



DEPARTMENT OF HEALTH

Internal Audit of SES Travel Management

Final Report
5 March 2018

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THE FREEDOM OF INFORMATION ACT 1982
BY THE DEPARTMENT OF HEALTH

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Timeline

Milestone	Date Completed
Entry Interview	1 September 2017
Approved Audit Plan	4 September 2017
Commence Fieldwork	10 September 2017
Completion of Fieldwork	27 October 2017
Validation Meetings	13 November 2017
Draft Report	12 December 2017
Management Comments	26 February 2018
Final Report	5 March 2018
Final report provided to the Audit Committee	March 2018
Completion of the Audit Satisfaction Survey	March 2018

Sign-Off

I acknowledge the findings and recommendations enclosed in this report and undertake to have the agreed actions completed within the identified time frame.

.....
Charles Wann
A/g First Assistant Secretary
Financial Management Division
Department of Health

.....
Mark Harrison
Managing Director
Protiviti



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1. Executive Summary

1.1 Background

Official travel is undertaken by employees for the purpose of transacting and advancing the Department of Health's (the Department) business. In the public sector, the conduct of travel attracts attention and risk through the perception of personal benefit to the traveller. This has been amplified through some high profile issues of misuse of travel (not within the Department) in the Australian Government in recent years.

In 2016-17, SES travel amounted to approximately \$1.9M, representing 19% of total travel in the Department¹.

Internal Audit conducted an audit of SES travel management in the Department as approved in the Department's internal audit program. The objective of the internal audit was to assess the effectiveness of current arrangements for identification and management of travel risks and the implementation of travel requisition, approval, disbursement and reconciliation processes related to SES travel.

1.2 Overall Conclusion

The internal audit found that the Department does not have adequate controls to provide assurance that SES travel is compliant with key requirements of *Resource Management Guides (RMGs)* or with internal policies for domestic and international travel. This is evident through absent or weak controls related to the initiation, approval and disbursement activities for SES travel.

There are insufficient supervisory activities including no reconciliation of travel clearing accounts or key travel vendor accounts such as Qantas Business Travel (QBT), lack of monitoring of the timeliness and completeness of travel acquittals and no approvals of SAP transactions for international travel.

The results of our sample testing, of 25 domestic and 30 international SES trips (including 5 from TGA) made between July 2016 and September 2017, identified process anomalies and instances of non-compliance with internal policies in most of the selected sample including:

- lack of records to support decisions for selected airfares or accommodations;
- booking or undertaking travel without prior approval;
- use of incorrect travel allowance rates;
- not adhering to internal requirements for traveling to remote locations; and
- use of incorrect/unsupported exchange rates to convert allowances or travel expenses in foreign currencies.

The results of our work did not identify instances of inappropriate SES travel. However the audit highlights several opportunities to improve the adequacy, consistency and effectiveness of governance and control arrangements for SES travel.

1.3 Summary of Findings and Recommendations

The following five recommendations have been made to improve the management of SES travel in the Department. The risk ratings associated with the recommendations reflect the

¹ Source: QBT extracts obtained from Shared Services Branch. This includes airfare, accommodation and QBT fees only.



assessment of consequence and likelihood of the related risk exposure of the finding using the Department's Risk Management Matrix and definitions included in **Attachment A**.

Finding	Recommendation	Risk Rating
1- Extensive non-compliances were noted in travel requisition, approval, disbursement and reconciliation controls of SES travel.	<p>The Department should:</p> <ol style="list-style-type: none">1. Introduce mechanisms to monitor compliance with internal and external travel requirements, including regular spot checks and SES certifications to acknowledge responsibilities in undertaking or approving travel. This will enable early monitoring and correction of exceptions or instances of non-compliances.2. Determine key documentation required to support decisions on SES travel and explore options for electronic record keeping of such documents to be easily retrievable.3. Establish workflow approvals for SAP transactions related to international travel.	Medium
2- There are numerous parts of the Department involved in travel management with a lack of coordination or defined roles and responsibilities of the different branches involved in SES travel. This creates confusion and inconsistency in the way in which travel transactions are managed, and contributes to inconsistent application of key controls over travel transactions.	<p>The Department should define and refine the structural allocation of roles and responsibilities for different parts of travel management, including allocating overall accountability to a single SES officer. Consideration should also be given to streamlining the number of separate teams involved in the management of SES travel.</p>	Medium
3- A key financial control over travel expense management, being reconciliations of travel clearing accounts and travel vendor accounts are not being performed.	<p>The Department should:</p> <ol style="list-style-type: none">1. Introduce a requirement for travel account reconciliations to be undertaken monthly. If this requires changes to data feeds to support the reconciliation process, these should be implemented.2. Establish a road map for the completion of tasks that are currently in progress by Shared Services in relation to conducting the necessary reconciliation of the travel clearing accounts and vendors' accounts. The map should include key tasks with target dates, responsibilities and expected output.	Medium
4- There is no clear guidance for processing SES travel.	<p>The Department should update/define its internal policies and procedures to include clear reference on the key requirements applicable to SES travel including definition of minimum documentation and filing requirements needed to support decisions on SES travel. This should allow for any additional requirements at Divisional level such as specific risk assessments for travelling to high risk destinations in the case of TGA inspections.</p>	Medium



Finding	Recommendation	Risk Rating
5- The systems and enabling tools for the management of SES travel are not fit-for-purpose.	<p>The Department should:</p> <ol style="list-style-type: none">1. Establish an overall mechanism to enhance recording of SES trips and pulling information from different sources into a centralised location including options for necessary investment in IT tools/modules that are needed to implement this mechanism.2. Establish a set of reports to enable better monitoring and reporting on SES travel including Year to Date (YTD) data and comparison with prior periods. These reports should also include key information and KPIs on SES travel which should be measured on regular basis and circulated to management.	Medium

We would like to thank all Departmental officers involved in this audit for their support and candour throughout the process.

1.4 Management Comments

The Department agrees with the findings to improve processes, controls and risk management. Management has already taken steps to reinforce whole-of-government and departmental policy for SES undertaking domestic travel.

1.5 Restriction of Use

This report is intended solely for use by the Department of Health, and should not be distributed to any third party without the consent of Protiviti, which will not be unreasonably withheld. This document is not to be used for any other purpose, except as required by law, without our prior express consent.



2. Background, Objective, Scope and Approach

2.1 Background

In delivering against its organisational objective, employees of the Department are required to undertake official travel, including domestic and international travel. Official travel is undertaken by employees for the purpose of transacting and advancing the Department's business. The provision of travel entitlements is in accordance with the Department's *People Strategy 2016-20*.

Official travel can include flights, accommodation, car hire and use of private vehicles. Official travel also includes payment of travel allowances which are predetermined by destination and are provided to employees who are travelling on official overnight or part-day business, and covers expenses such as accommodation, meals and incidentals.

Relevant policies, procedures and requirements include *Accountable Authority Instructions* (AAIs), *Finance Business Rules* (FBRs), and Commonwealth policies including Whole of Australian Government (WoAG) travel arrangements. Relevant WoAG RMGs issued by the Department of Finance include:

- RMG 404: *Official Domestic Travel – Use of the lowest practical fare*; and
- RMG 405: *Official International Travel – Use of the best fare of the day*.

Airfare charges are directly paid by the Department to QBT through a corporate credit card account. Other travel costs are paid by the traveller through corporate/personal credit cards and are reimbursed or prepaid through SAP.

A number of parts of the Department are involved in travel management:

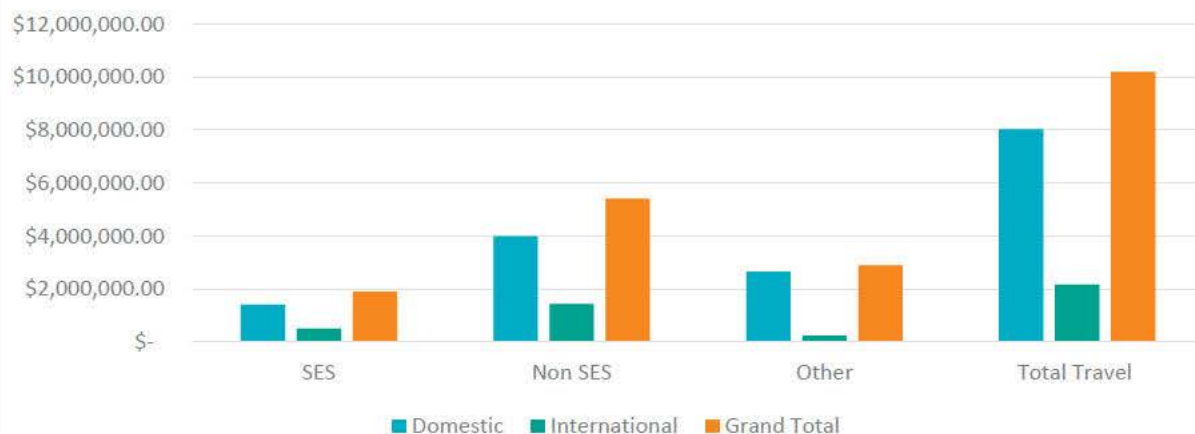
- domestic travel is administered by the Shared Services Branch under the Financial Management Division;
- international travel is managed by the International Strategies Branch under the Portfolio Strategies Division; and
- international travel related to the Therapeutic Goods Administration (TGA) is managed internally within TGA.

In 2016-17, SES travel amounted to approximately \$1.9M, representing 19% of total travel in the Department as per the below graph².

² Source: QBT extracts obtained from Shared Services Branch. This includes airfare, accommodation and QBT fees only. It does not include other travel costs such as travel allowance or incidentals.



Graph 1: SES and non SES travel in the Department in FY16-17



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2.2 Objective

The objective of this internal audit was to assess:

- the effectiveness of current arrangements for identification and management of travel risks; and
- the implementation of travel requisition, approval, disbursement and reconciliation processes related to SES travel.

2.3 Scope

The internal audit assessed:

- effectiveness of governance arrangements including defined accountabilities and roles and responsibilities for the initiation, approval and maintenance of SES travel and effectiveness of oversight and assurance activities to ensure value for money, adequacy of segregation of duties and escalation processes;
- adequacy of identification and management of key risks related to SES travel including prevention and detection controls for fraud and breaches as well as safety and reputational risks;
- delegations, including for initiation, approval and acquittal of SES travel;
- completeness and timeliness of records management for SES travel;
- accuracy of calculation of SES entitlements for domestic and international travel;
- effectiveness and timeliness of reconciliations of clearing accounts with travel vendors; and
- monitoring compliance and reporting on Key Performance Indicators (KPI's) and SES travel activities.

2.4 Scope Limitations

The scope of this internal audit did not include a review of:

- credit card control processes other than for the Department's corporate credit account used to pay for QBT charges;
- effectiveness of QBT processes or effectiveness of existing arrangements with QBT to achieve value for money;
- adequacy of IT systems or access controls expect for delegation processes;
- adequacy of controls related to portfolio agencies other than for TGA, National Industrial Chemicals Notification and Assessment Scheme (NICNAS) and Office of the Gene Technology Regulator (OGTR) which are considered part of the Department; and
- travel for committee members, non SES employees or contractors.

The assessments made during this internal audit have been provided in good faith and in the belief that such statements and opinions are not false or misleading. Protiviti has relied on information that was provided by the Department. Protiviti does not express an opinion as to whether the information supplied is accurate and no warranty of accuracy or reliability will be given. Furthermore, we have not implied and it should not be construed that we have verified all information provided to us, or that our enquiries could reveal any matter that a more extensive examination might disclose.

The Department is responsible for maintaining an effective internal control structure. The purpose of the internal audit was to assist management in discharging this obligation. Due to the inherent limitations in any internal control structure, it is possible that errors or irregularities might have occurred and have not been detected. Further, the overall control environment within which the reviewed control procedures operate has not been audited.

Please note that an internal audit is not designed to detect all weaknesses in control



procedures as the audit is not performed continuously throughout the period and the tests performed were conducted on a sample basis. Any projection of the evaluation of the control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

2.5 Approach

In conducting this internal audit we undertook the following activities:

- examined the Department's policies and procedures and other relevant information related to SES travel. This included documented risk assessments, process maps, roles and responsibilities matrix and reporting and monitoring mechanisms;
- examined previous reports and advice related to SES travel management;
- held discussions with key stakeholders to understand and document key risks and business processes related to SES travel management including where previous issues have occurred;
- developed a Risk and Control Matrix (RCM) to document and assess adequacy of key risks and existing controls in line with key compliance requirements in the Commonwealth and global best practices. We used the RCM to identify ineffective or duplicate controls and identified any areas for improvement. This RCM will be provided to the process management teams as a tool that can support future risk identification and management initiatives; and
- tested operating effectiveness of key controls and accuracy of calculation through selection of a sample of 25 trips for domestic trips, 25 trips for international travel and a further five international travel trips for TGA from the total SES trips created in FY2016-17.

In conducting this internal audit, we consulted extensively throughout the Department and we thank all participants in the audit for the time, candour and support.



3. Finding and Recommendations

3.1 Finding 1: Ineffective Controls for Requisition, Approval, Acquittal Processes for SES Travel

Extensive non-compliances were noted in travel requisition, approval, disbursement and reconciliation controls of SES travel.

Discussion

As part of this audit, we tested 25 sample of domestic and 30 international SES travel (including 5 from TGA) from the population of 1850 SES trips undertaken between July 2016 and September 2017. Our testing was designed to test compliance of the selected sample with key internal policies and RMGs requirements for travel requisition, approval, disbursement and reconciliation processes related to SES travel.

The audit did not identify instances of inappropriate SES travel. However, the results of our testing indicate significant weaknesses in controls and several non-compliance with internal policies.

The following is a summary of the key issues noted from our testing, which are expanded in the table on the following page:

Key findings from SES domestic trips include:

- Documentation supporting decisions made and evidence that selected airfares are not attached in SAP nor saved in a TRIM or shared folders.
- Approving travel was provided after initial travel had been carried out.
- Acquittals submitted after the due date.
- Travel dates in SAP inconsistent with dates in QBT reports.
- Airfares and accommodation charges in QBT report not reconciling with SAP. Executive Assistants booking SES travel were unaware how to access information to ensure that charges acquitted in the trip reconciled between the two systems.

Key findings from SES international trips include:

- Use of incorrect travel allowance rates.
- Accommodation/flight quotes not attached to the minute for approval to the Secretary.
- No justification in the minute for approval for not using the 'best fare of the day'.
- No documentation of reason(s) for not booking travel in advance.
- Travellers departed or returned more than two days outside approved travel window.
- Inconsistent exchange rates were used for accommodation and other travel expenses even when incurred on the same day.
- Inconsistencies or lack of supporting documentation for foreign exchange rates used to calculate accommodation costs.
- Travel diaries not dated or submitted after the set deadline of 21 days.
- Meals provided not accurately recorded in the travel diary.
- No approval of SAP transactions related to processing travel advance and/or acquittals submitted by the International Travel Officers (ITOs) in the Department. While such transactions are ideally supported by documentation maintained by the ITOs, such practice could result in processing of unauthorised transactions which may not be detected. It was also noted that ITOs can change the advance amounts for accommodation and exchange rates in SAP after the SES return from trip.
- Travel dates in SAP inconsistent with dates in QBT reports.



Table 1: Control Weaknesses Identified in Testing

Exception Theme/Description	Domestic Travel	International Travel	Notes
Use of wrong travel allowance rates	N/A	All sample	2016-17 rates were not updated in travel pack and as a result 2015-16 rates were used.
Lack of adequate support of accommodation and flight quotes	All sample	19 cases	No documentation maintained by Shared Services or attached in SAP to support decisions on travel arrangements. Subsequent discussions with a sample of Executive Assistants indicate that they are not aware of documentation requirements, and that documentation they may retain does not include such details. For international travel, accommodation and flight quotes were not consistently attached to the minutes sent to the Secretary for approval.
No documentation of reason(s) for not booking international travel within recommended delays	N/A	10 cases	In one of these cases, travel was approved only three business days prior to departure which may impact on trip cost and ability to obtain necessary approvals, process travel allowance, etc.
Inconsistent travel approval process	17 cases	N/A	The approval for travel was given after initial travel booking have been carried out or after return from travel.
Justification for lowest airfare	N/A	12 cases	There is no justification in the minute for approval for not using the lowest airfare available.
Traveller departed or returned more than two days outside the approved travel window	N/A	8 cases	Travellers departed or returned more than two days outside of the approved travel window.
Acquittal submitted after due date	5 cases	N/A	
Inconsistent use of exchange rates	N/A	14 cases	Inconsistent exchange rates were used for accommodation and other expenses, even when expense were incurred on the same day.
No evidence for exchange rates used in acquittals	N/A	11 cases	No evidence were provided for the exchange rates used to calculate accommodation expenses.
Travel diaries submitted after deadline	N/A	13 cases	Travel diaries were submitted after the deadline of 21 days.
Inconsistent dates of travel (SAP vs QBT)	8 cases	9 cases	Different dates of travel (Departure Date and Return Date), the dates of travel as per SAP extract (Travel Movement Requisition) provided by Shared Services are different from QBT dates (e.g. QBT will say 20-23 of June, SAP says 20-24 June). While there are legitimate reasons for this to occur, it is not expected to be a common occurrence.



Exception Theme/Description	Domestic Travel	International Travel	Notes
Inconsistent airfares cost (SAP vs QBT)	18 cases	N/A	Difference in airfare amounts between QBT details and SAP payment. Executive Assistants managing SES travel were unaware how to access information to ensure that charges acquitted in the trip reconciled between the two systems.
Inconsistent accommodation cost (SAP vs QBT)	10 cases	N/A	Difference in accommodation amounts between QBT details and SAP payment.
No workflow approval for SAP transactions initiated by the International Travel Officer	N/A	All sample	No workflow approval in SAP for travel advance and/or acquittals submitted by the ITOs in the Department and in TGA.

The Department adopts a 'voluntary' approach to report on breaches or non compliance with travel policies which relies on travellers to report cases of breaches or non-compliances that may have occurred in their travel. However, no section/branch has a clear responsibility of identification and reporting on SES travel compliance with internal or Commonwealth requirements (including specific requirements applicable to the Secretary's travel). There is also no assigned responsibilities for conducting compliance reviews to check the adequacy and completeness of documentation supporting decisions of SES travel bookings or acquittals. Given the reputational damage that could result from travel expenditure anomalies, there may be merit in consideration of such an assurance mechanism.

The root causes of some the above issues is the result of other weaknesses identified in this audit. This comprises lack of clear guidance for filing requirements of records supporting decisions for travel bookings and acquittals, lack of defined roles and responsibilities for monitoring compliance of SES travel or conducting regular reviews, inadequate identification of travel risks or mitigating controls and gaps in the recently approved *International Travel Policy*.



Risk Exposure

The risks to the Department include inappropriate use of public resources and reputational damage.

Recommendation 1

Risk Rating

Medium (Consequence: Moderate. Likelihood: Possible)

The Department should:

1. Introduce mechanisms to monitor compliance with internal and external travel requirements, including regular spot checks and SES certifications to acknowledge responsibilities in undertaking or approving travel. This will enable early monitoring and correction of exceptions or instances of non-compliances.
2. Determine key documentation required to support decisions on SES travel and explore options for electronic record keeping of such documents to be easily retrievable.
3. Establish workflow approvals for SAP transactions related to international travel.

Management Comments

Rec 1.1 – agree. The Department will develop a compliance program proportionate with the risk exposure. The Department is currently considering the development of a framework for SES to acknowledge their responsibilities for compliance with PGPA Act requirements and financial management which could include travel. Further discussions with the Executive team will be required before a final decision is made. The Shared Services Centre will investigate providing tools to SES to support them to manage and promote compliance with travel.

Rec 1.2 – agree. The Finance Business Rules will be updated to outline the requirements. This will be followed up by communications to make staff aware of the requirements. Investigations will also be undertaken to determine whether the existing travel module supports documents being attached to trip records.

Rec 1.3 – agree. A review will be undertaken to determine whether International teams continue to have SAP Travel Admin Officer access given the risks associated with this access.

Accountable Position

Agreed Completion Date

Assistant Secretary Shared Services Branch
in consultation with Chief Financial Officer
Assistant Secretary, People Strategy and
Assistant Secretary, Digital Innovation and
AHMAC.

30 June 2018

Assurance

The following will provide assurance that the risk has been managed:

- Documented approach defining the compliance monitoring of SES travel including arrangements for spot checks and SES certifications.
- Guidelines defining record keeping requirements to support SES travel decisions.
- Evidence of implementation of workflow approval for SAP transactions related to international travel.



3.2 Finding 2: Complicated and Unclear Management Arrangements for Travel Management

There are numerous parts of the Department involved in travel management with a lack of coordination or defined roles and responsibilities of the different branches involved in SES travel. This creates confusion and inconsistency in the way in which travel transactions are managed, and contributes to inconsistent application of key controls over travel transactions.

Discussion

Sections 15 and 16 of the PGPA Act require 'Accountable Authorities to establish governance arrangements for their entities that clearly set out the roles, responsibilities and accountabilities of officials. These systems and processes must help officials to determine how decisions about the use or management of public resources will affect public resources generally.'

In total, seven branches are involved in official travel in the Department including SES travel, as outlined in Table 2 below.

Table 2: Organisational Units Involved in Travel Management

Section/Branch/Division name	Involvement in official travel
Shared Services Branch / Financial Management Division.	<ul style="list-style-type: none"> Providing support for all domestic travel in the Department (including for TGA). Managing payments for travel suppliers through Diners. Conducting regular reconciliation of travel clearing accounts in SAP. Processing payments of travel advances, travel allowances and other travel expenses charged through the travel module in SAP. Following up on refund of overpaid travel advances. Managing credit card payments (which includes travel expenses).
International Engagement & Trade Section/International Strategies Branch / Portfolio Strategies Division.	<ul style="list-style-type: none"> Providing overall support for all international travel (except for TGA) including security monitoring. Designing policy for international travel³. Processing all payments related to International Travel.
International Regulatory Collaboration Section / Regulatory Engagement & Planning Branch / Regulatory Practice & Support Division / TGA.	<ul style="list-style-type: none"> Providing support for all SES International Travel in TGA⁴. Processing all payments related to International Travel.
SES Support Section /Capability Branch / People, Communication and Parliamentary Division	<ul style="list-style-type: none"> Preparation of specific SES resource policies and guidance which includes reference to SES travel entitlements⁵.
Employees Relations Section / People Branch / People, Communication and Parliamentary Division.	<ul style="list-style-type: none"> Preparation of general policies and guidelines for conducting official travel in the Department⁶ in consultation with other Branches.

³ International Travel Policy issued in September 2017.

⁴ The role also includes providing support for International Travel of Medical Inspectors in TGA.

⁵ This includes the *SES Handbook*, the *SES Remuneration & Performance Management Guidelines*, and the *Agency Determination under Subsection 24.188 of the Public Service Act 1999*.

⁶ Refer to footnote number 2.



Chief Finance Officer Branch / Financial Management Division	<ul style="list-style-type: none"> Overall responsibility of the adequacy of AALs and FBRs (including those related to travel) in line with PGPA requirements.
Work Health and Safety Section / People Branch / People, Communication and Parliamentary Division	<ul style="list-style-type: none"> Providing support for all travel in 'remote areas of Australia'.

However there is no overarching framework that connects the various activities conducted by these different sections/branches. There is also no single accountability or oversight of the end-to-end process including escalation mechanism.

The lack of clear accountability limits the Department's ability to confirm the legitimacy, accuracy and completeness of expenses for SES travel activities including inability to provide assurance that SES travel is compliant with key Commonwealth requirements.

Further, there is no documented or shared understanding of the various roles and responsibilities of the different sections/branches that are involved in SES travel, and no coordinated approach between these branches. The following are some examples:

- The preparation and ownership of corporate policies is the responsibility of the People, Communication and Parliamentary Division (PCPD). However, the Division was not formally consulted prior to the release of the International Travel Policy which was prepared by the International Strategies Branch in September 2017. The lack of coordination in that regard may also result in inconsistencies with other corporate policies or SES guidance that are issued by PCPD.
- No evidence of communication between the main sections/branches who have a direct role in processing or providing support to SES travel i.e. Shared Services, International Strategies and TGA to enable streamlining of arrangements, management of risks and support activities. Such interactions would enable identification and better management of common risks, streamlining travel processes, conducting supervisory activities or preparing consolidated reporting on SES travel.

These issues, which may be in part due to the lack of a centralised approach for managing SES travel, result in inefficiencies and inconsistencies in conducting travel activities in the Department.

Risk Exposure

Flaws in the travel management processes, or confusion from staff, increasing the likelihood of travel being undertaken which is not value-for-money, or is inappropriate.

The structural arrangements are inefficient, resulting in excess cost being incurred in travel management.

Recommendation 2

Risk Rating

Medium (Consequence: Moderate. Likelihood: Possible)

The Department should define and refine the structural allocation of roles and responsibilities for different parts of travel management, including allocating overall accountability to a single SES officer. Consideration should also be given to streamlining the number of separate teams involved in the management of SES travel.

Management Comments



Recommendation 2

Agree. The Department will undertake a review of the most appropriate structure for managing travel. This will allow clear roles and responsibilities to be documented for each area.

Accountable Position	Agreed Completion Date
Assistant Secretary Shared Services Branch in consultation with People, Communication and Parliamentary Division	30 June 2018.

Assurance

The following will provide assurance that the risk has been managed:

- Documented arrangements defining roles and responsibilities of each section/branch involved in SES travel and the overall accountable SES.

3.3 Finding 3: Reconciliations of Travel Clearing Accounts and Travel Vendor Accounts are Not Being Performed

A key financial control over travel expense management, being reconciliations of travel clearing accounts and travel vendor accounts are not being performed.

Discussion

It is our understanding that Shared Services Branch is expected to perform key supervisory activities including regular reconciliations of travel clearing accounts and travel vendor accounts such as QBT, AOT Group and Diners credit account. However, these reconciliations have not been completed for the year under review. Shared Services indicated that this was due to lack of resources and limitations of the Department's IT systems to interface with data received from travel vendors.

As a result, there is about 20 thousand transactions that are pending in the travel clearing accounts in SAP.

Shared Services Branch is currently undertaking a project to review the IT processes of reconciling travel clearing accounts. This project includes:

- Utilising a business analyst to identify areas to streamline manipulation of data feeds from Diners to be entered into SAP clearing accounts;
- A comparison of SAP and QBT profiles to identify if there are significant variations that are causing issues with the data received from Diners and requiring manual adjustment prior to be entered into SAP; and
- A review of 2016-17 data that did not manually clear to inform the development of strategy to improve the accuracy and acquittal of information in the travel module by travellers.

Shared Services Branch has also indicated that an Excel based tool is being developed to enable conversion of data feed and better analysis of unmatched airfare charges. However, there are no defined dates for completion of this task or the timeframe to analyse the potentially significant number of transactions with discrepancies or incomplete data and causes for such discrepancies.



Risk Exposure

There is an inability to identify or investigate inaccurate or unauthorised travel costs and may also impact the presentation of the Department's financial statements.

Recommendation 3

Risk Rating

Medium (Consequence: Minor. Likelihood: Likely)

The Department should:

1. Introduce a requirement for travel account reconciliations to be undertaken monthly. If this requires changes to data feeds to support the reconciliation process, these should be implemented.
2. Establish a road map for the completion of tasks that are currently in progress by Shared Services in relation to conducting the necessary reconciliation of the travel clearing accounts and vendors' accounts. The map should include key tasks with target dates, responsibilities and expected output.

Management Comments

Agree. There is already a requirement for the travel account reconciliations to be undertaken monthly. The manual nature of the task and the volume of trips included have meant that this task is not being completed and a large backlog exists. The Shared Service Centre has utilised a business analyst to review the process to understand the issues and take steps towards developing a process that is manageable within current resources. The work undertaken to date has highlighted the issues with the current design of the travel module but also a need to invest in training and support to improve the data entered by or on behalf of the traveller.

Accountable Position

Agreed Completion Date

Director, Shared Services Centre – Finance

31 March 2018.

Assurance

The following will provide assurance that the risk has been managed:

- Action plan defining the required supervisory activities for SES travel including the monthly reconciliations of travel clearing accounts and evidence of completion.
- Road map with planned completion dates of the main tasks that are currently in progress by Shared Services to enable completion of regular reconciliation of travel clearing accounts.

3.4 Finding 4: Gaps and Inconsistencies in Policies, Procedures and Rules for SES Travel

There is no clear guidance for processing SES travel.

Discussion

The audit found that current policies and procedures for official travel in the Department are either not clearly applicable to SES or are not in sync with SES guidance. The following are examples in this regard.



- There are three main resources for SES entitlements⁷, however, there is no specific policy or guidance on processing SES travel as current SES resources include brief reference on travel entitlements only.
- The Department has variety of policies and procedures for official travel⁸, however, these documents do not include clear reference that they are applicable to SES travel. For example, the '*Travelling on official business policy*' covers APS and Executive Level (EL) staff under the conditions of the *Enterprise Agreement* without reference to SES. This may result in inconsistencies or confusion in the application of such policies to SES travel.
- There is also no evidence that SES are compliant with key WHS requirements when conducting domestic official travel to remote or unsafe locations. Our interviews with a sample of EAs indicated that they were not aware of the Department's *Guidelines for Safe Travel in Remote Areas of Australia* or did not fully understand the mandatory requirements in that regard.
- For the year under review, we noted a misalignment between the *SES Handbook* and the Department's *FBRs*. Section 43 of the *Handbook* indicated that 'SES employees may fly business class if they have an entitlement or have the need through a business case. However for flights of short duration (e.g. under one hour), SES employees are encouraged to book at economy or other lower cost fare options'. However, *FBR 2.4 Official travel - domestic* indicated that 'all air travel is required to be the lowest practical fare (LPF) in economy class, unless there is a documented business case or entitlement to travel outside these guidelines'. Such misalignment results in confusion about the SES entitlements for travel class.
- Up until the start of the internal audit, there was no policy for international travel in the Department. In September 2017, the *International Travel Policy* was released. Our review of this policy highlighted a number of gaps such as:
 - there is no clear reference on the basis and use of foreign exchange rates to calculate travel advances prior to travel or reimbursement of travel expenses in acquittals;
 - no determination of minimum acceptable delays for initiating and processing travel requests for SES travel; and
 - no information or determination of minimum documentation that should be provided when sending travel requests to the Secretary for approval.

The audit notes that a revised version of the *SES Handbook* was released in early November 2017 and is more aligned with *FBR 2.4* including removal of reference to SES entitlements to travel allowance for domestic travel. In addition, it is our understanding that issues related to the *International Travel Policy* are currently being addressed, among other modifications, in a planned revision of this policy.

Risk Exposure

The overall risks to the Department are the inability to confirm compliance with key

⁷ These include the *SES Handbook* (the *Handbook*), the *SES Remuneration & Performance Management Guidelines*, and the *Agency Determination* under Subsection 24.188 of the *Public Service Act 1999*.

⁸ These include the seven steps guide on '*How to Book Travel*', *AAI 2.4 Official Travel*, *FBR 2.4 Official travel – domestic*; *FBR 2.5 Official travel - overseas*, *Guideline for safe travel in remote areas of Australia* including specific forms, templates and checklists attachments, *Travelling on official business policy* (for Non-SES Staff).



requirements in the Commonwealth in relation to SES travel which in turn could result in inappropriate use of public resources and/or reputational damage for the Department.

Recommendation 4

Risk Rating

Medium (Consequence: Minor. Likelihood: Possible)

The Department should update/define its internal policies and procedures to include clear reference on the key requirements applicable to SES travel including definition of minimum documentation and filing requirements needed to support decisions on SES travel. This should allow for any additional requirements at Divisional level such as specific risk assessments for travelling to high risk destinations in the case of TGA inspections.

Management Comments

Agree.

Accountable Position

Agreed Completion Date

Assistant Secretary Shared Services Branch

30 June 2018

Assurance

The following will provide assurance that the risk has been managed:

- Revised/new policy including key requirements for processing SES travel.

3.5 Finding 5: Enabling Tools

The systems and enabling tools for the management of SES travel are not fit-for-purpose.

Discussion

The main system for recording travel in the Department is SAP. However, there are also parallel systems (e.g. Travel Pack, and Excel databases) that are being used to record or report on official travel which are not connected to SAP. The relationship and matching of data between these systems and SAP is not documented and in all consultations in this internal audit it was noted that SAP is not the single source of truth for extracting data on travel. As a result, there is no central repository of travel data in the Department and no complete picture of SES travel costs.

A consequence of this is that reporting is done based on manual compilation of information and reports are not comprehensive, nor extensive in terms of inclusion of anything more than transactional data (for example no key performance indicator or exception reporting). This issue was noted during the planning of the audit as there were no available data or information on SES travel in for the period under review.

In addition, discussions with key stakeholders indicated that there are 'systemic weaknesses' in IT systems used in the Department including:

- bookings on the QBT systems can be made without a trip number or approval;
- the process to reconcile what has been booked and paid for with what has been entered and approved in SAP is manual, resource intensive and there is considerable delays in detecting issues (at least two months after the payment for the costs);
- the system does not support the traveller to ensure that the full costs of the travel has been acquitted.



Our understanding is that no action has been undertaken to resolve these issues. To take this forward, a full assessment of the requirements and risks associated with travel would need to be undertaken and options for adequate IT tools should be developed. Once adequate enabling tools are implemented, further complex reporting including data mining, trend analysis and data analytics on SES travel can be implemented.

Risk Exposure

Risks to the Department include inefficiencies due to using multiple systems as well as inadequate recording of travel expenses, wrong or unauthorised use of public resources and reputational damage.

The Department's external reporting on travel such as to Senate Estimate may be inaccurate or distorted because such reports are prepared manually based on data from external resources parallel systems.

Recommendation 5

Risk Rating

Medium (Consequence: Minor, Likelihood: Possible)

The Department should:

1. Establish an overall mechanism to enhance recording of SES trips and pulling information from different sources into a centralised location including options for necessary investment in IT tools/modules that are needed to implement this mechanism.
2. Establish a set of reports to enable better monitoring and reporting on SES travel including actual data and comparison with prior periods. These reports should also include key information and KPIs on SES travel which should be measured on regular basis and circulated to management.

Management Comments

Agree. Shared Services Branch is currently undertaking an extensive project to map current processes, examine system alignment and enhancements, including identifying compliance improvements which will inform investment options. A reporting template will be developed which will form part of a broader framework being developed for performance reporting on shared services, and will be agreed by the First Assistant Secretary, Financial Management Division.

Accountable Position

Agreed Completion Date

Assistant Secretary Shared Services Branch

30 June 2018

Assurance

The following will provide assurance that the risk has been managed:

- Documented process (e.g. process map) to centralise data on SES travel.
- Approved template for the travel monitoring reports including agreed KPIs.



Attachment A: Risk Rating Definitions

This internal audit report includes a range of findings and observations. The risk exposure of these findings and observations have been identified based on the internal audit work performed. A risk rating associated with the findings has been determined based on an assessment of the consequence and likelihood of the related risk exposure of the finding. We have used the Department Risk Assessment Matrix at Diagram 3.

Opportunities have been identified to address each finding / observation. Diagram 4 provides an outline of the expected management response to, and monitoring of, recommendations. This has also been taken from the Department's Risk Management Framework.

Diagram 3: Risk Assessment Matrix

Australian Government Department of Health			RISK ASSESSMENT MATRIX				
Date Approved:			Likelihood				
			Rare	Unlikely	Possible	Likely	Almost Certain
General description of Consequences			Exceptional circumstances only	Not expected to occur	Could occur at some time	Will probably occur in most circumstances	Expected in most circumstances
Consequence	Would stop achievement of functional goals/objectives	Severe	High	High	Extreme	Extreme	Extreme
	Would threaten functional goals/objective(s)	Major	Medium	Medium	High	High	Extreme
	Requires significant adjustment to overall function to achieve objective(s)	Moderate	Medium	Medium	Medium	High	High
	Would threaten an element of the function and would require some adjustment to achieve objective(s)	Minor	Low	Medium	Medium	Medium	High
	Lower consequence to achievement of objectives	Insignificant	Low	Low	Low	Medium	Medium

Diagram 4: Transparency and accountability requirements

Rating	Risk Tolerance Table – Action Required
Extreme	Must be given immediate senior management attention. Risk assessment and approved plan, including treatments, must be undertaken.
High	Must have considerable management attention to reduce risk to as low as reasonably possible. Risk assessment and approved plan, including treatments, must be undertaken.
Medium	Risk should be managed and monitored. Risk assessment and approved plan required. If controls are working effectively then additional treatments are optional.
Low	Risk should be managed and risk and controls monitored.