



2005

PARLIAMENT OF TASMANIA

# **AUDITOR-GENERAL SPECIAL REPORT NO 54**

## **COMPLIANCE AUDITS 2004-2005**

**April 2005**

*Presented to both Houses of Parliament in accordance with the provisions of Section 57 of  
the Financial Management and Audit Act 1990*

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12 April 2005

President  
Legislative Council  
HOBART

Speaker  
House of Assembly  
HOBART

Dear Mr President  
Dear Mr Speaker

**PERFORMANCE AUDIT NO. 54  
COMPLIANCE AUDITS – 2004-2005**

This report has been prepared consequent to examinations conducted under section 44 of the *Financial Management and Audit Act 1990*, for submission to Parliament under the provisions of section 57 of the Act.

Performance audits seek to provide Parliament with assessments of the effectiveness and efficiency of public sector programs and activities, thereby identifying opportunities for improved performance.

The information provided through this approach will, I am sure, assist Parliament in better evaluating agency performance and enhance Parliamentary decision making to the benefit of all Tasmanians.

Yours sincerely

A handwritten signature in black ink, appearing to read 'H M Blake', with a long horizontal flourish extending to the right.

H M Blake  
**AUDITOR-GENERAL**



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## **FOREWORD**

This Report contains three separate sections that describe details of compliance audits conducted by my Office between January 2004 and February 2005.

## **LIST OF ACRONYMS AND ABBREVIATIONS**

<b>DED</b>	<b>Department of Economic Development</b>
<b>DoE</b>	<b>Department of Education</b>
<b>DoJ</b>	<b>Department of Justice</b>
<b>DHHS</b>	<b>Department of Health and Human Services</b>
<b>DIER</b>	<b>Department of Infrastructure, Energy and Resources</b>
<b>DPAC</b>	<b>Department of Premier and Cabinet</b>
<b>DPIWE</b>	<b>Department of Primary Industries, Water and Environment</b>
<b>DTPHA</b>	<b>Department of Tourism, Parks, Heritage and the Arts</b>
<b>ESIF</b>	<b>Economic and Social Infrastructure Fund</b>
<b>GBE</b>	<b>Government Business Enterprise</b>
<b>HT</b>	<b>Hydro Tasmania</b>
<b>IF</b>	<b>Infrastructure Fund</b>
<b>MPF</b>	<b>Major Projects Fund</b>
<b>SIF</b>	<b>Social Infrastructure Fund</b>
<b>SPIP</b>	<b>Structural and Performance Initiative Program</b>
<b>TAO</b>	<b>Tasmanian Audit Office</b>
<b>TGC</b>	<b>Tasmanian Government Card</b>
<b>TI 520</b>	<b>Treasurer's Instruction No. 520</b>
<b>Treasury</b>	<b>Department of Treasury and Finance</b>



## **Executive summaries**

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## **EXECUTIVE SUMMARY - INFRASTRUCTURE FUNDS**

### ***INTRODUCTION***

Since the financial year 2001 – 2002 the government has allocated funds under different programs but for the common purpose of improving the State's economic and social infrastructure. In 2001 – 2002 this initiative was known as the Infrastructure Fund (IF).

In the next financial year (i.e. 2002 – 2003) the government established the Social Infrastructure Fund (SIF) that placed emphasis on technical and further education as well as community renewal projects to improve rural infrastructure.

For the 2003 - 2004 year the Economic and Social Infrastructure Fund (ESIF) was a key budget initiative. Strategies were devised to ensure the opportunities around major projects (such as gas, wind, optic fibre, Basslink, the Bass Strait ferries and water developments) were realised and maximised.

Collectively, these finances are referred to as Infrastructure Funds with monies normally provided to Departments by Department of Treasury and Finance (Treasury) upon receipt of funding applications supported by the relevant Minister and approved by the Treasurer.

### ***OBJECTIVE***

The audit's objective was to ensure infrastructure funds were being correctly expended in accordance with the purposes for which they had been provided and appropriately reported in Departments' financial statements.

### ***SCOPE***

Our audit examined the management and control of infrastructure fund expenditure within eight departments that had been allocated infrastructure funds by Treasury, viz.:

- Department of Economic Development (DED);
- Department of Education (DoE);
- Department of Health and Human Services (DHHS);
- Department of Infrastructure, Energy and Resources (DIER);
- Department of Justice (DoJ);

- Department of Primary Industries, Water and Environment (DPIWE);
- Department of Tourism, Parks, Heritage and the Arts (DTPHA); and
- Department of Treasury and Finance (Treasury).

The timeframe covered by the audit related to expenditure in the 2003 - 2004 financial year from funds allocated in the 2003 - 2004 budget and funds carried over from prior years.

Our review did not include all transactions for the 2003 - 2004 financial year as a result of which the total of transactions from which our testing was drawn may differ from actual amounts incurred for the full year.

## ***AUDIT OPINION***

### ***Funds are properly controlled***

We were satisfied that reimbursements claimed by Departments for funds spent on infrastructure projects agreed with amounts actually expended on each project.

In addition, revenue allocations received from Treasury for projects for which funding submissions were not initiated by Departments were spent expeditiously and in accordance with the purpose for which they had been provided.

Audit noted concern by some Departments of initial delays in reimbursement from Treasury, however, follow-up enquiry by audit revealed that this did not pose a significant problem.

Management review of infrastructure fund expenditure was subject to normal controls and was adequate.

### ***Expenditure classification***

We had initial concerns that some of the projects for which infrastructure funding had been provided did not meet the strict definition of 'infrastructure'. Following subsequent discussions with Treasury our general conclusion is that all transactions tested related to infrastructure projects and had been classified accordingly.

We observed that at least one Department may have been constrained initially by a lack of resources preventing it from utilising the funds more expediently. Other recipients experienced some delays with more complex projects that required longer lead times. In the main, however, it is our opinion that Departments were keen to expend infrastructure funds as quickly as possible.

We were concerned that in the absence of formal submissions by Departments to Treasury for reimbursements there is the potential for reduced control over validation of expenditure.

In conclusion, we were satisfied that all transactions tested did relate to infrastructure projects.

### **Reporting**

We observed that there is a lack of consistency in reporting infrastructure funding in Departmental annual financial statements.

### **MANAGEMENT RESPONSES**

Departments were provided with a draft copy of our report with an invitation to submit comments for inclusion in this Report. The following comments were provided:

#### **Department of Treasury and Finance**

##### **Delay in Reimbursements**

Treasury is unaware of any concerns raised by departments in regard to delays in the reimbursement of departmental expenditure. Treasury seeks to promptly reimburse departments for funds that have been expended in accordance with the requirements of approved infrastructure funds projects. Treasury will promptly reimburse departmental expenditure following the receipt of appropriately authorised supporting documentation. If a department requires reimbursement of expenditure on a more timely basis to manage cash flow implications, appropriate arrangements can be entered into between Treasury and the relevant department.

##### **Definition of Infrastructure**

The definition of the term 'infrastructure' as defined by the Macquarie Dictionary is a narrow and overly restrictive interpretation of the term for purposes of identifying appropriate economic and social infrastructure projects that may be funded from the various infrastructure funds. The 2004-05 Budget Papers define the Economic and Social Infrastructure Fund (ESIF) as a fund established for the purposes of funding major economic projects and the implementation of social initiatives. This description of the fund, and its purpose, does not limit the fund to traditional physical infrastructure projects which would otherwise be considered infrastructure under the Macquarie Dictionary definition.

Notwithstanding the above, Treasury has prepared guidelines to provide further guidance in regard to the type of projects which may be considered for funding through the ESIF.

#### Formal Submissions

Treasury recognises the need for departments to submit formal requests when seeking funding from the infrastructure funds. To assist departments in this regard, Treasury has prepared guidelines that specify the information required for a funding application to be considered by the Treasurer. These guidelines will be communicated to all departments.

#### Recommendations

Treasury supports the implementation of the two recommendations specified in the Report.

### **Department of Tourism, Parks, Heritage and the Arts**

The Department notes the recommendations made within the report. In relation to recommendation 2 the Department's comments are:

For the 2003-04 Financial Statements the Department separately reported on infrastructure funds received and expended; and

It should be considered that inconsistency will remain in financial reporting if budgets for Infrastructure Fund projects are continued to not be reported in the Budget Paper chapter of the Department responsible for managing or administering each project. However, it is noted that the Department of Treasury and Finance has recently advised Departments of new procedures which will mean that Infrastructure Fund budgets will be reported through Departmental budgets.

### **Department of Primary Industries, Water and Environment**

Thank you for your draft report and the opportunity to comment on your compliance audit of Infrastructure Funds. The following comments are made:

Recommendation 1 proposes Ministerial sign-off for Infrastructure Fund submissions. It is considered that submissions for Infrastructure Fund Projects should also be a part of the normal budget development process each year. This would provide for a more rigorous project assessment and evaluation and a more accurate budget estimate being provided

by the agency. It would also improve the notification to agencies of projects that have been agreed to by the Government to be funded from the Infrastructure Funds.

Recommendation 2 recommends that there should be consistency in the reporting of expenditure on Infrastructure Funds in the financial statements, provided it is in accordance with Australian Accounting Standards. In the 2003-04 financial statements DPIWE recorded the revenue as "Infrastructure Fund" under "Other Revenues from Ordinary Activities" in the Statement of Financial Performance as required by the Australian Accounting Standards. Expenditure was allocated according to the type of expense (eg Salaries, Grants distributed etc) and should be capitalised if an asset is acquired (eg purchase of building).

For further disclosure it is suggested that additional information be provided in the accompanying notes to the financial statements.

It should be noted in the report that the process for re-implementing agencies for expenditure on infrastructure projects was revised following concerns raised by agencies that the timing of re-imbursements had cash flow implications.

Other Responses

Comments received from three other Departments resulted in minor changes being made to the content of our report and another two Departments advised that they had no comment to make.

**SUMMARY OF RECOMMENDATIONS**

The following table reproduces the recommendations contained in the body of this report.

<b>Rec No</b>	<b>Report section</b>	<b>Recommendation</b>
1	1.3.4	<b>Submissions for Infrastructure Funds should be formally approved by Ministers to improve accountability for Infrastructure funds.</b>
2	1.4.3	<b>Departmental annual financial statements should include details of infrastructure funds received and expended in a clear and consistent manner to improve reporting and accountability.</b>

## EXECUTIVE SUMMARY - MEMBERS' AND MINISTERS' TRAVEL CLAIMS

### INTRODUCTION

Elected members of Parliament are entitled to have certain travel expenses reimbursed. Legislation vested the power to determine what expenses could be claimed by Members with a parliamentary committee, namely the Committee of Review.

The Committee (currently not convened) determined that allowances and benefits that applied to Members should comply with contemporary practice in public sector employment. This required that:

- Claims for allowances and benefits should:
  - Only be payable in respect of work-related purposes;
  - Not extend to spouses, dependents or other family members (except Ministers at the discretion of the Premier);
  - Be prescribed as flat monetary amounts and not be referenced to some percentage of the basic salary; and
  - Be accompanied by supporting documentation to enable support staff to ascertain full compliance by Members. Such documentation should refer to the basis of entitlement for the particular claim.

The House of Assembly and the Legislative Council administer the reimbursement of Members travelling expenses (excluding Ministers).

Department of Premier and Cabinet (DPAC) administers travel claims for Ministers and their entitlements and responsibilities are contained in the *DPAC: Ministerial Handbook*.

### OBJECTIVE

The audit's objective was to gain assurance that Members' and Ministers' travel expense claims, and invoices provided in support of travel claims, are properly reviewed and authorised before payment is made.

## **SCOPE**

The audit focused on Members' and Ministers' travel payments made during the 2003 - 2004 financial year by the:

- Legislative Council;
- House of Assembly; and
- DPAC (where Ministers' travel entitlements are processed).

Travel payments generally include the following:

- Air travel - intrastate, interstate and overseas;
- Taxi hire;
- Private motor vehicle allowances;
- Other transport including rail and coach;
- Overnight accommodation and living away from home allowances;
- Meal and entertainment allowances; and
- Professional development incorporating travel.

## **AUDIT OPINION**

### ***Documentation and authorisation***

We were satisfied that legislative and other relevant requirements governing procedures for the reimbursement of claims by Members and Ministers were met.

## **MANAGEMENT RESPONSES**

### **Department of Premier and Cabinet**

The policy requiring the issue of travel warrants for travel booked electronically is under review.

The opportunity to comment on the Report was appreciated by each of the House of Assembly and the Legislative Council however no specific comments were made.

## **SUMMARY OF RECOMMENDATIONS**

No recommendations were made in this Report.



## EXECUTIVE SUMMARY - CORPORATE CREDIT CARD

### INTRODUCTION

Traditionally, corporate credit arrangements have been limited to such things as fuel cards and taxi hire facilities. A review of the State Purchasing and Sales Division of the Department of Treasury and Finance (Treasury) by external consultants in 1994 recommended the limited use of credit cards by agencies.

The Tasmanian Government Card (TGC) was introduced in 1996. Its anticipated benefits included:

- Reducing the number of payments processed by agencies;
- Allowing the Government's suppliers to receive speedier payment;
- Reducing the paperwork associated with the purchasing and payment process for both the Government and its suppliers; and
- Overall productivity gains to agencies and the Government as a whole.

Treasurer's Instruction No. 520 (TI 520) titled '*Tasmanian Government Card*' issued in July 1999 (and last updated in July 2003) prescribes the terms and conditions for the use of the TGC and has been enhanced by a '*Tasmanian Government Card Policies and Procedures*' document issued by Treasury clarifying appropriate use of the TGC. These documents provide a framework but agencies are still expected to issue their own detailed instructions covering policies and procedures specific to their own business environment.

### OBJECTIVE

In conducting this compliance audit our objective was to establish whether the operation of the TGC by agencies was in accordance with TI 520 and/or agencies' internal policies and guidelines.

### SCOPE

The audit examined management and control of TGC arrangements including a review of card transactions in four Departments and one Government Business Enterprise (GBE) over the three-month period January to March 2004.

Specifically, the Departments that we audited were:

- Department of Education (DoE);

- Department of Premier and Cabinet (DPAC);
- Department of Tourism, Parks, Heritage and the Arts (DTPHA); and
- Department of Health and Human Services<sup>1</sup> (DHHS).

The GBE was Hydro Tasmania (HT).

### **AUDIT OPINION**

Where issued, Agencies' in-house policies and procedures do not deviate widely from TI 520.

However, our audit revealed a variety of instances of non-compliance and high error rates that reached 60% at DHHS. The most common problems that the audit revealed were:

- Improper authorisation (including approving own transactions);
- Inadequate supporting documentation (incomplete or missing vouchers or receipts, payment made on photo-copied invoices); and
- Inappropriate card use (Internet purchases, personal use and fuel).

Examples of non-compliance could be reduced by more rigorous and regular review combined with reinforcement of existing procedures.

### **MANAGEMENT RESPONSE**

#### **Department of Education**

I wish to advise that I concur with the recommendations made in the report.

#### **Department of Tourism, Parks, Heritage and the Arts**

Recommendations 1 and 2

The acceptance of a statutory declaration as support documentation is only undertaken where avenues to obtain original documentation have been exhausted. The Department will be issuing a reminder to cardholders of their

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<sup>1</sup> The timeframe covered by the audit related to expenditure in the three-month period from 1 January to 31 March 2004 except for the Department of Health and Human Services as explained under 'Audit Methodology'.

requirements under the corporate card policy. Breaches of the policy will be reported to appropriate levels of management.

Recommendation 3

The Department will be issuing a reminder to cardholders of their requirements under the corporate card policy.

Recommendation 4

As noted, the transaction cited as being an entertainment expense did not have the express approval of the Secretary of Treasury and Finance. The matter was raised with the relevant cardholder at the time of reviewing the transactions. The issue related to a misinterpretation of the definition of “entertainment” under the policy.

The Department will be issuing a reminder to cardholders of their requirements under the corporate card policy. Breaches of the policy will be reported to appropriate levels of management.

Recommendation 5

The Department has actioned the process of all cardholder acknowledgements being reconstituted.

Recommendation 6

Whilst cardholders should sign the transaction slips at the time of purchase it is not considered critical that the transaction slip be part of the documentation that is retained. Providing the transactions for the billing period have been reviewed by the cardholder and then independently authorised, it is considered that the Tax Invoice is the important document to retain for accountability and legislative purposes.

Recommendation 7

The Department has processes in place to ensure that corporate cards are retrieved from separating employees before they leave the organisation.

Recommendation 8

The Department’s policy is to make payments on original invoices, although there will be exceptions where this does not occur. For payments made through the Department’s financial system, there are system controls in place to prevent the payment of duplicate invoices. The Department considers duplicate payments a low risk, with the example highlighted being an exception. The Department has received reimbursement for the transaction highlighted.

The Department considers that the TGC continues to offer efficiencies through the rationalisation of ordering and payment procedures, particularly for services of low value.

### **Department of Health and Human Services**

I acknowledge the issues raised in the audit report and advise that new procedures have been implemented since the report was compiled to strengthen the Department's control processes governing the use and management of Corporate Credit Cards.

Any instance of non-compliance by the Cardholder is now followed up immediately and the Department's controls are more rigorously enforced.

### **Hydro Tasmania**

With regard to your findings we make the following comments:

1 Cardholder acknowledgement of their responsibilities in holding a credit card.

The report is correct in stating that we do not have signed acknowledgement from all cardholders of their responsibilities in holding a credit card. Following the issue of the revised credit card policy all cardholders were advised of the new policy. Those cardholders who have not acknowledged the new policy are being contacted. Cancellation of cards will occur if acknowledgement is not received by the end of January.

2 Transaction slips are not signed by the cardholder.

Our current policy requires the cardholder to provide completed documentation within three weeks of statement close. It is intended that this includes completion of a signed transaction slip. We will remind cardholders of the importance of completing documentation correctly.

3 Retrieval of cards from terminating employees.

Your report mentions a lack of process for ensuring retrieval of cards from terminating employees. The separation checklists issued by our Human Resources division include Retrieval of an employee's credit card. This is the responsibility of the employee's manager. While there have been cases of an employee not returning their card or of our card administration not being advised of a termination for up to a month we have had no instances of credit card use occurring after termination. We will however ensure that procedures are tightened to ensure cards are retrieved and cancelled when an employee leaves the organization.

4 Improper authorisation

The new credit card policy reiterated the need for appropriate, independent review by management when approving credit card transactions. This should assist in eliminating inappropriate approval of credit card transactions as identified in your audit.

### SUMMARY OF RECOMMENDATIONS

The following table reproduces the recommendations contained in the body of this report.

Rec No	Report section	Recommendation
1	3.2	Treasury should expand TI 520 to clarify the use of statutory declarations in the event of loss of original documentation.
2	3.2	Every effort should be made to obtain original documentation in support of credit card expenditure, it being made clear to users of TGC that this is a requirement.
3	3.2	To ensure appropriate use of the TGC, all expenditure must be authorised by an independent person with appropriate authority.
4	3.3	Whilst in some cases the amount incurred was not significant, it is recommended that all expenditure utilising the TGC comply with established policies and procedures.
5	3.3	Agency controls should ensure that TGC transactions are accounted for in a timely manner; and  Upon the creation of new public sector entities, cardholder acknowledgements should be reconstituted.
6	3.3	In accordance with the requirements of TI 520, Cardholders should sign credit card transaction slips.
7	3.4	Agencies should ensure that corporate credit cards are retrieved from separating employees before they leave the organisation.
8	3.4	Agencies should review the operation of TGC to ensure that it remains a cost-effective business tool.

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## **1 Infrastructure funds**

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## 1 INFRASTRUCTURE FUNDS

### INTRODUCTION

The Infrastructure Fund (IF) was introduced in the 2001 - 2002 Budget as a major Government initiative to provide one-off funding for Tasmanian economic and social infrastructure. The \$60m allocation comprised:

- \$40m for major economic infrastructure including irrigation schemes and strategic transport projects; and
- \$20m for the improvement of existing social infrastructure such as schools and police facilities and the purchase of new equipment for hospitals and the ambulance service.

It was anticipated that the IF would provide vital benefits for Tasmania including increased job opportunities, increased economic activity and address maintenance needs of public social infrastructure assets such as schools and hospitals.

The Social Infrastructure Fund (SIF) was established in 2002 - 2003 to improve services to the community and address social infrastructure needs. The major thrust of SIF was on technical and further education and community renewal projects to improve rural infrastructure. In this year no specific sum was mentioned in the Budget documents.

The establishment of the Economic and Social Infrastructure Fund (ESIF) was a key initiative in the 2003 - 2004 Budget in which a total of \$107m was provided to ensure funding for important economic and social expenditure into the future. The strategy was established to enable the Government to ensure the opportunities around gas, wind, optic fibre, Basslink, Bass Strait ferries, water developments and other major projects were realised and maximised and to facilitate tourism and other development opportunities in Tasmania.

Some funding provided in prior years under the IF and SIF has been carried forward into 2003 - 2004 to enable completion of projects commenced in those years.

Infrastructure funds are normally provided by Department of Treasury and Finance (Treasury) upon receipt from Departments of funding applications supported by the relevant Minister and approved by the Treasurer.



## Objective

The audit's objective was to ensure infrastructure funds were being correctly expended in accordance with the purposes for which they had been provided and appropriately reported in Departments' financial statements.

## Scope

Our audit examined the management and control of infrastructure fund expenditure within eight departments that had been allocated infrastructure funds by Treasury, viz.:

- Department of Economic Development (DED);
- Department of Education (DoE);
- Department of Health and Human Services (DHHS);
- Department of Infrastructure, Energy and Resources (DIER);
- Department of Justice (DoJ);
- Department of Primary Industries, Water and Environment (DPIWE);
- Department of Tourism, Parks, Heritage and the Arts (DTPHA); and
- Department of Treasury and Finance (Treasury).

The timeframe covered by the audit related to expenditure in the 2003 - 2004 financial year from funds allocated in the 2003 - 2004 budget and funds carried over from prior years.

Our review did not include all transactions for the 2003 - 2004 financial year as a result of which the total of transactions from which our testing was drawn may differ from actual amounts incurred for the full year.

## Criteria

The following audit criteria were applied:

- Accountability – controls on expenditure and review by management; and
- Definitions and classification – coding of accounts, purpose and restrictions on funds, appropriate authorization of expenditure.

## *Audit methodology*

The audit methodology included conducting interviews and discussions with key personnel responsible for the administration of infrastructure funds. We also asked Departments to provide us with copies of their submissions for funding to assist us in transaction testing.

## *Timing*

Planning of the audit commenced in March 2004. The field work was conducted from early April through to mid-September. Drafting of this report was completed in February 2005.

## *Resources*

The total cost of the audit excluding report production costs was approximately \$ 23 000.

### **1.2 FUNDS ARE PROPERLY CONTROLLED**

As part of our review we tested to ensure that infrastructure funds were being adequately controlled.

#### **1.2.1 Adequacy of controls**

To confirm the adequacy of controls on infrastructure funds we tested whether:

- Requests for reimbursement of Infrastructure funds from Treasury agreed with amounts Departments had actually spent on each project; and
- Revenue allocations received from Treasury were expended promptly where funds were received without a submission having been lodged by agencies.

Departments were generally required to use their operating account balances to fund infrastructure projects and then claim reimbursement of the amount expended from Treasury each month. Some Departments reported that they had not been regularly reimbursed by Treasury with the result that operating account balances were nearly depleted in some instances. Although our tests initially verified this situation, subsequent follow-up by audit revealed that this did not pose a significant problem.

At least two Departments expressed a preference for infrastructure funding to be included in their recurrent appropriation.

### **1.2.2 Management oversight**

As part of our testing, we ascertained the extent to which expenditure from infrastructure funding was reviewed by management. We found that project managers were generally responsible for control of expenditure from infrastructure funds and that payments were subject to normal accounts payable procedures.

In at least one Department where funding had been provided for multiple projects, a sub-committee had been established to determine priorities and funds were allocated accordingly.

Project managers in that agency were senior executive service level employees.

### **1.2.3 Conclusion**

We were satisfied that reimbursements claimed by Departments for funds spent on infrastructure projects agreed with amounts actually expended on each project.

In addition, revenue allocations received from Treasury for projects for which funding submissions were not initiated by Departments were spent expeditiously and in accordance with the purpose for which they had been provided.

Audit noted concern by some Departments of initial delays in reimbursement from Treasury, however, follow-up enquiry by audit revealed that this did not pose a significant problem.

Management review of infrastructure fund expenditure was subject to normal controls and was adequate.

## **1.3 EXPENDITURE CLASSIFICATION**

In considering the classification of infrastructure fund transactions we sought to verify:

- Correctness of coding of transactions;
- Original documentation supporting transactions;
- Appropriate authorisation of transactions; and
- Appropriateness of transactions.

### **1.3.1 Methodology**

Our review was undertaken at eight Departments that were identified as the main recipients of infrastructure funding allocations. To aid our field work, we asked Departments to provide copies of funding submissions against which

transactions could be tested. The testing methodology adopted was to review 20 payment transactions or 40% of value of the total population per Department. Similar testing was carried out where salary costs were involved. We also included some journal entries to balance out the testing.

The basis for selection of transactions was to select large and/or unusual amounts from transaction listings supplied by agencies after having reviewed all transactions generally.

Due to the volume of transactions at one Department our testing methodology was duplicated for each of its two main sub-agencies.

Appendix 1 (*Infrastructure Funds – Expenditure on Projects: 2003-2004*) and Appendix 2 (*Infrastructure Funds – Audit Tests*) detail the findings from our review.

### 1.3.2 Correctness of coding of transactions

We found that without exception all of the transactions tested were coded as being relevant to infrastructure fund projects.

We had initial concerns that some of the projects for which infrastructure funding had been provided did not meet the strict definition of ‘infrastructure’ as defined in the Macquarie dictionary:

#### **‘Infrastructure**

1. the basic framework or underlying foundation (as of an organisation or a system).
2. the roads, railways, schools, and other capital equipment which comprise such an underlying system within a country or region.
3. the buildings or permanent installations associated with any organisation, operation, etc.’

Examples of projects about which we had this concern were:

- Partnership to Jobs Program;
- Premier's Physical Activity Council;
- Purchase of Library Books;
- Dental Health Package;
- Elective Surgery Package; and
- Bicentenary Celebrations.

Although the significance of each of these projects to the State was never in doubt it was our opinion that they did not meet the above definition and as such were outside of the scope of infrastructure funding.

However, subsequent discussions with Treasury resulted in us accepting a wider view that these projects contributed significantly to the State's overall infrastructure and as such represented valid claims against infrastructure funding.

### **1.3.3 Original documentation supporting transactions**

Transactions that we tested were adequately supported by appropriate documentation.

### **1.3.4 Appropriateness of transactions**

Overall, we were satisfied that all transactions tested related to infrastructure projects. However, we were unable to determine whether all projects for which funds had been expended had actually been approved for infrastructure funding.

Copies of funding submissions were received from only four Departments. We were advised that on occasions some Departments may not have been involved in the initial request for funding and therefore not all projects could be substantiated by funding submissions. In these instances, Departments were advised by Treasury of projects which they were to manage. Treasury confirmed this situation.

We were concerned that in the absence of formal submissions there is the potential for reduced control over approval of expenditure.

#### **Recommendation 1**

**Submissions for Infrastructure Funds should be formally approved by Ministers to improve accountability for Infrastructure funds.**

### **1.3.5 Appropriate authorisation of transactions**

As an adjunct to the audit criterion regarding correctness of expenditure coding, we also considered the application of controls associated with the authorisation of expenditure.

Although all transactions tested were found to bear a signature authorizing payment, we did note anomalies. It was apparent across Departments that some transactions may have been authorised by staff without adequate delegation.

Subsequent follow-up by Audit revealed that in some instances correct approval procedures may have been in place but these were not immediately obvious at time of audit. For example,

contracts or other forms of authorisation such as Minutes to/from Ministers generally applied to large-value transactions but these were not attached to documentation sighted. In these instances, signatories would only have been certifying that work was done or goods had been received.

No further action was taken on this matter because we intend to conduct a separate compliance audit of financial delegations at a later time.

Similarly, it is our intention to conduct a follow-up review of infrastructure fund expenditure next year when more of the funds will have been spent. Appendix 3 (*Infrastructure Funds Balances*) and Appendix 4 (*Infrastructure Funds - Account Movements*) detail this situation.

### **1.3.6 Timeliness and delays**

During the audit we tested to ensure that once Infrastructure funding was made available to Departments projects were commenced and that funds were expended without undue delay.

Sometimes, operational and resourcing issues limited the ability of Departments to start expending funds and this was observed in at least one case. Other recipients experienced some delays with more complex projects that necessarily required longer lead times. In the main, however, it is our opinion that Departments were keen to expend infrastructure funds as quickly as possible and we found no evidence of deliberate delay.

### **1.3.7 Conclusion**

We had initial concerns that some of the projects for which infrastructure funding had been provided did not meet the strict definition of 'infrastructure'. Following subsequent discussions with Treasury our general conclusion is that all transactions tested related to infrastructure projects and had been classified accordingly.

We observed that at least one Department may have been constrained initially by a lack of resources preventing it from utilising the funds more expediently. Other recipients experienced some delays with more complex projects that required longer lead times. In the main, however, it is our opinion that Departments were keen to expend infrastructure funds as quickly as possible.

We were concerned that in the absence of formal submissions by Departments to Treasury for reimbursements there is the potential for reduced control over validation of expenditure.

In conclusion, we were satisfied that all transactions tested did relate to infrastructure projects.

## **1.4 REPORTING**

We examined financial statements prepared by Departments to ascertain the extent to which activities related to Infrastructure funding were disclosed in annual financial statements.

### **1.4.1 Revenue**

We observed that there is a lack of consistency in reporting infrastructure funding in Departmental annual financial statements.

Of the eight Departments reviewed, six correctly reported infrastructure funds received as part of 'Other Revenues from Ordinary Activities'. Of this group of six:

- Three Departments disclosed revenue by reference to specific fund names but without project details;
- One Department detailed each fund separately by project; and
- Two Departments used other descriptions without any project details, viz. 'infrastructure and other state funded receipts' and 'economic and social infrastructure fund contributions'.

The remaining two Departments failed to disclose any such revenue.

### **1.4.2 Expenditure**

Of the eight Departments, five reported expenditure on infrastructure fund projects but there was no consistency in description.

- One Department disclosed expenditure by fund;
- Three Departments by project; and
- One disclosed expenditure by both fund and project.

The remaining three Departments failed to disclose any such expenditure. One other Department, not subject to review,

had reported infrastructure fund revenue in the correct manner described above and reported expenditure by project.

### **1.4.3 Conclusion**

We were concerned by the abovementioned lack of consistency and failure by some Departments to report infrastructure funds at all in their annual financial statements.

**Recommendation 2**

**Departmental annual financial statements should include details of infrastructure funds received and expended in a clear and consistent manner to improve reporting and accountability.**



## **2 Members' and Ministers' travel claims**

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## 2 MEMBERS' AND MINISTERS' TRAVEL CLAIMS

### INTRODUCTION

Elected members of Parliament are entitled to have certain travel expenses reimbursed. Legislation vested the power to determine what expenses could be claimed by Members with a parliamentary Committee, namely the Committee of Review.

The Committee (currently not convened) determined that allowances and benefits that applied to Members should comply with contemporary practice in public sector employment. This required that:

- Claims for allowances and benefits should:
  - Only be payable in respect of work-related purposes;
  - Not extend to spouses, dependents or other family members (except Ministers at the discretion of the Premier);
  - Be prescribed as flat monetary amounts and not be referenced to some percentage of the basic salary; and
  - Be accompanied by supporting documentation to enable support staff to ascertain full compliance by Members. Such documentation should refer to the basis of entitlement for the particular claim.

The House of Assembly and the Legislative Council administer the reimbursement of Members' travelling expenses (excluding Ministers).

DPAC administers travel claims for Ministers and their entitlements and responsibilities are contained in the *DPAC: Ministerial Handbook*.

Relevant legislation, regulations and guidelines considered in undertaking the audit included:

- *Parliamentary Salaries and Superannuation and Allowance Act 1973*: This Act gives authority to the Committee of Review to enquire into certain allowances and benefits to which members are entitled;
- *Industrial Relations Act 1984 – General Conditions of Employment Award*: Utilised by the Committee of Review to determine current applicable rates for Members in

- relation to kilometre allowances, overnight accommodation and meal allowances;
- Report of the Committee of Review Inquiring into the Entitlements of Members of the Tasmanian Parliament Regarding Allowances and Benefits: Established by the Governor-in-Council to inquire into the entitlements of Members to certain allowances and benefits; and
- DPAC: *Ministerial Handbook*.

### **Objective**

The audit's objective was to gain assurance that Members' and Ministers' travel expense claims, and invoices provided in support of travel claims, are properly reviewed and authorised before payment is made.

### **Scope**

The audit focused on Members' and Ministers' travel payments made during the 2003 - 2004 financial year by the:

- Legislative Council;
- House of Assembly; and
- DPAC (where Ministers' travel entitlements are processed).

Travel payments generally include the following:

- Air travel - intrastate, interstate and overseas;
- Taxi hire;
- Private motor vehicle allowances;
- Other transport including rail and coach;
- Overnight accommodation and living away from home allowances;
- Meal and entertainment allowances; and
- Professional development incorporating travel.

### **Criteria**

The audit criteria that we applied were:

- Documentation and correct authorisation;
- Accountability – controls on expenditure and reporting requirements; and

- Adequacy of management controls and record keeping.

### ***Audit methodology***

The audit methodology focussed on a review of selected claims during the 2003 - 2004 financial year paid by the:

- Legislative Council;
- House of Assembly; and
- DPAC.

As part of the audit process, we conducted interviews and discussions with key personnel responsible for the administration and payment of claims for reimbursement by Members of Parliament and Ministers of the Crown. We tested payments in relation to reimbursement of travel expenses on a sample basis. We also carried out a review of general ledger and creditor's ledger transactions.

Findings were discussed in exit interviews with management representatives at each of the client areas. At the end of the field work phase of the audit, we followed up those discussions with management letters.

### ***Timing***

Planning of the audit commenced in July 2004. Field work was conducted from early September through to the end of November. Drafting of this report was completed in February 2005.

### ***Resources***

The total cost of the audit excluding report production costs was approximately \$ 59 500.

## ***2.1 DOCUMENTATION, AUTHORISATION AND MANAGEMENT OF TRAVEL CLAIMS***

As part of our review we tested to ensure that claims were complete, supported by original documentation and appropriately approved.

### ***2.1.1 Documentation***

To confirm the adequacy of documentation we tested to ensure:

- Original documentation was submitted with each claim;
- Documentation was complete; and
- All claims were appropriately authorised.

### **Original documentation and completeness of documentation**

The standard of documentation provided to justify support of payments submitted for testing was found to be adequate.

### **Appropriate authorisation**

Cases were identified where travel warrants for Ministers had not been issued, contrary to current Departmental policy. We were advised that this policy was under review.

## **2.2 ACCOUNTABILITY**

As part of our testing, we examined expenditure to ensure that:

- Claims were correctly costed;
- Claims for unauthorised or inappropriate use were not paid; and
- In the case of Members, there was compliance with reporting requirements for overseas travel.

### **2.2.1 Correct costing of claims**

Procedures around costing of travel claims were found to be satisfactory.

### **2.2.2 Claims for unauthorised or inappropriate use**

To conduct this test, we looked specifically for instances where claims for travel expenses may not have been legitimately incurred. Travel expenses do not extend to spouses, dependents or other family members of Members except Ministers - at the discretion of the Premier.

Travel claims that we examined proved satisfactory for all areas. Further, all travel expenses tested related to legitimate Parliamentary or Ministerial business.

### **2.2.3 Overseas travel for purposes of continuing professional development**

The Committee of Review<sup>2</sup> requires Members to provide a written report (to the Speaker or the President as the case may be) following completion of overseas travel, setting out the purpose of the travel and any ensuing conclusions, outcomes and achievements. Our testing concluded that Members had submitted reports as required.

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<sup>2</sup> *The Report of the Committee of Review into the Entitlements of Members of the Tasmanian Parliament Regarding Allowances and Benefits.* - section 6.7.4 (4).

## **2.3 MANAGEMENT**

This part of the audit involved testing the administration of claims to determine the adequacy of:

- Existing controls; and
- Record keeping.

### **2.3.1 Existing controls:**

The existing controls that were applied to Members' and Ministers' travel claims were reviewed to establish whether:

- The controls were working;
- Any inadequacies in controls had been identified; and
- If inadequacies had been identified, appropriate remedial action was taken.

Our tests indicated that controls were adequate.

### **2.3.2 Record keeping**

We conducted an assessment of the standard of records being maintained to support the administration of travel claims and to ensure their adequacy to meet all relevant guidelines, including any Australian Taxation Office requirements.

Generally, record keeping was found to be adequate.

There were no Australian Taxation Office requirements other than Fringe Benefits Tax which was considered to be outside of the scope of the present audit.

## **2.4 CONCLUSION**

We were satisfied that legislative and other relevant requirements governing procedures for the reimbursement of claims by Members and Ministers were met.

### **3 Corporate credit cards**

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### 3 CORPORATE CREDIT CARDS

#### INTRODUCTION

Traditionally, corporate credit arrangements have been limited to such things as fuel cards and taxi hire facilities. A review of the State Purchasing and Sales Division of the Department of Treasury and Finance (Treasury) by external consultants in 1994 recommended the limited use of credit cards by agencies.

The Tasmanian Government Card (TGC) was introduced in 1996. Its anticipated benefits included:

- Reducing the number of payments processed by agencies;
- Allowing the Government's suppliers to receive speedier payment;
- Reducing the paperwork associated with the purchasing and payment process for both the Government and its suppliers; and
- Overall productivity gains to agencies and the Government as a whole.

Treasurer's Instruction No. 520 (TI 520) titled '*Tasmanian Government Card*' issued in July 1999 (and last updated in July 2003) prescribes the terms and conditions for the use of the TGC and has been enhanced by a '*Tasmanian Government Card Policies and Procedures*' document issued by Treasury clarifying appropriate use of the TGC. These documents provide a framework but agencies are still expected to issue their own detailed instructions covering policies and procedures specific to their own business environment.

#### Objective

In conducting this compliance audit our objective was to establish whether the operation of the TGC by agencies was in accordance with TI 520 and/or agencies' internal policies and guidelines.

#### Scope

The audit examined management and control of TGC arrangements including a review of card transactions in four Departments and one Government Business Enterprise (GBE) over the three-month period January to March 2004.

Specifically, the Departments that we audited were:

- Department of Education (DoE);



- Department of Premier and Cabinet (DPAC);
- Department of Tourism, Parks, Heritage and the Arts (DTPHA); and
- Department of Health and Human Services<sup>3</sup> (DHHS).

The GBE was Hydro Tasmania (HT).

### *Criteria*

The following audit criteria were applied:

- Adequacy of supporting documentation;
- Appropriate authorisation and verification procedures;
- Completeness of transactions;
- Expenditure properly accounted for;
- No instances of inappropriate usage;
- Adequacy of controls; and
- Regular review of transactions by management.

### *Audit methodology*

From our clients we obtained copies of their TGC policies and guidelines to determine whether these documents complied with TI 520 as well as to assist in our transaction testing. We also conducted interviews and discussions with key personnel responsible for the management and administration of the TGC.

Testing at DHHS varied from the above methodology. Instead, we relied on the work of TAO's financial auditors, rather than conducting a separate and discrete review. The reason for this decision was that a substantial amount of work had been done during the interim financial audit of this Department's financial statements for the year ended 30 June 2004. As a result, the timeframe for DHHS was not the same as that for the other Agencies.

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<sup>3</sup> The timeframe covered by the audit related to expenditure in the three-month period from 1 January to 31 March 2004 except for the Department of Health and Human Services as explained under 'Audit Methodology'.

## *Timing*

Planning of the audit commenced in June 2004. The field work was conducted from early August through to mid-December. This Report was completed in January 2005.

## *Resources*

The total cost of the audit excluding report production costs was approximately \$ 24 700.

### **3.1 COMPLIANCE WITH TREASURER'S INSTRUCTION 520**

Where Departments opt to use the TGC they are bound to comply with TI 520. However, where they do make that decision, Departments should also issue their own specific policies and procedures that remain consistent with the overall requirements of TI 520.

Although other Government entities<sup>4</sup> fall outside the ambit of TI 520, they are required to develop policies and procedures governing the use of corporate credit cards.

Three of the four Departments reviewed had their own policies and procedures in place, as did HT. DPAC had not yet prepared departmental guidelines. With respect to entity-specific guidelines we noted instances where the level of control was greater than imposed by TI 520 and others where it was less restrictive. In the former category was DHHS where the purchase of airfares by TGC was prohibited while at the other end of the scale HT was more flexible in relation to the use of the TGC to meet entertainment and travel expense payments.

### **3.2 ORIGINAL DOCUMENTATION TO SUPPORT PAYMENTS**

To confirm the adequacy of controls on TGC expenditure, we tested to ensure that:

- Payments were supported by documentation;
- Expenditure was appropriately authorised; and
- All required processes were completed satisfactorily.

From a total sample of 294 transactions that we tested, nine were not supported by appropriate documentation. One instance noted at DTPHA involved the use of a statutory

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<sup>4</sup> Government Business Enterprises, state-owned corporations, statutory authorities or public bodies.

declaration to support a payment for an employee's overseas travel expenses. Although there may be circumstances where a statutory declaration could be acceptable in the event of loss of original receipts, we are concerned at the Department's response that there were other instances where statutory declarations have been used. We further noted that there was no provision within either TI 520 or the Department's guidelines to deal with this situation.

**Recommendation 1**

**Treasury should expand TI 520 to clarify the use of statutory declarations in the event of loss of original documentation.**

**Recommendation 2**

**Every effort should be made to obtain original documentation in support of credit card expenditure, it being made clear to users of TGC that this is a requirement.**

A further 16 transactions totaling \$35 767.11 were inappropriately authorized (examples found at each of the agencies). This included five instances, with a combined value of \$12 134.44, in which cardholders had authorised their own expenditure.

**Recommendation 3**

**To ensure appropriate use of the TGC, all expenditure must be authorised by an independent person with appropriate authority.**

The requirement that all processes were completed satisfactorily was therefore not met on the occasions cited.

### **3.3 VERIFYING TASMANIAN GOVERNMENT CARD TRANSACTIONS**

Using a sample drawn from a complete listing of TGC transactions for the period of review, we tested to ensure that transactions were:

- Correctly accounted for;
- For appropriate purposes; and
- Adequately controlled.

### **Correct accounting**

We were satisfied that the credit card transactions for the period under review were properly accounted for.

### **Appropriate purposes**

From our testing, we found six transactions (totalling \$5 269.75) made for inappropriate purposes:

- Two for personal purchases - \$27.90 (DHHS);
- Two fuel purchases - \$175.00 (DHHS) and \$45.00 (DTPHA);
- One relating to the purchase of airfares - \$2 316.35 (DHHS); and
- An entertainment expense amounting to \$2 705.50 (DTPHA).

The latter item did not have the express approval of the Secretary of Treasury as required by TI 520<sup>5</sup>.

There was lack of purchase details relating to a further three transactions:

- Two totalling \$101.90 at DoE; and
- One for \$255.00 at DTPHA.

### **Recommendation 4**

**Whilst in some cases the amount incurred was not significant, it is recommended that all expenditure utilising the TGC comply with established policies and procedures.**

### **Adequate controls**

TI 520 requires that agency internal controls should ensure:

- Cardholders acknowledge their responsibilities in the use of the TGC;
- New cards are signed immediately by the cardholder;
- Lost or stolen cards are reported immediately;

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<sup>5</sup> Section (5) states: “The TGC shall be used for entertainment purposes only for official business by the Head of Agency, and officers at the Senior Executive Service level or equivalent, with the prior approval of the Secretary.

Heads of Agencies should write to the Secretary [of the Department of Treasury and Finance] and formally request approval for a cardholder to use a card for entertainment purposes. The request should specify the name and level of each officer for which approval is being sought.”

- All TGC transactions are accounted for, monthly statements are reconciled and transactions are recorded in the general ledger on a timely basis;
- Transactions are in accordance with the Government's procurement policies; and
- Disputed transactions are reported immediately and that subsequent action by the service provider is followed up.

We were unable to sight cardholder acknowledgements in a number of instances. For example, at HT, we were advised that acknowledgements may no longer be held for those employees whose employment pre-dated the disaggregation of the former Hydro Electric Commission. However, new staff are required to sign. At DTPHA a similar situation existed. We were advised that acknowledgements may still be held by DPIWE where Parks and Wildlife staff were employed prior to formation of the new Department in August 2002.

For the period that we audited there were no reports of lost or stolen cards, nor were there any disputed transactions.

During testing we observed one instance of a lengthy delay in recording a batch in the general ledger at DHHS. The batch was processed on 9 December 2003 but contained monthly statements covering the period May to October 2003.

**Recommendation 5**

**Agency controls should ensure that TGC transactions are accounted for in a timely manner; and**

**Upon the creation of new public sector entities, cardholder acknowledgements should be reconstituted.**

As part of the efficiency gains in using the TGC, TI 520 obviates the need for purchase orders or requisitions for transactions made using the card. Nonetheless, cardholders should sign their transaction slips. At DPAC and HT we noted 23 instances where transaction slips were not signed by the cardholder.

**Recommendation 6**

**In accordance with the requirements of TI 520, Cardholders should sign credit card transaction slips.**

### 3.4 MANAGEMENT REVIEW

We ascertained the extent to which management reviewed expenditure initiated on the TGC.

TI 520 requires the Head of Agency to nominate an administering or controlling officer for the TGC who is responsible for:

- Ordering, collecting and cancelling cards;
- Updating policies and procedures;
- Ongoing education and training of cardholders; and
- Reviewing the operation of the card facility within the Agency including reporting on its activities and ensuring that the TGC is cost effective.

With respect to some aspects of TGC management we found weaknesses. At HT and DHHS there was a lack of process to ensure cards were retrieved from cardholders on termination of their employment. This matter should be incorporated with other human resource procedures that deal with employee separations.

**Recommendation 7**

**Agencies should ensure that corporate credit cards are retrieved from separating employees before they leave the organisation.**

At DPAC three cardholders were not recorded on the register established to control the issue of corporate credit cards.

We noted that policies and guidelines within the agencies reviewed are current, with most having been reviewed in the year prior to our audit. DPAC was using TI 520 pending release of its own policy.

There was no evidence that the cost effectiveness of the TGC is being reviewed by any of the agencies at which testing was conducted.

**Recommendation 8**

**Agencies should review the operation of TGC to ensure that it remains a cost-effective business tool.**

A benefit that the TGC should confer is increased efficiency through the rationalisation of ordering, reconciliation and payment procedures, particularly purchases and services of low value. However, at DTPHA we found four instances where

payments (with a combined value of \$359.73) were made against copies of invoices. Where payment is made against photocopied invoices there is the risk of accounts being paid twice and in our sample a duplicated payment of \$76.40 was detected.

Appendix 5 (*Corporate Credit Cards – Audit Tests*) details the findings from our review.

### 3.5 CONCLUSION

Where issued, Agencies' in-house policies and procedures do not deviate widely from TI 520.

However, our audit revealed a variety of instances of non-compliance and high error rates that reached 60% at DHHS. The most common problems that the audit revealed were:

- Improper authorisation (including approving own transactions);
- Inadequate supporting documentation (incomplete or missing vouchers or receipts, payment made on photo-copied invoices); and
- Inappropriate card use (Personal use and fuel purchase).

Examples of non-compliance could be reduced by more rigorous and regular review combined with reinforcement of existing procedures.

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## **4 Recent reports**

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## 4 RECENT REPORTS

2001	SPECIAL REPORT NO. 35	SOFTWARE LICENSING
2001	SPECIAL REPORT NO. 36	COLLECTION OF RECEIVABLES AND LOANS IN TASMANIAN GOVERNMENT DEPARTMENTS
2001	SPECIAL REPORT NO. 37	ARCHIVES OFFICE OF TASMANIA
2001	SPECIAL REPORT NO. 38	THE IMPLEMENTATION OF GOODS AND SERVICES TAX IN GOVERNMENT AGENCIES AND LOCAL GOVERNMENT ENTITIES
2001	SPECIAL REPORT NO. 39	BANK ACCOUNT RECONCILIATIONS
2002	SPECIAL REPORT NO. 40	ENVIRONMENTAL MANAGEMENT AND POLLUTION CONTROL
2002	SPECIAL REPORT NO. 41	KEEPING SCHOOLS SAFE
2002	SPECIAL REPORT NO. 42	FOLLOW UP OF PERFORMANCE AUDITS
2002	SPECIAL REPORT NO. 43	ORAL HEALTH SERVICE: SOMETHING TO SMILE ABOUT?
2002	SPECIAL REPORT NO. 44	MANAGING COMMUNITY SERVICE ORDERS
2003	SPECIAL REPORT NO. 45	BUSINESS NAMES AND INCORPORATED ASSOCIATIONS: WHAT'S IN A NAME?
2003	SPECIAL REPORT NO. 46	LEAVE IN GOVERNMENT DEPARTMENTS
2003	SPECIAL REPORT NO. 47	PUBLIC SECTOR WEB SITES
2003	SPECIAL REPORT NO. 48	GRANTS TO THE COMMUNITY SECTOR
2003	SPECIAL REPORT NO. 49	STAFF SELECTION IN GOVERNMENT AGENCIES
2003	SPECIAL REPORT NO. 50	POLICE RESPONSE TIMES
2004	SPECIAL REPORT	EX-GRATIA PAYMENT TO THE FORMER GOVERNOR MR R W BUTLER AC
2004	SPECIAL REPORT NO. 51	SPECIAL PURPOSE AND TRUST FUNDS: DEPARTMENT OF HEALTH AND HUMAN SERVICES
2004	SPECIAL REPORT NO. 52	INTERNAL AUDIT IN THE PUBLIC SECTOR
2005	SPECIAL REPORT NO. 53	FOLLOW UP OF PERFORMANCE AUDITS
2005	SPECIAL REPORT NO. 54	GUN CONTROL IN TASMANIA

## **5 Future projects**

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## 5 FUTURE PROJECTS

Details of performance and compliance audits that the Auditor-General is considering are:

### PERFORMANCE AUDITS

PUBLIC HOUSING – MANAGEMENT OF HOUSING STOCK	CURRENTLY UNDER WAY
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ASSET MAINTENANCE – BRIDGES	BEING PLANNED
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### COMPLIANCE AUDITS

FRINGE BENEFITS TAX	CURRENTLY UNDER WAY
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PAYMENT OF ACCOUNTS IN GOVERNMENT AGENCIES	CURRENTLY UNDER WAY
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DELEGATIONS	BEING PLANNED
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BUILDING SECURITY	BEING PLANNED
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## **Appendices**

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**APPENDICES**

**APPENDIX 1: INFRASTRUCTURE FUNDS - EXPENDITURE ON PROJECTS: 2003 – 2004**

Expenditure on infrastructure projects that we tested is shown in the Table below.

**Table 1: Expenditure on Infrastructure Funds Projects subjected to Audit Testing: 2003 – 2004**

<b>Department</b>	<b>Project</b>	<b>Expenditure (\$000s)</b>
Economic Development	Former Burnie Hospital Site	2,373
	Golf Links Tasmania	50
	Gas Infrastructure Stage 1A	8,000
	Gas Investment Attraction & Project Facilitation	231
	Longford Gas Reticulation	1,285
	Partnership to Jobs Program	205
	Premier's Physical Activity Council	75
	Winnaleah Football Club	25
	New Town High School	24
	<b>Sub-total</b>	<b>12,268</b>
Education	Purchase of Library Books	503
	Increasing Child Care Provision in Schools	799
	Information & Communications Technology (ICT) Strategy	1,477
	TAFE Flexible Learning IT Learning Centres and Wellington Square Training Facility	1,600
	TAFE Business Skills Development Program	286
	Managing and Retaining Secondary Students at School (MARSS) Program	200
	Guaranteeing Futures	60
	<b>Sub-total</b>	<b>4,925</b>
Health and Human Services	Low Cost Housing	3,000
	Dental Health Package	923
	Elective Surgery Package	824
	<b>Sub-total</b>	<b>4,747</b>
Infrastructure, Energy and Resources	Motor Registry System (MRS) Project	517
	National & State Policy Initiatives	53

<b>Department</b>	<b>Project</b>	<b>Expenditure (\$000s)</b>
Resources	MRS User Interfaces	27
	MRS Data Validation Controls	58
	Information Systems & Geophysics	134
	Geo-hazards Infrastructure	47
	Rail Infrastructure	36
	Huon Highway Wilmot/Sale Street Junction	6
	Margate Streetscape Project	217
	'Wall in the Wilderness' Lyell Highway	3
	Road Safety project	239
	<b>Sub-total</b>	<b>1,337</b>
Justice	Monetary Penalties Enforcement Project	542
	<b>Sub-total</b>	<b>542</b>
Primary Industries, Water and Environment	Water Development Plan	1,405
	Water Use Sustainability	96
	Conservation of Fresh Water Ecosystem	550
	<b>Sub-total</b>	<b>2,051</b>
Tourism, Parks, Heritage and the Arts	Sarah Island Jetty Replacement	652
	Freycinet National Park Peninsula	105
	Overland Track	51
	Narawntapu Road Works	153
	Richardson Camp Ground	211
	Cradle Mountain Stage 1-3	1,380
	Watersmeet Bridge	8
	Cradle Mountain Stage 4	174
	East Coast Sustainable Coastal Camping	60
	Highfield House Restoration	134
	Nelson Falls Toilet Block	24
	Hastings Cave & Thermal Pool	9
	Fortescue Bay/Jetty	1
	Cradle Mountain Master Plan	25
	Echo Point Jetty	4
	SPO Operations (Project Mgr's Costs)	46
York Park Upgrade	2,500	

<b>Department</b>	<b>Project</b>	<b>Expenditure (\$000s)</b>
	Bicentenary Celebrations	560
	Touring Spirit of Tasmania 3	1,569
	Trade Spirit of Tasmania 3	111
	Tasmanian Experience Strategy	82
	USA Public Relations	165
	Tourism Marketing	294
	George Town – Low Head Pilot Station	697
	Rosny Building – Tasmanian Museum and Art Gallery	238
	TT Line (Spirit of Tasmania)	900
		<b>10,153</b>
Treasury	Triabunna Call Centre	100
	Telecommunications Infrastructure Project	680
	<b>Sub-total</b>	<b>780</b>
<b>STATE</b>	<b>TOTAL EXPENDITURE SUBJECTED TO AUDIT TESTING</b>	<b>36,803</b>



## APPENDIX 2: INFRASTRUCTURE FUNDS – AUDIT TESTS

The audit testing methodology was based on a sample of 20 payment transactions or 40% of total population but was extended as necessary to ensure confidence in the audit.

A similar testing methodology was applied in respect of salary costs incurred. Testing included a small number of journals to balance out the testing (not included in table below).

**Table 2: Audit testing summary**

Dept (key below)	SALARIES				OTHER EXPENDITURE				TOTAL		
	Total	Tested			Total	Tested			Actual	Tested	
	(\$000s)	(\$000s)	Employees	%	(\$000s)	(\$000s)	Payments	%	(\$000s)	(\$000s)	%
DED	40	35	2	87.5%	4,228	2,668	14	63.1%	4,268	2,703	63.3%
DoE	55	55	1	100.0%	4,870	2,270	17	46.6%	4,925	2,325	47.2%
DHHS	537	450	*	83.8%	4,210	2,835	10**	67.3%	4,747	3,285	69.2%
DIER	540	276	6	51.1%	797	336	20	42.2%	1,337	612	45.8%
DoJ	148	138	3	93.2%	394	162	7	41.1%	542	300	55.4%
DPIWE	416	248	4	59.6%	1,635	563	20	34.4%	2,051	811	39.5%
DTPHA	493	139	5	28.2%	9,660	1,928	40	20.0%	10,153	2,067	20.4%
Treasury	0	0	0	0.0%	780	386	5	49.5%	780	386	49.5%
<b>Total</b>	<b>2,229</b>	<b>1,341</b>	<b>21</b>	<b>60.2%</b>	<b>26,574</b>	<b>11,148</b>	<b>133</b>	<b>42.0%</b>	<b>28,803†</b>	<b>12,489</b>	<b>43.4%</b>

Notes

\* Individual employee salaries not tested at DHHS.

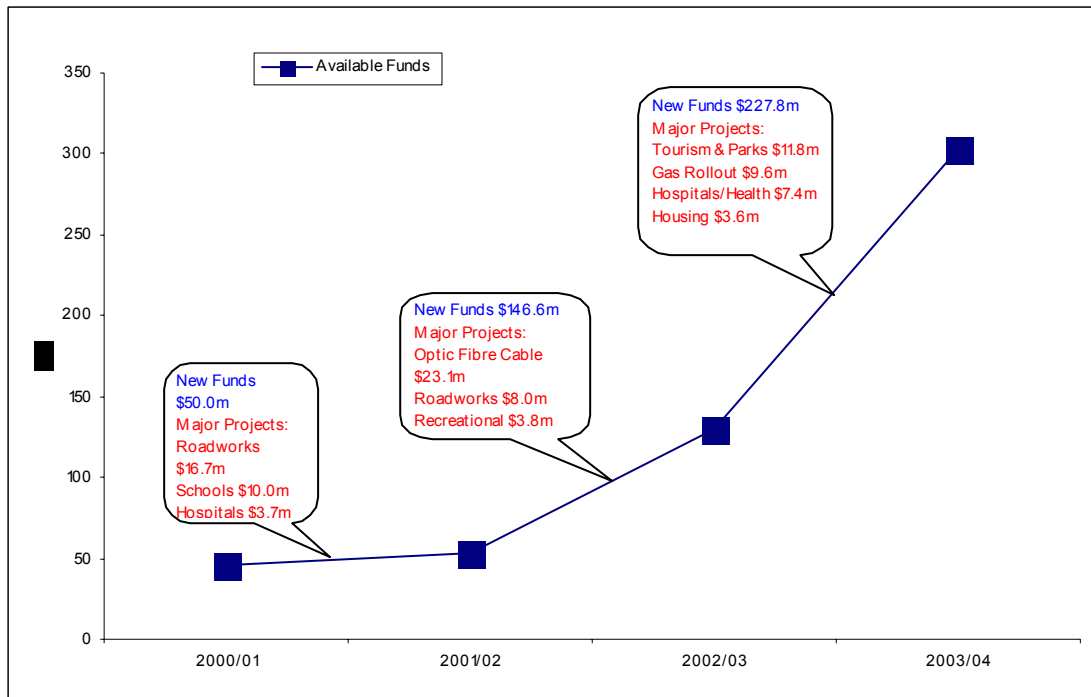
\*\* No. of payments tested for DHHS (10) relates to Affordable Housing project only and excludes testing conducted on Elective Surgery and Dental Health projects.

† Total actual expenditure \$28.803m excludes \$8m payment to Powerco for Gas Infrastructure Stage 1A.

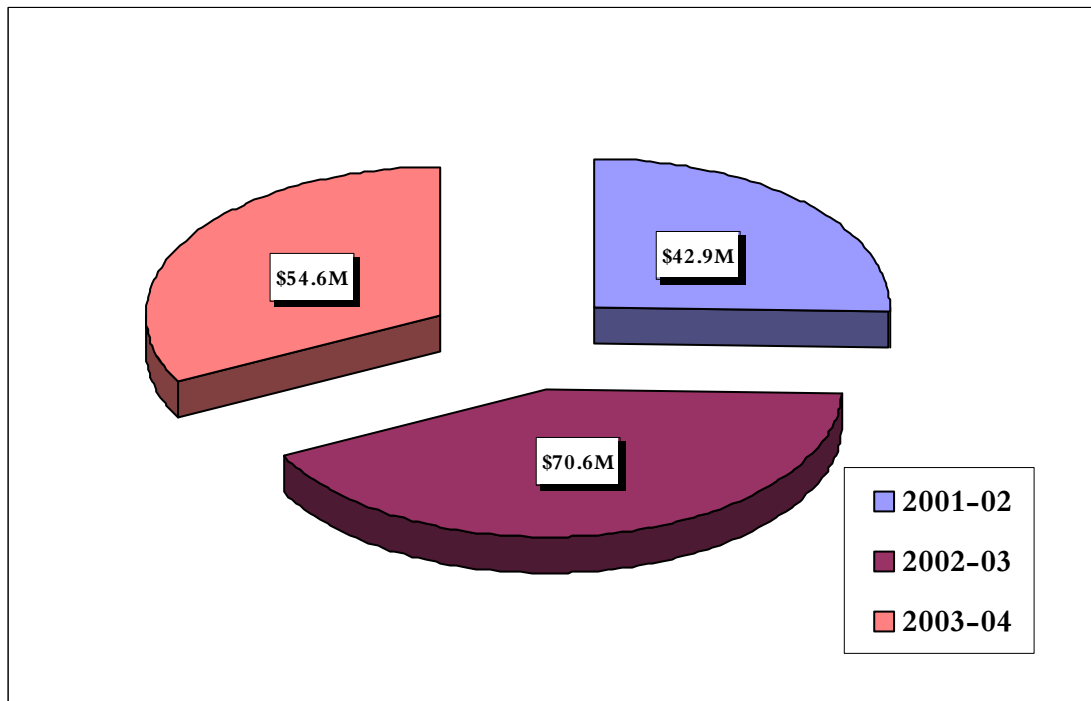
Key to departments

DED	Department of Economic Development
DoE	Department of Education
DHHS	Department of Health and Human Services
DIER	Department of Infrastructure, Energy and Resources
DoJ	Department of Justice
DPIWE	Department of Primary Industries, Water and Environment
DTPHA	Department of Tourism, Parks, Heritage and the Arts
Treasury	Department of Treasury and Finance

### APPENDIX 3: INFRASTRUCTURE FUNDS BALANCES



### Payments by Treasury to Departments: July 2001 – June 2004



**APPENDIX 4: INFRASTRUCTURE FUNDS - ACCOUNT  
MOVEMENTS**

Year	Fund*	Opening Balance	New Funds	Payments to Agencies	Closing Balance
		\$'000	\$'000	\$'000	\$'000
<b>2001/02</b>					
	<b>SPIP</b>	6,228			6,228
	<b>MPF</b>		30,000		30,000
	<b>IF</b>	40,000	20,000	-42,875	17,125
	<b>Total</b>	46,228	50,000	-42,875	53,353
<b>2002/03</b>					
	<b>SPIP</b>	6,228			6,228
	<b>MPF</b>	4,572		-4,572	0
	<b>(Bal trf to ESIF)</b>				
	<b>IF</b>	17,125		-9,075	8,050
	<b>SIF</b>		32,000	-8,411	23,589
	<b>ESIF</b>	25,428	114,628	-48,582	91,474
	<b>Total</b>	53,353	146,628	-70,640	129,341
<b>2003/04</b>					
	<b>SPIP</b>	6,228	38,657	-1,716	43,169
	<b>IF</b>	8,050		-1,068	6,982
	<b>SIF</b>	23,589		-12,069	11,520
	<b>ESIF</b>	91,474	189,150	-39,758	240,866
	<b>Total</b>	129,341	227,807	-54,611	302,537

Source: The Treasurer's Financial Statements - Appendix D

\*SPIP Structural and Performance Initiatives Program

\*MPF Major Projects Fund

\*IF Infrastructure Fund

\*SIF Social Infrastructure Fund

\*ESIF Economic and Social Infrastructure Fund

**APPENDIX 5: CORPORATE CREDIT CARDS – AUDIT TESTS**

<b>Audit criteria</b>	<b>DoE</b>	<b>DPAC</b>	<b>DTPHA</b>	<b>DHHS</b>	<b>HT</b>	<b>Total</b>
In-House policy?	Y	N	Y	Y	Y	
Does in-house policy differ from TI 520?	N	N/A	N	N*	N**	
No of cards on issue	382	24	292	130	659	1487
Staff at 30 June 2004	7 779	406	700	9192	868	
Staff with TGC (%)	4.9%	5.9%	41.7%	1.4%	75.9%	
No of transactions tested	95	44	68	20	67	294
No of errors found	5	19	8	12	15	59
Error rate (%)	5.26	43.18	11.76	60.0	22.39	20.07
Error Types:						
Inadequate documentation	1	3	3	2		9
Value of transaction(s)	\$42.68	\$777.45	\$774.84	\$2 232.14		\$3 827.11
Improper authorisation	1	4	1	7	3	16
Value of transaction(s)	\$25.87	\$1 231.88	\$128.85	\$13 803.10	\$20 577.41	\$35 767.11
Inappropriate use of card			4	2		6
Value of transaction(s)			\$2 778.40	\$2 491.35		\$5 269.75
Lack of purchase details	2		1			3
Value of transaction(s)	\$101.90		\$255.00			\$356.90
Not signed by cardholder		11			12	23
Value of transaction(s)		\$6 516.02			\$57 696.90	\$64 212.92

\* Purchase of airfares not permitted

\*\* Cash-out allowed in certain cases.

## **APPENDIX 6: AUDIT MANDATE AND STANDARDS APPLIED**

### ***Audit mandate***

Section 44(a) of the *Financial Management and Audit Act 1990* states that the Auditor-General may:

‘... at any time conduct any investigation that the Auditor-General considers necessary concerning any matter relating to the accounts of the Treasurer, a Government department, or a public body or to public money, other money or money of a statutory authority or to public property or other property’.

### ***Standards applied***

This audit has been performed in accordance with Australian Auditing Standard AUS 806 (*Performance Auditing*), which states that:

‘The objective of a performance audit is to enable the auditor to express an opinion whether, in all material respects, all or part of an entity's activities have been carried out economically, and/or efficiently and/or effectively.’

The audit has included such tests and other procedures considered necessary in the circumstances.

