

The Auditor-General
Audit Report No.34 2001–02
Assurance and Control Assessment Audit

Management of Travel—Use of Taxis

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of Australia 2002

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Canberra ACT
26 February 2002

Dear Madam President
Dear Mr Speaker

The Australian National Audit Office has undertaken an across agency Assurance and Control Assessment audit in accordance with the authority contained in the *Auditor-General Act 1997*. I present this report of this audit to the Parliament. The report is titled *Management of Travel—Use of Taxis*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, which appears to read 'P. J. Barrett', is positioned above the printed name.

P. J. Barrett
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Summary and Recommendations

Summary

Background

1. Official travel is often an important input to the effective delivery of agency outputs. In 2000–01, ANAO estimated that around \$600 million is spent annually on travel by the Commonwealth public sector. One of the modes of transport used in the Commonwealth is taxi travel. Although the amount spent on taxis is unlikely to be large for most agencies, attendant risks need to be managed effectively. As well, there is an overriding need to ensure that administrative arrangements provide for low cost, convenient and efficient access to taxi travel.

Audit approach

2. The ANAO undertook an Assurance and Control Assessment (ACA) audit¹ of the use of taxis by six Commonwealth organisations, namely: the Australian Fisheries Management Authority; the Australian Sports Commission; CRS Australia; Environment Australia; the Grains Research and Development Corporation; and the Public Service Merit Protection Commission. Overall, the six organisations spent just over \$1 million on taxi travel in 2000–01 or, on average, some 6 per cent of their total travel expenditure. The objective of the audit was to provide assurance to Parliament and to the audited organisations that:

- the organisations were effectively managing the risks associated with the use of, and payment for, taxi services; and
- the organisations were complying with legislation and guidelines with regard to the use of, and payment for, taxi travel.

Audit conclusions

3. Having regard to the relatively low level of financial exposure taxi travel presents for the audited agencies, each was found to have a sound overall framework for administering the use of, and payment for, taxi services. Nevertheless, each agency would benefit from further development of policies

¹ ACA audits are undertaken under the general performance audit provisions of the *Auditor-General Act 1997*. They examine common business activities and processes that are not specifically covered by financial statement or other performance audits. The report to Parliament is generally aimed at improving administration across the Commonwealth public sector. The findings of these audits are indicative, rather than representative, given the relatively small number of agencies involved.

and procedures and enhanced controls to promote greater adherence to existing policies and procedures.

4. The audit found that adequate controls were generally in place to administer the use of credit cards and reimbursement for the payment of taxi services. However, agency controls over the use of Cabcharge vouchers were generally weaker than those in place for credit cards and cost reimbursement arrangements. In particular, there is a need for agencies that use Cabcharge vouchers to maintain comprehensive registers of Cabcharge vouchers issued to travellers; develop stronger and more consistent acquittal processes; and enhance policies and procedures to, among other things, reinforce to travellers their responsibilities to ensure adequate accountability for use of such vouchers.

Sound and better practice identified

5. The audit process involved directly addressing the audit objectives and assessing management practices against the audit evaluation criteria. It also sought to identify examples of sound and better business practices in the audited agencies. Such practices identified included: a recent review and update by one agency of its Chief Executive Instructions (CEIs) to include procedural rules for the use of taxis; and the development by another agency of a financial policies and procedures manual that designates key staff with specific responsibilities for managing the use of, and payment for, taxi services.

6. The report also outlines sound and better practices that all agencies can adopt for each of the major taxi travel payment systems (that is, Cabcharge vouchers, credit cards/Cabcharge cards and cost reimbursement).

Opportunities for improvement

7. In light of the audit conclusions and the detailed audit findings communicated to individual agencies,² the ANAO has made two recommendations that are of general application to agencies. These recommendations are directed to the development of policies and procedures relating to the use of taxis and stronger administrative controls over Cabcharge vouchers.

Policies and procedures

8. Each audited agency had developed policy and procedures covering official travel, thereby contributing to a sound control environment. In addition,

² In addition to this report to the Parliament, ANAO provided a report on the results of the audit to each agency examined that included a number of observations and recommendations relevant to that agency.

two agencies had developed detailed policies and procedures relating specifically to the use of taxis. More widespread adoption of these better practices would enhance and strengthen agency control environments and thus provide greater levels of assurance to all stakeholders.

Cabcharge vouchers

9. Because of the potential financial consequences from their loss or misuse, Cabcharge vouchers are often considered an accountable form. Procedures generally accepted as sound practice for the proper control of Cabcharge vouchers include: delegating custodians/issuers; a system to record stocks received and subsequent issue and later disposal; and periodic stocktakes. Such procedures were often not evident in the agencies audited. Their adoption would enhance the control over the use of Cabcharge vouchers and thus enhance organisational governance with consequential assurance for all stakeholders.

Recommendations

- Recommendation No. 1 (paragraph 2.5)** The ANAO *recommends* that agencies that have not yet done so, enhance and strengthen their control environment by developing and documenting comprehensive policies and procedures for official travel, including for taxi travel as a contribution to sound corporate governance with consequential assurance for all stakeholders.
- Recommendation No. 2 (paragraph 2.11)** The ANAO *recommends* that agencies which use Cabcharge vouchers to pay for taxi services, implement effective controls, on a risk management basis, including:
- (a) promulgating policies and procedures that include appropriate delegations and authorisations for both voucher issuers and travellers;
 - (b) maintaining comprehensive registers, and periodic stocktakes, of vouchers; and
 - (c) applying rigorous acquittal arrangements.

Responses to the recommendations by agencies included in the audit

10. Overall, the agencies audited responded positively to the report, agreeing with the recommendations made. The agencies involved in the audit also received individual management reports that included recommendations that varied according to the adequacy of the internal control framework operating within each organisation. Organisations generally agreed with the management report recommendations and a number indicated that corrective action had been undertaken before the audit was completed.

Audit Findings and Conclusions

1. Introduction

This chapter provides background information on the audit and outlines the audit approach including its objectives and the criteria applied.

Background

1.1 Official travel is often an important input to the effective delivery of agency outputs. As such, agency management should be concerned not only with that contribution but also for the proper use of, and accountability for, official travel costs. In 2000–01, ANAO estimated that around \$600 million is spent annually on travel by the Commonwealth public sector.³

1.2 One of the frequent modes of transport used in the Commonwealth is taxi travel. Although the amount spent on taxis is unlikely to be large for most agencies, attendant risks need to be managed effectively. As well, there is an overriding need to ensure that administrative arrangements provide for low cost, convenient and efficient access to taxi travel. The major taxi travel payment systems available to Commonwealth agencies are as follows:

- Cabcharge cards or Cabcharge dockets whereby Cabcharge is responsible for collecting payment on behalf of the taxi companies from the organisations that use the service. The charge card is used like a credit card with the payment being recorded electronically by Cabcharge, whereas vouchers are manually completed and provided to the taxi driver at the time the trip is undertaken. Under both approaches, the organisation is subsequently invoiced by Cabcharge for the fare amount plus a service fee.
- Corporate credit cards and/or travel charge cards. Travellers who have been issued with a card are able to use it to pay for taxi services where the taxi company accepts that particular card.
- Reimbursement of costs incurred on receipt of an invoice that contains details of the trip undertaken and the cost.

Audit approach

1.3 The ANAO undertook an Assurance and Control Assessment (ACA) audit of the use of taxis by six Commonwealth organisations. The organisations examined, and the major characteristics of their taxi use, are outlined in

³ ANAO Audit Report No.19 2000–2001, *Management of Public Sector Travel Arrangements—Follow-up audit*, paragraph 1.2.

Figure 1.1. Overall, the six organisations spent just over \$1 million on taxi travel in 2000–01 or, on average, around 6 per cent of their total travel expenditure. The objective of the audit was to provide assurance to Parliament and to the audited organisations that:

- the organisations were effectively managing the risks associated with the use of, and payment for, taxi services; and
- the organisations were complying with legislation and guidelines with regard to the use of, and payment for, taxi travel.

Figure 1.1

Audited Agencies' Use of Taxis: 2000–01

Agency	Taxi costs 2000–01		Taxi travel payment systems in operation			
	\$'000	% of total travel costs	Vouchers	Charge cards	Credit cards	Reimbursement
Environment Australia	390	7	Yes	Yes	No	Yes
CRS Australia	356	12	Yes	Yes	No	Yes
Australian Sports Commission	143	3	Yes	No	Yes	Yes
Grains Research and Development Corporation	72	4	No	No	Yes	Yes
Public Service Merit Protection Commission	44	9	Yes	Yes	No	Yes
Australian Fisheries Management Authority	44	4	Yes	Yes	Yes	Yes

Source: ANAO analysis of data and advice from the audited agencies

1.4 The audit was undertaken in accordance with *ANAO Auditing Standards* during the period May 2001 to February 2002. The audit process involved interviews with selected officers, the examination of files and records relating to the use of taxis, examination of policies and procedures, and a review of a sample of payments made for taxi services. In addition to this report to the Parliament, ANAO provided a separate report on the results of the audit to each agency examined that included a number of observations and recommendations relevant to that agency. The cost of the audit was \$90 000.

2. Audit findings

This chapter discusses the key findings and recommendations of the audit against those components of the internal control framework examined in this audit.

Risk assessment

2.1 Sound risk assessment provides the necessary information to properly design controls which are both complete and cost-effective. Risk assessments desirably should be prepared at each of the strategic, business and operational or process levels. In this context, the assessment and management of risks need to balance the cost of managing the risk and the benefits to be gained. There should be some record that this has occurred. Audit findings in relation to agency risk assessments are summarised in Figure 2.1.

Figure 2.1
Risk assessment audit findings

Audit evaluation criteria	Does management assess, analyse and mitigate the risks associated with the use of taxis?
Audit findings	All agencies had undertaken some form of strategic and/or business risk assessment. As the amount spent by each agency on taxi travel was a relatively small proportion of total travel expenditure, process level risk assessments relating to taxi travel were not undertaken.
Sound and better practice observed	Three of the audited agencies had specifically addressed travel in their risk assessments. Of these, one had explicitly assessed risks relating to taxi travel and found that existing controls were adequate given the level of financial exposure.

2.2 Conclusion: All audited agencies had undertaken some form of strategic and/or business risk assessment. Three agencies had specifically addressed travel in their risk assessments but, as the amount spent by each agency on taxi travel was a relatively small proportion of total travel expenditure, process level risk assessments relating to taxi travel were not undertaken. This is consistent with the principle that risk management should balance the cost of managing the risk and the benefits to be gained. There should, nevertheless, be some record that this has actually occurred.

Control environment

2.3 An effective control environment assists agencies to align travel management policies, procedures and practices with overall corporate strategies and objectives. Such an environment establishes control consciousness across staff as well as the application of specific operational controls. It also facilitates the framework which supports management's ability to rely on the integrity of processing methods as well as the cost-effectiveness of those methods. A key element of the control environment is the existence of comprehensive and effectively communicated policies and procedures. Figure 2.2 summarises the audit examination of travel policies and procedures relevant to taxi travel within a sound corporate governance framework.

Figure 2.2

Control environment audit findings

Audit evaluation criteria	Are there policies and procedures that reflect the organisation's governance responsibilities relating to the use of taxis within the broader context of official travel?
Audit findings	<p>Each audited agency had developed policies and procedures relating to official travel.</p> <p>Two agencies had developed detailed policies and procedures relating to the use of taxis. The control environment in the remaining agencies would be enhanced if they also developed and documented comprehensive procedures relating to the use of, and payment for, taxi travel.</p> <p>Some agencies bear costs associated with travel by third parties such as clients. Policies and procedures had not been documented to govern this type of expenditure.</p>
Sound and better practice observed	<p>One agency had recently reviewed and updated its Chief Executive Instructions to include procedural rules for the use of taxis. This included clearly identifying Cabcharge vouchers as an accountable form.</p> <p>Another agency had developed a financial policies, procedures and authorities manual that, among other things, designates key staff with specific responsibilities for managing the use of, and payment for, taxi services.</p>

2.4 Conclusion: Each audited agency had developed policies and procedures covering official travel, thereby contributing to a sound control environment. In addition, two agencies had developed detailed policies and procedures relating specifically to the use of taxis. More widespread adoption of these better practices would enhance and strengthen agency control environments and thus provide greater levels of assurance to all stakeholders.

Recommendation No. 1

2.5 The ANAO *recommends* that agencies that have not yet done so, enhance and strengthen their control environment by developing and documenting comprehensive policies and procedures for official travel, including for taxi travel as a contribution to sound corporate governance with consequential assurance for all stakeholders.

Control activities

2.6 An effective governance framework includes controls that minimise the impact of risks and contributes to the efficient and effective delivery of quality outputs and outcomes. Control activities promote compliance with policies and procedures through the integrity, accuracy and completeness of administrative processes. Conversely, the failure of controls can create wide-ranging risks, including exposure to fraud. For this reason, emphasis should be more on preventative rather than detective controls. Figure 2.3 summarises the audit findings on audited agencies' control activities.

Figure 2.3
Control activities audit findings

Audit evaluation criteria	Have controls been established, and are they operating effectively, to ensure compliance with Commonwealth and internal organisation requirements and to mitigate the risks associated with the use of, and payment for, taxi services?
Audit findings	<p>Adequate controls were generally in place to administer the use of credit cards and reimbursement for the payment of taxi services.</p> <p>Agency controls over the use of Cabcharge vouchers were generally weaker than those in place for other available taxi payment systems. A number of agencies are yet to fully develop, formalise and/or implement policies and procedures on the issue and control of these forms.</p>

Cabcharge vouchers

2.7 The security and safe custody of public money, negotiable instruments and accountable forms⁴ is an essential part of an agency's responsibilities for sound financial management. Agencies across the Commonwealth use a wide range of forms for various purposes, such as internal administration or for

⁴ Accountable forms are generally printed proforma documents or instruments where the process of filling the blanks on the form converts the document to a valuable or negotiable instrument.

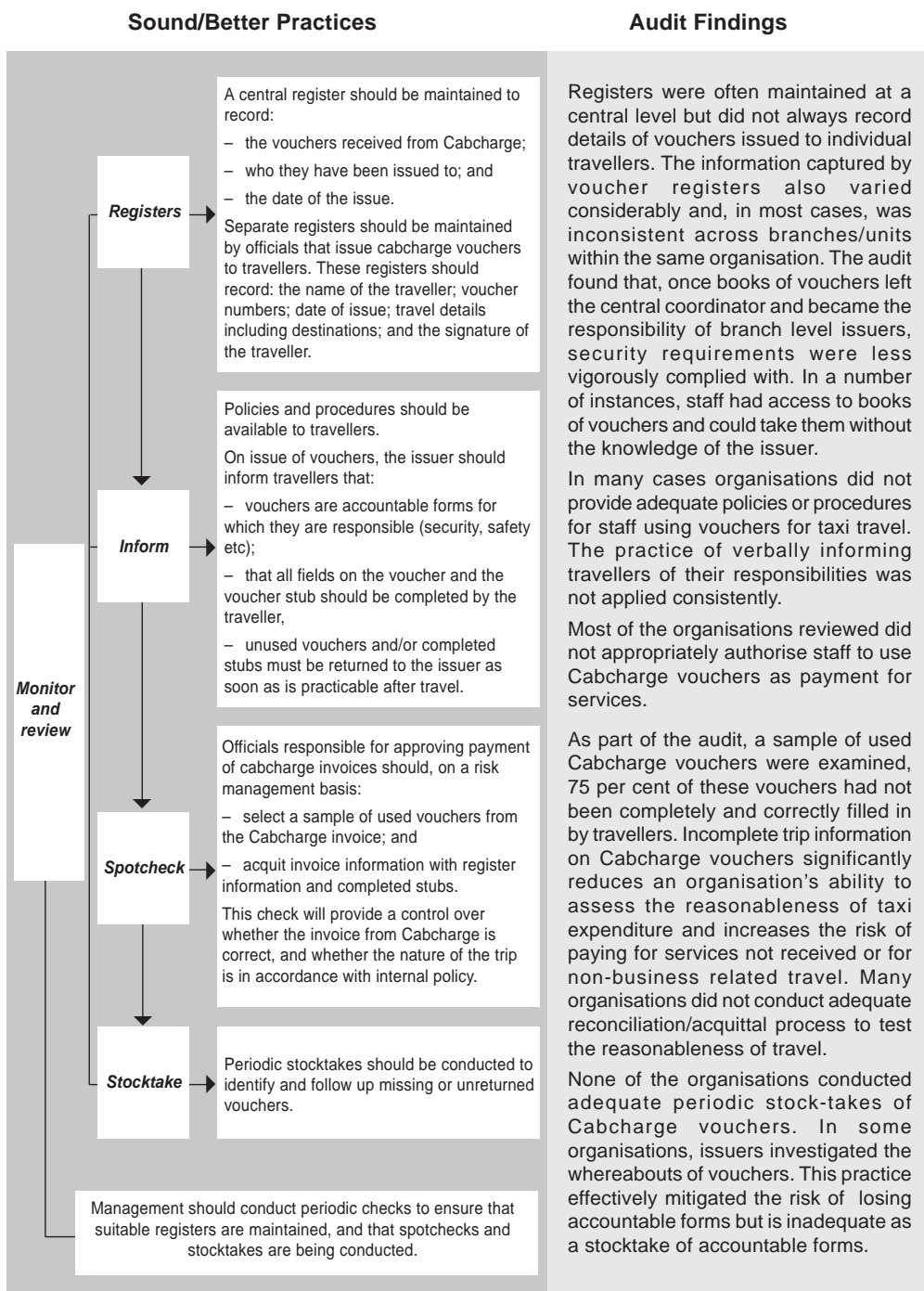
obtaining client details. It is for each agency to decide which forms should be deemed accountable and formulate a policy on the issue and control of these forms. A key factor to be considered in determining whether a form should be accountable is the potential value of the form, that is the scope for its misuse and the financial consequences involved. The administrative costs incurred in safeguarding and handling the particular form as an accountable form also need to be considered.

2.8 Cabcharge vouchers are often deemed to be an accountable form given their inherent value. Procedures generally accepted as sound practice for the proper control of Cabcharge vouchers include:

- delegating custodians/issuers;
- authorising travellers to use Cabcharge vouchers together with requirements for use, such as acquittal arrangements;
- implementing a sound system to record stocks received and subsequent issue and later disposal;
- adopting appropriate security arrangements for control and custody;
- adopting formal handover/takeover procedures when transferring responsibility for accountable forms between officials;
- undertaking periodic stocktakes of stocks of vouchers; and
- adopting proper procedures for losses and deficiencies of accountable forms, as these constitute a potential loss to the Commonwealth if misused or misapplied.

2.9 With one exception, all audited agencies used Cabcharge vouchers. The audit found that agency controls over the use of Cabcharge vouchers were generally weaker than those in place for other available taxi payment systems. Figure 2.4 provides details of the audit findings.⁵

⁵ Better practice principles in relation to charge cards/Cabcharge cards and cost reimbursement systems are outlined in Appendices 1 and 2 respectively.

Figure 2.4**Cabcharge Vouchers: Sound and Better Practices and Audit Findings**

2.10 Conclusion: Agency controls over the use of Cabcharge vouchers were generally weaker than those in place for other available taxi payment systems. In particular, there is a need for agencies that use Cabcharge vouchers to maintain comprehensive registers of Cabcharge vouchers issued to travellers; develop stronger and more consistent acquittal processes; and enhance policies and procedures to, among other things, reinforce to travellers their responsibilities to ensure adequate accountability for their use.

Recommendation No. 2:

2.11 The ANAO *recommends* that agencies which use Cabcharge vouchers to pay for taxi services, implement effective controls, on a risk management basis, including:

- (a) promulgating policies and procedures that include appropriate delegations and authorisations for both voucher issuers and travellers;
- (b) maintaining comprehensive registers, and periodic stocktakes, of vouchers; and
- (c) applying rigorous acquittal arrangements.



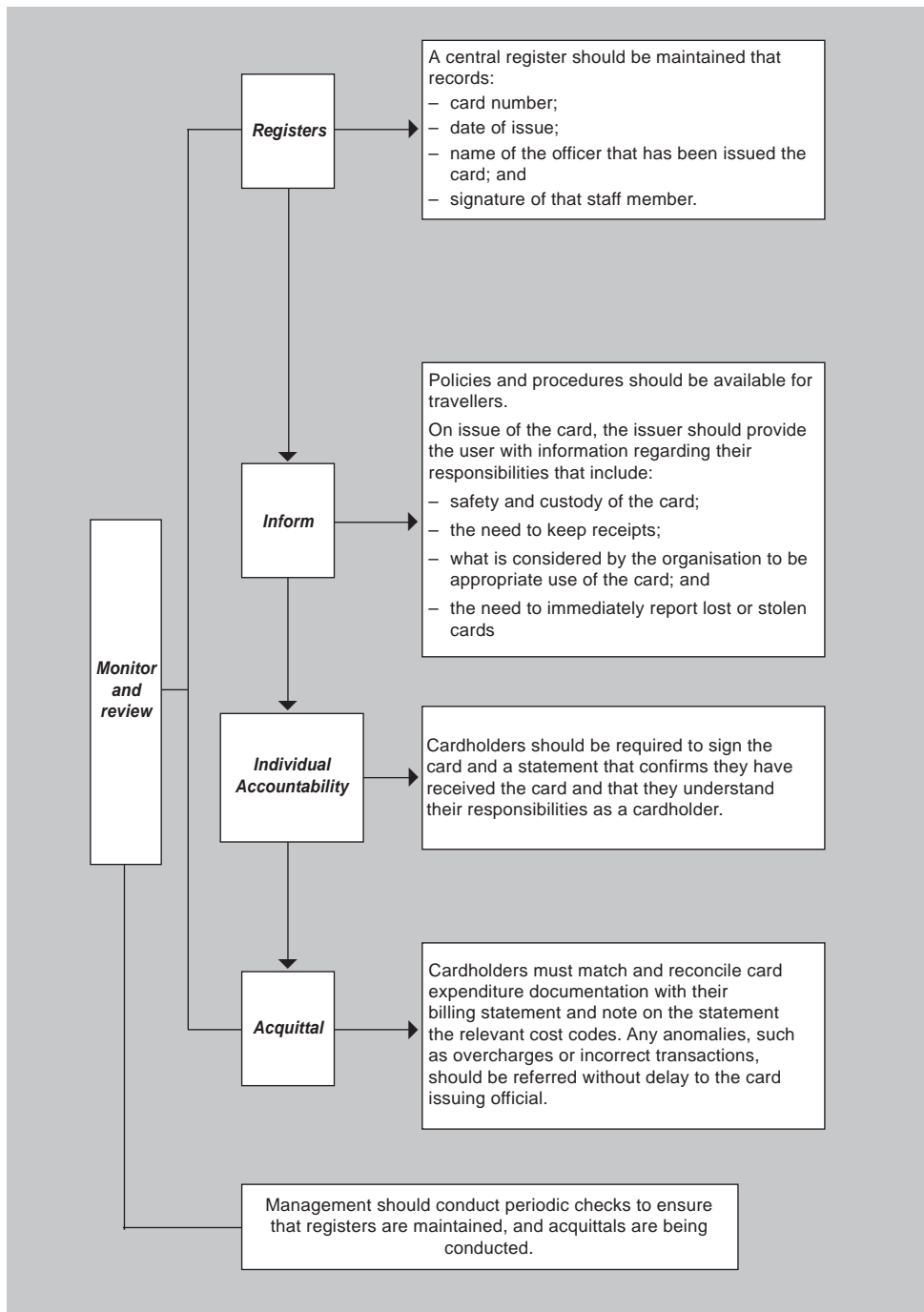
Canberra ACT
26 February 2001

P. J. Barrett
Auditor-General

Appendices

Appendix 1

Better practice principles—Charge cards and Cabcharge cards



Appendix 2

Better practice principles—Reimbursement of actual costs

