

**Department of
Infrastructure, Transport,
Regional Development and
Local Government**

**Review of Cash
Withdrawals from
Corporate Credit Cards**

2008-09

Conducted:
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Final Report:

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June 2009

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Third Party Reliance

This internal audit report has been prepared at the request of Management of the Department of Infrastructure, Transport, Regional Development and Local Government in connection with our engagement to perform internal audit services as detailed in the contract dated 23 July 2007. Other than our responsibility to the Department, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party's sole responsibility.

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We believe that the statements made in this report are accurate, but no warranty of accuracy or reliability is given in relation to information and documentation provided by the Department's Management and personnel.

Inherent Limitations of Internal Audit

Because of the inherent limitations of any internal control structure it is possible that errors or irregularities may occur and not be detected. An internal audit is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis. As such, except to the extent of sample testing performed, it is not possible to express an opinion on the effectiveness of the internal control structure. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate. The internal audit findings expressed in this report have been formed on the above basis.



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1 Executive summary

1.1 Background

The Department of Infrastructure, Transport, Regional Development and Local Government (The Department) must operate with high standards of accountability, particularly accountability in terms of the expenditure of public monies. This includes expenditure incurred through the use of corporate credit cards (travel and purchase cards).

Staff are issued with corporate credit cards for travel and other Departmental related purchases. Several recent audits on corporate credit cards and their associated acquittals have highlighted non-compliance by cardholders.

As part of the Department's 2008-09 Internal Audit Work Plan, Internal Audit has been requested to undertake a review of credit cards with a specific focus on cash withdrawals.

A statistical analysis of the Department's use of cash withdrawals for the period 1 July 2008 to 31 January 2009 is represented below:

| | |
|--|-----------|
| Average number of credit cards on issue per month | 327 |
| Total number of cash withdrawal transactions in 7 months | 2122 |
| Total value of cash withdrawals in 7 months | \$113,571 |
| Average total value of cash withdrawals per month | \$16,224 |

1.2 Objective

The Department's objectives of this internal audit were to:

Assess whether the Department's processes to manage cash withdrawals using corporate credit cards minimise the risk of fraud and inappropriate use.

This required:

- Identifying and analysing the key controls surrounding the management of cash withdrawals using the corporate credit card; and
- Performing sample audit testing on cash withdrawal transactions to determine compliance with policy.

1.3 Scope

This engagement focused on the withdrawal of cash and included testing of cash withdrawal transactions for a sample of corporate credit card users selected across all the Department's Divisions / Branches.

The engagement included a sample of 25 cash withdrawal users for the period of 1 July 2008 to 31 January 2009.



The sample was determined subsequent to receiving data from the Department and in consultation with the Audit Sponsor. Where the users selected for sampling were not based in Canberra, the Department requested that their files be transferred to Canberra for review.

Where possible, all cardholders were briefed by the Credit Cards team on their individual findings and issues noted by Internal Audit. No communications have been given to cardholders who have left the Department.

For further details regarding the scope and audit approach refer to Appendix A.

1.4 Results

Internal audit found a number of areas which could be improved regarding cash withdrawals policies and procedures. There was also a number of non-compliance issues noted.

Given the number of compliance findings identified we recommend that the Department revisit the need for all cardholders to have access to cash withdrawal facilities.

1.4.1 Compliance with the Department's Cash withdrawal policies and procedures

Key issues noted were:

- The cash-tracking sheet was not being used by all cardholders to reconcile their cash withdrawals (Finding 1).
- Supervisors may not be checking previous carried forwarded balances, especially in cases where the cash-tracking sheet was not used, where another supervisor performed the previous review, or where there had been a significant time lapse since the last acquittal. There is no procedural documentation that places responsibility on the supervisor to perform this task (Finding 1).
- Cash remaining was not always deposited back to the Department credit card and the cardholders did not always obtain supervisor approval to carry forward the funds (Finding 2).
- Cardholders were not substantiating all their ATM/Bank withdrawals and expenditures incurred (Finding 2).
- Procedural breaches in respect of the timeliness and review process of acquittals and the cash withdrawal reconciliation worksheet. Specifically: a number of cardholders/supervisors were not signing the cash withdrawal reconciliation worksheet, there were untimely signoffs by cardholders and supervisors, and there were instances where the supervisor reviewing and signing off the cash-tracking sheet was not the cardholder's delegated supervisor (Finding 2).
- Several instances where the use of cash appeared unnecessary as a credit card could have been used to purchase these items and cardholders did not have an accompanying note/narrative on file to explain the reason why (Finding 2).
- Inadequate transaction descriptions to document the 'nature and purpose' of the expenditure (Finding 2).
- Cardholders withdrawing cash over the counter greater than their agreed limit in their "Cash Withdrawal Undertaking" without appropriate approval (Finding 3).



- Notes on file were not being used to explain why non-compliance with policy occurred when the cardholder had valid explanations (Finding 4).
- Instances where expenditure may not have been in accordance with the correct business practices (Finding 5).
- An instance where a cardholder did not have their monthly SPENDVISION acquittals in an official staff-in-confidence file.
- Internal audit were required to wait up to 4 weeks to access certain files which had been requested. Cardholder SPENDVISION files contain the Department's expenditure documentation and are the property of the Department. Presently each cardholder retains and stores their own file with all original supporting documentation which may pose a record keeping issue (Finding 6).

1.4.2 Key Controls surrounding Management of Cash Withdrawals

Key controls and processes are documented at Appendix C.



1.5 Recommendations

This audit focused on:

- Compliance with the Department's Cash withdrawal policies and procedures; and
- Appropriateness of key controls surrounding the management of cash withdrawals.

Given the two aspects to this review we have separated our recommendations accordingly. In terms of **compliance with the Department's cash withdrawal policies and procedures** we have identified the following recommendations which are summarised below:

1. The Department update CEI 8.1 and the practical guide so that it does not state cardholder "should" use the tracking sheet to instead state we "strongly encourage" or "highly advise" the use of the Departmental cash tracking sheet. It should be stated in the CEI that all cardholders **must** have some sort of mechanism to track the expenditure using cash as all government money needs to be accounted for in accordance the FMA Act (Recommendation 1A).
2. The Department investigate the benefits of including a reminder on the acquittal screen in SPENDVISION to remind employees who have any cash withdrawals to complete the cash-tracking sheet (Recommendation 1C).
3. The credit card process controls are heavily dependant on the supervisor role of reviewing the expenditure and acquittal process of the cardholder. Therefore Internal Audit recommends that the next internal audit focus on the activities of supervisors (Recommendation 2).
4. Given the number and nature of findings in this review, the Department should consider revisiting the cash withdrawal policy and consider whether or not it is appropriate for all cardholders to have access to cash withdrawal facilities (Recommendation 3).
5. Update CEI 8.1 and practical guide to CEI 8.1 to ensure cardholders are aware what constitutes a cash withdrawal (Recommendation 4). For example:
 - Limits are based on AUS \$ and not foreign currency.
6. Internal audit recommends that cardholders be reminded in training that notes/narratives must be put on file where there are valid reasons for non-compliance. Files must be able to stand on their own without 3rd parties needing to contact cardholders for explanations (Recommendation 5).
7. Internal Audit recommends the Department revisit the policy to determine what expenditure is appropriate, particularly what constitutes an incidental expense (i.e. medical expenditure?) (Recommendation 6).

In terms of key controls surrounding the **management of cash withdrawals** we have identified the following recommendations which are summarised below:

8. Incorporate into policies and procedures the requirement for supervisors to review previous cash tracking sheets to ensure cash balances carried forward are:
 - Correct (agree to previous balance owing);
 - Previously authorised by an appropriate delegate; and
 - Deposited back into account (if applicable). (Recommendation 1A)



9. The Department update the cash-tracking sheet to include a cell/section for carried forward balances from the previous month (Recommendation 1B).
10. Internal audit recommends cardholders allocate a secondary delegate (i.e. supervisors) to have physical access to their credit card file to ensure the Department maintains access to official records at any point of time. Alternatively files may be kept in a centralised location (Recommendation 7).

1.6 Other Matters

We have also made one general observation about the administrative process associated with credit cards and cash withdrawals. Whilst this is not a recommendation in itself we suggest that the Department review its current arrangements from an efficiency and effectiveness perspective. Refer to section 4 for further detail.

1.7 Management Comment



Partner
KPMG



Chief Financial Officer
Department of Infrastructure, Transport,
Regional Development and Local
Government



2 Background – Department Cash Withdrawals

According to the Infrastructure's CEIs, eligible employees are issued with two types of credit cards: travel and non-travel cards.

Non-travel cards can be used "to withdraw cash to pay small amounts to suppliers for expenses ONLY if:

- The card is not accepted by the merchant;
- A petty cash float is not available for the reimbursement; and
- Payment is required at point of sale by the merchant, and therefore cannot be paid via Accounts Payable."

Travel cards are used "to withdraw cash for paying minor value out-of-pocket travel expenses, ONLY when the credit card is not accepted by the merchant, or as stated in the individual cardholder's Cash Withdrawal Undertaking".

Cash should not be used to/for:

- Reimburse one-self for fuel (claim for payment form should be used in this instance)
- Recompense non-staff for travel
- Medical expenses
- Recompense other employees (claim for payment form should be used)
- Air travel on domestic and international flights
- Non business related expenditure (i.e. personal use)

Each cardholder signs their Cash Withdrawal Undertaking to ensure they agree to spend and acquit expenditure in accordance with CEI requirements. There is also a daily limit of cash withdrawals set for each cardholder, which for most individuals is \$1,000 for ATM cash withdrawals and \$2,000 for 'over the counter' bank withdrawals.

All cash purchases resulting from a cash withdrawal should be acquitted using the Department's 'cash withdrawal tracking worksheet'. This is particularly useful as the SPENDVISION acquittal will only show one "Cash Withdrawal" line transaction for what could potentially and likely would be various items purchased. Therefore the cash tracking sheet assists supervisors and other reviewing bodies (i.e. auditors) to easily track and identify the various items of expenditure purchased using Department cash.

The cash reconciliation sheet essentially forms another acquittal whereby the cardholder is required to sign as evidence of responsibility and accountability for the public monies spent. In addition, the supervisor is required to sign as evidence of approval.

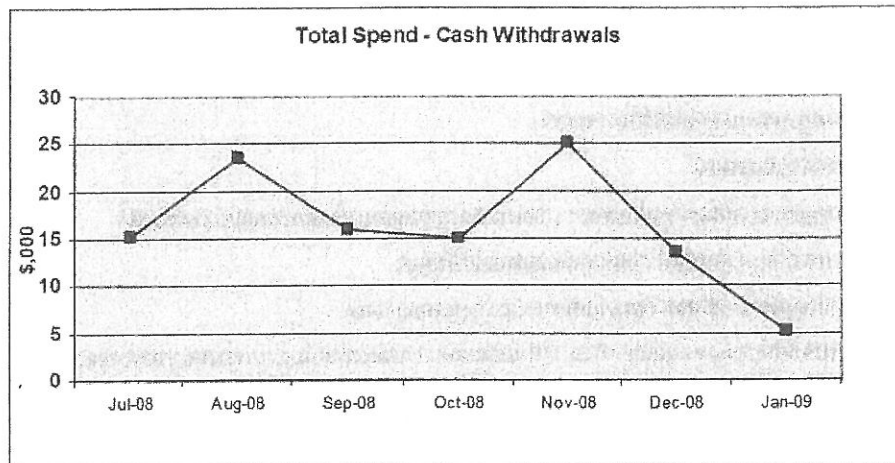
Where cash is remaining from a cash withdrawal it must be deposited back into the credit card account unless the cardholder has obtained supervisor authorisation to carry it forward. The supervisor signs the cash tracking sheet (at the bottom right hand corner where it shows any cash remaining) as evidence of authorisation. Therefore, potentially the cash tracking sheet may have to be signed twice by the supervisor.

The Department pays interest on cash withdrawals from the day the withdrawals are made. In addition, the Department incurs a \$2 fee for each cash withdrawal when cardholders withdraw cash from a non NAB facility.



A statistical analysis of the Department's use of cash withdrawals for the period 1 July 2008 to 31 January 2009 is represented below:

| | |
|--|-----------|
| Average number of credit cards on issue per month | 327 |
| Total number of cash withdrawal transactions in 7 months | 2102 |
| Total value of cash withdrawals in 7 months | \$113,571 |
| Average total value of cash withdrawals per month | \$16,224 |



For further information regarding the cash withdrawal process, refer to CEI 8.1. In addition, a process map of the current cash withdrawal process is contained in Appendix C.



3 Detailed findings and recommendations

3.1 Finding 1: Cash Tracking Sheet

Category: CR3

Finding/Observation

The cash tracking sheet was not being used by all cardholders. We noted 19 of 46 instances where the cash withdrawal reconciliation worksheet (cash tracking sheet) was not utilised and there was no accompanying file note to explain why and therefore the supervisor signature was not provided for approval on the cash tracking sheet.

Supervisors may not always check previous carried forwarded balances, especially in cases where the cash-tracking sheet was not used or where another supervisor performed the previous review. Procedural documentation that places responsibility on the supervisor to perform this task does not currently exist.

Implication/Risk

The implication of this being an audit ability/review risk, as supervisor/auditors may not be able to follow where the cash was spent and therefore unable to comment on the nature of the expenditure to ensure it was work related and used for business related expenditure. In addition it is a breach of policy.

Recommendation 1 - CR3¹

Internal Audit recommends:

A. Policies and Procedures

The Department update CEI 8.1 and the practical guide so that it does not state cardholder "should" use the tracking sheet to instead state we "strongly encourage" or "highly advise" the use of the Departmental cash tracking sheet. It should be stated in the CEI that all cardholders **must** have some sort of mechanism to track the expenditure using cash as all government money needs to be accounted for in accordance the FMA Act. Therefore cash reconciliations becomes a mandatory requirement which helps avoid ambiguity as to whether it must be used or not.

In addition, we recommend the Department incorporate into policies and procedures the requirements for supervisors to review the previous cash tracking sheet to ensure cash balances carried forward are:

- Correct (agree to previous balance owing);
- Previously authorised by an appropriate delegate; and
- Deposited back into account (if applicable).

B. Cash Tracking Sheet

¹ Refer to Appendix C for the definition of each classification and the significance of each category.



The Department update the cash-tracking sheet to include a cell/section for carried forward balances from the previous month.

C. Acquitting through SPENDVISION

The Department investigate the benefits of including a notice on the acquittal screen in SPENDVISION to remind employees who have any cash withdrawals to complete the cash-tracking sheet.

Management Comment:

Agreed

Responsible Officer: Chief Financial Officer

Deadline for implementation: 30 September 2009

Description of action: Will update guidance and discuss changes to acquittal screen with Spendvision. Changes to CEIs would need to be cleared through the Secretary.



3.2 Finding 2: Cardholder/Supervisor actions not in accordance with CEIs and policies

There were several breaches of the CEI 8.1 and the practical guide for CEI 8.1. The policy outlines procedures that supervisor and cardholder must adhere to. Cardholders are required to sign their undertakings to ensure they understand and agree to acquit expenditure in accordance with CEI 8.1.

| <i>Finding/Observation</i> | <i>Implication/Risk</i> |
|---|---|
| 11 instances where cardholders were not retaining their ATM/Bank receipt on file for cash withdrawals. Of these there were 2 instances where the cardholder placed a note on file for the missing ATM receipt, however this was insufficient as the cash withdrawal was over the designated amount of \$82.50. | Breach of CEI and policies. |
| 12 instances where the cardholder/supervisor did not sign the cash withdrawal reconciliation worksheet. Of these, there was one instance where both the cardholder and the supervisor did not sign the cash tracking sheet. | Breach of CEI and policies. Cardholder's expenditure may not be business related. |
| 4 instances of untimely acquittals by cardholders and 12 instances of untimely signoff by supervisors. | Breach of CEI and policies. Discrepancies and issues not dealt with in a timely manner. |
| 5 instances where the supervisor reviewing and signing off the cash tracking sheet was not the cardholder's delegated supervisor. All these instances were from the one cardholder. 8 samples could not be tested as we could not identify who the supervisor was (due to the fact there was no supervisor sign off – see above). | Breach of CEI and policies. Possible collusion between employees. |
| 5 withdrawals that did not have the appropriate substantiation. In 1 of these cases there were receipts accompanying the monthly statement however it was not possible to determine which related to each cash withdrawal amount, particularly as there was no cash tracking sheet or any reference system. There was also another instance where the accompanying receipts were not correct tax invoices but were EFTPOS receipts. | Breach of CEI and policies. Department cannot claim business related expenditure for tax deduction of GST. |
| We noted 6 instances where the transaction description was inadequate as it did not provide insight into the 'nature and purpose' of the expenditure. In 1 of these instances the cardholder did not have any description for the cash withdrawal on the monthly acquittal. | Breach of CEI and policies. Non-business related expenditure occurring through inadequate descriptions. |
| We noted 3 instances where the cardholder had cash remaining and did not deposit the money back into their account or obtain | Breach of CEI and policies. Cardholder may retain cash |

| | |
|--|---|
| supervisor approval to carry forward the funds. There were a further 2 instances where we could not determine whether there was cash remaining due to a lack of substantiation by the cardholder. | and use for personal expenditure. |
| 16 instances where the use of cash appeared unacceptable as a credit card could have been used to purchase these items and the cardholder did not have a note on file to explain why. From discussions with cardholders we identified that 6 were due to the fact the cardholder was in a country that did not accept credit card payments. however there was no note on file to state this reason. There were 2 instances where testing could not be performed as the cardholder did not retain receipts or other methods of substantiation and therefore we could not comment whether use of credit card was acceptable. | Breach of CEI and policies. Cash is inherently risky due to the increased possibility of fraudulent activity associated with cash. |

Recommendation 2 – CR3

The credit card process controls are heavily dependant on the supervisor role of reviewing the expenditure and acquittal process of the cardholder. Internal Audit recommends that the Audit Committee consider commencing an audit focused on supervisor approval processes.

In the previous financial year, Internal Audit performed a review of supervisor's knowledge in terms of the policy and procedures (theory based). The review found that supervisor's expertise on the policies and procedures was reasonable yet in our current review Internal Audit noted numerous instances of non-compliance with CEI 8.1 and practical guide to CEI 8.1. As supervisors are signing off these cardholders acquittals, we recommend that the following credit card review have a specific focus on supervisor's cardholders (practical focus).

Management Comment:

Agreed

Responsible Officer: A/General Manager Governance & Reporting

Deadline for implementation:

Description of action: A practical focus on supervisor's cardholders compliance with CEI 8.1 will be included in the scope of the "Management of Credit Cards" audit that will be undertaken in 2009-10 as part of the internal audit program.



Recommendation 3 – CR3

Given the number and nature of findings in this review, the Department should consider revisiting the cash withdrawal policy and consider whether or not it is appropriate for all cardholders to have access to cash withdrawal facilities.

Possible results of consideration could be (but should not be limited to):

- Disallow cash withdrawals; therefore reimbursements are required where cardholders need to use cash; or
- Introduce a facility where cash withdrawals cannot be made unless cardholder specifically applies for the facility based on a business need.

Management Comment:

Agreed

Responsible Officer: Chief Financial Officer

Deadline for implementation: 30 September 2009

Description of action: Will review cash withdrawal policy and consider removal of entitlement for Departmental staff.

3.3 Finding 3: Cardholder actions not in accordance with Cash Withdrawal Undertakings

Finding/Observation

There were 2 instances where cardholders withdrew cash over the counter greater than their limit agreed to in their "Cash Withdrawal Undertaking" (generally \$2,000). One of these cardholders was unaware that the \$1,000 limit applied to AUD currency and therefore withdrew €1,000.

The 2 identified cardholders did not obtain prior approval before doing so. We investigated to ensure these cardholders did not have their undertaking changed to allow the cardholder to withdraw a larger amount of cash.

There were no instances identified where cardholders withdrew cash from an ATM greater than their ATM withdrawal limit (generally \$1,000).

Implication/Risk

Breach of cardholders Cash Withdrawal Undertakings.

Recommendation 4 – CR3

Update CEI 8.1 and practical guide to CEI 8.1 to ensure cardholders are aware what constitutes a cash withdrawal. For example:

- Limits are based on AUS \$ and not foreign currency

Management Comment:

Agreed

Responsible Officer: Chief Financial Officer

Deadline for implementation: 30 September 2009

Description of action: Will provide Governance and Reporting Branch with proposed changes to CEI 8.1.

3.4 Finding 4: Notes on file

Finding/Observation

We noted when reviewing cardholders' files there were numerous instances where it appeared that there had been a deviation from the credit card policy and procedures. However when these findings were communicated to the cardholders many of these matters which appeared to be instances of non-compliance had valid explanations.

Internal audit's observation is that the records maintained on the official credit card files do not adequately outline specific details to enable the supervisors, Credit Card team, and/or any other reviewing party to fully appreciate the circumstances which lead to these deviations from approved policies and procedures. Further it is the supervisor's responsibility to enforce policy and ensure there are notes on file to explain any deviations.

Some of the reasons for the issues noted were:

| General issue noted | Reason from cardholder |
|--|--|
| Unnecessary use of cash where card appears appropriate. | <ul style="list-style-type: none"> • Credit card not accepted in country of travel. • Credit card facilities were not functioning. |
| Late cardholder and supervisor sign-off of monthly acquittals. | Cardholder or supervisor was on leave immediately after travel. |
| ATM receipts (under \$82.50) for cash withdrawal not retained. | ATM was unable to print receipt on day and therefore unable to obtain one. |

Implication/Risk

Breach of CEI and policies.

Records do not stand on their own.

Recommendation 5 - BIR

Internal audit recommends that cardholders be reminded in training that notes/narratives must be put on file where there are valid reasons for non-compliance. Files must be able to stand on their own without 3rd parties needing to contact cardholders for explanations.

Management Comment:

Agreed

Responsible Officer: Chief Financial Officer

Deadline for implementation: 30 June 2009

Description of action: Cardholders will be reminded in training of requirement to put notes on file.



3.5 Finding 5: Inappropriate expenditure using cash withdrawals

Finding/Observation

There were 7 instances where internal audit identified expenditure that may not have been appropriate for a cash withdrawal. The individual circumstances regarding these transactions are set out as follows:

- 3 of these instances were because a cardholder reimbursed herself for km's she travelled rather than using the Department's claim for payment reimbursement method. When discussed with the cardholder she was unaware that what she was doing violated Department policy and procedures.
- There was another instance where a cardholder's description was to "reimburse myself for expenses incurred". The cardholder did not provide details as to what the reimbursement was for. The expenditure may have been non-business related.
- An instance where a cardholder was withdrawing cash to reimburse others for travel related receipts. This is an inappropriate use of the corporate credit card and breach of CEI 8.1.

We noted 2 cardholders were using their credit card to withdraw cash to pay for 'medical expenditure' while on travel. There were several occasions where this type of expenditure occurred for each cardholder.

Implication/Risk

Supervisor signing off expenditure which may not be business related.

Breach of policies and procedures.

Recommendation 6 – CR3

Internal Audit recommends the Department revisit the policy to determine what expenditure is appropriate, particularly what constitutes an incidental expense.

Refer also to the matter at Recommendation 2.

Management Comment:

Agreed

Responsible Officer: Chief Financial Officer

Deadline for implementation: 30 September 2009

Description of action: Policy will be reviewed and additional guidance issued on what constitutes an incidental expense.



3.6 Finding 6: Access to Cash Withdrawal Expenditure Records on Department Files

Finding/Observation

Internal audit had to wait a considerable amount of time for a cardholder file requested. Cardholder SPENDVISION files contain Department expenditure and therefore are the property of the Department. In particular, Internal Audit had to wait approximately 1 month for the cardholder to return to the office before the file could be accessed.

Implication/Risk

Each cardholder retains and stores their own file with all original supporting documentation which poses an accessibility risk.

Recommendation 7 – CR3

Internal Audit recommends cardholders ensure their supervisor has physical access to their official registry file to ensure the Department maintains access to official records at any point of time.

Management Comment:

Agreed

Responsible Officer: Chief Financial Officer

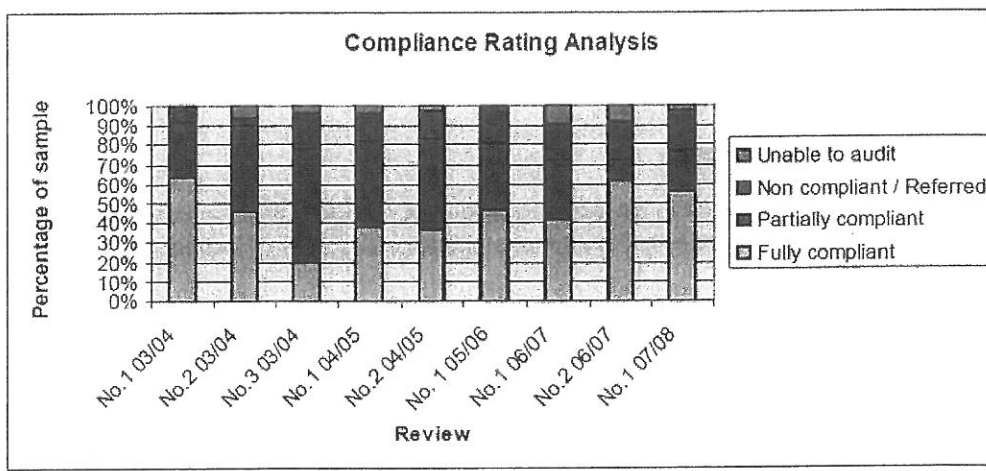
Deadline for implementation: 30 June 2009

Description of action: Cardholders will be asked to make credit card files available to their supervisors.

4 Other matters for Audit Committee attention

Whilst outside the scope of our compliance audit, having undertaken 10 compliance audits over the last 6 years we have noted that levels of administrative non-compliance have consistently been high (15-20% of sample) over his period (refer below). Further no significant improvements have been made despite more serious consequences having been implemented by the Executive.

The percentage of cardholders in each compliance category, complaint, non-compliant and partially compliant (consisting of minor issues or requiring improvement), is illustrated in the following graph²:



KPMG have recently completed a similar compliance audit at a "like" Department (i.e. similar size, nature, and structure) and found almost no administrative non-compliance. The key difference in administrative arrangements was that the Department maintained a central registry process to scrutinise the acquittal process (e.g. reasonableness of transactions, substantiation, type of transaction, etc...).

Management may wish to consider the merits of this model given the following potential benefits:

- Reduced administrative burden on already busy supervisors;
- Reduced non compliance issues and the need for further Internal Audit activity; and
- Improved scrutiny process over spending of scarce Departmental funds.

This change in administrative arrangements might be particularly relevant given the expected reductions in travel, reduced State office resources, and a critical need to reduce administrative burden, particularly for program delivery staff.

² Note that the above graph does not incorporate the most recent audit of cash withdrawals.



A Audit Overview

A.1 Audit sample

Section 47E

A.2 Review approach

Internal Audit examined the key controls surrounding management of cash withdrawals and analysed the process for potential areas for improvement. Further we tested whether cardholders had complied with the Department's cash withdrawal policies and procedures, in particular CEI 8.1.

We examined cardholder's files in detail to ascertain whether they had complied with the following:

- Use of Cash Withdrawal Tracking worksheet;
- Supporting documentation that adequately and correctly supported their work related expenditure;
- Excessive use of statutory declarations to substantiate expenditure;
- Timely review and sign-off by supervisors and cardholders of monthly acquittals and Cash Withdrawal Tracking worksheet;
- Whether transaction descriptions were adequate;
- Signing supervisor was the appropriate delegate;
- Cash withdrawal maximum values were not exceeded for both ATM and over the counter transactions;
- Whether use of cash was acceptable;
- Cash remaining was given back to the Department or that cardholder had appropriate approval to carry forward the funds; and
- Instances where expenditure might be outside the Department's expectations of reasonableness.

A.3 Planned Audit Phases

Familiarisation

- Review any of the Department's CEIs, policies and procedures related to the management of corporate credit cards;
- Review past internal audit reports on credit cards; and
- Liaise with Departmental staff to obtain an understanding of the usage of corporate credit card in relation to cash withdrawals and the acquittal system the Department has in place.

Evaluation and testing

- Through discussion with Departmental staff, flowchart the process for withdrawing cash and the acquittal system and identify the key controls currently in place;
- Analyse the appropriateness of existing controls in place to ensure that the management of withdrawing cash from corporate credit cards is being controlled;
- By employing Computer Assisted Audit Techniques (CAATs), perform analysis on cash withdrawal transactions to detect any transactions that appear to be outside of the Department's credit card policies and procedures; and
- Internal Audit will test a sample of 25 cash withdrawal transactions against the Department's CEIs, policies and procedures related to the management of corporate credit cards.

Reporting

- Following the completion of fieldwork, an Issues Paper detailing findings will be prepared and provided to management;
- Upon confirmation of identified issues, Internal Audit will prepare a Draft Report with recommendations as appropriate; and
- Once provided, Management Comments will be reflected in the report and a Final Report will be issued.

A.4 Scope and Limitations

Section 47E



Section 47E

B Categorisation of findings

Assigning a category to an internal audit finding is one of professional judgement. There are various factors that will be considered when an internal auditor assigns a category classification.

The purpose of assigning a classification to a finding is to communicate the importance of that finding with the audit committee, management and staff of [AGENCY]. This communication plays an important part in interpreting the internal auditor's opinion with respect to what priority a finding and its associated recommendation should be given.

In the table below are a number of the factors an internal auditor considers when assigning category classifications.

It is important to note that an internal auditor will assign a category classification with the best interests of the 'organisation as a whole' in mind.

| Factors considered when categorising findings | | | CR1 Finding | | CR2 Finding | | CR3 Finding | |
|---|--|---|--|---|--|--|-------------|--|
| Priority of attention required (Who) | Priority of attention required (timeliness of action required) | Likelihood or impact of the uncontrolled risk | [Executive Director / FAS and above] | [General Manager / Branch Manager and below] | [Director / Section Head] | | | |
| | | | Immediate commencement of corrective action | As soon as practical within the next 3 – 6 months. | When resources permit at the discretion of the organisation. | | | |
| | | | Catastrophic / Major The likelihood/impact of the uncontrolled business or financial risk may threaten either the operation of [AGENCY] or the effective function of a critical/significant project and/or have a severe impact on [AGENCY'S] reputation and credibility. | Moderate / Minor The likelihood/impact of the uncontrolled business or financial risk would threaten the efficiency or effectiveness of an aspect of operations. | Insignificant The likelihood/ impact of the uncontrolled business or financial risk is not considered of serious consequence. | | | |

| Factors considered when categorising findings | | CR1 Finding | CR2 Finding | CR3 Finding |
|---|--|---|---|---|
| Suitability of the policies and/or procedures | | No policies and/or procedures exist. Policies and/or procedures are not considered appropriate to manage a significant risk or function of the organisation. | No policies and/or procedures exist. Policies and/or procedures are not considered appropriate to manage a core business risk or routine function. | Policies and/or procedures are appropriate but out of date (the effect is not considered of serious consequence). |
| | Compliance with documented procedures and policies | Policies and/or procedures are not being complied with. | Policies and/or procedures are not being complied with consistently (frequency and quality). Documentation does not reflect proper compliance with procedures and policies | Infrequent instances of non-compliance with policies and procedures were identified. |
| Breach of delegations (financial and non-financial) | | Any one of the following individually or in combination. Dollar values: - Large | Any one of the following individually or in combination: Dollar values: - Medium | Any one of the following individually or in combination: Dollar values: - Small |
| | | Frequency of breaches: - Regular Documentation to support exercise of delegation: - Does not exist | Frequency of breaches: - Periodic Documentation to support exercise of delegation: - Not adequate | Frequency of breaches: - Isolated Documentation to support exercise of delegation: - Could be improved |
| | | What/how: - Breach of delegation exercised by General Manager and/or above | What/how: - Breach of delegation by middle management | What/how: - Breach of delegation reflecting ignorance |



| Factors considered when categorising findings | | CR1 Finding | CR2 Finding | CR3 Finding |
|---|--|--|-------------|-------------|
| Fraud | | All fraud or corrupt conduct identified is reported as CR1 | N/A | N/A |

BIR Business Improvement Recommendation - Arises where the internal auditor considers that the recommendation, if implemented, would result in a benefit accruing to the organisation (for example, through more efficient and/or cost effective processes, a reduction of expenditure or an increase in revenue)



C Infrastructure Credit Card Cash Withdrawal Process

