

1.8 This audit focused on travel allowances, rather than all allowances paid to Defence's APS employees as originally outlined in the ANAO's 2017–18 Annual Audit Work Plan, because:

- the results of an audit focusing on common allowances paid to public sector employees were expected to be useful to all government sector entities;
- Defence has identified the fraudulent use of a Defence credit card (including the DTC) as a Defence-wide risk; and
- testing conducted by the ANAO in the course of auditing Defence's financial statements in recent years identified non-compliance with regard to travel allowance payment approvals.

1.9 Auditor-General Report No.33 2015–16, *Defence's Management of Credit and other Transaction Cards* (which included the DTC) found that Defence did not have a complete and effective set of controls to manage the use of credit and other transaction cards. In May 2017, the Parliament's Foreign Affairs, Defence and Trade References Committee expressed interest in the Auditor-General following up on the recommendations made in that audit report.<sup>15</sup> This audit includes an examination of Defence's implementation of the two recommendations made in the previous audit report that are applicable to the DTC.

## Audit approach

### Audit objective, criteria and scope

1.10 The objective of this audit was to assess the effectiveness of Defence's administration of travel allowances paid to its APS employees. To form a conclusion against the audit objective, the ANAO adopted the following high-level criteria:

- Defence has appropriate arrangements that support accurate payments of travel allowances to eligible APS staff; and
- Defence has effective arrangements in place to provide assurance over the payment of travel allowances to APS staff.

1.11 This performance audit focuses on Defence's systems and processes to support travel allowance payments made to Defence's APS employees during the period 1 July 2016 to 30 June 2018. The audit examined three types of travel allowance payments: meals and incidentals, motor vehicle, and part day travel. The rates for each type of allowance are outlined in Appendix 2.

### Audit methodology

1.12 In undertaking the audit, the ANAO:

- reviewed relevant Defence policy, procedure and process documentation;
- interviewed key Defence personnel including: staff from Defence's People, Finance, and Estate and Infrastructure Groups; and

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15 Foreign Affairs, Defence and Trade References Committee, Department of the Senate, *Department of Defence's management of credit and other transaction cards*, May 2017, available from [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Foreign\\_Affairs\\_Defence\\_and\\_Trade/Credittransactionscards](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Foreign_Affairs_Defence_and_Trade/Credittransactionscards) [accessed 29 October 2018].





## 2. Defence's management of travel allowances

### Areas examined

This chapter examines whether Defence has established appropriate arrangements that support the accurate payment of travel allowances to APS employees.

### Conclusion

Defence's administrative arrangements to support the payment of travel allowances to APS employees exhibit shortcomings, which reduce their appropriateness. These include: inconsistency in guidance; a failure to consistently reflect policy requirements in guidance and supporting tools (such as travel calculators); and the division of policy and administrative responsibility across three Defence Groups. The 2015 *Review of Red Tape in Defence* made similar findings and recommended that Defence produce a 'single, brief policy guidance document in plain English' on official travel and the use of the Defence Travel Card. Defence reported internally that it had addressed this recommendation, when it had not. Another agreed recommendation to give overarching policy and administrative responsibility to one Defence Group, has not yet been implemented. Defence advised that, as a result of this audit, it had established a Travel Board in May 2019 to govern travel policy, controls, processes and compliance. It is too early to establish whether this arrangement will address the intent of the 2015 *Review of Red Tape in Defence* recommendations.

### Area for improvement

The ANAO has made one recommendation aimed at improving guidance material on the management of travel allowances to promote compliance with relevant policy and ensure accurate payment of travel allowances.

### Has Defence established arrangements for the administration of travel allowances?

Defence has established arrangements for the administration of travel allowances including accessible processes, procedures and tools for calculating travel budgets, documenting the travel approval process and enabling payment of travel allowances. Administrative responsibilities for the arrangements continue to be divided between three Defence Groups, notwithstanding an agreed recommendation from the 2015 *Review of Red Tape in Defence* to consolidate responsibility for travel in the Defence Finance Group. Defence informed the ANAO that, as a result of this audit, it had established a Travel Board in May 2019 to bring together the Defence groups responsible for overseeing travel expenditure.

## Types of travel allowances paid by Defence

2.1 Depending on the destination, duration and means of official travel, Defence may pay its APS employees:

- A part day travel allowance.<sup>16</sup>
- An amount to cover the costs of meals and incidentals.<sup>17</sup>
- A motor vehicle allowance if a private vehicle is used.<sup>18</sup>

2.2 The rates for travel allowances are set and reviewed by the Secretary of Defence for Defence's APS employees, and the Remuneration Tribunal for the Secretary of Defence.<sup>19</sup>

## Arrangements for the administration of travel allowances

2.3 The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) enables the Secretary of Defence (the entity accountable authority) to delegate authority to enter into commitments to spend relevant (public) money, including for official travel.

2.4 Defence's Accountable Authority Instructions are issued by the Secretary of Defence under the authority of section 20A of the PGPA Act. Accountability Authority Instruction 2 — Approval and Commitment of Relevant Money relates to the spending of public money by Defence officials. The Instruction specifies that when approving commitments of relevant money, delegates are to ensure that:

- sufficient funds are available within the relevant budget;
- the proposed commitment promotes value for money; and
- approvals for proposed commitments are properly recorded.

2.5 Defence's Financial Delegations Manual is managed by the Defence Finance Group. It specifies the requirement for delegates to comply with the Accountable Authority Instructions and to record and retain documentation of any exercise of a financial delegation. This is to be done by signing, dating and printing their name, position title and position number, in respect to each commitment of relevant money.

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16 Defence pays part day travel allowance to assist an employee with additional expenses they may incur when performing duty temporarily away from their place of work for at least 10 hours but not involving an overnight stay.

17 Where performing duty temporarily away from their place of work that involves an overnight stay, and therefore no part day travel allowance is paid.

18 Defence permits its staff to use a private vehicle to travel on official business where it can be demonstrated that there is a cost saving to Defence, or that other means of travel are impractical. In certain circumstances, motor vehicle allowances are taxable and/or reportable under Australian Taxation Office requirements. Therefore, motor vehicle allowances are accessed through Defence's payroll system.

19 Defence domestic travel allowance rates applicable during the period covered by this performance audit are listed in Appendix 2.

2.6 The Defence Finance Group is responsible for the management of DTCs, the credit card management system, and the payment of travel allowances through the financial management information system.<sup>20</sup>

2.7 Defence People Group is responsible for processing travel allowances paid through Defence's payroll system and the management of travel policy. The Group provides guidance documents on:

- Duty Travel<sup>21</sup>;
- Part Day Travel Allowance;
- Travel Time; and
- Motor Vehicle Allowance.

2.8 Defence Estate and Infrastructure Group is responsible for managing the operational aspects of Defence travel including but not limited to: Defence's implementation of Whole-of-Government Travel arrangements; maintaining Defence's travel budget calculators; and providing procedural guidance on travel through its intranet site and support through the Defence Service Call Centre and Customer Service Centres on bases to assist Defence APS staff with travel queries.

2.9 The *Review of Red Tape in Defence* (2015) recommended that, as part of the implementation of an electronic travel management system, travel policy and its administration should become the clear responsibility of one area of Defence. Implementation of a travel requisition and expense management system was 'paused' in March 2019 and subsequently 'ceased'.<sup>22</sup> The three Defence Groups continue to have responsibility for various aspects of travel policy and administration.

2.10 In June 2019 Defence informed the ANAO that:

As a result of this audit, Defence established a Travel Board in May 2019 to bring together the Defence groups responsible for overseeing travel expenditure. The Board will govern travel policy, controls processes and compliance. It will report to the organisation's Enterprise Business Committee and Defence Committee on progress made in improving travel administration, compliance and performance across the business.

2.11 In June 2019, Defence informed the ANAO that the:

- Travel Board consists of four representatives from Defence's Finance, People, and Estate and Infrastructure Groups;
- terms of reference for the Travel Board have not been finalised; and
- Travel Board has met four times to date but there are no meeting minutes or documented outcomes.

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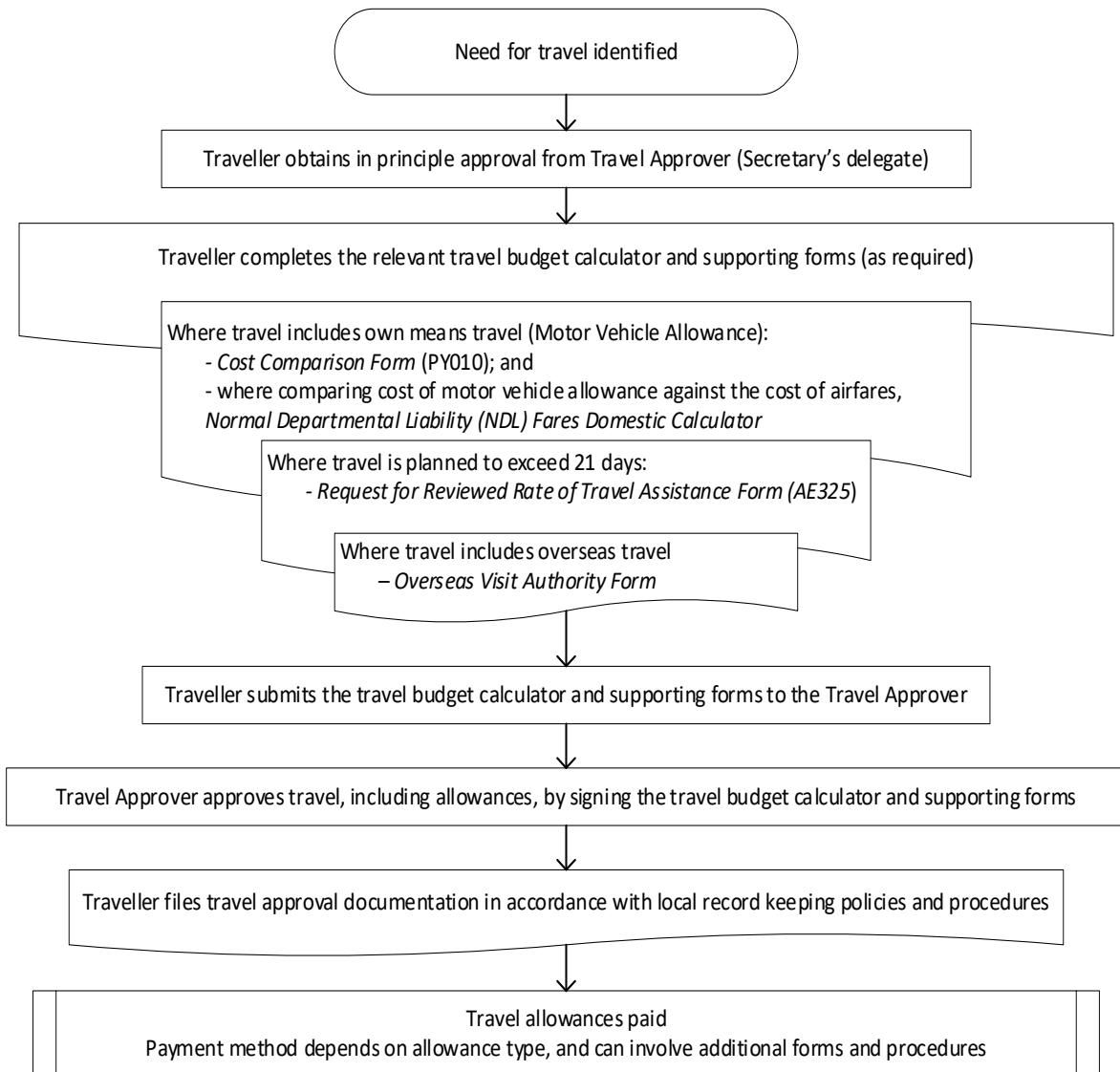
20 Additional areas of Defence are also involved in the administration of travel for Australian Defence Force personnel.

21 Defence People Group uses the term 'duty travel' when referring to official travel.

22 See Department of Defence response to this audit (paragraph 19 and Appendix 1). The electronic travel management system is discussed further at paragraphs 3.33 to 3.39 of this audit report.



**Figure 2.1: Defence travel allowance approval process for APS employees**

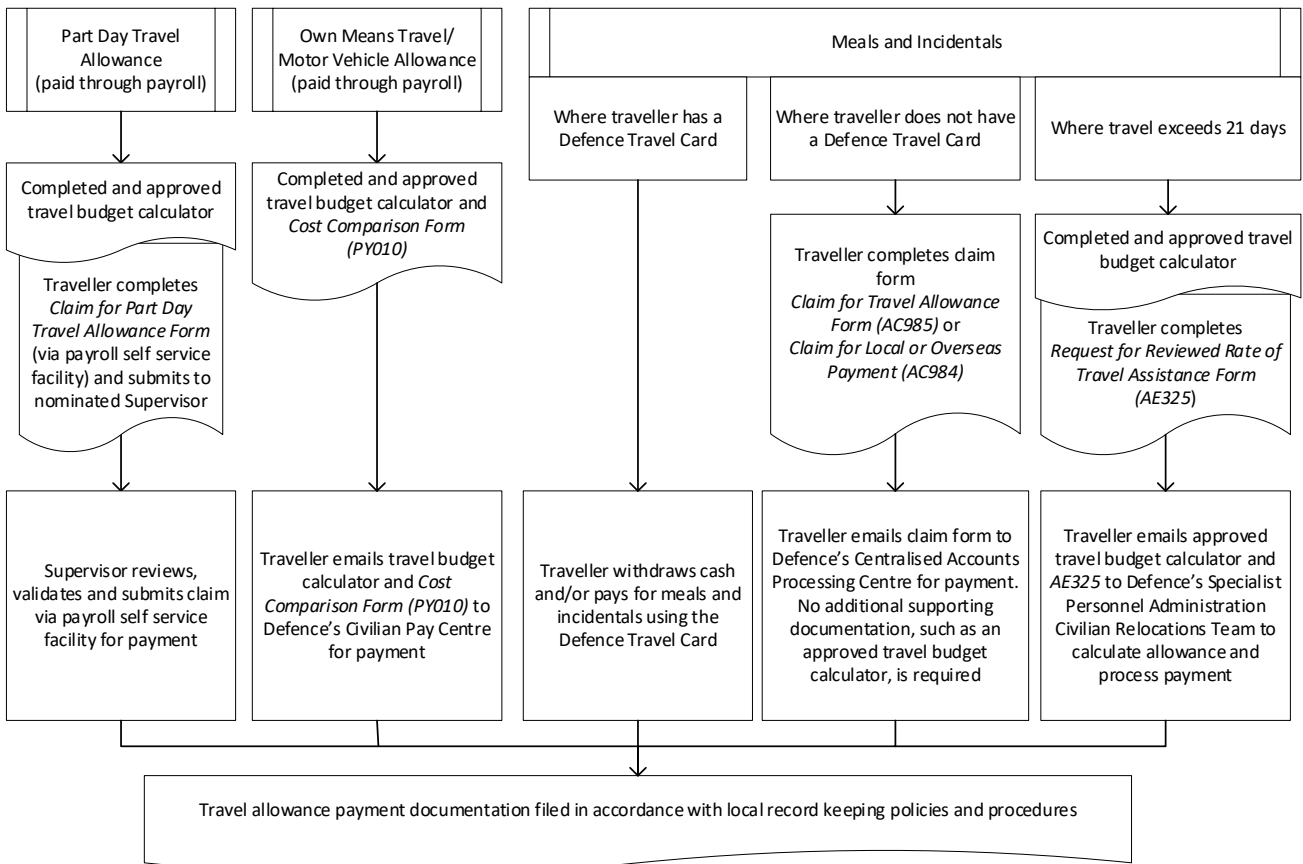


Source: ANAO summary of Department of Defence's policy, guidance, forms, fact sheets and other documents intended to guide the claiming and processing of travel allowance payments.

## Payment of travel allowances

2.16 Figure 2.2 illustrates Defence's process for APS employees to access approved travel allowances.

**Figure 2.2: Defence's process for claiming approved travel allowances**



Source: ANAO summary of Department of Defence's policy, guidance, forms, fact sheets and other documents intended to guide the claiming and processing of travel allowance payments.

### Has Defence provided accurate guidance to APS employees about travel allowances, including eligibility criteria?

The guidance and tools available to APS employees about travel allowances do not consistently reflect policy requirements. Defence's collection of policies, procedures and guidance on travel allowances is fragmented and spread across multiple documents, tools and intranet pages. In April 2019, Defence implemented a new travel intranet site, which improves clarity and accessibility of information, but gaps, duplication and inconsistencies remain. Defence has not implemented agreed recommendation 19 of the 2015 *Review of Red Tape in Defence* relating to the simplification of guidance, even though it reported to a senior committee in 2018 that it had done so.

## Travel guidance material

2.17 The *Review of Red Tape in Defence (2015)* described Defence's travel policy and procedure framework as a 'frightening smorgasbord of documents' and concluded that Defence personnel needed a single source of travel policy and procedure advice.<sup>25</sup>

The Department badly needs a streamlined, simple policy guidance document in plain English on Official Travel and the use of DTCs in place of the current multiple policy documents, instructions and regulations relating to travel. This should be a consolidated statement of Defence travel policy that is concise, in plain English, and no more than a few pages in length.

2.18 Recommendation 19 of the Review was that Defence produce a 'single, brief policy guidance document in plain English on Official Travel and the use of DTCs'. Defence agreed to this recommendation and reported to the Enterprise Business Committee<sup>26</sup> that this recommendation was completed on 14 February 2018.

2.19 Defence could not provide the ANAO with a single, brief policy guidance document in plain English on 'Official Travel and the use of Defence Travel Cards' as recommended by the 2015 *Review of Red Tape in Defence*, and was unable to demonstrate that this work had been undertaken. Defence's collection of policies, procedures and tools remains fragmented, with three Defence groups responsible for managing elements of the multiple guidance documents and forms relating to the approval and payment of travel allowances. Some travel allowance guidance is reproduced in multiple documents.

2.20 As at 22 February 2019, documentation relating to travel allowance payments in Defence remained extensive and included:

- four high level policy documents;
- three joint directives;
- seven policy guidance documents;
- 16 intranet pages;
- 15 fact sheets;
- two quick guides;
- two check lists; and
- 27 DTC and credit card management system guidance documents, fact sheets and instructions.<sup>27</sup>

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25 Twenty of the 42 recommendations from the review related to Defence's administration of travel. Defence's progress with implementing these recommendations is discussed further in Chapter 3.

26 The Enterprise Business Committee is a subordinate committee of the Defence Committee (the primary decision-making committee in Defence) and is responsible for ensuring the effective running of Defence. Its remit includes corporate planning, performance monitoring and reporting, enterprise risk management, information management and service delivery reform.

27 During the course of this audit, Defence commenced a review of the travel guidance documentation. The volume of guidance documents has been rationalised but remains extensive.





- up to five people — Group Heads or Service chiefs in exceptional circumstances; and
- more than five people — Secretary or the Chief of the Defence Force.

2.26 However, other guidance documents available on the Defence Travel website have not incorporated the requirements of the Joint Directive. The website includes intranet page ‘International Travel Policy’ and fact sheet ‘International — Short-term Duty Overseas Travel Overview’ (4 August 2016), which state that the ‘Section 23 Commitment Approver for official international travel is at the Two-Star or Senior Executive Service Band 2 level.’ These guidance documents do not include the additional requirements for multiple travellers specified in Joint Directive 27/2012. Given that the Overseas Visit Authority is not specified as a mandatory form in some guidance provided on the Defence Travel website, travellers who choose not to use this form may not be aware of these additional approval requirements.

2.27 Of 46 international travel allowance claims reviewed by the ANAO, 11 (24 per cent) were not approved, or not approved by at least a Two-Star or Senior Executive Service Band 2 level officer, making them non-compliant with Defence’s internal policies and procedures.

#### *After travel certification*

2.28 After travel certification is incorporated in some travel budget calculators, to be completed by the traveller under specific circumstances.<sup>31</sup> The Defence Travel website (intranet) page titled ‘After Travel Domestic and International’ contains the following conflicting statements on the need to complete the after travel certification:

- Travellers, upon completion of official travel, will only be required to complete the after travel certification where there is a change to the approved travel plan that:
  - increases the original budget; or
  - decreases the original budget and results in an amount needing to be repaid.
- Where the traveller has used either a Budget Calculator or iTravel to do their budget, the traveller is to complete the after travel certification section.
- Travellers using iTravel to create their budget are to complete the after travel certification section on the Trip Budget.
- For overseas Training and Education organised by Defence Travel - Travellers are to complete a PY083-1 Certification (Acquittal) and the PY083 Travel Diary.<sup>32</sup>

2.29 APS employees’ completion of the certification varied across the sample of transactions reviewed by the ANAO. Some travellers completed the after travel certification even though no changes to the approved travel plan were made. There were also instances where changes to the approved travel plan occurred but the after travel certification was not completed.

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31 An after travel certification is a section of the travel approval form, which enables the traveller to record any changes to the approved travel plan. For example, if the employee returns earlier than planned, the approved travel allowance may be in excess of the correct amount and necessitate a repayment of money. Identification of such changes relies on the traveller notifying changes through the completion of the after travel certification section of the travel approval form.

32 Defence advised the ANAO on 12 June 2019 that guidance regarding this form and travel diary applies solely to travel by Australian Defence Force personnel. As of 14 June 2019, the department’s intranet page does not specify that the form and travel diary applies solely to Australian Defence Force travel.



allowance transactions were, in many cases, not easily accessible.<sup>33</sup> In 21 per cent of cases a valid delegate approval could not be provided (see Table 3.2, which summarises the results of ANAO sample testing).

### *Defence Travel intranet site*

2.36 In April 2019, in the course of this audit, Defence Travel implemented a new intranet site, known as TravelConnect. The ANAO reviewed the guidance material provided on TravelConnect and found that a number of out-of-date references have been removed and accessibility and clarity of information has been improved. Some inconsistencies have been addressed — for example, the after travel certification guidance issue has been resolved. However, gaps, duplication and inconsistencies remain.

2.37 To promote compliance as expected under PGPA Act section 15, Defence should undertake a thorough review of its guidance to eliminate existing gaps, duplication and inconsistency and establish a process to ensure that guidance to employees is updated to reflect future policy changes accurately. Further, Defence should implement what it advised the Enterprise Business Committee that it had already done.

### **Recommendation no.1**

2.38 Defence:

- (a) review its travel guidance material to eliminate duplication and inconsistency and promote compliance with relevant policies and processes; and
- (b) implement a process that ensures Defence policy relevant to travel is accurately reflected in guidance material and tools.

**Department of Defence response:** *Agreed.*

2.39 Defence agrees to this recommendation.

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33 The request was issued to Defence on 20 December 2018. Defence progressively provided records from 25 January to 5 June 2019.



















### *Travel allowances accessed through the payroll system*

3.24 Travel allowances accessed via the payroll system also represent a relatively small proportion of travel allowances paid to APS employees (see Table 1.1). Requests for part day travel allowance are processed by the traveller through a self-service function that requires manager approval. Requests for payment of motor vehicle allowance are submitted via email to Defence's pay centre. Defence informed the ANAO that authority for the payment must be provided before processing. Defence could not provide an appropriate travel approval for 19 (26 per cent) out of 73 sample travel allowance transactions reviewed by the ANAO, which were paid through Defence's payroll system (see Table 3.2).

## **ANAO testing**

### *Defence travel allowance transaction testing*

3.25 As part of this audit, the ANAO reviewed a sample of travel allowances paid to APS employees to assess their compliance with relevant legislation, policies and procedures. The ANAO requested Defence records to support the payment of 332 randomly selected travel allowance transactions across the three payment types for the period 1 July 2016 to 30 June 2018. Thirty-six transactions were found to be unrelated to travel allowances and therefore removed from the sample. The ANAO tested the remaining 296 travel allowance transactions.

3.26 The purpose of the testing was to check each transaction for compliance with Defence's travel approval process as described in paragraphs 2.12 to 2.14 and figures 2.1 and 2.2 of this audit report. Such testing would provide an indication of whether: preventative controls were effective in ensuring employees follow Defence's processes, and whether detective controls detect non-compliance with those processes.

3.27 For each travel allowance transaction examined, the ANAO tested for a valid travel approval as this is required for all travel allowances claims.<sup>44</sup> Table 3.2 details the results of the ANAO's testing.

**Table 3.2: Travel allowance compliance 1 July 2016 to 30 June 2018**

| Payment method                                  | Transactions tested | Travel approval not provided |
|---|---------------------|------------------------------|
| Defence Travel Card                             | 176                 | 41 (23 per cent)             |
| Defence payroll system                          | 73                  | 18 (25 per cent)             |
| Defence financial management information system | 47                  | 4 (9 per cent)               |
| <b>Total</b>                                    | <b>296</b>          | <b>63 (21 per cent)</b>      |

Source: ANAO analysis of Defence data.<sup>45</sup>

3.28 Defence was unable to provide evidence that the necessary approvals had been obtained for 21 per cent of the transactions reviewed. The testing indicates that Defence travel allowances are not being managed in accordance with the approval requirements of Defence's Accountability Authority Instructions or Financial Delegations Manual.

44 That is, a travel proposal document, signed by an appropriate delegate of the Secretary prior to travel.

45 Appendix 3 of this audit discusses the method used for selecting and testing the sample.

### *Defence credit card transaction testing*

3.29 As a result of the findings in Auditor-General Report No. 33 of 2015–16, and concerns expressed by the Parliament’s Foreign Affairs, Defence and Trade References Committee in May 2017<sup>46</sup>, the ANAO expanded its testing of credit card transactions as part of its audit of Defence’s financial statements, and made a number of observations, including:

- in 2016–17, five out of 31 (16 per cent) of the sampled transactions were found to be in breach of section 23 of the PGPA Act and Defence’s Travel & Purchasing Policy;
- in 2017–18, seven out of 67 (10 per cent) of the sampled transactions were found to be in breach of section 23 of the PGPA Act and Defence’s Travel & Purchasing Policy; and<sup>47</sup>
- in 2018–19, eight out of 26 (30 per cent) of the sampled transactions did not have sufficient documentation to support the payment.<sup>48</sup>

### **Has Defence implemented relevant review and audit recommendations?**

Defence has not fully implemented recommendations from the following review and audit relating to the administration of travel allowances:

- The 2015 *Review of Red Tape in Defence* made 20 recommendations related to Defence’s administration of travel. Defence reported to its Enterprise Business Committee that ten of these recommendations had been completed as at 14 February 2018. The ANAO assessed that of the 10 recommendations reported as completed, five have not yet been implemented.
- Auditor-General Report No.33 2015–16, *Defence’s Management of Credit and other Transaction Cards* made two recommendations to improve Defence’s management of credit cards. Defence advised that these recommendations had been completed in January 2016 and March 2016 respectively. The ANAO has assessed that one recommendation has been partially implemented, and the other has been progressively implemented since July 2017.

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46 Senate Foreign Affairs, Defence and Trade References Committee, *Defence’s management of credit and other transaction cards*, May 2017, available from [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Foreign\\_Affairs\\_Defence\\_and\\_Trade/CredittransactionsCards/Report](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Foreign_Affairs_Defence_and_Trade/CredittransactionsCards/Report) [accessed 29 October 2018].

47 Examples of transactions in breach of section 23 of the PGPA Act and Defence’s Travel and Purchasing Policy included transactions without an appropriate approval and acquittal. Some transactions had been misclassified within the expenses category. In each year reviewed, the total value of these transactions was less than \$300 000. All expenses in 2016–17 were assessed as legitimate Defence expenses. In 2017–18 the majority of expenses were assessed as legitimate Defence expenses with \$1,149 related to private expenses which is clearly trivial from a financial statement perspective.

48 Five payments did not have valid approval and three exceeded credit card limits.







travel management system and in conjunction with nine other recommendations, including an enhanced system of random audits.

3.42 Defence removed its requirement for the card management system supervisor to review and approve all credit card transactions in October 2016<sup>51</sup>, without implementing the accompanying recommendations.

3.43 In September 2017, an internal audit of credit card system controls found that Defence's decision to remove the card management supervisor acquittal function in October 2016 was not supported by an adequate risk assessment. The report stated that:

Without an adequate risk assessment around the removal of the acquittal role, it is difficult to provide assurance that the risks mitigated by this role are still being [appropriately] mitigated post the removal.

Prior to the removal of the CMS supervisor acquittal function, the CMS supervisor was a main referral source for fraudulent and non-compliant transactions.<sup>52</sup>

3.44 The internal audit made four recommendations and two suggestions. Defence Finance Group initially rejected the recommendations but later agreed to them in August 2018 and implemented additional credit card compliance activities in September and December 2018 (see Table 3.1).<sup>53</sup>

3.45 In May 2019, Defence's Quarterly Fraud Control Report, presented to the Defence Audit and Risk Committee, stated that:

- An increase in the value of credit card fraud cases following the removal of the CMS supervisor acquittal process in late 2016 has been identified.
- The value of this fraud is assessed as larger than traditionally experienced by Defence and post case analysis revealed an unreasonable delay in detection enabling the fraud to continue over a long period of time.
- Whilst the number of credit card fraud incidents remains the same, the number of cases with higher values has increased. Cases have increased to tens of thousands of dollars due primarily to delayed detection and a lack of sufficient management oversight in the control framework design (prior to late 2018) and exacerbated in some cases through local area practices.

### **Auditor-General Report No. 33 2015–16, *Defence's Management of Credit and other Transaction Cards* (May 2016)**

3.46 Auditor-General Report No.33 2015–16, *Defence's Management of Credit and other Transaction Cards* concluded that Defence did not have a complete and effective set of controls to manage the use of credit and other transaction cards. The ANAO made two recommendations to

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51 This included the removal of the requirement for credit card management system supervisors to approve Defence credit card transactions. This applies to all Defence credit cards (Defence Purchasing Card and Defence Travel Card).

52 Defence, *Compliance Review of Card Management System Controls*, Final Report, September 2017.

53 The acquittal function was not reinstated.

improve Defence's management of its credit cards, and to provide assurance that the control arrangements for credit cards are working as intended.<sup>54</sup>

3.47 Following the presentation of the report in May 2016, Defence prepared a management action plan for the implementation of each of the ANAO recommendations. The plan noted that the actions required to implement Recommendations No. 1 and 2 were completed in January 2016 and March 2016 respectively.<sup>55</sup> Defence's Audit and Fraud Control Division subsequently closed each recommendation in Defence's Audit Recommendations Management System.

3.48 Boxes 1 and 2 below summarise the ANAO's assessment of implementation activities. In summary, the ANAO assessed that Recommendation 1 has been partially implemented and Recommendation 2 has been progressively implemented since July 2017.

**Box 1: Recommendation 1 from Auditor-General Report No.33 2015–16 Defence's Management of Credit and other Transaction Cards**

**Recommendation no.1**

To improve its management of credit cards, the ANAO recommends that Defence:

- (a) identifies the risks associated with its credit cards and its current control framework;
- (b) implements enterprise-wide control arrangements aligned to key risks; and
- (c) implements arrangements to provide assurance that the control arrangements are working as intended.

**Defence's response:** *Agreed.*

**Defence status:** Completed.

**ANAO assessment:** Partially implemented.

Defence has identified the risks associated with its credit cards and revised its control arrangements for credit cards, and subsequently assessed that this activity addressed the intent of ANAO Recommendation No. 1. Defence has not assessed whether the control arrangements are working as intended.

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54 The ANAO made a third recommendation in relation to Defence's management of its fuel cards. Defence's implementation of this recommendation was not considered as part of this performance audit.

55 Defence advised the ANAO that it had reviewed its governance arrangements for credit cards during the course of the ANAO audit in response to emerging audit findings (see Appendix 3 of that audit report). The audit report noted that this work was underway at the conclusion of the audit and that it would require ongoing senior leadership attention to firmly establish it.

**Box 2: Recommendation 2 from Auditor-General Report No.33 2015–16 Defence's Management of Credit and other Transaction Cards**

**Recommendation no.2**

To provide assurance that credit card use is consistent with Defence policies, the ANAO recommends that Defence:

- (a) undertakes periodic analysis of credit card transactions, targeting key areas of risk; and
- (b) takes corrective action, where necessary.

**Defence's response:** *Agreed.*

**Defence status:** Completed.

**ANAO assessment:** Implemented progressively from July 2017.

In March 2016, Defence assessed that it had implemented ANAO Recommendation No. 2 through the introduction of a credit card testing program. The purpose of this program was to assist in the detection of non-compliance with PGPA Act requirements, Defence travel policy and ensure sufficient proof of expenditure.

The 2017 Defence *Compliance Review of Card Management System Controls* (discussed in paragraphs 3.40 to 3.45), found that the full rollout of this program commenced at the end of February 2017, almost 12 months after Defence assessed that it had implemented the related ANAO recommendation. The review also found that the program was unable to provide a high level of assurance that it would capture all instances of non-compliance with travel policies and PGPA Act requirements, nor highlight instances of potential fraud for further review.

In July 2017 Defence updated its credit card sample testing program 'to a new risk-weighted sample' based methodology. In September and December 2018, Defence implemented additional credit card compliance activities (see Table 3.1).

In May 2019, Defence informed its Audit and Risk Committee that:

- some residual risks and issues in relation to credit card transactions are not being sampled for potential fraud through Defence's credit card testing activities; and
- it is expected that the credit card compliance activities will evolve over time to ensure that areas of emerging and ongoing risk are appropriately mitigated.

**Does Defence provide assurance through internal and external reporting?**

Assurance on compliance activities is provided internally through regular reporting to the Defence Enterprise Business Committee and Defence Audit and Risk Committee. External assurance on compliance with minimum standards for managing risks and incidents of fraud is provided through annual certification by the accountable authority as required by the Public Governance, Performance and Accountability Rule 2014. This performance audit identified instances where Defence reports to senior committees overstated the progress of activities intended to improve the administration of travel and credit cards.



- On 12 December 2018, reporting to the Enterprise Business Committee about the Travel and Expense Management project was largely positive, advising that previously reported performance issues had largely been resolved. On 5 March 2019 Defence's Chief Information Officer, Chief Finance Officer, and Deputy Secretary Estate and Infrastructure agreed to 'pause' the project due to 'performance issues' and 'security concerns' and a 'low confidence of success' (see paragraphs 3.37 to 3.39). Defence subsequently ceased the project.
- Defence advised senior committees that agreed audit and review recommendations were complete. The ANAO has assessed that the recommendations had not yet been fully implemented at the time the advice was given (see paragraphs 3.32 and 3.48).

## External reporting

3.52 The majority of Defence's travel allowances are accessed through the DTC and included as part of broad expenditure reporting under the travel component of supplier expenses in Defence's Annual Report.<sup>59</sup> Travel allowances paid through the payroll system are included as part of 'other allowances' in Defence's Annual Report.<sup>60</sup> Travel allowances paid through the financial information and management system are reported according to the General Ledger account code supplied with the transaction.

3.53 As required by the Public Governance, Performance and Accountability Rule 2014, Defence's 2016–17 and 2017–18 Annual Reports included a certification from the accountable authority that the Department had complied with the minimum standards for managing risk and incidents of fraud as set out in the Rule.

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Grant Hehir  
Auditor-General

Canberra ACT  
22 July 2019

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59 The travel component of 'Suppliers expenses Goods and Services' was reported as \$237 million in 2016–17 and \$246 million in 2017–18. These amounts reflect expenditure by Australian Defence Force Personnel and APS employees for flights, accommodation, car hire, and the majority of travel allowances.

60 The reported amounts were \$43 million in 2016–17 and \$48 million in 2017–18.



# Appendices

## Appendix 1 Department of Defence response



Australian Government  
Department of Defence

PO Box 7900 CANBERRA BC ACT 2610

**Mr Grant Hehir**  
Auditor-General  
PO BOX 707  
CANBERRA ACT 2601

Dear Mr Hehir

**Australian National Audit Office Section 19 Proposed Report: Defence's Administration of Travel Allowances paid to APS Employees**

Thank you for your correspondence of 13 May 2019, which contained the Proposed Report for the *ANAO performance audit – Defence's Administration of Travel Allowances paid to APS Employees*. Defence appreciates the opportunity to review and comment on the Proposed Report.

Defence welcomes the findings contained in the audit report on *Defence's Administration of Travel Allowances paid to APS employees* and agrees with the single recommendation.

Through its own internal review processes, Defence had already begun work on a number of initiatives to improve its administration and oversight of travel allowances and associated travel card processes. Defence has been actively improving the administration of travel allowances, making significant progress in the last six months. Some improvement initiatives were delayed pending the introduction of the travel requisition and expense management system project that was being relied upon to introduce a range of new controls. Following testing, this project has now ceased.

Defence commenced the implementation of a system that would support the administration of travel including the requisition, approval and acquittal of travel. Defence envisaged that this replacement system would also undertake the calculation and authorisation of travel allowances. Such issues were the subject of previous review recommendations. It became apparent through the implementation project that the varied and complex nature of some of the travel allowances paid to Australian Defence Force (ADF) and Australian Public Service (APS) officials would make the use of an off the shelf commercial software system difficult at this time. Defence will implement further controls and processes for travel administration whilst meeting the business requirements of the organisation. Principles underpinning this work will focus on making it easier for staff to comply, moving to electronic approvals by supervisors and improved management reporting.

As a result of this audit, Defence established a Travel Board in May 2019 to bring together the Defence groups responsible for overseeing travel expenditure. The Board will govern travel policy, controls processes and compliance. It will report to the organisation's Enterprise



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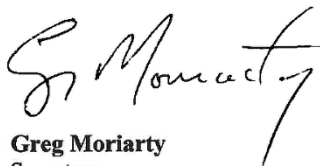
**Business Committee and Defence Committee on progress made in improving travel administration, compliance and performance across the business.**

Attached to this letter are Defence's Proposed Amendments, Editorials and Comments (Annex A), Defence's Response to Requests for Information (Annex B), Defence's Response to the Proposed Recommendation (Annex C), and the Defence Summary Response (Annex D). These constitute Defence's formal response to the Proposed Report.

Our point of contact is ANAO Liaison Officer, Miss Alaina Brown who can be contacted by telephone on 02 6266 3103 or email: [alaina.brown@defence.gov.au](mailto:alaina.brown@defence.gov.au).

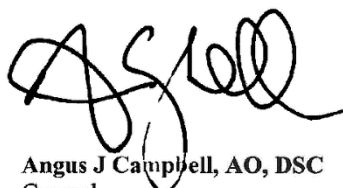
Defence remains committed to assisting you with the successful completion of this audit. We look forward to the upcoming tabling of the Final Report.

Yours sincerely



**Greg Moriarty**  
Secretary

10 June 2019



**Angus J Campbell, AO, DSC**  
General  
Chief of the Defence Force

12 June 2019

**Annexes:**

- A) Defence's Proposed Amendments, Editorials and Comments
- B) Defence's Response to Requests for Information
- C) Defence's Response to the Proposed Recommendation
- D) Defence Summary Response

## Appendix 2 Defence APS domestic travel allowance rates 1 July 2016 to 30 June 2018

**Table A.1: Defence APS domestic travel allowance rates 1 July 2016 to 30 June 2018**

| Allowance type                | Allowance value (range) <sup>a</sup> | Taxable (Yes/No)  |
|-------------------------------|--------------------------------------|---|
| Breakfast                     | \$23.20 to \$35.00                   | No (for allowance amounts up to the reasonable allowances amount set by the Australian Taxation Office) |
| Lunch                         | \$26.50 to \$50.00                   |   |
| Dinner                        | \$45.70 to \$69.00                   |   |
| Incidentals                   | \$18.75 to \$28.00                   |   |
| Motor Vehicle (per kilometre) | \$0.61 to \$0.77                     | Dependent on the rate paid and the distance travelled in any financial year                             |
| Part-day travel               | \$47.90 to \$49.80                   | Yes   |

Note a: Allowance rates for Defence APS employees are varied from time to time. Variations occur through determinations made under the Defence Enterprise Agreement (for APS employees), and the Remuneration Tribunal for the Secretary of Defence.

The decisions to set and vary travel allowances for meals and incidentals take into account information on reasonable rates for domestic travel allowances as provided under the Australian Public Service Commission subscription service. Rates for these allowances vary depending on the salary level of the individual and the travel destination. Rates reported in this table are those applicable for domestic travel up to 21 days duration.

Each year the Australian Taxation Office publishes, in the form of Taxation Determinations, the amounts it considers reasonable amounts for travel allowance expenses. Taxation Determinations on reasonable travel allowance amounts are available from <https://www.ato.gov.au/Business/PAYG-withholding/Payments-you-need-to-withhold-from/Payments-to-employees/Allowances-and-reimbursements/Travel-allowances/>

Source: ANAO from Department of Defence documents.

## Appendix 3 Criteria and method for identifying travel allowances paid to Defence's Australian Public Service employees.

### Limitations of Defence travel allowance data

1. Defence does not maintain a single source of travel allowance approvals.
2. Travel allowance General Ledger (GL) codes do not distinguish between allowances paid to APS and Australian Defence Force personnel.
3. Defence accounts for travel across a number of GL accounts depending on the purpose of travel and the nature of the expense.
4. The ANAO (with Defence's assistance), constructed an approximate population of travel allowance payment transactions from:
  - (a) Defence's card management system (Defence Travel Card transactions);
  - (b) Defence's payroll system; and
  - (c) Defence's financial management information system.

### Identifying travel allowance transactions from Defence systems

#### *Defence card management system*

5. Defence provided an extract of Defence Travel Card transactions associated with APS cardholders for the period 1 July 2016 to 30 June 2018.
6. The ANAO identified:
  - (a) All cash withdrawals — as these are predominately related to meals and incidentals.
  - (b) Non-cash transactions assigned to a GL code that included 'allow' in the GL code description field.
7. Resulting data set comprised 126,783 transactions totalling \$38,929,015.
8. The ANAO subsequently found that the data set contained duplicate non-cash transactions. Duplication occurred when a transaction was coded to multiple GL accounts. For example, a transaction for \$100, which included \$25 for travel allowance and \$75 for accommodation, would appear in the data set as 2 separate transactions for \$100 against each GL account.<sup>61</sup>
9. The ANAO removed non-cash transactions from the data set.
10. Revised data set comprised 114,209 transactions totalling \$34 million.

#### *Defence payroll system*

11. Defence provided an extract of motor vehicle allowance and part day travel allowance transactions made to APS employees for the period 1 July 2016 to 30 June 2018.
12. Resulting data set comprised 8,944 transactions totalling \$1.09 million.

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61 Defence informed the ANAO that the duplication occurred only in the data extract generated for the purposes of this performance audit, and not in Defence systems.

### *Defence financial management and information system*

13. Defence provided an extract of payments to APS employees for the period 1 July 2016 to 30 June 2018.
14. ANAO identified travel allowances by GL account code.
15. Resulting data set comprised 452 transactions totalling \$293,598.

### **Identifying a random sample of transactions for testing**

16. The three data sets were treated as separate populations for the purposes of selecting an audit sample. The initial sample population comprised:

**Table A.2: Initial sample population data sets**

| Source system   | Transaction count |
|---|-------------------|
| Card Management System (Defence Travel Card transactions) | 196               |
| Payroll system (Defence One/PMKeyS)                       | 73                |
| Financial management information system (ROMAN)           | 63                |
| <b>Total</b>  | <b>332</b>        |

17. Supporting records for 332 samples, requested from Defence on 21 December 2018, were provided between 25 January 2019 and 5 June 2019.

18. Subsequently, non-cash CMS transactions, and a number of transactions for which supporting records had been received that were not travel related, were excluded. The revised sample population comprised:

**Table A.3: Revised sample population data sets**

| Source system   | Transaction count |
|---|-------------------|
| Card Management System (Defence Travel Card transactions) | 176               |
| Payroll system (Defence One/PMKeyS)                       | 73                |
| Financial management information system (ROMAN)           | 47                |
| <b>Total</b>  | <b>296</b>        |

### **Use of the sample to form a conclusion**

19. Sample sizes were originally calculated based on an expected non-compliance rate of five per cent for allowances paid through the Defence payroll system and the Defence financial management and information system, and 15 per cent for allowances paid through the Defence Travel Card. The expected rate of non-compliance was based on testing by the ANAO in its audit of Defence's 2017–18 financial statements. The actual rate of non-compliance for the samples tested was much higher than the expected rate, meaning that a much larger sample size would have been required to form a suitably precise conclusion on the level of non-compliance in the entire population. The ANAO determined not to expand the sample size as it was not necessary to meet the audit objective. Therefore, the sample results used in this report cannot be extrapolated to the entire population. However, the results of the testing conducted, in

combination with other audit evidence obtained, provides suitable evidence of the existence of material non-compliance with relevant legislation, policy and procedure.<sup>62</sup>This approach has been adopted in this report and results reported within the sample group should only be interpreted as individual examples of non-compliance.

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62 In this instance, material non-compliance refers to the level of non-compliance, the nature of the non-compliance and the discharge of accountability by Defence in its administration of travel entitlements.

## Appendix 4 Defence's reported progress against recommendations from the *Review of Red Tape in Defence (2015)* related to Defence's administration of travel

**Table A.4: Defence's reported progress against travel related recommendations from the Review of Red Tape in Defence**

| No  | Recommendation  | Reported status as at 12 December 2018  | ANAO comments   |
|---|---|---|---|
| Set 1: Recommendations for the introduction of a fully-integrated electronic travel processing system to replace the current manual, largely paper-based system |   |   |   |
| 1.  | The current manual, largely paper-based system of travel processing in Defence be replaced as soon as possible by a self-administered fully-integrated electronic system for both domestic and international travel, based on SAP Concur (or equivalent) software.  | The Concur Project is reporting monthly to Defence's Enterprise Business Committee on progress and will continue to do so until the project is complete. Implementation of Concur is being undertaken in line with the recommendations in the Red Tape Review and the recommendations are referred to in regular Project Steering Committee meetings. | Not implemented.<br>Defence 'paused' the Travel and Expense Management project on 5 March 2019. Defence subsequently 'ceased' the project.  |
| 2.  | To facilitate full automation of the travel system as envisaged in Recommendation 1 above, Defence immediately purchase a licence for SAP Concur (or equivalent) software to enable a fully automated system for travel and Defence Travel Card management to be rolled out by no later than 1 July 2017. | Completed 14 February 2018.   | Not implemented.<br>Concur project Approved 20 December 2016.<br>Defence 'paused' the Travel and Expense Management project on 5 March 2019. Defence subsequently 'ceased' the project. |
| 3.  | All paper-based travel processes in Defence be abolished as soon as the SAP Concur (or equivalent)-based automated system has been rolled out.  | The Concur Project is reporting monthly to the Enterprise Business Committee on progress and will continue to do so until the project is complete. Implementation of Concur is being undertaken in line with the recommendations in the Red Tape Review and the recommendations are referred to in regular Project Steering Committee meetings.       | Not implemented.<br>Defence 'paused' the Travel and Expense Management project on 5 March 2019. Defence subsequently 'ceased' the project.  |

| No | Recommendation   | Reported status as at 12 December 2018  | ANAO comments  |
|----|--|---|--|
| 4. | <p>The Chief Finance Officer Group card management area, in close consultation and corroboration with the Estate and Infrastructure Group, Chief Information Officer and Defence People Group Groups, oversee the design and implementation of a new travel portal on the DRN incorporating all necessary elements for a fully integrated online travel processing system for Defence, with essential features of the travel portal to include:</p> <ul style="list-style-type: none"> <li>• end-to-end electronic processing with an interface to all relevant action areas of Defence and the Department's travel contractor from travel request/budgeting to acquittal, including ability to extract reports of trip data;</li> <li>• an online smartform for both domestic and international travel incorporating the essential components but much streamlined versions of the current Travel Request Form, Overseas Visit Authority, Trip Budget Calculators and Online Booking Tool;</li> <li>• single electronic submission of completed travel form by the travelling staff member or another authorised person (for example; the Personal Assistant to an Senior Executive Service-equivalent officer);</li> <li>• capacity for online approval of fare other than lowest fare of the day, when required;</li> <li>• single sign-off by travel approver (Section 23 Commitment Approver);</li> </ul> | <p>The new Defence Travel website will be launched in early 2019 to coincide with the release of the new international travel processes and smart form.</p> | <p>Not implemented.</p> <p>Defence informed the ANAO on 3 April 2019 that the Defence Travel website will link to the new travel processing system once implemented.</p> <p>Defence 'paused' the Travel and Expense Management project on 5 March 2019. Defence subsequently 'ceased' the project.</p> |

| No | Recommendation   | Reported status as at 12 December 2018 | ANAO comments   |
|----|--|--|---|
|    | <ul style="list-style-type: none"> <li>• in the case of international travel, capacity to distinguish the approval level for different numbers of travellers, namely:               <ul style="list-style-type: none"> <li>– approval by Senior Executive Service Band 2 equivalent for 2 Defence personnel or less</li> <li>– approval by Group Heads/Services Chiefs for 5 Defence personnel or less</li> <li>– approval by the Secretary/Chief of the Defence Force for 6 Defence personnel or more</li> </ul> </li> <li>• electronic self-acquittal by the travelling staff member or authorised person on completion of travel with capacity for checking/certification by an appropriate supervisor, if required;</li> <li>• capacity for electronic referral to the original travel approver for final acquittal sign-off in the event the travelling staff member certifies there is a significant change to the approved itinerary or costs; and</li> <li>• Capacity for group or delegation travel to be processed as one single travel action that identifies all members of the travelling group but does not require multiple submissions/approvals for each individual on the delegation.</li> </ul> |  |   |
| 5. | <p>Electronic self-acquittal by the travelling staff member upon completion of travel be the normal end of the process, with further acquittal certification by the original approving officer only required in the event of significant changes to the travel itinerary or costs.</p>   | <p>Completed 14 February 2018.</p>     | <p>Implemented.</p> <p>Self-acquittal became effective 15 October 2016, without the enhanced system of audits required by recommendation 8.</p> <p>Note that this recommendation was made in the context of the introduction of a fully integrated electronic travel processing system, which has not yet occurred.</p> |



| No | Recommendation  | Reported status as at 12 December 2018  | ANAO comments  |
|----|---|---|--|
| 6. | No paper receipts be required in the acquittal process beyond the account statement of the Defence Travel Card used for the travel, except for expenditure on items other than meals and incidentals which individually cost \$50 or more and for which a DTC was not used.   | Completed 14 February 2018.   | Implemented.<br>Changes became effective 15 October 2016:<br>'Receipts are not required for cash withdrawals using the Diners Card for meals and incidentals. However, where cash is withdrawn for other travel costs, receipts are required for GST redemption and verification.' |
| 7. | The self-acquittal process include an explicit warning in the system that, in certifying and acquitting their travel, the travelling staff member or authorised person accepts personal responsibility and accountability for the travel undertaken and expenditure incurred. | Completed 14 February 2018.   | Implemented.<br>Warning message is included as part of the privacy statement that users must agree with when logging into the card management system.  |
| 8. | An enhanced system of random audits of travel be undertaken to ensure compliance and the integrity of the new system.   | Completed 14 February 2018.   | Not implemented.<br>An enhanced system of random audits of travel has not been implemented.  |
| 9. | The new electronic travel processing system be reviewed after a period of 12 months operation with a view to assessing its effectiveness and whether any adjustments are required.  | The Concur Project is reporting monthly to the Enterprise Business Committee on progress and will continue to do so until the project is complete. Implementation of Concur is being undertaken in line with the recommendations in the Red Tape Review and the recommendations are referred to in regular Project Steering Committee meetings. | Not implemented.<br>Defence 'paused' the Travel and Expense Management project on 5 March 2019. Defence subsequently 'ceased' the project.   |

| No   | Recommendation  | Reported status as at 12 December 2018   | ANAO comments  |
|--|---|--|--|
| 10.  | <p>Consolidate all travel processing in Defence under one work area to be known as Defence Travel and located in the card management area of the Chief Finance Officer Group, with Defence People Group continuing to be consulted on personnel policy aspects of travel. Integrated Travel Solutions to be moved from Estate and Infrastructure Group and merge with the DTC card management area of the Chief Finance Officer Group to form 'Defence Travel' from the time that the new automated system becomes operational (i.e. sometime after July 2017).</p> | <p>Ongoing discussions continue between Chief Finance Officer, Deputy Secretary, Defence People and Deputy Secretary Estate and Infrastructure to determine optimal timing and transfer arrangements.</p>  | <p>Not implemented.</p>  |
| Set 2: Recommendations for streamlining current travel processes pending rollout of the new automated travel processing system |   |  |  |
| 11.  | <p>Replace the current Overseas Visit Authority form for international travel as soon as possible with a new streamlined electronic form.</p>   | <p>The new international travel processes and smart form, as agreed at the December 2017 Enterprise Business Committee meeting, will be implemented in early 2019 following the release of a new Accountable Authority Instruction for Defence Travel.</p>   | <p>Not implemented.</p>  |
| 12.  | <p>Replace all existing multiple travel approval boxes on forms with one single sign-off box/button for the person approving travel (Section 23 Commitment Approver).</p>   | <p>The Concur Project is reporting monthly to the Enterprise Business Committee on progress and will continue to do so until the project is complete. Implementation of Concur is being undertaken in line with the recommendations in the Red Tape Review and the recommendations are referred to in regular Project Steering Committee meetings.</p> | <p>Not implemented.</p> <p>Defence informed the ANAO that Estate and Infrastructure Group decided not to pursue this recommendation as it was due to be covered by the imminent release of Concur.</p> <p>Defence 'paused' the Travel and Expense Management project on 5 March 2019. Defence subsequently 'ceased' the project.</p> |

| No  | Recommendation   | Reported status as at 12 December 2018  | ANAO comments   |
|-----|--|---|---|
| 13. | Travel approvers (Section 23 Approvers) need not certify acquittals other than in exceptional circumstances (e.g. significant change of itinerary), although certification by the Card Management Supervisor may be required until the new electronic system becomes operational.                | The Concur Project is reporting monthly to the Enterprise Business Committee on progress and will continue to do so until the project is complete. Implementation of Concur is being undertaken in line with the recommendations in the Red Tape Review and the recommendations are referred to in regular Project Steering Committee meetings. | <p>Implemented.</p> <p>Linked to Recommendation No. 5. Effective 15 October 2016, Defence removed the requirement for travel approvers to certify acquittals, except 'where there is a change to the approved travel plan that:</p> <ul style="list-style-type: none"> <li>a. increases the original budget, this requires additional financial delegate approval is required; or</li> <li>b. decreases the original budget and results in an amount needed to repaid'.</li> </ul> <p>At the same time, Defence also removed the requirement for CMS Supervisors to check and approve cardholder's transactions on CMS.</p> |
| 14. | Accept henceforth the account statement of the Defence Travel Card as sufficient for acquittal and audit purposes and remove the need for paper receipts other than expenditure on items other than meals and incidentals which individually cost \$50 or more and for which a DTC was not used. | Completed 14 February 2018.   | <p>Implemented.</p> <p>Related to Recommendation No. 6. Changes announced on 29 September 2016, effective 15 October 2016: 'Receipts are not required for cash withdrawals using the Diners Card for meals and incidentals. However, where cash is withdrawn for other travel costs, receipts are required for GST redemption and verification.'</p>  |

| No  | Recommendation   | Reported status as at 12 December 2018   | ANAO comments  |
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| 15. | <p>Discontinue use of the iTravel online budget calculator tools while retaining the original Senior Leadership Group and non-Senior Leadership Group Travel Budget Calculator online tools.</p>   | <p>The Concur Project is reporting monthly to the Enterprise Business Committee on progress and will continue to do so until the project is complete. Implementation of Concur is being undertaken in line with the recommendations in the Red Tape Review and the recommendations are referred to in regular Project Steering Committee meetings.</p> | <p>Not implemented.</p> <p>This recommendation was to be implemented prior to Concur.</p> <p>Defence informed the ANAO that the Estate and Infrastructure Group decided from a change management perspective not to pursue this recommendation, as all extant domestic and international Travel Budget Calculators, including iTravel would be replaced by the imminent release of Concur.</p> <p>Defence 'paused' the Travel and Expense Management project on 5 March 2019. Defence subsequently 'ceased' the project.</p> |
| 16. | <p>Make the Defence Travel Card the sole vehicle to book and pay for all Official Travel, including airfares, taxis, accommodation, meals and incidentals, and that:</p> <ul style="list-style-type: none"> <li>• in the case of all Defence personnel, including military trainees over the age of 18, it be mandatory to have a DTC in order to undertake official travel</li> <li>• in the case of cadets and military trainees under the age of 18, the DTC of an authorised staff member of the administrative unit that oversees their pay and conditions, or another authorised Defence person, be used to pay for their travel</li> <li>• in the case of Defence dependants' travel, the serving staff member's DTC or the DTC of an authorised person within the serving member's unit be used to pay for their travel</li> </ul> | <p>Completed 14 February 2018.</p>   | <p>Not implemented.</p>  |

| No  | Recommendation  | Reported status as at 12 December 2018 | ANAO comments   |
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|     | <ul style="list-style-type: none"> <li>in the case of officially-funded travel of people not employees of Defence nor dependants of Defence staff, the DTC of an authorised staff member of the Defence Travel area or other relevant organisational unit be used to book and pay for the travel</li> <li>all holders of a Defence Travel Card be offered simultaneously a Companion Mastercard, with Chief Finance Officer Group to explore possibilities for access to a Visa Defence Travel Card as a further alternative card for staff.</li> </ul> |  |   |
| 17. | Abolish use of Cab Charges for all Defence personnel and require all taxi payments to be made on a Defence Travel Card, with the exception of cadets and military trainees under the age of 18 who may continue to use Cab Charges or claim reimbursement of taxi costs on presentation of a receipt.   | Completed 14 February 2018.            | Not assessed.   |
| 18. | Discontinue public classifications of Defence travel into 'Business ', 'Conditions of Service ' and other forms of travel and classify all travel funded from the Defence vote as 'Official Travel ' while retaining the capacity to flag different types of travel for accounting or reporting purposes.   | Completed 14 February 2018.            | <p>Not implemented.</p> <p>Noting that Defence People Group refers to 'Duty travel', Defence informed the ANAO that it will continue to classify travel as:</p> <ul style="list-style-type: none"> <li>Business travel (APS and Australian Defence Force);</li> <li>Conditions of Employment Travel (APS); and</li> <li>Conditions of Service Travel (predominantly Australian Defence Force).</li> </ul> |

| No  | Recommendation   | Reported status as at 12 December 2018   | ANAO comments  |
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| 19. | Integrated Travel Solutions, in conjunction with CFOG and DPG, produce a single, brief policy guidance document in plain English on 'Official Travel and the use of Defence Travel Cards' for uploading onto the Defence Restricted Network and containing electronic links to more detailed policy manuals and documents as required. | Completed 14 February 2018.  | Not implemented.<br>Defence referred the ANAO to Defence Finance Instruction 2016-17/001 that relates to the use of Defence credit cards. It states that the DTC must only be used for travel related expenses.<br>This does not meet the requirements of the recommendation.  |
| 20. | In the context of the next Defence Collective Agreement and Workplace Remuneration Arrangement negotiations, push for abolition of the current travelling allowance system in favour of a system of 'actuals', that is paying all actual 'reasonable' expenses incurred on the Defence Travel Card.                                    | Defence People Group has commenced work to change employment conditions for travel as part of broader travel reform. This will be phased in with the whole Senior Leadership Group coming under modernised provision in early 2019. Defence Finance Group is assisting to cost the changes and provide advice. | Not implemented.<br>Defence has directed the Senior Leadership Group as follows:<br>'Where air travel is neither efficient nor available...consideration is to be given to using a Defence-owned vehicle or hire car before private vehicle usage is approved.'<br>'Use Defence Travel Cards to directly purchase meals and incidentals wherever it is possible and practical to do so. Withdrawing cash should be by exception only.' |

Source: Defence, *Review of Red Tape in Defence*, 2015.

Defence, EBC 2018/1755 — Alan Thomas Red Tape Review Closure, Attachments A and B.