



# Review of WoAG Travel Arrangements

## **Final Report**

2017-18 MIR #11

**Department of Finance**

**May 2019**

[kpmg.com.au](http://kpmg.com.au)

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# Executive summary

## Background

The Department of Finance (Finance) administers the Whole of Australian Government (WoAG) Travel Arrangements, which encompass negotiated agreements for travel management services, s22 accommodation program management, s22

The agreements include all rates and applicable fees (including but not limited to rates/fares, transaction fees, administration fees, penalties) to be charged. s22 Bookings for accommodation s22 may be made through QBT or directly with the relevant providers. s22

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KPMG was requested to review the current management arrangements in place for monitoring the travel arrangement compliance and to undertake testing (including using data analytic techniques) to validate the application of the new arrangements.

## Audit Objective

This audit reviewed and tested the compliance of providers with particular contractual obligations and analysed the extent of credit card leakage.

## Audit Scope

The scope of this engagement was to review the current management arrangements and processes in place to monitor service provider compliance with agreements and test the following:

- QBT – check whether fees charged have been in accordance with contracted deeds;
- AOT – check a sample of transactions that used contracted rates to test if the rates paid were consistent with the contracted rates;



### Audit Scope (continued)

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## Observations Summary

- The review of the QBT management arrangements and processes implemented to oversee and monitor provider compliance has identified that current processes in place are appropriate. A Business Improvement recommendation has been raised to obtain data which will enable the WoAG team to improve accountability and mitigate risks of non-compliance.

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- Testing of AOT accommodation s22 has identified potential benchmarks and associated methodologies for testing accommodation expenditure s22, which can be used to evaluate these in future to identify and quantify improvement.

### Sign-off

s47F

Partner  
KPMG

Anne Collins  
Assistant Secretary  
Department of Finance

### Engagement Team

s47F

### Principal Stakeholders

Anne Collins,  
Assistant Secretary,  
Procurement  
Management Branch,  
Commercial and  
Government Services  
s22, Director  
– WOAG Travel,  
Procurement  
Management Branch,  
Commercial and  
Government Services

# Summary of Recommendations

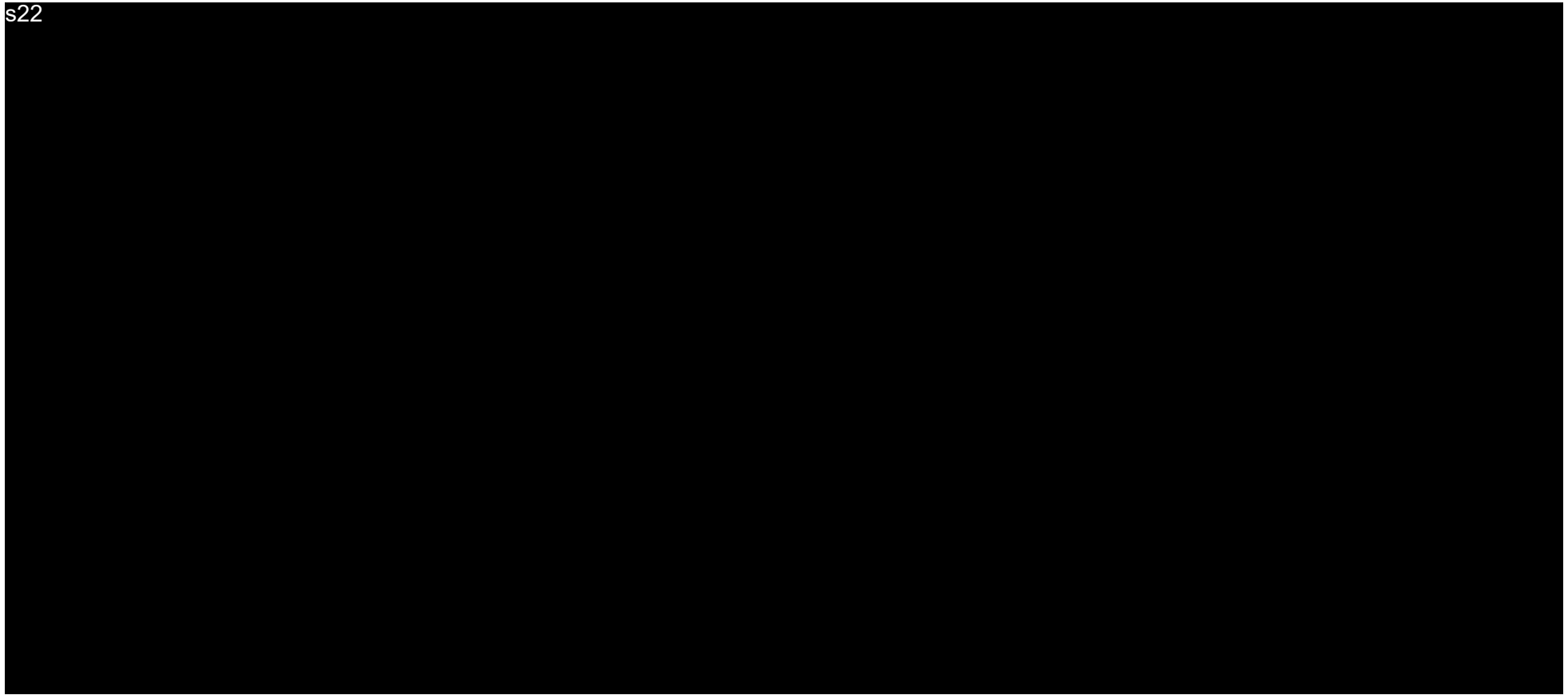
Ref	Description	Management Response and Proposed Action	Expected completion date	Rating
<p>1.1</p>	<p><b>Obtain Data to Improve Accountability</b></p> <ul style="list-style-type: none"> <li>Internal Audit has identified a lack of timing data in relation to amendments and commissions/reported overrides.</li> <li>The risk of service provider non-compliance regarding timing of amendments to bookings can be mitigated by obtaining data containing the following fields:                             <ul style="list-style-type: none"> <li>TMC Reference of the amendment;</li> <li>Date of amendment;</li> <li>Original booking date;</li> <li>Departure date;</li> <li>Ticket class; and</li> <li>Original ticket number and flight number being amended.</li> </ul> </li> <li>The risk of the service provider non-compliance regarding commissions and reported overrides can be mitigated by obtaining a non-QBT source of commission and override data. Internal Audit recommends that Finance investigate the possibility of obtaining this with consideration to their risk appetite.</li> </ul>	<p><b>Response:</b> Accepted</p> <p><b>Accountable Officer:</b> Director, WoAG Travel</p> <p><b>Proposed Action:</b></p> <ol style="list-style-type: none"> <li>Finance <b>accepts</b> the Auditor’s Business Improvement Recommendation. Discussions to obtain the recommended additional data have commenced.</li> <li>Finance <b>accepts</b> the Auditor’s Business Improvement Recommendation. Finance will examine the market to determine if an appropriately qualified external party can be engaged to undertake the recommended analysis.</li> </ol>	<ol style="list-style-type: none"> <li><b>30 September 2019</b> (subject to outcomes of Finance’s discussions and scoping with service provider)</li> <li><b>30 September 2019</b> (subject to outcomes of Finance’s discussions and scoping with service provider)</li> </ol>	<p><b>BIR</b></p>

**Business Improvement Recommendation (BIR) Definition**

Arises where the reviewer considers the recommendation, if implemented, would result in a benefit accruing to the organisation (for example through more efficient and cost-effective processes or a reduction of expenditure or increase in revenue).

# Summary of Recommendations

s22



**Business Improvement Recommendation (BIR) Definition**

Arises where the reviewer considers the recommendation, if implemented, would result in a benefit accruing to the organisation (for example through more efficient and cost-effective processes or a reduction of expenditure or increase in revenue).



# Summary of Recommendations

Ref	Description	Management Response and Proposed Action	Expected completion date	Rating
3.1	<p><b>Obtain Data to Improve Transparency of Room rates</b></p> <ul style="list-style-type: none"> <li>Internal Audit has an opportunity to further analyze the data received from AOT pending the addition of further information. Currently the data received only states the length of stay (number of nights), the total cost and the average cost per night.</li> <li>Adding the cost of each individual night stayed and specifying the room rates for all rooms in a booking would allow a deeper analysis of whether the agreed rates were being charged.</li> </ul>	<p><b>Response:</b> Noted. However, this BIR creates complications that need to be discussed with the service provider.</p> <p><b>Accountable Officer:</b> Director, WoAG Travel</p> <p><b>Proposed Action:</b> For multi-night domestic accommodation reservations booked with AOT, the reported per-night cost is an average of each nightly rate. For example:</p> <p>Night One: \$150 Night Two: \$180 Night Three: \$225</p> <p><b>Reported Nightly Average: \$185</b></p> <p>There is a material quantity of single night accommodation reservations to facilitate analysis of the application of AOT’s contracted rates. KMPG have acknowledged this in the body of the report (page 10 refers).</p>	30 March 2020	BIR

**Business Improvement Recommendation (BIR) Definition**

Arises where the reviewer considers the recommendation, if implemented, would result in a benefit accruing to the organisation (for example through more efficient and cost-effective processes or a reduction of expenditure or increase in revenue).

# Summary of Recommendations

Ref	Description	Management Response and Proposed Action	Expected completion date	Rating
3.1	<p><b>Obtain Data to Improve Transparency of Room rates</b></p> <ul style="list-style-type: none"> <li>Internal Audit has an opportunity to further analyze the data received from AOT pending the addition of further information. Currently the data received only states the length of stay (number of nights), the total cost and the average cost per night.</li> <li>Adding the cost of each individual night stayed and specifying the room rates for all rooms in a booking would allow a deeper analysis of whether the agreed rates were being charged.</li> </ul>	<p><b>Proposed Action (continued):</b></p> <p>Resultant actions to be determined subject to outcomes of Finance’s discussions and scoping with service provider. It is noted that negotiated rates are not the Commonwealth’s as inferred by the Auditor, but rather belong to AOT. Moreover, the pricing of inventory contracted by AOT for the Australian Government is hard-coded in AOT’s systems and is automatically applied to bookings based on the traveller’s accommodation requirements (i.e. location, number of room nights, required amenity).</p> <p>WoAG Travel’s discussions with AOT in relation to this recommendation has identified complications with expanding the data to include the room rate charged for each night stayed as:</p> <ul style="list-style-type: none"> <li>Data would also need to include an additional column for each the rate code applied for each night as each night/multiple nights may be subject to different conditions/inclusions and/or may even be off contract rate due to allotment availability</li> <li>Long stay accommodation bookings (of up to 12 months in duration) require special consideration.</li> </ul> <p>WoAG Travel will examine the inclusion of data for bookings up to five nights in duration, which represents approximately 96% of bookings.</p>	30 March 2020	BIR

**Business Improvement Recommendation (BIR) Definition**

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# Summary of Recommendations

Ref	Description	Management Response and Proposed Action	Expected completion date	Rating
3.2	<p><b>Request more detailed data from AOT</b></p> <ul style="list-style-type: none"> <li>Internal Audit has an opportunity to further analyze the data received from AOT pending the addition of further information. Currently the data received has limitations due to the Hotel names and/or the room types not matching exactly in each data set</li> <li>AOT to reporting to include supplier code and room code.</li> <li>AOT could also audit their systems to ensure exact matches in room name and room type to allow more comprehensive future analysis.</li> </ul>	<p><b>Response:</b> Accepted.</p> <p><b>Accountable Officer:</b> Director, WoAG Travel</p> <p><b>Proposed Action:</b> Discussions with AOT have commenced in relation to adding these additional two columns. WoAG Travel needs to exercise caution in using this additional data for multi-night bookings as the rate code may only apply to the first night's accommodation and the same code may not apply for each subsequent night's accommodation charge.</p> <p>WoAG Travel sees value in adding the AOT Contracting team's unique hotel code to the existing data set as it may assist in future checks against allotments, but we need to validate the mechanics of this process with AOT.</p>	30 December 2019	BIR

**Business Improvement Recommendation (BIR) Definition**

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# Summary of Recommendations

Ref	Description	Management Response and Proposed Action	Expected completion date	Rating
<p>3.3</p>	<p><b>Multiple GOVT room rates for the same room type</b></p> <ul style="list-style-type: none"> <li>Internal audit identified 68 hotels using multiple GOVT codes for the same room type.</li> <li>AOT to conduct audit to ensure that each room type classified as a GOVT rate has only a single 'Option' code associated to it.</li> </ul>	<p><b>Response:</b> Noted.</p> <p><b>Accountable Officer:</b> Director, WoAG Travel</p> <p><b>Proposed Action:</b> This outcome is plausible. A multitude of room rates (and conditions) form part of AOT's suite of contracted rates.</p> <p>AOT forms contracts with accommodation providers to supply inventory to meet the Australian Government's needs. Contracted inventory from a single property can contain different terms and conditions, for example: validity periods, hand-back provisions, standard inclusions. For many properties, a single, uniform government rate is not supplied. Therefore, no further action by Finance is required for this recommendation.</p>	<p>Not applicable</p>	<p><b>BIR</b></p>

**Business Improvement Recommendation (BIR) Definition**

Arises where the reviewer considers the recommendation, if implemented, would result in a benefit accruing to the organisation (for example through more efficient and cost-effective processes or a reduction of expenditure or increase in revenue).

# Summary of Recommendations

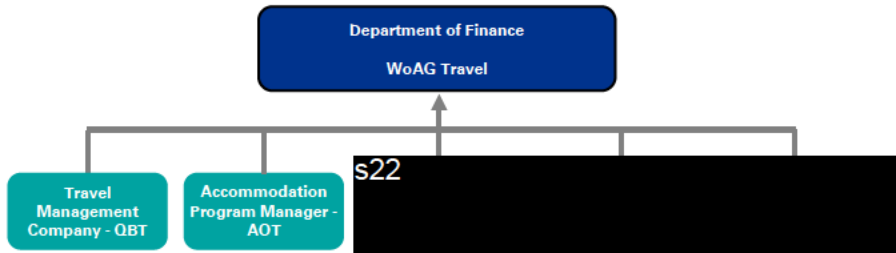
Ref	Description	Management Response and Proposed Action	Expected completion date	Rating
3.4	<p><b>AOT to audit the exceptions identified in the data sets</b></p> <ul style="list-style-type: none"> <li>The room rates charged on 1,816 (13.68%) of the audited bookings were greater than the contracted hotel rates for the room type at the specific hotel. Of these there were 536 booking where the room rate charged was in excess of 10% higher than the contracted GOVT rate.</li> <li>Provide the finding to AOT and request feedback on each of the 536 bookings.</li> </ul>	<p><b>Response:</b> Noted.</p> <p><b>Accountable Officer:</b> Director, WoAG Travel</p> <p><b>Proposed Action:</b></p> <p>Finance does not believe that this finding is indicative of broad non-compliance with the application of contracted rates. It is plausible that the variation can be attributed to the exhaustion of contracted allotments and/or reporting of pass-through expenses such as food and beverage, parking, laundry or Wi-Fi.</p> <p>Nonetheless, in order to validate its understanding Finance will commence an investigation of a sub-set of the 536 bookings identified by the Audit. Analysis of the entire catalogue of 536 bookings will be undertaken if material issues are identified in the sample transactions.</p> <p>AOT has automated the allocation of its inventory and charging of the applicable rate selected by the travel booker. Once an allotment has been fulfilled - either due to the total contracted allotment being used or the booking is made within the contracted allotment handback period, then the accommodation provider is under no obligation to offer its previous contracted rate or offer more allotments and may, as a result, charge a rate other than its contracted rate.</p>	30 September 2019	BIR

**Business Improvement Recommendation (BIR) Definition**

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# 1. Review of Monitoring Arrangements

The WoAG Travel team manages five categories of providers on behalf of Finance: the Travel Management Company (QBT), the accommodation program manager (AOT), s22



Internal Audit conducted workshops with representatives from the WoAG Travel Team for each category of provider under review (see scope and diagram above). Consideration was given to how monitoring arrangements operate, and identifying potential barriers to the effective implementation of these arrangements, including opportunities for improvement. From the workshops the compliance related activities for the relevant areas were identified and documented.

## QBT – Travel Management Company Compliance Activities

Compliance in the application of individual TMC (Travel Management Company) fees is, in practice, an agency/booker responsibility. The WoAG Travel Team reviews the range of QBT reports on a monthly basis to identify visible errors, which are returned to QBT to investigate and correct as appropriate.

The WoAG Travel Team holds formal monthly operations meetings and quarterly review meetings with QBT key stakeholders. QBT reports on compliance against the Contract Management Plan at a high level. A formal annual review of compliance is completed by the WoAG Travel Team, in conjunction with QBT. QBT reporting is periodically spot-checked where possible and accepted as factually accurate.

Data on the performance of the TMC compared against Service Level Agreements (SLAs as specified in the Deed) is reported weekly in an email to the WoAG Travel Team from QBT. The WoAG Travel Team also obtains compliance data on SLAs from the QBT Online Booking Tool reporting. The WoAG Travel team conducts a customer satisfaction survey annually, the results of which are compared against the SLAs.

There is limited data available that is able to accurately determine the exact timing of the issuance, revalidation (change to same booking class) or reissue (change to a higher booking class with and additional cost).

## Findings and recommendations

1.1

### Obtain Data to Improve Accountability

BIR

#### Suggested action

- Internal Audit has identified a lack of timing data in relation to amendments and commissions/reported (see **Glossary**).
- The risk of service provider’s non-compliance regarding timing of amendments to bookings can be mitigated by obtaining data containing the following fields:
  - TMC Reference of the amendment;
  - Date of amendment;
  - Original booking date;
  - Departure date;
  - Cabin type;
  - Booking class; and
  - Original ticket number of flight number being amended.
- The risk of the service provider non-compliance regarding commissions and reported overrides can be mitigated by obtaining a non-QBT source of commission and override data. Internal Audit recommends that Finance investigate the possibility of obtaining this with consideration to their risk appetite.

Management comment	
Management response	Accepted
Accountable officer	Director, WoAG Travel
Proposed action	Refer to Page 4 of this report
Expected completion date	30 September 2019 (subject to outcomes per Page 4)

# 1. Review of Monitoring Arrangements - Cont.

## QBT – Travel Management Company Compliance Activities - cont'd

The monitoring processes in place by the WoAG Team appear appropriate however, Internal Audit has identified that there is a current risk to Finance of service provider non-compliance due to a lack of available data on timing of amendments and commissions/reported overrides. Additional data that timestamps amendments to flights booked, and documents commissions/reported overrides will provide visibility over how service providers are managing their compliance to these contractual requirements.

## AOT – Accommodation Program Manager Compliance

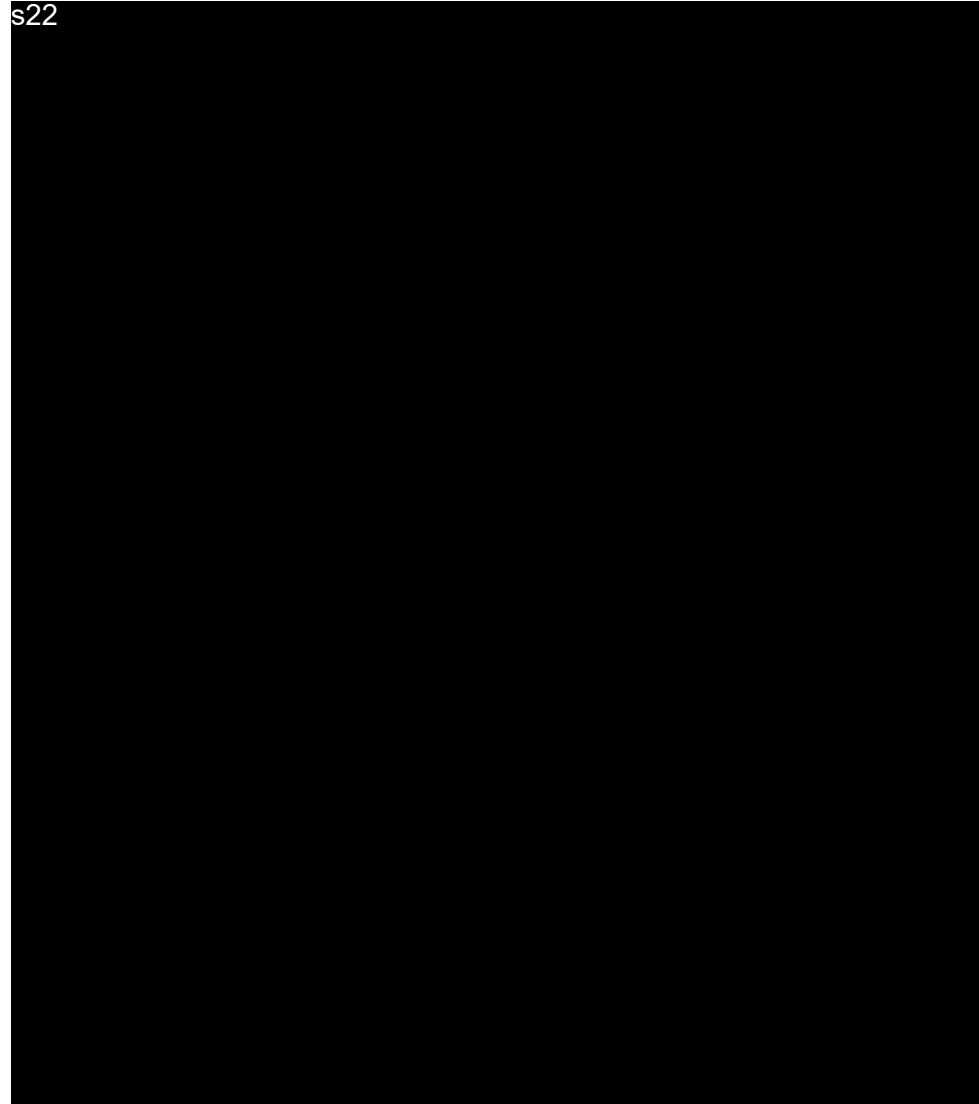
### Activities

The WoAG Travel Team holds formal monthly operations meetings, monthly SLA meetings and quarterly review meetings with AOT key stakeholders. AOT provides a monthly file of transactional data (booking and invoice). AOT conducts bi-annual benchmarking of comparable rates including: publicly available; hotel direct and QBT non-WoAG negotiated rates against their own to give assurance of value for money to the WoAG Travel Team. These are reviewed by the team WoAG Travel Team.

The AOT fee is incorporated into the room rate and does not vary based on the method of booking. The only additional AOT fees that might apply is if a booking is initiated offline directly with AOT, or if a booking that was initiated online is then at a later time converted to a booking that requires manual intervention from AOT.

There is currently no way to verify if a room is being sold at a higher price than specified in negotiations but it is important to note that this practice is unlikely to occur as AOT have automated the allocation of the contracted rate. As such the monitoring processes in place by the WoAG Team for AOT appears appropriate.

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## 2. QBT - Travel Management Company

### Testing

Internal Audit conducted two tests:

**Automated testing** – was conducted, across the entire population of 945,509 transactions taken over the period of 1 July 2017 to 28 February 2018, to validate if the fees charged matched the agreed rates in the Deed.

**Manual testing** - was conducted to determine if the fees charged by QBT had been applied correctly given the context of the booking (not just the fee charged as in the automated testing). A sample of 436 transactions were identified for manual testing including:

- Those transactions identified through the automated testing;
- Other transactions on the same invoice as those transactions identified through the automated testing;
- Transactions identified to have a high frequency of amendments. This was defined as 10 or more and resulted in a sample of 313 transactions; and
- A sample of transactions were selected for testing.

The sample included, but was not limited to: online and offline booking fees, changes and amendments to bookings fees, and VIP surcharges. This sample was validated with the WoAG Travel Team and invoices were obtained for the sampled transactions from relevant departments and agencies.

A further test was conducted of these 463 transactions by comparing them manually to the relevant invoice to determine if they matched and thus had been invoiced correctly. The results of these tests have been provided to the WoAG Travel Team.

### Findings

#### Automated Testing

This testing identified 42 transactions with net value of \$1,564 which do not match the specified values in the fees schedule in the Deed. This represents transactions less than 0.01% of the total fee population. The remaining population, which includes both manual and online bookings, were charged correctly.

#### Manual Invoice Testing

Internal Audit identified that of the entire sample pool of 463 transactions tested manually, only four transactions did not match the relevant invoice. These comprise

- Two cases in which the value was billed incorrectly and the relevant value was not found in the invoice;
- One case where the value was billed incorrectly and the relevant invoice was unable to be sourced; and AS ABOVE
- One case in which the value was part of a booking file with a “high frequency” of amendments and the relevant value was not found in the invoice.

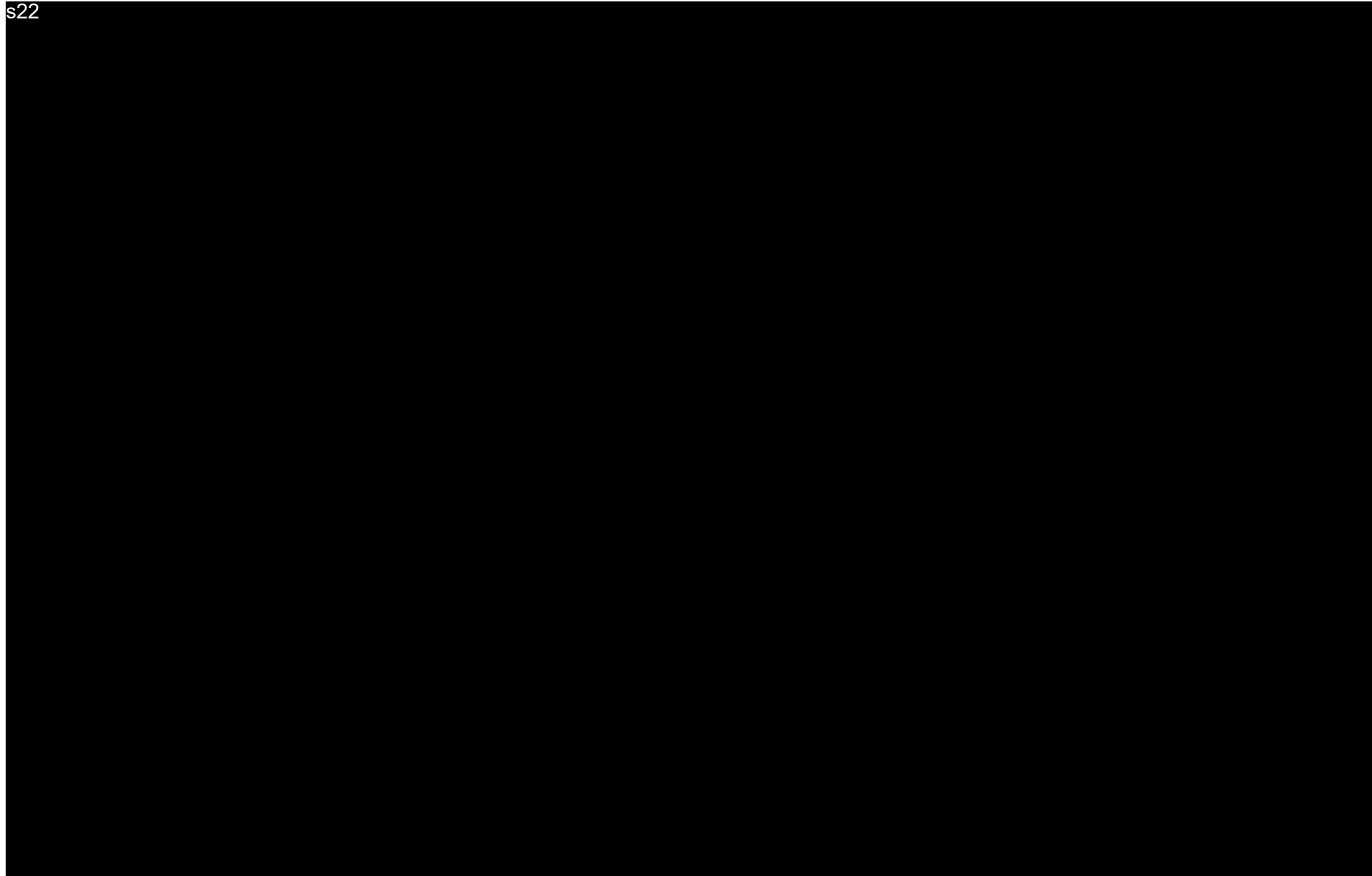
### Overall Observation

The automated and manual testing performed both resulted in very low error rates and therefore a recommendation has not been issued with respect to the rates.

A recommendation, see **Recommendation 1.1**, has been issued with respect to this testing. There is an ongoing risk that amendments are charged inappropriately – i.e. QBT charging an amendment prior to ticket issuance, or alternatively issuing tickets earlier than the airline specified ticketing time limit (TTL), so as to be able to charge amendment fees. Internal Audit was unable to test timings between bookings and subsequent changes amendments as this data is not provided to the Department.

Obtaining data showing the date and/or time of change being made and the reference to which flight or leg of the trip is being amended would strengthen the analysis and testing that could be performed by the WoAG Travel team and Internal Audit.

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# 4. AOT / Accommodation - Agreed Rates / Government Guidelines

## Background

AOT provides Whole of Australian Government with access to accommodation program management services. The AOT agreement is designed to provide sufficient accommodation inventory to a range of accommodation types from various sources to meet WoAG business requirements. Internal Audit conducted an analysis to determine if rates charged for accommodation were in accordance with the contracted rates.

## Analysis

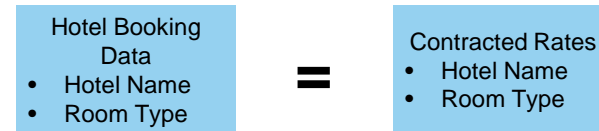
Internal Audit tested the entire population of accommodation bookings from 16 October 2017 (new pricing commenced on this date) to 31 January 2018, to understand if booked rates were equal to or less than agreed rates/government guidelines. The hotel booking data consisted of 49,316 bookings representing a value of \$20,257,248 and 113,732 room nights across 84 agencies and departments. Of that, our analysis was only looking at contracted hotels, of which the total was 47,485.

The analysis was performed on bookings where the total nights booked was equal to one and where only a single room was booked. This approach was taken due to the potential variability in nightly rates for bookings either greater than one night or with more than one room. For bookings with more than one night or room, the actual nightly rate is not provided in the data, rather only the average nightly rate, which can therefore not be matched to the contracted rates. Refer

### Recommendation 3.1.

Actual nightly rates for bookings can be influenced by a variety of factors including, but not limited to: allotment fulfillment, advance purchase length, day of the week, black out periods, change of room type mid-stay, group booking and without full transparency on what is being charged per night, bookings with more than one night are unable to be used for this analysis.

The two databases were matched based on the hotel name and the room type. This reduced the sample size further to a total of 13,276.

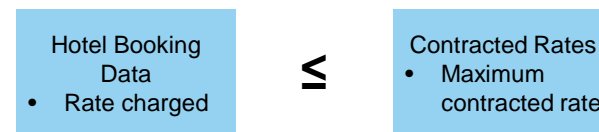


Internal Audit was unable to match 4,648 of the bookings like for like due to the naming conventions of the databases. **Recommendation 3.2** suggests the reporting from AOT be extended to include the supplier code and room code rather than only the text description of the hotel name and the room type, which can be subject to change or vary in different systems. An example of this is the \$47G [redacted] in Brisbane appears as \$47G [redacted] in the 'hotel data' as the it does not support special characters. Of the 13,276 bookings there were 786 records across 68 hotels that contained multiple GOVT rates for the same room type. An example is the \$47G [redacted] in the table below. Refer

### Recommendation 3.3.

Room Code - Option	Room Name	Sell price
GOV005	Deluxe Room	\$22
GOV008	Deluxe Room	[redacted]
GOV011	Deluxe Room	[redacted]
GOV007	Twin Room	[redacted]
GOV010	Twin Room	[redacted]
GOV013	Twin Room	[redacted]
GOV006	Family Room	[redacted]
GOV009	Family Room	[redacted]
GOV012	Family Room	[redacted]

For the purpose of the analysis, the higher of the rates has been applied to match the two data sets.

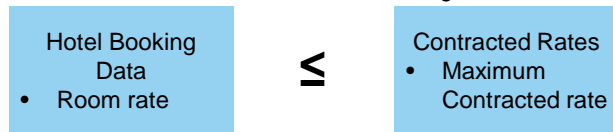


# 4. AOT / Accommodation - Agreed Rates / Government Guidelines

Internal Audit conducted an audit in conjunction with The Department and AOT to determine whether the room rates offered via the three booking methods were consistent. Based on a simultaneous test of each source (AOT offline, AOT website and QBT online) for a sample size of 20 hotels across 7 locations, it was determined that the room rates offered were consistent across each source on 100% of the hotels and room types selected. This was found to be consistent whether the room type was available for direct sell or if it was on request. This supports the earlier finding that the rates are centrally controlled and allocated by way of automation by AOT.

## Finding

The final filter that was applied was to match the rate charged with the maximum contracted government rate. Of the 13,276 bookings remaining in the analysis there were 11,460 bookings that were equal to or less than the GOVT rates. This takes into account the bookings where a cheaper rate than the GOVT rate was applied. This accounts for 86.32% of the bookings audited.



The remaining 1,816 bookings (13.68%) were bookings where the rate charged was higher than the contracted GOVT rate for that room type at the specific hotel. Of these bookings, the variance greater than 110% applied to 536 bookings. Internal Audit recommends AOT review these bookings and advise why the rates applied to these bookings were more than 10% higher than the contracted GOVT rates as per **Recommendation 3.4.**

The analysis summary is provided below:

The analysis summary is provided below:

Filter Applied	Sample Size (bookings)
Nil Filter	49,316
Contracted	47,485
One Night / One Room	17,974
Matching hotel name and room type	13,276
Rate charged less than or equal the GOVT rate	11,460
Rate charged greater than the GOVT rate	1,816
Rate charged greater than 10% higher than the GOVT rate	536



# 4. AOT / Accommodation - Recommendations

## Findings and recommendations

3.1

### Request more detailed data from AOT

BIR

#### Suggested action

- Internal Audit has an opportunity to further analyze the data received from AOT pending the addition of further information. Currently the data received only states the length of stay (number of nights), the total cost and the average cost per night.
- Adding the cost of each individual night stayed and specifying the room rates for all rooms in a booking would allow a deeper analysis of whether the agreed rates were being charged.

#### Management comment

<b>Management response</b>	Noted. However, this BIR creates complications that need to be discussed with the service provider
<b>Accountable officer</b>	Director, WoAG Travel
<b>Proposed action</b>	Refer to Pages 6-7 of this report
<b>Expected completion date</b>	30 March 2020

## Findings and recommendations

3.2

### Request more detailed data from AOT

BIR

#### Suggested action

- Internal Audit has an opportunity to further analyse the data received from AOT pending the addition of further information. Currently the data received has limitations due to the Hotel names and/or the room types not matching exactly in each data set.
- AOT to reporting to include supplier code and room code.
- AOT could also audit their systems to ensure exact matches in room name and room type to allow more comprehensive future analysis.

#### Management comment

<b>Management response</b>	Accepted
<b>Accountable officer</b>	Director, WoAG Travel
<b>Proposed action</b>	Refer to Page 8 of this report
<b>Expected completion date</b>	30 December 2019

# 4. AOT / Accommodation - Recommendations

## Findings and recommendations

3.3

### Multiple GOVT room rates for the same room type

BIR

#### Suggested action

- Internal audit identified 68 hotels using multiple GOVT codes for the same room type.
- AOT to conduct audit to ensure that each room type classified as a GOVT rate has only a single 'Option' code associated to it.

#### Management comment

<b>Management response</b>	Accepted
<b>Accountable officer</b>	Director, WoAG Travel
<b>Proposed action</b>	Refer to Page 9 of this report
<b>Expected completion date</b>	Not applicable

## Findings and recommendations

3.4

### Room rates charged

BIR

#### Suggested action

- The room rates charged on 1,816 (13.68%) of the audited bookings were greater than the contracted hotel rates for the room type at the specific hotel. Of these there were 536 bookings where the room rate charged was in excess of 10% higher than the contracted GOVT rate.
- Provide the finding to AOT and request feedback on each of the 536 bookings.

#### Management comment

<b>Management response</b>	Accepted
<b>Accountable officer</b>	Director, WoAG Travel
<b>Proposed action</b>	Refer to Page 10 of this report
<b>Expected completion date</b>	30 September 2019

# 5. Credit Card Leakage Analysis - Accommodation

## Testing

We identified transactions from the provided sample file that appear to reflect a travel/hotel (not flight) booking made outside of QBT’s booking processes. This was based on analysing payments made on individual MasterCards to accommodation providers (based on Vendor Category). The analysis of the data set was unable to identify any flight tickets issued external to QBT as in all cases the airline for which the ticket applied to, acted as the merchant.

We applied a series of filters designed to identify known online accommodation booking websites including s47G [REDACTED]. This approach was adopted as many providers who operate under the relevant vendor category also provide other services and these are known high risk providers of accommodation services.

*Inherent Limitations: These providers provide accommodation facilities not only in Australia but also for international hotel services which may not be outside of policy. The data could include venue hire and conference related accommodation. Additionally, the Diners Club and MasterCard merchants self-categorise their services so that a hotel/restaurant can be influenced by whichever has the greater cash flow.*

## Results

Previous analysis undertaken by KPMG in 2017 information identified 18 records from a total population of 49,033. The breakdown was:

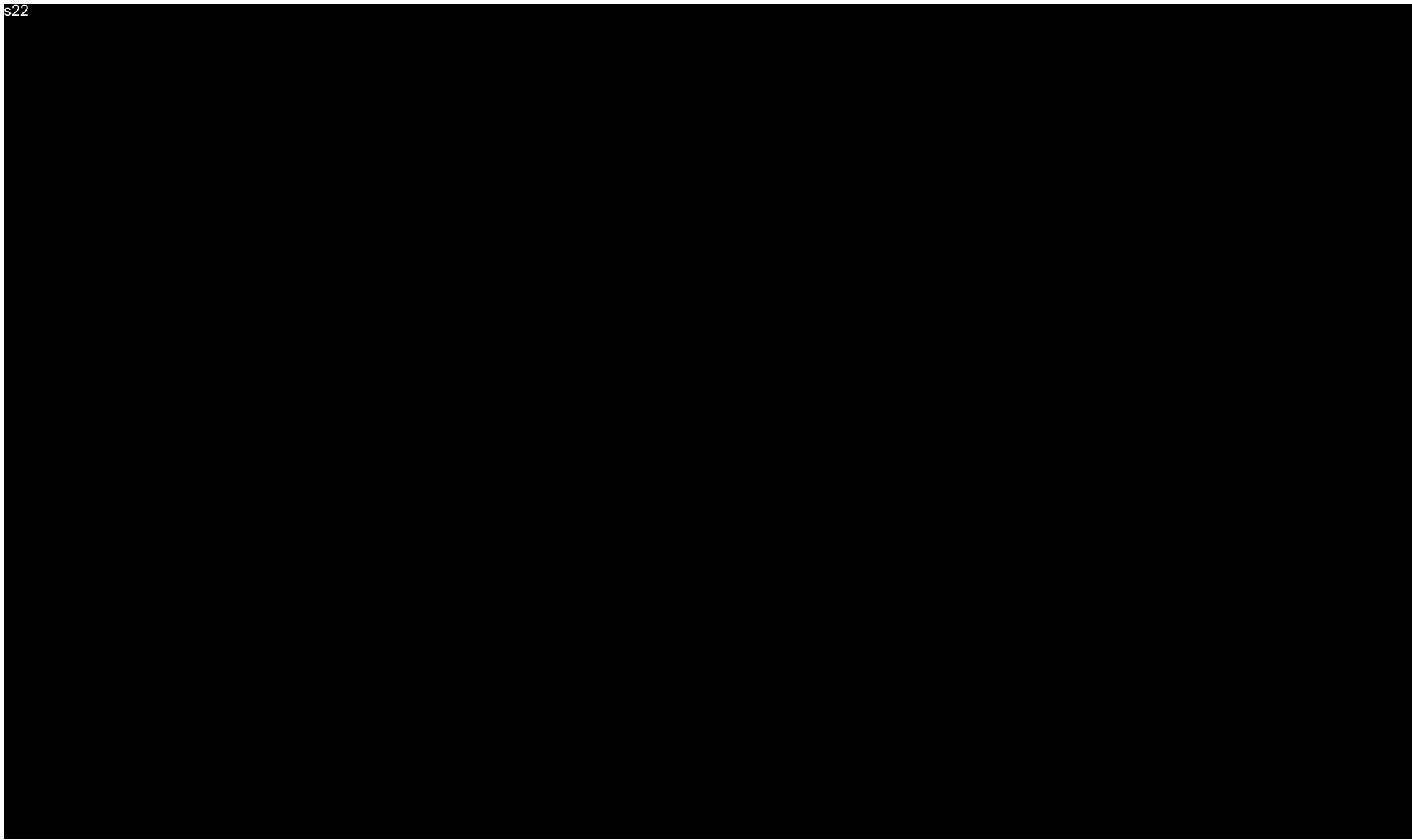
Search Term	Count
s47G	4
[REDACTED]	2
[REDACTED] (11 but 1 were NOPSEM)	7
[REDACTED]	4
[REDACTED]	1
Total	18

Analysis taken by KPMG in 2018 information expanded the search terms from 2017 to include the \*.COM and \*PAYPAL\*. This resulted in the identification of 14

Search Term	Count	Value
s47G	0	0
[REDACTED]	0	0
[REDACTED]	0	0
[REDACTED]	0	0
[REDACTED]	0	0
[REDACTED]	11	\$9,649
[REDACTED]	3	\$144
Total	14	\$9,793

In order to undertake this analysis on an ongoing basis it would be necessary for Finance to maintain (and continue to expand) a list of providers and search terms.

s22



# Appendices

# Appendix 1: Classification of Findings

Factors considered when categorising findings	CR1 Finding	CR2 Finding	CR3 Finding
<b>Priority of attention required (Who)</b>	Deputy Secretary	Assistant Secretary	Assistant Secretary
<b>Priority of attention required (timeliness of action required)</b>	Immediate commencement of corrective action.	As soon as practical within the next 3 months.	When resources permit at the discretion of the organisation.
<b>Impact of the uncontrolled risk</b>	The impact of the uncontrolled business or financial risk may threaten either the operation of the Department or the effective function of a critical / significant project and/or have a severe impact on reputation and credibility.	The impact of the uncontrolled business or financial risk would threaten the efficiency or effectiveness of an aspect of operations.	The impact of the uncontrolled business or financial risk could be dealt with by routine operations.
<b>Suitability of the policies and/or procedures</b>	No policies and/or procedures exist.  Policies and/or procedures are not considered appropriate to manage a significant risk or function of the organisation.	No policies and/or procedures exist.  Policies and/or procedures are not considered appropriate to manage a core business risk or routine function.	Policies and/or procedures are appropriate but out of date (the effect is not considered of serious consequence).
<b>Compliance with documented procedures and policies</b>	Policies and/or procedures are not being complied with.  PGPA Act 2013 is not complied with.	Policies and/or procedures are not being complied with consistently (frequency and quality).  Documentation does not reflect proper compliance with procedures and policies.	Infrequent instances of non-compliance with policies and procedures were identified.
<b>Breach of delegations (financial and non-financial)</b>	Any one of the following individually or in combination:  Dollar values: Large  Frequency of breaches: Regular  Documentation to support exercise of delegation: Doesn't exist What/how:  Breach of delegation exercised by Branch Head and/or above.  Breach of the PGPA Act 2013.	Any one of the following individually or in combination:  Dollar values: Medium  Frequency of breaches: Periodic  Documentation to support exercise of delegation: Not adequate  What/how: Breach of delegation by middle management.	Any one of the following individually or in combination:  Dollar values: Small  Frequency of breaches: Isolated  Documentation to support exercise of delegation: Could be improved What/how: Breach of delegation reflecting ignorance.
<b>Fraud</b>	All fraud or corrupt conduct identified is reported as CR1.	N/a	N/a
<b>Business Improvement Recommendation (BIR)</b>	Arises where the reviewer considers the recommendation, if implemented, would result in a benefit accruing to the organisation (for example through more efficient and cost-effective processes or a reduction of expenditure or increase in revenue).		

# Appendix 2: Glossary

The following key terms were used throughout this report:

Term	Definition
Consumption Allotment	A number of rooms allocated to an Accommodation Consolidator by a hotel or accommodation provider. These rooms are generally offered to the provider at a discounted rate. When this allotment is fully booked during a period, the Accommodation Consolidator must negotiate with the accommodation provider to obtain further “on demand” rooms to meet any further bookings, which are generally more expensive.
Commission or Override	A bonus paid to a TMC by an Airline for booking a certain number of flights for that airline.
Global Vision	A system managed and maintained by <span style="background-color: black; color: white;">§47G</span> client organisations to be able to view transactions made using the <span style="background-color: black; color: white;">§47G</span> card, and run reports of this information.
Leakage	Any expenditure on Travel outside of the preferred WoAG Travel Arrangements.
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Travel Management Company (TMC)	A company which provides travel management and booking services. The sole TMC for the Commonwealth is currently QBT.
TMC Reference	A unique number generated by the TMC which denotes a transaction.



## Disclaimer

### Third Party Reliance

This report has been prepared at the request of the Department of Finance in accordance terms detailed in the work order (SON3125572) dated 28 June 2018. Other than our responsibility to the Department, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party's sole responsibility.

This report may be provided to the Australian National Audit Office (ANAO), the external auditor of the Department, for its own use. If the ANAO intends to rely on internal audit work it can only do so in the context of the professional requirement placed on it by the provisions of the Australian Auditing Standard ASA 610 (Considering the Work of Internal Auditors).

We believe that the statements made in this report are accurate, but no warranty of accuracy or reliability is given in relation to information and documentation provided by the Department's Management and personnel

### Inherent Limitations

Because of the inherent limitations of any internal control structure it is possible that errors or irregularities may occur and not be detected. An internal audit is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis. As such, except to the extent of sample testing performed, it is not possible to express an opinion on the effectiveness of the internal control structure. Any projection of the evaluation of 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. The internal audit findings expressed from this engagement will be formed on the above basis..