

# **Compliance with Corporate Credit Card Requirements in the Productivity Commission**

Productivity Commission

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Canberra ACT  
18 June 2024

Dear President  
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in the Productivity Commission. The report is titled *Compliance with Corporate Credit Card Requirements in the Productivity Commission*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website — <http://www.anao.gov.au>.

Yours sincerely



Rona Mellor PSM  
Acting 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**

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# Contents

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Summary and recommendations.....	7
Background .....	7
Conclusion .....	9
Supporting findings.....	9
Recommendations.....	10
Summary of entity response.....	11
Key messages from this audit for all Australian Government entities .....	11
<b>Audit findings.....</b>	<b>13</b>
1. Background .....	14
Introduction.....	14
Rationale for undertaking the audit .....	18
Audit approach .....	19
2. Arrangements for managing corporate credit cards.....	21
Have appropriate arrangements been established for managing risks associated with use of corporate credit cards within the Productivity Commission?.....	22
Has the Productivity Commission developed fit-for-purpose policies and procedures for the issue, return and use of corporate credit cards?.....	25
Has the Productivity Commission developed effective training and education arrangements to promote compliance with policy and procedural requirements?.....	29
Does the Productivity Commission have appropriate arrangements for monitoring and reporting on the issue, return and use of corporate credit cards?.....	30
3. Controls and processes for corporate credit cards .....	33
Has the Productivity Commission implemented effective preventive controls on the use of corporate credit cards?.....	34
Has the Productivity Commission implemented effective detective controls on the use of credit cards?.....	40
Does the Productivity Commission have effective processes for managing identified instances of non-compliance? .....	44
<b>Appendices .....</b>	<b>47</b>
Appendix 1     Entity response .....	48
Appendix 2     Improvements observed by the ANAO .....	49
Appendix 3     Questions on Notice relevant to credit card issue and use asked by the Parliament .....	50



# Audit snapshot

## Auditor-General Report No.41 2023–24

*Compliance with Corporate Credit Card Requirements in the Productivity Commission*



### Why did we do this audit?

- ▶ This audit is one of a series of credit card audits to be tabled by the ANAO in 2023–24.
- ▶ The misuse of Australian Government credit cards, whether deliberate or not, has the potential for financial losses and reputational damage to government entities.
- ▶ The robustness of controls to detect and prevent misuse of credit cards and action taken on non-compliance are indicative of an entity's culture and integrity.
- ▶ Previous ANAO audits have identified issues in other entities relating to positional authority in approvals of credit card transactions and ineffective controls in the management of the use of credit cards.



### What did we find?

- ▶ The Productivity Commission's (the Commission's) management of the use of corporate credit cards has been partly effective.
- ▶ The Commission had considered credit card risks and identified relevant controls. Its policies and procedures were largely fit for purpose but lacked detail on eligibility requirements and business needs. No structured training and education arrangements were in place. Monitoring and reporting on credit card use was not regular or systematic.
- ▶ Preventive controls were not effective in preventing non-compliant taxi card transactions. There were weaknesses in detective controls relating to the provision of supporting documentation when reconciling taxi transactions. The Commission had not documented its processes for escalating and managing identified non-compliance.



### Key facts

- ▶ The Commission used 258 cards in the 2022–23 financial year: 23 procurement cards, 108 taxi cards, and 127 virtual travel cards.
- ▶ The Commission spent \$1,029,292 in the 2022–23 financial year across procurement, taxi and travel cards.



### What did we recommend?

- ▶ There were six recommendations to the Commission relating to improving preventive and detective controls for credit cards.
- ▶ The Commission agreed to all recommendations.

12%

of the Commission's workforce used a procurement credit card (intended for the purchase of general goods and services) between 1 July 2022 and 30 June 2023.

24

non-compliant purchases on taxi cards between 1 July 2022 and 30 June 2023 were identified by the ANAO.

2806

domestic travel transactions (including fees) were made on the Commission's virtual travel cards between 1 July 2022 and 30 June 2023.

# Summary and recommendations

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## Background

1. The Department of Finance's Resource Management Guide 206 defines a 'corporate credit card' as a credit card used by Commonwealth entities to obtain goods and services on credit.<sup>1</sup> Credit cards are used by Commonwealth entities to support timely and efficient payment of suppliers for goods and services.<sup>2</sup> For the purposes of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), credit cards include charge cards (such as VISA, Mastercard, Diners and American Express cards) and vendor cards (such as travel cards and fuel cards).

2. The Productivity Commission (the Commission) uses corporate credit cards for official purchases under \$10,000, including for procurement, domestic taxi, and travel purposes. For 2021–22 and 2022–23, the Commission's total credit card expenditure was approximately \$1.5 million, comprising 6,884 transactions. Credit card expenditure represented 18 per cent of the Commission's supplier expenses across the two years.<sup>3</sup>

## Rationale for undertaking the audit

3. The misuse of corporate credit cards, whether deliberate or not, has the potential for financial losses and reputational damage to government entities and the Australian Public Service. The Australian Public Service Commission (APSC) states that:

establishing a pro-integrity culture at the institutional level means setting a culture that values, acknowledges and champions proactively doing the right thing, rather than purely a compliance-driven approach which focuses exclusively on avoidance of wrongdoing.<sup>4</sup>

4. In describing the role of Senior Executive Service (SES) officers, the APSC states that the SES 'set the tone for workplace culture and expectations', they 'are viewed as role models of integrity' and 'are expected to foster a culture that makes it safe and straightforward for employees to do the right thing'.<sup>5</sup> The New South Wales Independent Commission Against Corruption identifies organisational culture and expectations as a key element in preventing corruption and states:

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1 Department of Finance (Finance), Resource Management Guide (RMG) 206 *Model Accountable Authority Instructions for Non-corporate Commonwealth Entities*, Finance, Canberra, November 2021, p. 49.

2 Credit cards are referred to as payment cards in Finance's RMG 417 *Supplier Pay On-Time or Pay Interest Policy*, Finance, Canberra, 1 July 2022.

3 For 2021–22 and 2022–23, the Commission's supplier expenses were \$3.597 million and \$4.497 million respectively.

4 Australian Public Service Commission (APSC), *State of the Service Report 2019–20*, APSC, Canberra, 2021, available from <https://www.apsc.gov.au/state-service/state-service-report-2019-20/chapter-2-supporting-recovery/pro-integrity-culture> [accessed 21 March 2024].

5 APSC, *Fact sheet: Upholding integrity*, APSC, Canberra, 2021, available from <https://www.apsc.gov.au/working-aps/integrity/integrity-resources/fact-sheet-upholding-integrity> [accessed 18 March 2024].

[T]he way that an agency's senior executives, middle managers and supervisors behave directly influences the conduct of staff by conveying expectations of how staff ought to act. This is something that affects an agency's culture.<sup>6</sup>

5. Deliberate misuse of a corporate credit card is fraud. The National Anti-Corruption Commission's *Integrity Outlook 2022/23* identifies fraud, which includes the misuse of credit cards, as a key corruption and integrity vulnerability.<sup>7</sup> The Commonwealth Fraud Risk Profile indicates that credit cards are a common source of internal fraud risk. Previous audits have identified issues in other entities relating to positional authority for approving credit card transactions<sup>8</sup> and ineffective controls to manage the use of credit cards.<sup>9</sup> This audit was conducted to provide the Parliament with assurance that the Commission is effectively managing corporate credit cards in accordance with legislative and entity requirements.

6. This audit is one of a series of compliance with credit card requirements that apply a standard methodology. The four entities included in the ANAO's 2023–24 compliance with credit card requirements series are the:

- Productivity Commission (the Commission);
- Australian Research Council;
- Federal Court of Australia; and
- National Disability Insurance Agency.

### **Audit objective and criteria**

7. The objective of the audit was to assess the effectiveness of the Commission's management of the use of corporate credit cards for official purposes in accordance with legislative and entity requirements.

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- 6 New South Wales Independent Commission Against Corruption (NSW ICAC), *Organisational culture and expectations*, NSW ICAC, NSW, available from <https://www.icac.nsw.gov.au/prevention/foundations-for-corruption-prevention/organisational-culture-and-expectations> [accessed 18 March 2024].
- 7 National Anti-Corruption Commission (NACC), *Integrity Outlook 2022/23*, NACC, Canberra, 2023, p. 5, available from <https://www.nacc.gov.au/resource-centre/reports> [accessed 9 May 2024].
- 8 These audits included: Auditor-General Report No.30 2022–23, *Probity Management in Financial Regulators — Australian Prudential Regulation Authority*, ANAO, Canberra, 2023, paragraphs 2.82 to 2.86, available from <https://www.anao.gov.au/work/performance-audit/probity-management-financial-regulators-australian-prudential-regulation-authority>; Auditor-General Report No.36 2022–23, *Probity Management in Financial Regulators — Australian Securities and Investments Commission*, ANAO, Canberra, 2023, paragraphs 2.69 to 2.76, available from <https://www.anao.gov.au/work/performance-audit/probity-management-financial-regulators-australian-securities-and-investments-commission>; Auditor-General Report No.38 2022–23, *Probity Management in Financial Regulators — Australian Competition and Consumer Commission*, ANAO, Canberra, 2023, paragraphs 2.2, 2.99, and 2.106 to 2.111, available from <https://www.anao.gov.au/work/performance-audit/probity-management-financial-regulators-australian-competition-and-consumer-commission>; and Auditor-General Report No.1 2021–22, *Defence's Administration of Enabling Services — Enterprise Resource Planning Program: Tranche 1*, ANAO, Canberra, 2021, paragraphs 4.30 and 4.42, available from <https://www.anao.gov.au/work/performance-audit/defence-administration-enabling-services-enterprise-resource-planning-program-tranche-1>.
- 9 These audits included: Auditor-General Report No.36 2022–23, *Probity Management in Financial Regulators — Australian Securities and Investments Commission*, paragraph 4.81; and Auditor-General Report No.21 2019–20, *Probity Management in Rural Research and Development Corporations*, ANAO, Canberra, 2019, paragraphs 1.8, 2.71 to 2.76, 2.89 to 2.91, and 3.77 to 3.97, available from <https://www.anao.gov.au/work/performance-audit/probity-management-rural-research-and-development-corporations>.



8. To form a conclusion against the objective, the ANAO examined:
- whether the Commission has effective arrangements in place to manage the issue, return and use of corporate credit cards; and
  - whether the Commission has implemented effective controls and processes for corporate credit cards in accordance with its policies and procedures.

## Conclusion

9. The Commission's management of the use of corporate credit cards for official purposes in accordance with legislative and entity requirements has been partly effective, as there were weaknesses in its implementation of preventive and detective controls and monitoring and reporting arrangements.

10. The Commission's arrangements for managing the issue, return and use of corporate credit cards were partly effective. The Commission has considered risks associated with the use of corporate credit cards within its fraud control framework and identified relevant controls. Policies and procedures were largely fit for purpose, but eligibility criteria for issuing cards and information on providing supporting documentation for low value transactions (under \$82.50) could be improved. The Commission did not have structured training and education arrangements in place to promote compliance with credit card policy and procedural requirements. The Commission's credit card register was incomplete and inaccurate, and monitoring and reporting on credit card use was not regular and systematic. The Commission did not respond to Parliamentary questions on notice with accurate reporting on credit card use.

11. The Commission's controls and processes for managing credit card issue, usage and return were partly effective in controlling the risk of credit card misuse. Preventive controls were not effective in preventing non-compliant taxi card transactions. There were weaknesses in detective controls relating to the provision of supporting documentation when reconciling taxi transactions. Positional authority risks could be better managed by clarifying delegation and approval requirements for senior executive cardholders. While the Commission has recovered funds from cardholders where instances of personal misuse have been identified, it has not documented its processes for escalating and managing identified non-compliance.

## Supporting findings

### Arrangements for managing corporate credit cards

12. The Commission had identified threats relating to credit card misuse and relevant controls in its fraud control plan. Assessment of these threats in the fraud risk register had not been informed by systematic controls testing. The Commission undertook an internal audit in 2022 that found significant gaps and weaknesses in its credit card controls and took action to address these findings. (See paragraphs 2.4 to 2.11)

13. The Commission's policies and procedures for the issue, return and use of credit cards included coverage of core requirements within the Commission's accountable authority instructions and other policies. Eligibility criteria for issuing credit cards and information on the need for supporting documentation for transactions under \$82.50 could be improved. (See paragraphs 2.12 to 2.30)

14. While the Commission had published relevant policies and procedures on its intranet, it did not provide structured training and education to promote compliance with corporate credit card policy and procedural requirements. (See paragraphs 2.31 to 2.33)

15. The Commission's cardholder register was incomplete and inaccurate and did not include sufficient details on the issue and return of cards. Reporting on the use of credit cards has occurred on an ad-hoc basis, with monitoring capability limited by the current financial management system in use. Detailed reporting on credit card non-compliance has not been provided to the Commission's executive management, diminishing its understanding of fraud, risk and integrity implications arising from non-compliance. While the Commission reported on credit card issue and use when requested by Parliament, there were errors in its reporting. (See paragraphs 2.34 to 2.45)

### **Controls and processes for corporate credit cards**

16. Preventive controls implemented by the Commission could be improved by strengthening visibility of cardholder spending and transaction limits. Preventive controls for hospitality and catering expenditure, purchases covered by whole-of-government arrangements, and to prevent non-compliant taxi card transactions were not operating effectively. Positional authority risks could be further managed through clarifying delegation and approval requirements for senior executive cardholders. (See paragraphs 3.4 to 3.30)

17. The Commission's finance team reviews, acquits and verifies transactions manually each month. The Commission has not developed an approach to retaining and storing receipts for all taxi card transactions, which heightens the risk of errors, irregularities and fraud going undetected. (See paragraphs 3.31 to 3.41)

18. The Commission's credit card control framework could be strengthened to ensure it identifies all potential instances of non-compliance. While the Commission has recovered funds from cardholders where instances of personal misuse have been identified, it has not documented its processes for escalating and managing identified non-compliance. (See paragraphs 3.43 to 3.50)

## **Recommendations**

**Recommendation no. 1** The Productivity Commission update its policies and procedures for issuing credit cards to provide further guidance on eligibility criteria and applicable spending limits.  
**Paragraph 2.16**

**Productivity Commission response:** *Agreed.*

**Recommendation no. 2** The Productivity Commission implement a process to ensure its register of corporate credit cards:  
**Paragraph 2.36**

- (a) is up-to-date, complete and accurate; and
- (b) includes appropriate details on the issue and return of cards and card limits in place.

**Productivity Commission response:** *Agreed.*

**Recommendation no. 3  
Paragraph 2.42** The Productivity Commission implement a systematic approach to reporting on corporate credit card issue, return and use to executive management on a periodic basis.

**Productivity Commission response:** *Agreed.*

**Recommendation no. 4  
Paragraph 3.23** The Productivity Commission establish arrangements to ensure corporate credit cards are only used for the purposes defined within its policy requirements.

**Productivity Commission response:** *Agreed.*

**Recommendation no. 5  
Paragraph 3.37** The Productivity Commission improve reconciliation of corporate credit card transactions by ensuring appropriate documentation is provided to approvers and the finance team as part of monthly reconciliation processes.

**Productivity Commission response:** *Agreed.*

**Recommendation no. 6  
Paragraph 3.50** The Productivity Commission document its process for managing identified instances of credit card non-compliance.

**Productivity Commission response:** *Agreed.*

## Summary of entity response

19. The proposed audit report was provided to the Productivity Commission. The Commission's summary response is reproduced below. Its full response is included at Appendix 1. Improvements observed by the ANAO during the course of the audit are listed at Appendix 2.

The Commission is committed to improving the management of corporate credit cards, agrees with all six recommendations put forward by the ANAO, and appreciates the additional improvement opportunities. The Commission acknowledges the work undertaken by the ANAO to prepare the report and their constructive engagement with us during the audit.

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

20. This audit is part of a series of audits that applies a standard audit methodology to corporate credit card management in Commonwealth entities. The four entities included in the ANAO's 2023–24 corporate credit card management series are the:

- Productivity Commission;
- Australian Research Council;
- Federal Court of Australia; and
- National Disability Insurance Agency.

21. Key messages from the ANAO's series of credit card management audits will be outlined in an Insights product available on the ANAO website.



# Audit findings

# 1. Background

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## Introduction

1.1 Australian Government entities use credit cards to support timely and efficient payment to suppliers of goods and services. ‘Corporate credit cards’ include charge cards (such as Visa, Mastercard, Diners Club and American Express cards) and vendor cards (such as travel and fuel cards).<sup>10</sup> Other forms of credit used by Australian Government entities include credit vouchers (such as CabCharge e-tickets).

### Australian Government framework for using credit cards

1.2 The Commonwealth Resource Management Framework governs how Australian Government entities use and manage public resources. The cornerstone of the framework is the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

1.3 Under section 56 of the PGPA Act, the Minister for Finance has delegated the power to enter into a limited range of borrowing agreements to the accountable authorities<sup>11</sup> of non-corporate Commonwealth entities.<sup>12</sup> This includes the power to enter into an agreement for the issue and use of credit cards, providing money borrowed is repaid within 90 days.

1.4 The PGPA Act sets out general duties of accountable authorities and officials of Australian Government entities. Relevant to credit card use, officials have a duty not to improperly use their positions to gain or seek to gain a benefit or advantage for themselves or others, or to cause detriment to the Commonwealth, entity, or others.<sup>13</sup> Further, the duties of an accountable authority include:

- (a) governing an entity in a way that promotes the proper use and management of public resources<sup>14</sup>; and
- (b) establishing and maintaining appropriate systems of risk oversight and management and internal control, including measures to ensure officials comply with the finance law.<sup>15</sup>

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10 Department of Finance (Finance), Resource Management Guide (RMG) 206 *Model Accountable Authority Instructions for Non-corporate Commonwealth Entities*, Finance, Canberra, November 2021, p. 49.

11 Accountable authorities are responsible for the operations of Australian Government entities and can be individuals (such as Secretaries or Chief Executive Officers) or groups of individuals (such as governing boards). Officials include employees, officers or members of Australian Government entities (including directors and statutory office holders). Accountable authorities are also officials under the PGPA Act.

12 Non-corporate Commonwealth entities are legally and financially part of the Commonwealth of Australia. Conversely, corporate Commonwealth entities and Commonwealth companies are body corporates with separate legal personalities from the Commonwealth.

13 PGPA Act, section 27.

14 PGPA Act, paragraph 15(1)(a).

15 PGPA Act, section 16. Under paragraph 19(1)(e) of the PGPA Act, an accountable authority must notify the responsible minister of any significant issues affecting the entity, including any significant non-compliance with the finance law.

- Section 8 of the PGPA Act provides that ‘finance law’ means the PGPA Act, or the rules made under section 101 of the PGPA Act, or any instrument made under the PGPA Act, or an Appropriation Act.
- Finance, *Notification of significant non-compliance with finance law*, RMG 214 (paragraphs 8, 9 and 10) sets out that significant non-compliance is determined by the accountable authority based on the specific circumstances, and can include high volume, high value or systemic issues reflecting internal control shortcomings or serious fraudulent activity by officials.

1.5 Under subsection 20A(1) of the PGPA Act, an accountable authority may give instructions (referred to as accountable authority instructions) to entity officials about any matter relating to the finance law. The Department of Finance has published model accountable authority instructions, which include model instructions for the use of credit cards (see Box 1) as well as suggestions for additional instructions on credit card use.<sup>16</sup>

**Box 1: Model accountable authority instructions for credit card use — non-corporate Commonwealth entities**

Only the person issued with a Commonwealth credit card or credit voucher, or someone specifically authorised by that person, may use that credit card, credit card number or credit voucher.

You may only use a Commonwealth credit card or card number to obtain cash, goods or services for the Commonwealth entity based on the proper use of public resources.

You cannot use a Commonwealth credit card or card number for private expenditure.

In deciding whether to use a Commonwealth credit card or credit voucher, you must consider whether it would be the most cost-effective payment option in the circumstances.

Before using a Commonwealth credit card or credit voucher, you must ensure that the requirements in the instructions *Procurement, grants and other commitments and arrangements* [a separate section of the model accountable authority instructions] have been met before entering into the arrangement.

You must:

- ensure that your use of a Commonwealth credit card or credit voucher is consistent with any approval given, including any conditions of the approval
- ensure that any Commonwealth credit cards and credit vouchers issued to you are stored safely and securely.

1.6 The PGPA Act and model accountable authority instructions include other content relevant to credit card use, particularly on spending public money, official hospitality, and official travel.

- Section 23 of the PGPA Act gives accountable authorities powers to approve commitments of ‘relevant money’ and enter into arrangements (which includes procuring goods and services with credit cards).<sup>17</sup> Accountable authorities usually delegate these powers to entity officials, specifying delegation limits for officials in certain work groups based on their position and the category of spending. While the PGPA Act does not require separate and prior approval before entering into a spending arrangement, Section 18 of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) requires officials with spending delegations to make a written record of their approval for a commitment as soon

16 Suggestions include instructions on: whether cards can be used for coincidental private expenditure or cash withdrawals; when different types of cards can be used; transaction limits; requirements for cardholders to acknowledge possession and responsibilities; how and when reconciliations occur; documentation requirements for acquitting transactions; any additional approvals required (such as approval of cardholders’ own travel expenses); how cards are to be stored; and requirements to return cards when no longer required.

17 Relevant money is money that the Commonwealth or a corporate Commonwealth entity holds as cash or in a bank account.

as practicable and to follow any directions or instructions of the accountable authority. The model accountable authority instructions suggest additional instructions could include: the circumstances in which approval is required; who has authority to approve different types of commitments; appropriate approval processes; and how to ensure spending commitments would be a proper use of public resources.

- Official hospitality involves using public resources — generally, by entering arrangements under section 23 of the PGPA Act — to provide hospitality to persons other than entity officials to support the achievement of Australian Government objectives. The model accountable authority instructions suggest additional instructions could include: what is considered official hospitality; who can approve it; recordkeeping and reporting processes; whether delegates can approve official hospitality if they may personally benefit from it; and whether alcohol can be provided and what rules, if any, apply to the provision of alcohol.
- When Australian Government officials travel for business purposes, they are generally required to use whole-of-government coordinated procurement arrangements. These arrangements encompass: domestic and international air services; travel management services; accommodation program management services; travel and card related services; and car rental services. Under the arrangements, entities must make payments for flights, domestic accommodation and car rental through an account with a credit provider.<sup>18</sup> Entities can also allow their officials to use a ‘companion’ MasterCard (available through the Diners Club arrangement) to pay for meals, incidentals and general purchasing.

1.7 The Australian Government’s *Supplier Pay On-Time or Pay Interest Policy* requires non-corporate Commonwealth entities to make eligible payments valued under \$10,000 by payment card (which includes by credit card), and to establish and maintain internal policies and processes to facilitate the timely payment of suppliers using payment cards.<sup>19</sup> The policy also encourages payment card use for other payments (such as payments valued over \$10,000).

## Overview of the Productivity Commission

1.8 Under the PGPA Act, the Productivity Commission (the Commission) is classified as a non-corporate Commonwealth entity (a Commonwealth entity that is not a body corporate). The Chair of the Commission is the accountable authority. The Productivity Commission is an independent research and advisory body established to advise the Australian Government on a range of economic, social and environmental issues affecting the welfare of Australians.

1.9 The total staffing number for the Commission as of 30 June 2023 was 192 employees (including 175 ongoing and 17 non-ongoing employees). In addition, there were eleven

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18 Diners Club Pty Limited (Diners Club) was the credit provider under the travel and procurement payment services deed. On 1 June 2022 National Australia Bank Limited (NAB) acquired Diners Club in Australia. From 24 November 2023 the travel and procurement payment services deed was novated to NAB.

19 Payment card is defined as credit cards, debit cards, charge cards or any other type of Commonwealth issued card, including virtual cards, which are authorised to pay suppliers for goods and services received at the point of sale. An eligible payment is defined as a payment with a value less than \$10,000 (inclusive of GST and merchant service fees) due to a supplier that is not associated with a multiple-payment contract or standing offer arrangement. The requirement only applies when the supplier can accept and request payment via payment card and merchant service fees charged are reasonable and sufficiently disclosed. Finance, *Supplier Pay On-Time or Pay Interest Policy*, RMG 417, Finance, Canberra, 1 July 2022.



Commissioners, including the Chair, and three Associate Commissioners. The Commission has office locations in Melbourne and Canberra.

### Productivity Commission's use of corporate credit cards

1.10 The Commission uses three types of corporate credit cards (managed by Diners Club):

- procurement cards (Mastercard) — for the purchase of goods and services;
- taxi cards (Mastercard) — for official domestic taxi travel and taxi alternatives; and
- travel cards (virtual) — for accommodation and flight bookings.

1.11 The Commission also uses supplementary CabCharge e-tickets in its Melbourne and Canberra offices for employees who travel infrequently.

1.12 The Commission's expenditure on corporate credit cards in 2021–22 and 2022–23 is set out in Table 1.1. Credit card expenditure represented 18 per cent of the Commission's supplier expenses across the two years.<sup>20</sup> Ten out of the eleven Commissioners held a taxi and travel card, and no Commissioners held a procurement card.

**Table 1.1: Credit cards in use, transactions and expenditure, 2021–22 and 2022–23**

Card type	2021–22			2022–23		
	Cards in use	No. of transactions	Expenditure	Cards in use	No. of transactions	Expenditure
Procurement (Mastercard)	15	567	\$281,713	23	585	\$358,897
Taxi (Mastercard)	45	461	\$18,739	108	1637	\$73,900
Travel (virtual)	75	828	\$128,214	127	2806	\$596,495
<b>Total</b>	<b>135</b>	<b>1856</b>	<b>\$428,666</b>	<b>258</b>	<b>5028</b>	<b>\$1,029,292</b>

Source: ANAO analysis of Productivity Commission data.

1.13 Table 1.2 outlines the total number of vendors that received payments and the top five vendors based on transaction volume and expenditure.

**Table 1.2: Procurement card usage by vendor**

Financial year	No. of vendors paid	Top 5 vendors based on total expenditure	Top 5 vendors based on transaction volume
2021–22	211	Amazon Web Services (\$57,071.49) The Hatchery Hub (\$26,268.00) Zoom (\$22,818.00) Fairfax Media GRP (\$8,035.86) Microsoft (\$6,415.77)	LinkedIn (56) Twitter Online Ads (33) Amazon Web Services (23) CEDA (18) News Limited (15)

<sup>20</sup> For 2021–22 and 2022–23, the Commission's supplier expenses were \$3.597 million and \$4.497 million respectively.

Financial year	No. of vendors paid	Top 5 vendors based on total expenditure	Top 5 vendors based on transaction volume
2022–23	291	Amazon Web Services (\$54,596.16) APSC (\$36,650.00) Zoom (\$22,818.00) Sticky Tickets PT (\$20,650.00) The Hatchery Hub (\$13,083.40)	News Limited (39) Twitter Online Ads (25) Amazon Web Services (24) APSC (20) Asana.com (13)

Source: ANAO analysis of Productivity Commission data.

1.14 Table 1.3 highlights spending analysis by transaction category for expenditure between 1 July 2021 and 30 June 2023.

**Table 1.3: Spend analysis by transaction category, 2021–22 to 2022–23**

Category <sup>a</sup>	Procurement card		Taxi card		Travel (virtual) card	
	Amount (\$) <sup>c</sup>	% of total <sup>d</sup>	Amount (\$) <sup>c</sup>	% of total <sup>d</sup>	Amount (\$) <sup>c</sup>	% of total <sup>d</sup>
Airlines	4,662	0.7	1013	3.0	619,725	86.3
Car rental	0	0.0	706	2.1	706	0.1
Gas/oil	0	0.0	515	1.5	0	0.0
Hotel	5,929	0.9	210	0.6	97,650	13.6
Mail order	2,154	0.3	0	0.0	0	0.0
Vehicle hire	0	0.0	0	0.0	0	0.0
Rail	0	0.0	99	0.3	0	0.0
Restaurant	719	0.1	901	2.7	0	0.0
Retail	107,692	16.9	1,185	3.5	0	0.0
Taxi/limousines	0	0.0	13,356	40.0	0	0.0
Telephone services	45,636	7.2	0	0.0	0	0.0
Other <sup>b</sup>	470,909	73.8	15,491	46.3	0	0.0
<b>Total</b>	<b>637,702</b>	<b>100.0</b>	<b>33,477</b>	<b>100.0</b>	<b>718,081</b>	<b>100.0</b>

Note a: Expenditure categories are based on charge types identified in the Diners Club transaction data. Transactions categorised as Adjustments were not included in the figures. The total of the Adjustments was \$95,408.

Note b: Most expenditure classified as 'other' was for parking.

Note c: Figures have been rounded to the nearest dollar.

Note d: Figures do not sum to 100 due to rounding.

Source: ANAO analysis of Productivity Commission data.

## Rationale for undertaking the audit

1.15 The misuse of corporate credit cards, whether deliberate or not, has the potential for financial losses and reputational damage to government entities and to the Australian Public Service. The Australian Public Service Commission (APSC) states that:

establishing a pro-integrity culture at the institutional level means setting a culture that values, acknowledges and champions proactively doing the right thing, rather than purely a compliance-driven approach which focuses exclusively on avoidance of wrong doing.<sup>21</sup>

1.16 In describing the role of Senior Executive Service (SES) officers, the APSC states that the SES ‘set the tone for workplace culture and expectations’, they ‘are viewed as role models of integrity’ and ‘are expected to foster a culture that makes it safe and straightforward for employees to do the right thing’.<sup>22</sup> The New South Wales Independent Commission Against Corruption identifies organisational culture and expectations as a key element in preventing corruption and states:

[T]he way that an agency's senior executives, middle managers and supervisors behave directly influences the conduct of staff by conveying expectations of how staff ought to act. This is something that affects an agency's culture.<sup>23</sup>

1.17 Deliberate misuse of a corporate credit card is fraud. The Commonwealth Fraud Risk Profile indicates that credit cards are a common source of internal fraud risk. Previous audits have identified issues in other entities relating to positional authority for approving credit card transactions<sup>24</sup> and ineffective controls to manage the use of credit cards.<sup>25</sup> This audit was conducted to provide the Parliament with assurance that the Commission is effectively managing corporate credit cards in accordance with legislative and entity requirements.

## Audit approach

### Audit objective, criteria and scope

1.18 The objective of the audit was to assess the effectiveness of the Commission's management of the use of corporate credit cards for official purposes in accordance with legislative and entity requirements.

1.19 To form a conclusion against the objective, the ANAO examined:

- whether the Commission has effective arrangements in place to manage the issue, return and use of corporate credit cards; and

21 Australian Public Service Commission (APSC), *State of the Service Report 2019–20*, APSC, Canberra, 2021, available from <https://www.apsc.gov.au/state-service/state-service-report-2019-20/chapter-2-supporting-recovery/pro-integrity-culture> [accessed 21 March 2024].

22 APSC, *Fact sheet: Upholding integrity*, APSC, Canberra, 2021, available from <https://www.apsc.gov.au/working-aps/integrity/integrity-resources/fact-sheet-upholding-integrity> [accessed 18 March 2024].

23 New South Wales Independent Commission Against Corruption (NSW ICAC), *Organisational culture and expectations*, NSW ICAC, NSW, available from <https://www.icac.nsw.gov.au/prevention/foundations-for-corruption-prevention/organisational-culture-and-expectations> [accessed 18 March 2024].

24 These audits included: Auditor-General Report No.30 2022–23, *Probity Management in Financial Regulators* — *Australian Prudential Regulation Authority*, paragraphs 2.82 to 2.86; Auditor-General Report No.36 2022–23, *Probity Management in Financial Regulators* — *Australian Securities and Investments Commission*, paragraphs 2.69 to 2.76; Auditor-General Report No.38 2022–23, *Probity Management in Financial Regulators* — *Australian Competition and Consumer Commission*, paragraphs 22, 2.99, and 2.106 to 2.111; and Auditor-General Report No.1, 2021–22, *Defence's Administration of Enabling Services* — *Enterprise Resource Planning Program: Tranche 1*, paragraphs 4.30 and 4.42.

25 These audits included: Auditor-General Report No.36 2022–23, *Probity Management in Financial Regulators* — *Australian Securities and Investments Commission*, paragraph 4.81; and Auditor-General Report No.21, 2019–20 *Probity Management in Rural Research and Development Corporations*, paragraphs 18, 2.71 to 2.76, 2.89 to 2.91, and 3.77 to 3.97.

- whether the Commission has implemented effective controls and processes for corporate credit cards in accordance with its policies and procedures.

1.20 The audit focused on the Commission’s management and use of credit cards, including travel approval and acquittals, in the 2021–22 and 2022–23 financial years.

### **Audit methodology**

1.21 The audit methodology included:

- review of legislative and entity frameworks guiding the use of corporate credit cards;
- review of the Commission’s documentation, including policies and procedures, risks registers, training material and reporting;
- analysis of the Commission’s data, including publicly reported information and data obtained during the audit; and
- meetings with Commission staff.

1.22 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$245,000.

1.23 The team members for this audit were Hayley Tonkin, Priyanka Varma, Brinlea Paine and Daniel Whyte.

## 2. Arrangements for managing corporate credit cards

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### Areas examined

This chapter examines whether the Productivity Commission (the Commission) had effective arrangements in place to manage the issue, return and use of corporate credit cards.

### Conclusion

The Commission's arrangements for managing the issue, return and use of corporate credit cards were partly effective. The Commission has considered risks associated with the use of corporate credit cards within its fraud control framework and identified relevant controls. Policies and procedures were largely fit for purpose, but eligibility criteria for issuing cards and information on providing supporting documentation for low value transactions (under \$82.50) could be improved. The Commission did not have structured training and education arrangements in place to promote compliance with credit card policy and procedural requirements. The Commission's credit card register was incomplete and inaccurate, and monitoring and reporting on credit card use was not regular and systematic. The Commission did not respond to Parliamentary questions on notice with accurate reporting on credit card use.

### Areas for improvement

The ANAO made three recommendations aimed at: ensuring the Commission's policies and procedures include eligibility criteria for issuing cards and spending limits (paragraph 2.16); ensuring the cardholder register is complete and accurate (paragraph 2.36); and establishing appropriate reporting arrangements to executive management (paragraph 2.42).

The ANAO identified three opportunities for improvement for the Commission to: strengthen its fraud control testing (paragraph 2.8); improve the clarity of its policies and procedures relating to supporting documentation for low value transactions (paragraph 2.23); and periodically provide educational messaging to cardholders and managers (paragraph 2.33).

2.1 If Australian Government officials deliberately misuse corporate credit cards, they are committing fraud. Other risks of credit card use include: inadvertent personal use; unauthorised or inappropriate work use; incorrect charging by merchants; and external fraud enabled by stolen credit card details.

2.2 Under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), an accountable authority of an Australian Government entity has a duty to establish and maintain appropriate systems of risk oversight and management and internal control, including measures to ensure that officials comply with the finance law.<sup>26</sup>

2.3 In addition, the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) establishes a requirement for an accountable authority to take all reasonable measures to prevent, detect and deal with fraud relating to the entity.<sup>27</sup> Specific requirements of the Fraud Rule include:

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26 PGPA Act, section 16.

27 PGPA Rule, section 10. This section of the PGPA Rule is referred to as the Fraud Rule.

- conducting regular fraud risk assessments and developing and implementing a fraud control plan that deals with identified risks;
- establishing appropriate preventive controls (which should include fit-for-purpose policies and procedures and effective training and education arrangements); and
- establishing appropriate monitoring and reporting arrangements.

## Have appropriate arrangements been established for managing risks associated with use of corporate credit cards within the Productivity Commission?

The Commission had identified threats relating to credit card misuse and relevant controls in its fraud control plan. Assessment of these threats in the fraud risk register had not been informed by systematic controls testing. The Commission undertook an internal audit in 2022 that found significant gaps and weaknesses in its credit card controls and took action to address these findings.

### Enterprise risk management arrangements

2.4 The Commission has a draft Enterprise Risk Management Framework (last updated in November 2023) that includes risk assessments for its four enterprise risks.<sup>28</sup> Risks relating to credit card use and travel are described in the framework as ‘other operational risks where the rating is considered low, after taking account of control measures’. There was no evidence of the Commission’s control assessment to support the ‘low’ risk rating.

### Fraud Control Plan

2.5 The Commission’s Fraud Control Plan (last updated in November 2022) identifies two fraud threats related to credit cards: unauthorised use of official credit cards by non-Commission staff; and purchases made for personal gain. The plan also identifies three fraud threats related to travel, which are relevant to the use of travel and taxi cards: unnecessary or extended travel; overpayment of travel allowance; and inappropriate use of taxi card facilities. Table 2.1 outlines the existing controls identified in the plan to address these credit card and travel threats.

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28 The Commission’s four enterprise risks are: (1) the Commission does not maintain its reputation for high quality, independent and influential work (rigorous and transparent analysis) with opportunity to contribute to public debate and policy; (2) the Commission is unable to demonstrate its commitment to Priority Reform 3 under the National Agreement on Closing the Gap; (3) the Commission is unable to attract and recruit high quality staff and develop, retain and reinvigorate staff and leadership; and (4) failure of critical business systems including cybersecurity breaches, data loss, compliance violations, ICT system failures, third-party risks and insider threats.

**Table 2.1: Fraud threats and controls related to credit card use identified in the Commission's 2022 Fraud Control Plan**

Category	Potential fraud threat	Existing controls
Credit card	Unauthorised use of official credit cards by non-Commission staff	<ul style="list-style-type: none"> <li>Detailed procedures which contain a number of checks and process steps which would highlight instances of fraud.</li> <li>Reconciliation of supporting documentation to credit card statements to be completed on a monthly basis and transactions are to be authorised by the credit card holder and delegate.</li> <li>Use of cards, other than taxi cards, is deliberately limited to cases where they are absolutely necessary.</li> </ul>
	Purchases made for personal gain	
Travel	Unnecessary or extended travel	<ul style="list-style-type: none"> <li>All travel is approved by the local cost centre delegate prior to the travel being undertaken.</li> <li>Detailed travel policy and procedure statements exist and are promulgated to all staff.</li> </ul>
	Overpayment of travel allowance	<ul style="list-style-type: none"> <li>Finance section matches movement requisitions to the carrier's invoice. Unmatched requisitions are followed up.</li> <li>Awareness of travel changes by local administration staff.</li> <li>Detailed travel policy and procedure statements exist and are promulgated to all staff.</li> <li>Manager approves any changes to travel.</li> <li>Standardised meal allowance is given to employees.</li> </ul>
	Inappropriate use of taxi card facilities	<ul style="list-style-type: none"> <li>Taxi card expenditure is reviewed and matched by finance staff to [movement requisitions] or individual requisitions prior to paying the taxi card account.</li> <li>Taxi cards agreements are signed by all staff at the time of issue.</li> <li>Detailed travel policy and procedure statements exist and are promulgated to all staff.</li> </ul>

Source: Productivity Commission, Fraud Control Plan, November 2022.

2.6 The 2022 Fraud Control Plan includes a risk register that assesses the inherent risk, control strength and residual risk for four of the five fraud threats related to credit card use (inappropriate use of taxi card facilities was not included in the register). All four threats were rated as 'low' inherent risk, with 'good' control strength and 'low' residual risk. The Commission's Finance Director was identified as the risk owner for the four threats.

2.7 The Commission advised the ANAO in March 2024 that, while fraud risk control testing had not been documented, the risk management approach outlined in the Enterprise Risk Management Framework was followed to identify, analyse, assess and prioritise risks and controls. In the absence of robust control testing, deficiencies and potential improvements of existing controls may go unaddressed, resulting in controls not achieving their intended purpose in preventing and detecting fraud.

## Opportunity for improvement

2.8 Fraud control testing involves various methods including desktop reviews, system or process walkthroughs, data analysis, sample testing and pressure testing. The Commission could strengthen its fraud control framework by employing different testing methods and better documenting testing outcomes.

### Audit and risk committee consideration

2.9 The Commission engaged Pitt Group to undertake an internal audit of key financial controls that was completed in June 2022. The internal audit identified 'significant gaps and weaknesses in the controls used to manage the Commission's use of credit cards', including the following key issues:

- a lack of documented procedures for the management of credit cards;
- credit cards being obtained for staff without prior confirmation of business needs;
- no credit card register being maintained with information on cardholders, credit limits and locations of cards; and
- no processes in place to review cardholders and credit limits.

2.10 The internal audit identified five 'agreed actions' to be implemented by December 2022:

Document processes for managing virtual credit cards, taxi cards and procurement cards

Establish a process for credit card requests and approvals to ensure cards are only issued where there is a clear business need

Establish a cardholder register to record key details associated with each card and cardholder

Review current virtual credit cards, taxi cards and procurement cards to determine if there is a continued business need for them

Schedule periodic reviews of the cardholder register to ensure currency of data and that staff issued cards have an ongoing business need.

2.11 Reporting to the Commission's Audit and Risk Committee from November 2023 recorded all agreed actions as 'closed'. The first three actions were noted as completed in May 2023 with the development of the Commission's Corporate Credit Cards Policy and Procedure and a cardholder register. The review of business needs was noted as completed in October 2023, and the periodic reviews were noted as underway.<sup>29</sup>

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29 The Commission's Corporate Credit Cards Policy and Procedure is discussed at paragraphs 2.12 to 2.15, 2.21 to 2.22 and 2.29 to 2.30. The cardholder register is discussed at paragraphs 2.34 to 2.35. Arrangements for reviewing ongoing business needs for credit cards are discussed at paragraphs 3.4 to 3.6.



## Has the Productivity Commission developed fit-for-purpose policies and procedures for the issue, return and use of corporate credit cards?

The Commission's policies and procedures for the issue, return and use of credit cards included coverage of core requirements within the Commission's accountable authority instructions and other policies. Eligibility criteria for issuing credit cards and information on the need for supporting documentation for transactions under \$82.50 could be improved.

### Issue

2.12 The June 2022 internal audit of key financial controls (see paragraphs 2.9 to 2.11) found the Commission's processes for allocating taxi and travel cards did not consider employees' roles and associated travel requirements and it recommended establishing a process for only issuing cards when there is a clear business need.

2.13 The Commission's Corporate Credit Cards Policy and Procedure (March 2023), which was developed in response to the internal audit, states that the Chair, Commissioners, and Senior Executive Service (SES) and Executive Level 2 (EL2) employees are eligible for taxi and travel cards, and all other employees will be assessed on a case-by-case basis. Card limits documented in the policy for the Chair, Commissioners, SES and EL2 employees were: \$3000 per month and \$300 per transaction for taxi cards; and no limit for virtual travel cards.

2.14 No criteria were documented in the policy for assessing other employees' eligibility for these cards or applicable spending limits. There were also no eligibility criteria or applicable spending limits for procurement cards.

2.15 In March 2024 the Commission provided the ANAO a draft list of criteria that the finance team uses to assess credit card eligibility and advised that it would update its policy and procedures to provide more guidance regarding what factors should be considered when assessing business need.

### Recommendation no. 1

2.16 The Productivity Commission update its policies and procedures for issuing credit cards to provide further guidance on eligibility criteria and applicable spending limits.

**Productivity Commission response:** *Agreed.*

2.17 *The Commission accepts the recommendation and has established further guidance on eligibility and spending limits when considering issuing a credit card.*

### Use

#### *Accountable Authority Instructions*

2.18 The Commission's Accountable Authority Instructions (AAIs) (August 2023) include the Department of Finance's model instructions for credit cards outlined at Box 1 in Chapter 1. The AAIs provide additional instructions for the use of credit cards, including:

The Commonwealth credit card must not be used for:

- Linking to an iTunes account.
- Cash advances (unless express written authorisation has been provided by the Head of Office).

A tax invoice must be obtained for all expenditures over \$82.50. A receipt or credit card docket is acceptable for purchases less than \$82.50 unless it is not possible to obtain appropriate documentation (e.g. for an overseas taxi fare). Where a credit card holder cannot provide the required documentation, a statutory declaration is required detailing the expenditure and an explanation of why the documentation cannot be provided.

2.19 The Commission's AAls also contain instructions for all officials on procurement, official hospitality, business catering and official travel, which are relevant to credit card use, including:

You must ... use any mandated whole-of-government [procurement] arrangement ...<sup>30</sup>

Any decision to spend relevant money on official hospitality must be publicly defensible.

Business catering is the provision of food or beverages to Productivity Commission staff, contractors, or Commissioners associated with meetings, seminars, conferences, training, and other events and may be provided when:

- The expenditure would be publicly defensible.
- An appropriate delegate has approved the expenditure.

Where the government has established coordinated procurements for a particular travel activity, you must use the arrangement established for that activity unless:

- an exemption has been provided in accordance with the CPRs, or reimbursement is to be provided to a third party (i.e. a non-Commonwealth traveller that cannot access coordinated travel procurements) for airfares, accommodation and/or car rental; or
- a travel allowance is to be provided for accommodation arrangements.

2.20 The Commission's AAls outline that for taxi (or taxi type travel) expenditure there is a limit of \$300 (GST inclusive) per journey.

### *Corporate Credit Card Policy and Procedure*

2.21 The March 2023 Corporate Credit Cards Policy and Procedure includes appendices outlining cardholder responsibilities and including copies of the cardholder agreements that must be signed when employees are issued with procurement and taxi cards (key requirements from these appendices are outlined in Box 2).

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30 Whole of Australian Government coordinated procurement arrangements that are mandated for non-corporate Commonwealth entities include arrangements established by the Department of Finance and Digital Transformation Agency for: accommodation and travel services; stationery and office supplies; and ICT equipment. Department of Finance (Finance), *Whole of Australian Government Procurement*, Finance, Canberra, 21 December 2023, available from <https://www.finance.gov.au/government/procurement/whole-australian-government-procurement> [accessed 2 June 2024].

## Box 2: Key requirements for credit card use from the Commission's Corporate Credit Cards Policy and Procedure

All cardholders must:

- maintain safe custody of credit cards and ensure cards are within their care and control at all times;
- understand cards can only be used for official purposes;
- abide by restrictions on the type of supplies for which cards may be used, limits on transaction values, and limits on available credit within each billing period;
- comply with PGPA Act requirements and obtain prior approval when they do not have an appropriate delegation to approve the proposed spending;
- obtain itemised tax invoices for purchases;
- acquit all expenditure incurred on the card and provide tax invoices and supporting documentation;
- obtain approval from the Commission Chair for any official hospitality expenditure;
- not withdraw cash under any circumstance; and
- respond to finance team queries relating to unusual transactions within requested timeframes.

In addition, taxi card holders must:

- only use the card for official domestic taxi travel (and taxi alternatives, including any Skybus or airport parking expenses) within the transaction limit, after obtaining prior travel approval; and
- not use the card for non-domestic or private travel or permit another person to use the card under any circumstances.

2.22 While the cardholder responsibilities appendix states that itemised tax invoices must be obtained for all purchases, in a different section the policy states that employees must obtain a tax invoice for transactions above \$82.50 (including GST). The policy does not include reference to the requirement in the AAls to obtain receipts or credit card docketts for purchases less than \$82.50, or to provide a statutory declaration where documentation cannot be provided.<sup>31</sup>

### Opportunity for improvement

2.23 To help ensure cardholders and managers comply with credit cards policies and procedures, the requirements for obtaining receipts and tax invoices or providing statutory declarations outlined in the Commission's AAls could be replicated in its Corporate Credit Cards Policy and Procedure.

2.24 If there is no movement requisition for approved travel, the policy states that cardholders are responsible for providing supporting documentation to the finance team in a timely manner to enable the finance team to reconcile monthly transactions. The policy also states that Melbourne

<sup>31</sup> The ANAO's testing of compliance with detective controls found Commission staff were not providing appropriate documentation for low value transactions (see paragraph 3.35).

SES employees are permitted to use their taxi cards to pay for commercial parking near the Commission’s Melbourne office. After the ANAO enquired about the fringe benefit tax (FBT) implications of this arrangement, the Commission informed the ANAO in May 2024 that it had made an FBT reporting error in its 2022–23 tax return and was planning to amend the return and pay the amount owing.<sup>32</sup>

### *Travel Guidelines*

2.25 In addition to the AAls and Corporate Credit Cards Policy and Procedure, the Commission has established Travel Guidelines (November 2023) that set out key considerations, arrangements and processes to follow when arranging staff travel. The Travel Guidelines state that:

Many Commission staff are issued with a Mastercard to pay for official taxi and ride-share travel. The card can also be used for official travel related costs (e.g. airport parking, sky bus).

The Mastercard may be used for all official journeys (e.g. between home/office and airports, between accommodation and airport when travelling overnight, to/from visits or meetings, to home after approved overtime or working late).

For travel related to [a movement requisition], travellers should obtain receipts/tax invoices and retain them for one month post travel. The Finance team reconcile corporate credit card expenses monthly and may request the receipts.

### *Use of credit cards for purchases over \$10,000*

2.26 As noted at paragraph 1.7, the Australian Government’s Supplier Pay On-Time or Pay Interest Policy requires non-corporate Commonwealth entities to make eligible payments valued under \$10,000 by payment card (which includes by credit card), and to establish and maintain internal policies and processes to facilitate the timely payment of suppliers using payment cards. The Commission has incorporated this requirement into its Corporate Credit Cards Policy and Procedure and its AAls.

2.27 Table 2.2 provides accounts payable data and credit card transaction data from 2021–22 and 2022–23. In 2022–23 the Commission made over three times as many transactions under \$10,000 using credit cards than it did through its accounts payable function.

**Table 2.2: Accounts payable and credit card expenditure transactions under \$10,000**

Payment type	2021–22		2022–23	
	No. of transactions under \$10,000	Expenditure	No. of transactions under \$10,000	Expenditure
Accounts payable	1594	\$1,063,773	1567	\$1,361,325
Credit cards	1850	\$444,677	5120	\$1,210,716

Source: ANAO analysis based on accounts payable data provided by the Productivity Commission.

2.28 Some accounts payable transactions cannot be paid by credit card (such as travel allowances, staff reimbursements, large account and milestone payments, or payments to individuals or sole traders without a credit card facility).

32 The ANAO will examine the Commission’s FBT calculations as part of its 2023–24 financial statements audit.

## Return

2.29 The Commission's Corporate Credit Cards Policy and Procedure states that a card should be returned if a cardholder:

- resigns from the Commission;
- is transferred or promoted to another position or agency; or
- is instructed to do so by the card issuing officer.

2.30 The policy and procedure stipulates that cardholders should immediately report loss or theft of cards to the government premium service team, finance team and card issuing officer. The finance team is responsible for overseeing and managing the cancellation of cards.

## Has the Productivity Commission developed effective training and education arrangements to promote compliance with policy and procedural requirements?

While the Commission had published relevant policies and procedures on its intranet, it did not provide structured training and education to promote compliance with corporate credit card policy and procedural requirements.

## Intranet guidance

2.31 Guidance materials are available to staff on the Commission's intranet. In addition to the AAls, Corporate Credit Card Policy and Procedure and Travel Guidelines, intranet guidance includes:

- Guide to Creating a Travel Requisition (September 2023) — which outlines how staff should use TechnologyOne to raise a requisition and gain appropriate delegate approval for travel related procurement, including airfare, accommodation and car rental expenses. It documents the process for raising movement requests, amending purchases, and releasing purchase orders.
- Guide to Creating a Credit Card Transaction (September 2023) — which details the process for cardholders to acquit their transactions by raising credit card requisitions in TechnologyOne.
- Purchase Approval Guide (undated) — which provides instructions for obtaining and documenting expenditure approvals. This includes separate instructions for low-cost, mid-value, and hospitality and catering transactions.

## Other training

2.32 The Commission advised the ANAO in November 2023 that all staff must complete a finance induction training session with the Finance Director, who can provide further tailored credit card training as required. There was no evidence of these induction training sessions other than a presentation for graduates and a reference outlining key financial resources available through the intranet. These materials did not include any content related to corporate credit card policy and procedural requirements.

### Opportunity for improvement

2.33 To ensure cardholders and managers comply with policy and procedural requirements for all credit card types, the Commission could periodically provide training and/or messaging that outlines good practices and raises awareness of fraud and non-compliance risks. This could be through intranet posts, messages within all staff email, or reminders at staff meetings.

## Does the Productivity Commission have appropriate arrangements for monitoring and reporting on the issue, return and use of corporate credit cards?

The Commission's cardholder register was incomplete and inaccurate and did not include sufficient details on the issue and return of cards. Reporting on the use of credit cards has occurred on an ad-hoc basis, with monitoring capability limited by the current financial management system in use. Detailed reporting on credit card non-compliance has not been provided to the Commission's executive management, diminishing its understanding of fraud, risk and integrity implications arising from non-compliance. While the Commission reported on credit card issue and use when requested by Parliament, there were errors in its reporting.

### Monitoring issue and return

2.34 The June 2022 internal audit of key financial controls (see paragraphs 2.9 to 2.11) identified that the Commission did not have a credit card register that contained information such as the name of credit card holders, credit limits and location of cards. To address this finding, the Commission committed to establish a cardholder register. The action was closed in April 2023.

2.35 In response to the internal audit, the Commission established a consolidated cardholder register for all three credit card types. As of December 2023, a total of 330 card numbers were recorded in the cardholder register, held by 152 cardholders. There were no details in the register to match cardholders with their roles and delegation limits, card type and transaction limits (for virtual travel cards). In addition, the register was not complete and accurate, as ANAO analysis of 2022–23 credit card transactions identified 72 card numbers that were used in 2022–23 by the Commission that were not recorded in its register. Some cardholders in the register did not have card numbers recorded, which the Commission advised the ANAO in March 2024 was due to manual error by staff when inputting data.

## Recommendation no. 2

2.36 The Productivity Commission implement a process to ensure its register of corporate credit cards:

- (a) is up-to-date, complete and accurate; and
- (b) includes appropriate details on the issue and return of cards and card limits in place.

**Productivity Commission response:** *Agreed.*

2.37 *The Commission accepts the recommendation and will implement the requirements to ensure that the credit card register is accurate and includes all information on issue, return and credit limits.*

### Monitoring use and reporting

2.38 The Commission uses monthly reports produced by its credit card provider (Diners Club) and its financial management system (TechnologyOne) to reconcile transactions. While the Commission's finance team draws reports from these systems for acquittal purposes, the information is not used to produce management reporting on a regular basis. There was no regular reporting to the Commission's executive management on credit issue, return or use, or non-compliance and actions taken in response to non-compliance. This reduces executive management's visibility of non-compliance and the effectiveness of internal controls, impacting its ability to understand and manage fraud and integrity risks.

2.39 The Commission advised the ANAO in January 2024 that the outcomes of the credit card monthly reconciliation process were reported to the Assistant Commissioner, Corporate Group when requested for Senates Estimates hearings or when the finance team identified a possible issue requiring notification.

2.40 The Commission advised the ANAO in November 2023 that there were inefficiencies with its existing system, and it was looking to implement a new solution to centralise credit card reconciliation, acquittals, monitoring and reporting capability. The Commission developed a draft proposal to amend the credit card process in January 2024, which outlines current problems with credit card management, including:

- staff automatically receiving taxi cards without a business need;
- unnecessary duplications of cards;
- cards not being activated or distributed;
- considerable time spend acquitting statements as software is not fit for purpose; and
- lack of supporting data due to software restraints.

2.41 The draft proposal recommends that the Commission consolidate cards to one physical card and one virtual card, and implement a new financial management system to process transactions. While the Commission's executive leadership was aware of the proposed changes to credit card operations, as of April 2024 the proposal had not been finalised or approved.

### Recommendation no. 3

2.42 The Productivity Commission implement a systematic approach to reporting on corporate credit card issue, return and use to executive management on a periodic basis.

**Productivity Commission response:** *Agreed.*

2.43 *The Commission agrees to the recommendation and has incorporated reporting on card issues, returns and misuse into the monthly Finance paper to the Executive.*

#### *Reporting to Parliament on corporate credit card issue and use*

2.44 The Commission provided responses to questions on notice on the issue and use of credit cards that were asked of the Treasury Portfolio in Senate Estimates hearings in 2022–23 and 2023–24. The Commission’s responses to these questions are outlined in Table 2.3 (see Appendix 3 for the complete set of questions).

**Table 2.3: Responses to Senate Estimates questions on notice on credit cards**

Question	2022–23 Suppl. Budget estimates (asked 3/03/23)	2022–23 Budget estimates (asked 16/06/23)	2023–24 Suppl. Budget estimates (asked 3/11/23)
Period covered by answer	2022–23 financial year to date	1/07/22–31/05/23	1/07/23–31/10/23
Number of cards on issue <sup>a</sup>	142	145	97
Largest reported purchase	\$8,478.35	\$8,478.35	\$12,142.49
No. of cards reported lost or stolen	1	0	0
No. of purchases deemed illegitimate or contrary to policy	27	32	12
Amount of illegitimate or contrary to policy purchases	\$622.44	\$716.80	\$204.31
Amount repaid	\$622.44	\$716.80	\$204.31
Highest value illegitimate or contrary to policy purchase repaid	\$51.24	\$64.50	\$81.08

Note a: The Commission reported on the number of taxi and procurement cards on issue.

Source: Senate estimates question on notice database.

2.45 The Commission interpreted ‘illegitimate or contrary to policy’ to be staff misuse and fraudulent transactions. The Commission’s process for preparing the responses was to examine its credit card register and general ledger for relevant transactions. Two fraudulent transactions in 2022–23 (two Quizlet transactions with a total value of \$19.98) were not included in the Commission’s responses to the questions asked on 3 March 2023 and 19 June 2023.



## 3. Controls and processes for corporate credit cards

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### Areas examined

This chapter examines whether the Productivity Commission (the Commission) has implemented effective controls and processes for credit cards in accordance with its policies and procedures.

### Conclusion

The Commission's controls and processes for managing credit card issue, usage and return were partly effective in controlling the risk of credit card misuse. Preventive controls were not effective in preventing non-compliant taxi card transactions. There were weaknesses in detective controls relating to the provision of supporting documentation when reconciling taxi transactions. Positional authority risks could be better managed by clarifying delegation and approval requirements for senior executive cardholders. While the Commission has recovered funds from cardholders where instances of personal misuse have been identified, it has not documented its processes for escalating and managing identified non-compliance.

### Areas for improvement

The ANAO made three recommendations aimed at: improving controls to prevent non-compliant credit card use (paragraph 3.23); increasing documentation requirements for monthly reconciliations (paragraph 3.37); and documenting processes for managing identified instances of non-compliance (paragraph 3.50).

The ANAO also identified three opportunities for improvement for the Commission to: establish a systematic approach to assessing and recording business needs for issuing credit cards (paragraph 3.7); maintain a complete and accurate record of monthly spending and individual transaction limits (paragraph 3.11); and clarify approval requirements and delegations for senior executive cardholders, and official hospitality and catering purchases (paragraph 3.20).

3.1 Preventive controls work by reducing the likelihood of inappropriate credit card use before a transaction has been completed. Preventive controls for credit cards can include: policies and procedures; education and training; deterrence messaging; declarations and acknowledgements; blocking certain categories of merchants; issuing cards only to those with an established business need; placing limits on available credit; and limiting the availability of cash advances.

3.2 Detective controls work after a credit card transaction has occurred by identifying if there is a risk that it may have been inappropriate. Detective controls for credit cards can include: regular reconciliation processes (with segregation of duties between cardholder and approver); exception reporting; fraud detection software; tip-offs and public interest disclosures; monitoring and reporting; and audits and reviews.

3.3 When detective controls identify instances of fraud or non-compliance, entities should have effective processes in place for managing investigations and follow-up actions (such as further training, sanctions, or referral to law enforcement agencies).

## Has the Productivity Commission implemented effective preventive controls on the use of corporate credit cards?

Preventive controls implemented by the Commission could be improved by strengthening visibility of cardholder spending and transaction limits. Preventive controls for hospitality and catering expenditure, purchases covered by whole-of-government arrangements, and to prevent non-compliant taxi card transactions were not operating effectively. Positional authority risks could be further managed through clarifying delegation and approval requirements for senior executive cardholders.

### Issuing credit cards

3.4 Issuing corporate credit cards to staff with an established business need is a key preventive control to reduce the risk of inappropriate use.

3.5 The June 2022 internal audit of key financial controls (see paragraphs 2.9 to 2.11) identified that credit cards were obtained for Commission staff without prior confirmation of a business need (although cards obtained were not always provided to staff). In response, the Commission committed to review current corporate credit cards to determine if there was a continuing need for them, and schedule periodic reviews of ongoing business needs. The first action was closed in October 2023, noting that a preliminary review of credit card utilisation had been completed and further action was delayed until the implementation of a new credit card provider in 2024. The second action was closed in April 2023, noting that a quarterly review schedule had been implemented by the finance team.

3.6 The Commission provided four emails between the finance team and cardholder managers from October 2023 as evidence of its a review of the cardholder register. The emails noted that the finance team was seeking to determine if corporate cards held in the safe were still required. The Commission had not completed subsequent quarterly reviews.

#### Opportunity for improvement

3.7 The Commission could establish a more systematic approach to assessing and recording business needs for issuing credit cards and undertake a thorough review of the ongoing business needs of existing cardholders.

### Managing transactions

#### *Credit card spending limits*

3.8 As noted in paragraph 2.13, the Corporate Credit Cards Policy and Procedure identifies that limits of \$3,000 per month and \$300 per transaction apply for taxi cards issued to the Chair, Commissioners, Senior Executive Service (SES) and Executive Level 2 employees and no limits apply to their virtual travel cards. The policy does not define any limits for procurement cards or taxi and travel cards held by other staff.

3.9 Limits for taxi cards had generally been adhered to, with one non-compliant airline transaction exceeding the \$300 individual transaction limit, which the Commission attributed to a

Diners Club administration error (non-compliant taxi card purchases are discussed at paragraphs 3.21 and 3.22).

3.10 As noted at paragraph 2.35, the Commission does not have a complete cardholder register that records cardholders' monthly spending and individual transaction limits for other card types. This control weakness impedes the ability of the Commission to monitor adherence with spending limits for procurement cards. The Commission advised the ANAO in March 2024 that the credit card limit report can be downloaded from the Diners Club system anytime. Documenting assigned monthly and individual transaction spending limits within a register is an important control to ensure cards have been set up correctly by the credit provider, in alignment with entity delegations and guidance, as well as to facilitate assurance activities.

#### Opportunity for improvement

3.11 The Commission could establish a process to ensure that it has a complete and accurate record of monthly spending and individual transaction limits for all credit card types, and that limits align with the Commission's delegations instrument.

#### *Pre-approval for credit card purchases*

3.12 Pre-approval and documentation of rationale for expenditure is a key control to ensure purchases are appropriate and can withstand public scrutiny.

Purchases covered by whole of Australian Government arrangements

3.13 As noted at paragraph 2.19, the Commission's Accountable Authority Instructions (AAIs) state that staff must 'use any mandated whole-of-government [procurement] arrangement' (such as arrangements established by the Department of Finance and Digital Transformation Agency for accommodation and travel services, stationery and office supplies, and ICT equipment).

3.14 Analysis of the Commission's credit card transactions shows there were transactions in categories covered by mandatory coordinated procurement arrangements in 2022–23 (see Table 3.1).

**Table 3.1: Transactions not using whole-of-government arrangements in 2022–23**

Merchant	Category	Number of transactions	Sum of transaction value
Apple	ICT equipment	4	\$9,053.90
Officeworks	Stationery and office supplies	5	\$302.25
Ergonomic Office	Stationery and office supplies	4	\$610.00
Enterprise Rent a Car	Car rental services	2	\$904.07

Source: ANAO analysis based on transaction data provided from the Productivity Commission.

3.15 The Commission provided a rationale to the ANAO in March 2024 for each of the identified transactions where coordinated procurement arrangements were not used.

- For Apple charges, three transactions were originally placed through the panel, but Apple cancelled orders through the reseller to prioritise fulfilling direct orders. The other

transaction was for an urgent repair that was deemed to be cheaper to repair directly through Apple. There was supporting documentation for three of the four transactions.

- Both car rental transactions were for rental cars in remote locations not covered by whole-of-government providers. There was supporting documentation for both transactions in the form of email correspondence and receipts.
- For the nine stationery and office supplies transactions, expenditure was for ergonomic equipment that was not available through the coordinated procurement arrangements or required immediately.
  - For the four transactions from Ergonomic Office, there was documentation noting that the whole-of-government supplier did not supply the product required in three instances, and that urgent delivery was required for the other purchase.
  - For the five transactions from Officeworks, two transactions were supported by documentation justifying the purchases. These purchases were made in relation to equipment recommended in Workstation Assessment Reports, which was not available through the whole-of-government supplier. Supporting documentation was not provided for the remaining three transactions. The Commission advised in March 2024 that the items were for ergonomic equipment either not available from the whole-of-government supplier or required immediately.

Official hospitality and business catering expenditure

3.16 As noted at paragraph 2.19, the Commission's AAls state that decisions to spend relevant money on official hospitality and business catering must be publicly defensible. In addition, the AAls note that to enter into an arrangement to provide official hospitality, employees must be delegated the power to enter an arrangement, act in accordance with the Commonwealth Procurement Rules, and complete an official hospitality form for fringe benefit tax requirements.

3.17 The Commission's AAls and Delegations Instrument do not define or limit who has a delegation to authorise expenditure on official hospitality related goods and services. The only references to delegations are on the Commission's hospitality and catering form. The form identifies expenditure relating to social functions, restaurant meals, business meetings with lunch and employee achievement functions as hospitality expenses that can only be approved by the Head of Office (SES Band 3) or the Chair. For catering expenditure (morning and afternoon teas and light lunches), the form notes 'current delegations apply'. The Commission advised the ANAO in April 2024 that:

The intent of the wording on the hospitality form is to guide the admin staff and not a delegation listed in our AAl.

3.18 The Commission's credit card transactions in 2021–22 and 2022–23 shows there were a low number of transactions on food and beverage related transactions (see Table 3.2).

**Table 3.2: Food and beverage related credit card expenditure, 2021–22 and 2022–23**

Category	2021–22		2022–23	
	No. of transactions	Expenditure	No. of transactions	Expenditure
Liquor store	0	\$0.00	1	\$77.20
Restaurant/café	10	\$939.99	9	\$1345.39
Supermarket	20	\$741.77	14	\$747.55
<b>Total</b>	<b>30</b>	<b>\$1,681.76</b>	<b>24</b>	<b>\$2,170.14</b>

Source: ANAO analysis based on data provided from the Productivity Commission.

3.19 The ANAO conducted targeted testing on ten food and beverage related transactions from 2022–23. Based on supporting documentation, the purchases were for: a social function (1); catering for internal events (coffee, bakery and supermarket purchases) (4); a restaurant meal (1); food items for an interstate trip (1); and attendance at external events including lunch (3).

- The one hospitality transaction for a social function (a seminar for internal and external participants) involved purchasing alcohol from a liquor store. It was supported by an itemised receipt, hospitality and catering form and documentation confirming attendees for the event. The purchase was pre-approved by a First Assistant Commissioner (SES Band 2) and advice was sought from the finance team prior to the purchase being made. As noted in paragraph 3.17, the Commission has not clearly defined who is delegated to authorise expenditure on official hospitality.
- Three of the four catering transactions were supported by hospitality and catering forms and emails confirming purchase pre-approval. The fourth transaction was a \$73 purchase made by the Head of Office on 13 April 2023 (to buy coffees for Commissioners whilst visiting Melbourne). The transaction was not raised in TechnologyOne and did not have a supporting receipt retained. The Commission informed the ANAO in April 2024 that the Head of Office acknowledged this purchase was non-compliant and repaid the transaction on 17 April 2024. There was no pre- or post-approval recorded for this transaction. Under the Commission’s Travel Guidelines, the Chair or the Assistant Commissioner Corporate Group (if required) are expected to approve the Head of Office’s transactions. As the Assistant Commissioner Corporate Group is junior to the cardholder, this introduces positional authority risk.<sup>33</sup> There was no evidence the potential for positional authority risk related to credit card use, including travel, had been appropriately assessed and managed by the Commission.
- The three external event transactions were supported by tax invoices and learning and development forms with pre-approval from appropriate delegates.
- The \$306 restaurant meal transaction was supported by an itemised receipt, seminar agenda, and undated hospitality and catering form. There was no evidence of transaction pre-approval. In 2022 the Commission’s Research Committee approved broader funding

33 Positional authority risk arises where subordinate officials are required to approve the expenses of senior officers and senior statutory officers. The ANAO made a recommendation to address positional authority at the Australian Competition and Consumer Commission, see Auditor-General Report No. 36 2022–23 *Probity Management in Financial Regulators — Australian Securities and Investments Commission*, paragraph 2.112.

for seminar services, but specific details on costings and timings were not discussed. The restaurant meal formed part of a lunch and seminar hosted by the Commission in April 2023. Supporting evidence indicated that the transaction was for six Commission staff and two external speakers.

- Two transactions were non-compliant taxi card purchases (non-compliant taxi card purchases are discussed at paragraphs 3.21 and 3.22).
  - One was the \$73 catering purchase (noted above) made by the Head of Office.
  - The other transaction was a supermarket purchase of food items for an interstate meeting with a supporting receipt but no evidence of pre-approval.

#### Opportunity for improvement

3.20 The Commission could clarify approval requirements and delegations for senior executive cardholders, purchases covered by mandatory coordinated procurement arrangements, and official hospitality and catering purchases. Additional guidance could also be provided on alcohol purchases.

#### Merchant blocking

3.21 As noted in Box 2, the Commission’s Corporate Credit Cards Policy and Procedure includes a requirement to only use a taxi card for official domestic taxi travel and taxi alternatives. ANAO analysis of the Commission’s taxi card transactions identified 24 non-compliant purchases in 2022–23 (see Table 3.3).

**Table 3.3: Non-compliant taxi card transactions in 2022–23**

Merchant	Category	Number of transactions	Sum of transaction value
Diplomat Hotel	Hotel	1	\$195.00
Jetstar	Airlines	1	\$37.38
KSBN Investments Pty Ltd <sup>a</sup>	Restaurant	1	\$73.00
Qantas Airways <sup>b</sup>	Airlines	1	\$962.87
QBT Pty Ltd <sup>b</sup>	Airlines	2	\$13.21
Quizlet <sup>c</sup>	Other	2	\$20.00
Ryan Traders Pty Ltd	Retail	1	\$49.80
Spar Express	Retail	2	\$15.72
Spotify <sup>c</sup>	Other	7	\$97.93
Uber Eats <sup>d</sup>	Restaurant	1	\$41.69
Woolworths	Retail	5	\$345.82
<b>Total</b>		<b>24</b>	<b>\$1,852.42</b>

Note a: Transactions with these merchants were included the ANAO’s targeted testing discussed at paragraph 3.19.

Note b: The Commission advised the ANAO in April 2024 that the QBT Pty Ltd and Qantas Airways transactions were made on a virtual travel card, and not a taxi card, and there was an error with Diner Club administration.

Note c: The Commission identified Spotify and Quizlet transactions that were instances of fraud activities, cancelled the relevant cards and recovered \$86.93 through alerting its credit provider to the fraudulent transactions.

Note d: The Uber Eats transaction was identified as accidental personal use and repaid by the cardholder. The transaction was recorded in the Commission's misuse register as accidental misuse.

Source: ANAO analysis based on taxi card transaction data provided from the Productivity Commission.

3.22 The Commission's control over taxi card compliance relies on staff adhering to its taxi card policy requirements and the finance team manually checking for non-compliant transactions each month. There are no processes in place to block or restrict certain merchant categories on taxi cards. As noted in Table 3.3, some of the non-compliant transactions were identified by the Commission as fraudulent or accidental misuse and recovered. For the remaining transactions, the Commission advised the ANAO in April 2024 that, despite being non-compliant with policy requirements, the purchases were made for acceptable business purposes.

#### Recommendation no. 4

3.23 The Productivity Commission establish arrangements to ensure corporate credit cards are only used for the purposes defined within its policy requirements.

**Productivity Commission response:** *Agreed.*

3.24 *The Commission accepts the recommendation and is reviewing the policy and the types of cards that are issued.*

#### Returning cards

3.25 When ceasing employment or taking extended leave, cardholders are required to complete a clearance certificate to ensure that all types of credit cards are returned. The finance team signs off on the form once employees have returned the cards. The form outlines that:

All employees of the Commission who are leaving permanently, or who are expected to be on any type of extended leave for more than six months, must obtain the clearance required below before ceasing duty with the Commission, and before any final salary or cashed out leave entitlements will be paid.

3.26 The cessation form includes fields for finance, library, IT, human resources and payroll teams to sign off on the return of relevant equipment, including credit cards and outstanding monies.

3.27 In cardholder agreements for taxi cards and purchasing cards, cardholders are required to acknowledge that lost or stolen cards will be reported immediately to Diners Club, supervisors and the finance team.

3.28 The finance team maintains a card tracking and closure spreadsheet containing data extracted from the Diners Club system and employee cessation data obtained from human resources. There was one instance where the spreadsheet did not contain sufficient information to determine if cardholders had used their cards after they had ceased employment. The cardholder's cessation date (provided by the human resources team) was recorded as January 2023, but credit card activity occurred after that date.

3.29 The Commission advised the ANAO in April 2024 that the employee had retired from the Commission in January 2023 and then returned as a casual employee, and as such the transactions identified after the date of cessation were acceptable. The card number identified in the card closure spreadsheet was different to the card number used in the transaction report and cardholder register, indicating that a new card was issued to the employee.

3.30 While the card tracking and closure spreadsheet stated that six cardholders had lost or stolen credit cards in 2022–23, the Commission advised the ANAO in April 2024 that cards marked as lost or stolen cards were cards that were cancelled due to fraudulent Spotify and Quizlet transactions. The Commission viewed the cards as compromised and not physically stolen, so it did not report them in its answers to Senate Estimates questions on notice (see Table 2.3).

### **Has the Productivity Commission implemented effective detective controls on the use of credit cards?**

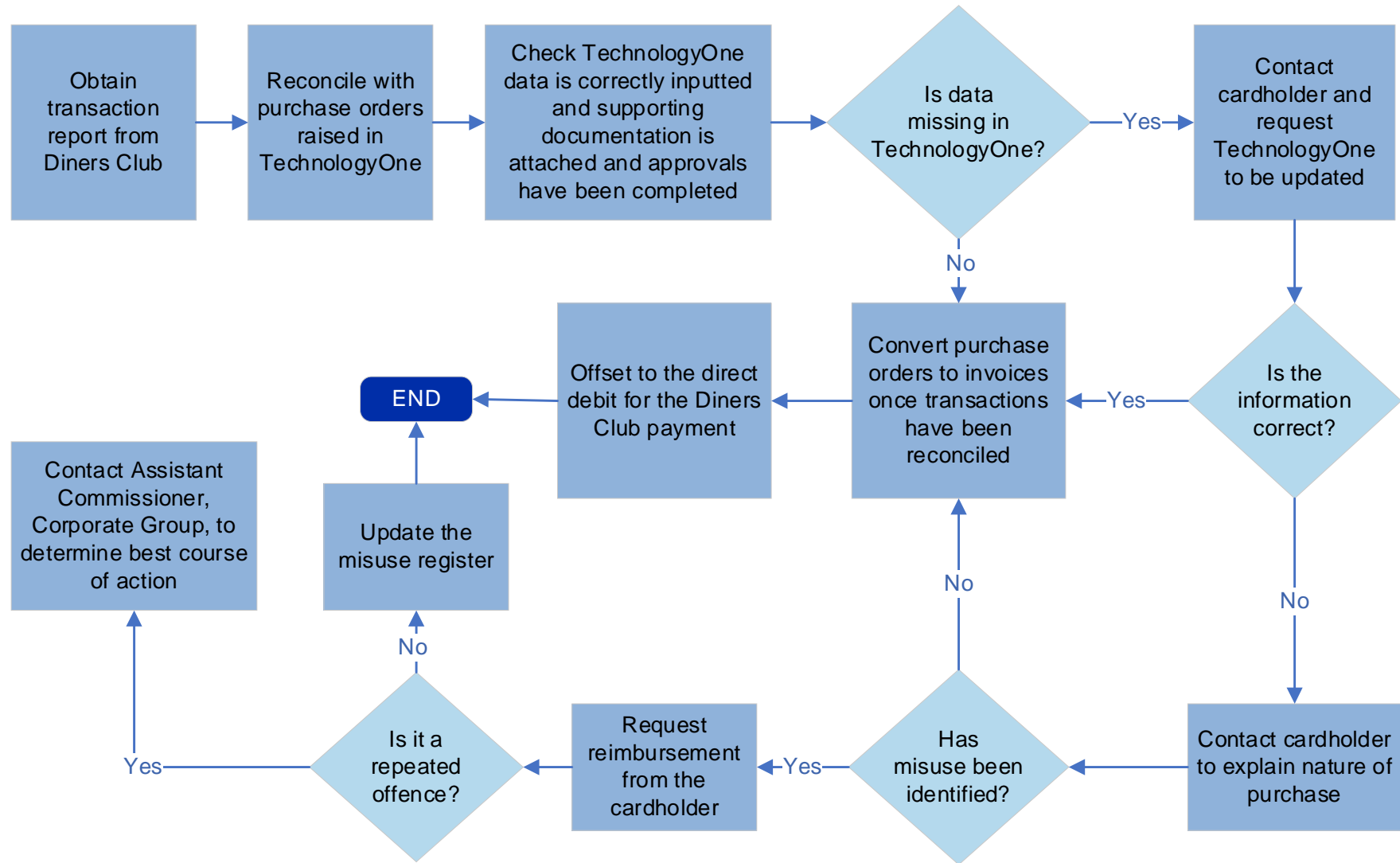
The Commission’s finance team reviews, acquits and verifies transactions manually each month. The Commission has not developed an approach to retaining and storing receipts for all taxi card transactions, which heightens the risk of errors, irregularities and fraud going undetected.

#### **Verifying transactions**

3.31 The Commission’s finance team is responsible for reconciling all credit card transactions following the end of a statement cycle each month. This process involves manually reconciling movement requests from TechnologyOne and Diners Club transaction reports. Figure 3.1 outlines the process for the finance team reconciliation transactions once a purchase has been made and raised in TechnologyOne.



**Figure 3.1: Credit card acquittal process**



Source: ANAO process map analysis based on the Commission's procedural documentation.

3.32 When misuse has been identified, the finance team adds it to a misuse register to record transactions that do not comply with the Commission's policies and procedures. The finance team also follows up with the cardholder and queries the transaction. If the transaction is not recognised by the cardholder, it is reported to Diners Club for investigation. If the cardholder has charged a private expense, they are provided with the Commission's bank details for repayment. If the cardholder continues to charge private expenses to the card, their manager and the Assistant Commissioner, Corporate Group, will be advised, and the cardholder may have their card cancelled.

3.33 The accuracy of the reconciliation process relies on the finance team manually reconciling each individual transaction each month. The Commission advised the ANAO in November 2023 that this is not an efficient process and advised the ANAO that it was seeking to introduce new measures to enhance the system in the next financial year. As identified in paragraph 2.40, the Commission has developed a proposal to support the delivery of a new credit card management system. The proposal is yet to be endorsed.

#### *Procurement and taxi card acquittals*

3.34 The Corporate Credit Cards Policy and Procedure requires procurement and taxi card holders to raise transaction or movement requests in TechnologyOne prior to or within 48 hours of transactions occurring. Requests are then submitted for delegate approval by managers. As outlined at paragraph 2.22, there is a lack of clarity in the Commission's policies and procedures about supporting documentation requirements, but the Commission's AAls state that supporting documentation (either a tax invoice, receipt, credit card docket or statutory declaration) is required for all transactions. The policy does not set out timeliness requirements for the reconciliation process. The ANAO conducted testing on a random sample of 47 procurement and taxi card transactions to assess compliance with policy requirements. The sample comprised 13 procurement card transactions and 34 taxi card transactions. The following instances of non-compliance were identified:

- 16 transactions were not raised in the system prior to or within 48 hours of the transaction occurring;
- 13 transactions were not reconciled in a timely manner (under 50 days<sup>34</sup>);
- 19 transactions did not have any form of supporting documentation and all 34 taxi card transactions did not include receipts;
- two travel-related transactions occurred on weekends, when the approved travel dates in TechnologyOne only covered weekday travel; and
- there was one instance of personal misuse (an Amazon Prime subscription), which was identified by a member of the finance team and reimbursed by the cardholder.

3.35 There were limitations in the reconciliation process to ensure all transactions were appropriately evidenced and justified. The lack of supporting documentation attached to taxi card transactions increases risks of non-compliance with internal policy requirements. The current process does not provide the entity with sufficient assurance that cardholders are using their taxi cards for valid business needs. Without visibility over supporting receipts for transactions, the delegate or finance team cannot appropriately determine the validity of charges.

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34 50 days was determined by the ANAO as a reasonable period for timely reconciliation of transactions.

3.36 The Commission advised the ANAO in January 2024 that it was aware of the shortcomings of the current system for performing reconciliations, and it intended to implement enhancements that would facilitate the collection and storage of taxi receipts.

### Recommendation no. 5

3.37 The Productivity Commission improve reconciliation of corporate credit card transactions by ensuring appropriate documentation is provided to approvers and the finance team as part of monthly reconciliation processes.

**Productivity Commission response:** *Agreed.*

3.38 *The Commission agrees with the recommendation, is implementing upgrades to the finance system to support the collection of all documentation and has consistently reflected the requirements in its policies and procedures.*

### Travel acquittals

3.39 All official travel and related expenses need to be recorded and approved by raising a movement requisition in TechnologyOne. The Commission's travel procedures outline that travellers should obtain verbal or email pre-approval from a delegate prior to booking, movement requisitions with all attachments and entries should be completed within 24 hours of booking, and approval should be given within 48 hours of booking.<sup>35</sup> The Commission's travel approval delegations are outlined in Table 3.4.

**Table 3.4: Travel approval delegations identified in the Commission's Travel Guidelines**

Employee travelling (domestic)	Approver
Chair, Deputy Chair, Commissioners and Associate Commissioners	Head of Office
Head of Office	Chair through Assistant Commissioner Corporate (if required)
First Assistant Commissioners, Assistant Commissioner Corporate, and Assistant Commissioner Strategic Communication and Engagement	Head of Office
Assistant Commissioners	First Assistant Commissioner in home office
Executive Level 2 (EL2) employees	Assistant Commissioners

35 The Commission's Travel Guidelines state that:

Having the approval recorded 'in writing' via [TechnologyOne] 'as soon as practicable' after it is given, complies with section 18 of Public Governance Performance and Accountability (PGPA) Rule 2014. The Australian National Audit Office (ANAO) and the Department of Finance and Administration (DoFA) advise that 'as soon as practicable' should ideally be immediately but would not normally extend beyond 24 hours.

Employee travelling (domestic)	Approver
Other employees	EL2s, Assistant Commissioners or First Assistant Commissioner
Urgent cases	Chair, Head of Office, Assistant Commissioner Corporate, First Assistant Commissioners

Source: Productivity Commission, Travel Guidelines.

3.40 The ANAO conducted testing on 11 travel card transactions, which found the following:

- All transactions used the mandated Whole of Australian Government Travel Arrangements and were supported by receipts and travel itineraries.
- Three transactions did not have email evidence of pre-approval by a delegate and were not raised and approved in TechnologyOne within 48 hours of booking. For these three transactions, approval was received 10, 34 and 156 days after booking.

### Fraud detection

3.41 The finance team does not have a systematic process to detect instances of fraud. The current process relies on the finance team reviewing each transaction manually and identifying anomalies. There is not a structured, analytical approach in place to detect potential instances of fraud at the Commission. The Commission advised the ANAO that it does not undertake such analysis due to the small volume of credit card transactions.

3.42 The Commission's finance team received an email in September 2022 from the Department of Finance's whole of Australian Government travel team noting that Diners Club had advised there was a high volume of fraudulent transactions mimicking subscription fee charges for common merchants (including Spotify and Quizlet). As noted in Table 3.3, the Commission subsequently identified fraudulent subscription payments on its taxi cards.

### Does the Productivity Commission have effective processes for managing identified instances of non-compliance?

The Commission's credit card control framework could be strengthened to ensure it identifies all potential instances of non-compliance. While the Commission has recovered funds from cardholders where instances of personal misuse have been identified, it has not documented its processes for escalating and managing identified non-compliance.

3.43 The ANAO's assessment of the Commission's credit card control framework demonstrates that there are deficiencies in implementation of preventive and detective controls that heighten the risk that non-compliant transactions could go undetected by the Commission. Deficiencies in preventive controls related to a lack of restrictions placed on taxi cards to prevent non-compliant purchases. Deficiencies in detective controls related to the provision of supporting documentation when reconciling taxi transactions.

### Management and escalation processes

3.44 For all card types there is a cardholder acknowledgement of the consequences for credit card misuse, ensuring that cardholders are aware of their responsibilities and obligations. However, the process for managing misuse once it has been identified has not been documented. The

Corporate Credit Cards Policy and Procedure does not include detail on the processes for managing repeated instances of non-compliance.

3.45 As noted at paragraph 3.32, the finance team maintains a misuse register through its monthly reconciliation process. The misuse register included 28 transactions totalling \$601.30 that were recorded as accidental misuse for personal expenditure from July 2022 to October 2023. The full amount of these transactions was recovered by the Commission.

3.46 One cardholder made multiple non-compliant transactions in 2023, resulting in action to cancel their procurement card (see Case study 1).

#### Case study 1. Repeated personal use of credit card

In May 2023 a procurement card holder alerted the finance team of unintended Apple transactions on her card that dated back to February 2023. While these charges were repaid by the cardholder, the card continued to be stored in a digital wallet on her mobile phone, resulting in additional Apple transactions in May, August, September and October 2023.

Following acknowledgement from the cardholder that Apple had stored the card information and repeatedly charged it in error, the finance team recommended the card be cancelled. The Assistant Commissioner, Corporate Group, authorised the finance team to reissue the card under strict instructions that it would be cancelled if the issue happened again. This decision was later overturned after further advice was received from a senior executive, who recommended the card not be reissued to the cardholder.

The cardholder was responsible for 17 of 30 instances recorded in the Commission's misuse register between February and October 2023, with transactions totalling \$184.69. The individual continues to be identified in the Commission's cardholder register as an active cardholder.

3.47 As noted in paragraph 3.34, there was one instance of personal misuse identified through ANAO sample testing. While this misuse had been identified by the finance team and reimbursed by the cardholder, it was not identified in the misuse register. This indicates that the misuse register is not being regularly updated to ensure that instances of misuse are being actively monitored.

3.48 The Commission advised the ANAO in March 2024 that instances of fraudulent activity are not identified in the misuse register. As such, instances of fraudulent activity identified in Table 3.3 were not included in the misuse register. The Commission advised the ANAO in April 2024 that it would extend its definition of what is recorded in the misuse register to account for these types of transactions.

3.49 The Commission advised the ANAO in November 2023 that actions would be taken if a pattern of repeated non-compliance was identified, but it had not yet adopted a formal mechanism to manage non-compliance due to the low number of breaches being identified. The repeated instances of misuse identified in Case study 1 were escalated to the cardholder's manager and Assistant Commissioner, Corporate Group.

## Recommendation no. 6

3.50 The Productivity Commission document its process for managing identified instances of credit card non-compliance.

**Productivity Commission response:** *Agreed.*

3.51 *The Commission accepts this recommendation and has incorporated the process for managing non-compliance into the credit card policy and processes.*

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Rona Mellor PSM  
Acting Auditor-General

Canberra ACT  
18 June 2024

# Appendices

## Appendix 1 Entity response



**Australian Government**  
**Productivity Commission**

**Melbourne Office**

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28 May 2024

Ms Rona Mellor PSM  
Acting Auditor-General for Australia  
Australian National Audit Office  
GPO Box 707  
Canberra ACT 2601

Dear Ms Mellor

### **Compliance with Corporate Credit Card Requirements in the Productivity Commission**

Thank you for your proposed report under S. 19 of the *Auditor-General Act 1997* on the Productivity Commission's (the Commission's) credit card performance audit, dated 2 May 2024, and the opportunity to comment on the proposed report.

As noted in the report, the audit was part of a series of credit card audits to assess the effectiveness of the management of corporate credit cards for official purposes in accordance with legislative and entity requirements. The Australian National Audit Office (ANAO) has examined if the Commission has effective arrangements to manage the issue, return, and use of corporate cards and if the Commission has implemented effective controls and processes for corporate credit cards per its policies and procedures. The Commission notes that the ANAO has found both aspects partly effective.

The ANAO made six recommendations in the report. The Commission agrees with all recommendations, is committed to improving the management of corporate credit cards and appreciates that the ANAO has also identified further improvement opportunities. The Commission was pursuing improvements to the management and processing of credit cards prior to the performance audit and will continue to do so with the ANAO's recommendations in frame.

The Commission acknowledges the work undertaken by the ANAO to prepare the report and their constructive engagement with us during the audit. If the ANAO requires further information on this matter, please contact Ms Jane Holmes, Assistant Commissioner, Corporate Group on (03) 9653 2251 or [Jane.Holmes@pc.gov.au](mailto:Jane.Holmes@pc.gov.au).

Danielle Wood  
Chair  
Productivity Commission



## Appendix 2 Improvements observed by the ANAO

1. The existence of independent external audit, and the accompanying potential for scrutiny improves performance. Improvements in administrative and management practices usually occur: in anticipation of ANAO audit activity; during an audit engagement; as interim findings are made; and/or after the audit has been completed and formal findings are communicated.
2. The Joint Committee of Public Accounts and Audit (JCPAA) has encouraged the ANAO to consider ways in which the ANAO could capture and describe some of these impacts. The ANAO's Corporate Plan states that the ANAO's annual performance statements will provide a narrative that will consider, amongst other matters, analysis of key improvements made by entities during a performance audit process based on information included in tabled performance audit reports.
3. Performance audits involve close engagement between the ANAO and the audited entity as well as other stakeholders involved in the program or activity being audited. Throughout the audit engagement, the ANAO outlines to the entity the preliminary audit findings, conclusions and potential audit recommendations. This ensures that final recommendations are appropriately targeted and encourages entities to take early remedial action on any identified matters during the course of an audit. Remedial actions entities may take during the audit include:
  - strengthening governance arrangements;
  - introducing or revising policies, strategies, guidelines or administrative processes; and
  - initiating reviews or investigations.
4. During the course of the audit, the ANAO did not observe changes in the Productivity Commission's approach to the management of the use of corporate credit cards.

## Appendix 3 Questions on Notice relevant to credit card issue and use asked by the Parliament

1. Following the Supplementary Budget Estimates 2022–23, the Economics Committee asked the Productivity Commission (the Commission) the following Questions on Notice in relation to credit card issue and use:

- (a) How many credit cards are currently on issue for department or agency staff?
- (b) What was the value of the largest reported purchase on a credit card in financial year 2022/23 to date and what was it for?
- (c) How much interest was paid on amounts outstanding from credit cards in financial year 2022/23 to date?
- (d) How much was paid in late fees on amounts outstanding from credit cards in financial year 2022/23 to date?
- (e) What was the largest amount outstanding on a single card at the end of a payment period in financial year 2022/23 to date?
- (f) How many credit cards were reported as lost or stolen in financial year 2022/23 to date and what was the cost of their replacement?
- (g) How many credit card purchases were deemed to be illegitimate or contrary to department or agency policy in financial year 2022/23 to date? What was the total value of those purchases? How many purchases were asked to be repaid on that basis in financial year 2022/23 to date and what was the total value thereof? Were all those amounts actually repaid? If no, how many were not repaid, and what was the total value thereof?
- (h) What was the largest purchase that was deemed illegitimate or contrary to department or agency policy and asked to be repaid in financial year 2022/23 to date? What that amount actually repaid, in full? If no, what amount was left unpaid?
- (i) Are any credit cards currently on issue connected to rewards schemes? Do staff receive any personal benefit as a result of those reward schemes?
- (j) Can a copy of the department or agency's staff credit card policy please be provided?

2. Following the Budget Estimates 2023–24, the Economics Committee asked the Commission the following Questions on Notice in relation to credit card issue and use:

- (a) How many credit cards are currently on issue for department or agency staff?
- (b) What was the value of the largest reported purchase on a credit card in financial year 2022/23 to date and what was it for?
- (c) How much interest was paid on amounts outstanding from credit cards in financial year 2022/23 to date?
- (d) How much was paid in late fees on amounts outstanding from credit cards in financial year 2022/23 to date?
- (e) What was the largest amount outstanding on a single card at the end of a payment period in financial year 2022/23 to date?

- (f) How many credit cards were reported as lost or stolen in financial year 2022/23 to date and what was the cost of their replacement?
- (g) How many credit card purchases were deemed to be illegitimate or contrary to department or agency policy in financial year 2022/23 to date? What was the total value of those purchases? How many purchases were asked to be repaid on that basis in financial year 2022/23 to date and what was the total value thereof? Were all those amounts actually repaid? If no, how many were not repaid, and what was the total value thereof?
- (h) What was the largest purchase that was deemed illegitimate or contrary to department or agency policy and asked to be repaid in financial year 2022/23 to date? What that amount actually repaid, in full? If no, what amount was left unpaid?
- (i) Are any credit cards currently on issue connected to rewards schemes? Do staff receive any personal benefit as a result of those reward schemes?
- (j) Please provide a copy of the department or agency's staff credit card policy.
- (k) Please denote any changes to this policy that have been made since February 2023

3. Following the Supplementary Budget Estimates 2023–24, the Economics Committee asked the Commission the following Questions on Notice in relation to credit card issue and use:

- (a) How many credit cards are currently on issue for department or agency staff?
- (b) What was the value of the largest reported purchase on a credit card in financial year 2023/24 to date and what was it for?
- (c) How much interest was paid on amounts outstanding from credit cards in financial year 2023/24 to date?
- (d) How much was paid in late fees on amounts outstanding from credit cards in financial year 2023/24 to date?
- (e) What was the largest amount outstanding on a single card at the end of a payment period in financial year 2023/24 to date?
- (f) How many credit cards were reported as lost or stolen in financial year 2023/24 to date and what was the cost of their replacement?
- (g) How many credit card purchases were deemed to be illegitimate or contrary to department or agency policy in financial year 2023/24 to date? What was the total value of those purchases? How many purchases were asked to be repaid on that basis in financial year 2023/24 to date and what was the total value thereof? Were all those amounts actually repaid? If no, how many were not repaid, and what was the total value thereof?
- (h) What was the largest purchase that was deemed illegitimate or contrary to department or agency policy and asked to be repaid in financial year 2023/243 [sic] to date? What that amount actually repaid, in full? If no, what amount was left unpaid?
- (i) Are any credit cards currently on issue connected to rewards schemes? Do staff receive any personal benefit as a result of those reward schemes?
- (j) Please provide a copy of the department or agency's staff credit card policy.
- (k) Please denote any changes to this policy that have been made since February 2023