
Appendix two – About the audit

Audit objective

This audit assessed the effectiveness of credit card management practices in six councils.

Audit criteria

We addressed the audit objective by answering the following questions:

1. Do councils have an effective governance framework for credit cards including but not limited to:
 - clear criteria for eligibility to hold a credit card
 - clearly defined roles and responsibilities relating to credit card use and management
 - defined delegation limits and restrictions on use
 - clear requirements for approval, acquittal, authorisation of expenditure, reconciliation of transactions and segregation of duties?
2. Do councils have effective controls to prevent and detect misuse within its credit card management framework?
3. Do councils effectively educate their staff on credit card use and management?
4. Do councils have effective record keeping?

Audit scope and focus

In assessing the criteria, the audit focused on the period 1 July 2016 to 30 June 2019.

Based on the number of credit cards issued or the number of transactions per credit card issued, six councils that were among the top ten users of credit cards within their geographical classification were selected. They were:

- Dubbo Regional Council (regional)
- Junee Shire Council (rural)
- Lane Cove Council (metropolitan)
- Nambucca Valley Council (rural)
- Penrith City Council (metropolitan)
- Shellharbour City Council (regional).

The audit focused on assessing these councils' credit card management frameworks and analysing their credit card transactions.

The term 'credit cards' includes:

- credit and debit cards issued by financial institutions
- vendor cards (e.g. store cards, fuel cards and Cabcharge FASTCARDS)
- credit vouchers (e.g. Cabcharge eTickets).

Audit exclusions

The audit did not:

- conduct analytics of total-sector credit card transactions
- assess expenditure decisions and the choice of using credit cards as the method of payment
- question the merits of government policy objectives.

Audit approach

Our procedures included:

1. interviewing staff at councils included in the audit
2. consulting with relevant stakeholders
3. examining documents related to credit card management:
 - credit card policies and procedures
 - expenses and financial delegation policy
 - register of credit card holders
 - reconciliation systems
 - records of monitoring and controls
 - internal audit reports
 - records of relevant training activities.
4. analysing credit card transactions.

The audit approach was complemented by quality assurance processes within the Audit Office to ensure compliance with professional standards.

Audit methodology

Our performance audit methodology is designed to satisfy Australian Audit Standard ASAE 3500 Performance Engagements and other professional standards. The standards require the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. Our processes have also been designed to comply with requirements specified in the *Public Finance and Audit Act 1983* and the *Local Government Act 1993*.

Acknowledgements

We gratefully acknowledge the co-operation and assistance provided by staff at the six audited councils.

Audit cost

The audit cost is \$611,000 including travel and expenses.