

**EXAMINATION OF THE AUDITOR-GENERAL'S  
PERFORMANCE AUDIT REPORTS SEPTEMBER  
2013 – JULY 2014**

**Organisation:** Department of Finance, Services and Innovation

**Date Received:** 4 September 2015



**Office of the Secretary**

Mr Bruce Notley-Smith MP  
Chair  
Legislative Assembly Public Accounts Committee  
Parliament of New South Wales  
Macquarie Street  
SYDNEY NSW 2000

Ref EXEC15/187

Dear Mr Notley-Smith

***Auditor-General's Report on the use of purchasing cards and electronic payment methods***

I refer to your letter to the Secretary of the Treasury requesting a submission to the Legislative Assembly Public Accounts Committee outlining the government's response to the Auditor-General's *Report on the use of purchasing cards and electronic payment methods*.

The Department of Finance, Services and Innovation (DFSI) is responsible for overseeing implementation of the government's response to the Auditor-General's report. Accordingly, the Secretary of the Treasury referred your letter to DFSI for response.

The Department's response is attached.

Yours sincerely

**Martin Hoffman**  
Secretary

4/9/15.

**SUBMISSION TO LEGISLATIVE ASSEMBLY PUBLIC ACCOUNTS COMMITTEE**

**IMPLEMENTATION OF ACTIONS IN RESPONSE TO AUDITOR GENERAL REPORT – *USE OF PURCHASING CARDS AND ELECTRONIC PAYMENT METHODS***

RECOMMENDATION	ACCEPTED/REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS and COMMENT	RESPONSIBILITY
1. Set adoption targets for PCards and EFTs based on delivering best value for money, and support these with a benefit realisation program that identifies potential savings, timeframes and priority areas by December 2014	Accepted.	a) All principal departments will, by September 2014, report to the NSW Procurement Board on proposed targets or high-level milestones for increasing the use of PCards and other electronic payment methods.	Sept 2014	Completed.	Clusters
		b) All principal departments will, by December 2014, report to the NSW Procurement Board on their implementation plans (including benefits realisation) for achieving targets and milestones.	Dec 2014	Completed.	Clusters  Department of Finance and Services (DFSI) to coordinate advice to the NSW Procurement Board
2. Define the roles and responsibilities for the PCard program at cluster and agency levels by December 2014	Accepted.	a) All principal departments will, by September 2014, have determined their governance arrangements, including nomination of their senior responsible owner and implementation lead within the cluster.	Sept 2014	Completed.	Clusters
		b) All principal departments will, by December 2014, report to the NSW Procurement Board on their program structure including roles & responsibilities.	Dec 2014	Information on program structures will be reported to the Board as part of the first implementation progress report to the Board (due final quarter 2015).	Clusters.  DFSI to coordinate advice to the NSW Procurement Board



RECOMMENDATION	ACCEPTED/REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS and COMMENT	RESPONSIBILITY
3. Revise policies and procedures to reflect the requirements of the PCard policy in line with Treasury's guidance by December 2014.	Accepted.	a) All principal departments will, by December 2014, report to the NSW Procurement Board on their revision of policies and procedures.	Dec 2014	<p>Part completed. Clusters have identified applicable purchasing expenditure for PCards, and set targets and milestones in accordance with government policy, which have been reported to the NSW Procurement Board.</p> <p>Treasury is updating and streamlining financial management guidance in relation to credit cards. It is expected that this guidance will replace the current Credit Card Use Best Practice Guide (TPP 05-01) by end 2015.</p>	<p>Clusters. DFSI to coordinate advice to the NSW Procurement Board</p> <p>Treasury to replace Credit Card Use Best Practice Guide (TPP 05-01)</p>
4. Monitor progress against targets and report progress and savings to Treasury annually.	Accepted.	<p>a) All principal departments will, from September 2014, begin to monitor progress against targets/high-level milestones, noting that, for some clusters, implementation plans will not be in place until the end of 2014.</p> <p>b) All principal departments will, by December 2014, report to the NSW Procurement Board on their implementation plans.</p> <p>c) All principal departments will report annually on implementation progress (including savings) through existing whole-of-government expenditure review processes.</p>	<p>Sept 2014</p> <p>Dec 2014</p> <p>Ongoing</p>	<p>Ongoing.</p> <p>Completed.</p> <p>Ongoing. First implementation progress report due Q4 2015.</p>	<p>Clusters</p> <p>Clusters</p> <p>Clusters. DFSI to coordinate advice to the NSW Procurement Board</p>

RECOMMENDATION	ACCEPTED/REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS and COMMENT	RESPONSIBILITY
5. Improve data capture and analysis through better use of enabling technologies and bank's data.	Accepted.	a) All principal departments will, by December 2014, improve data extraction from source systems to enable their own payment analysis and assist further whole-of-government or advanced cluster analysis.	Dec 2014	Completed.  In consultation with Westpac and clusters, DFSI has developed a quarterly report on PCard, cheque and EFT transactions by cluster and agency. The report is used to monitor and report cluster and agency progress against targets and milestones.	Clusters  DFSI to coordinate advice to the NSW Procurement Board

RECOMMENDATION	ACCEPTED/REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS and COMMENT	RESPONSIBILITY
6. implement a framework for monitoring and reporting progress and savings for the PCard program by December 2014.	Accepted.	a) The NSW Procurement Board (comprising all cluster secretaries) will oversee and drive whole-of-government progress in implementing purchasing card reforms.	Ongoing	Ongoing.	NSW Procurement Board
		b) All principal departments will report annually on implementation progress (including savings) through existing whole-of-government expenditure review processes.	Ongoing	Ongoing. First implementation progress report due Q4 2015	Clusters
		c) DFSI will, by December 2014, implement a standard framework for monitoring and reporting progress on the PCard Program to support the Procurement Board and the existing whole-of-government expenditure review processes.	Dec 2014	Completed.	DFSI
7. abolish the six-monthly reporting on credit card use and use the bank's data to monitor trends and issues for action.	Accepted.	a) Treasury intends to revamp the six-monthly reporting procedure on credit card use to ensure it better satisfies both anti-fraud requirements as well as supporting greater use of electronic payment forms. Updated reporting to be implemented for Q2 2015 reporting.	Q2 2015	Completed. The six-monthly reporting on credit card use has been abolished given the introduction of the reporting arrangement outlined at recommendation 5.	Treasury/DFSI



RECOMMENDATION	ACCEPTED/REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS and COMMENT	RESPONSIBILITY
8. clarify the PCard program roles and responsibilities within Treasury, and between stakeholder agencies by August 2014.	Accepted.	<p>PCard roles and responsibilities have been clarified as follows:</p> <ul style="list-style-type: none"> <li>a) Principal departments are responsible for increasing use of PCards and other electronic payment methods, including development of targets and implementation plans.</li> <li>a) The Government has tasked the NSW Procurement Board (comprising all cluster secretaries) with overseeing and driving whole-of-government progress in implementing PCard and other electronic payment reforms. Secretariat to the NSW Procurement Board will be DFSI.</li> <li>b) DFSI will assist and guide principal departments in increasing the use of PCards and other electronic payment methods, including undertaking a project to embed the use of such methods across priority categories of expenditure in the Office by November 2014.</li> <li>c) The Corporate &amp; Shared Services Reform Steering Committee, which comprises Corporate and Shared Services Reform senior executives, will be the vehicle for engaging with clusters. Designated senior responsible owners will drive internal reforms within their own clusters.</li> <li>d) Principal departments will report annually on progress through existing whole-of-government expenditure review processes.</li> </ul>		Completed/ongoing	DFSI

RECOMMENDATION	ACCEPTED/REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS and COMMENT	RESPONSIBILITY
9. finalise the credit card guidance by August 2014.	Accepted in principle, subject to timing.	DFSI and Treasury will develop credit/PCard guidance for agencies, including financial management requirements, by November 2014.	Nov 2014	<p>Completed in part.</p> <p>DFSI provided guidance to agencies for the purposes of identifying applicable purchasing expenditure for PCards and developing targets and implementation plans. A circular replacing TC 11/15 <i>NSW Government Policy on Efficient Electronic Payment Methods</i> is expected to be issued shortly.</p> <p>Treasury is updating and streamlining financial management guidance in relation to credit cards. It is expected that this guidance will replace the current Credit Card Use Best Practice Guide (TPP 05-01) by end 2015.</p>	DFSI/Treasury



RECOMMENDATION	ACCEPTED/REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS and COMMENT	RESPONSIBILITY
10. consider providing additional incentives to clusters to reward good performance, namely re-allocating the bank rebates to clusters.	Accepted.	Through the NSW Procurement Board, Treasury will report to the Government by October 2014 on the benefits of distributing to clusters the electronic payment rebate received by the Crown from Westpac as an incentive to support the PCard reform program, noting that the value of the rebate is currently low but should grow over time with greater use of PCards.	Oct 2014	Ongoing.  The current volume of the electronic payment rebate is too low to justify reallocation to agencies. The total rebate received by the Crown from Westpac for the period 1 April 2014-31 March 2015 was \$471,978.87. Further assessment of the incentive scheme will be undertaken following increased uptake of PCards. Treasury notes this will need to consider mechanisms to achieve equitable redistribution across agencies and central monitoring and reporting responsibility.	Treasury.  DFSI will coordinate advice to the NSW Procurement Board.

RECOMMENDATION	ACCEPTED/REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS and COMMENT	RESPONSIBILITY
11. define the data to be provided by the bank to Treasury, clusters and agencies by August 2014.	Accepted.	a) DFSI will work with Westpac to clarify the various data sources available to Government and review suitability for use. Advice will be provided to the NSW Procurement Board by September 2014. b) DFSI will establish a schedule for any on-going regular data transfers which could assist the monitoring of progress on the PCard reform to strengthen governance and reduce workload for clusters.		Completed. See recommendation 5.	DFSI
12. assist clusters to develop benefit realisation programs, focusing on clusters with the highest potential, in line with Treasury requirements by August 2014.	Accepted.	a) DFSI will assist and guide principal departments in increasing the use of PCards and other electronic payment methods, including their development of implementation plans.		Ongoing.	DFSI
13. develop whole-of-government standards for downloading data from the bank and from corporate and shared services by December 2014.	Accepted.	a) The Office of Finance and Services will develop relevant guidelines and standards by December 2014.		Completed. See recommendation 5.	DFSI