



<b>TITLE OF REPORT</b> Internal Audit Report – Corporate Credit Card	<b>DATE</b> 10/03/2021
<b>THE COMMITTEE THE REPORT IS GOING TO (or Council meeting if appropriate)</b> For the attention of the Audit Committee	

<b>Linkage to Council Strategy (2019-23)</b>	
<b>Strategic Theme</b>	Corporate Credit Card Internal Audit Report
<b>Outcome</b>	Limited
<b>Lead Officer</b>	Audit, Risk & Governance Officer
<b>Cost: (If applicable)</b>	n/a

<u>Auditor:</u>	<u>Aileen Ruddy</u>
<u>Distribution:</u>	Audit Committee Chief Executive Directors x 3 Chief Finance Officer
	<u>Completed December 2020</u>

All matters contained in this report came to our attention while conducting normal internal audit work. Whilst we are able to provide an overall level of assurance based on our audit work, unlike a special investigation, this work will not necessarily reveal every issue that may exist in the Council's internal control system.

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## Executive Summary

This internal audit was completed in accordance with the approved annual Internal Audit Plan for 2020/21. This report summarises the findings arising from a review of the Use of Corporate Credit Cards which was allocated 8 days. In 2018/19 internal audit completed an audit of Corporate Credit Card that received an overall level of assurance of satisfactory.

One issue (Priority 1) where receipts had not been retained to ensure the vat could be reclaimed, the amount involved is not material, in line with good practice all receipts should be retained for the purposes of vat and audit.

Some areas (Priority 2) where controls could be enhanced were noted during this review.

- Personal professional insurance purchased, additional controls to be introduced to closely monitor and sign off expenditure charged to the Corporate Credit Card by directors.
- Credit card limit exceeding and spend incurred on another service areas card.

The following table summarises the total number of recommendations from our audit (all recommendations being accepted by management):

Risk	Number of recommendations & Priority rating		
	1	2	3
Lack of appropriate Process for the use of credit cards	-		1
Lack of monitoring and recording of credit card transactions	1	2	3
	-	-	-
<b>Total recommendations made</b>	<b>1</b>	<b>2</b>	<b>4</b>

Based on our audit testing we are able to provide the following overall level of assurance:

### Limited

There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

The weaknesses identified during the course of our audit have been brought to the attention of Management. The weaknesses outlined are those, which have come to our attention during the normal audit work and are not necessarily all of the weaknesses, which may exist. Although we include recommendations, it is the responsibility of Management to determine the extent of the Council Expenditure appropriate to the Council.

The content of this report has been discussed with the Chief Officer to confirm factual accuracy. The assistance and cooperation received during the course of our review is gratefully acknowledged.

## Objective

The main objective of the audit was to review the procedures in place and followed for the distribution and use of Council Credit Cards. To ensure that there is a comprehensive and accurate record of all payments are maintained and to ensure that all expenditure is being monitored.

***This report has been prepared for Causeway Coast and Glens Borough Council and should not be disclosed to any third party, quoted or referred to without prior written consent.***

## Background

Credit cards have been issued to 5 council officers. These are the head of finance, the head of planning, the director of corporate services, the director of environmental services, and the director of leisure and development.

The Council use for expenditure that falls outside of the normal scope of procurement procedures within the Council.

## Risks

The risks identified relating to the audit of the corporate credit card and agreed with management are as follows:

- There may be a lack of an appropriate process for credit cards to be issued leading to unapproved person (s) having and using Council credit cards resulting in possible financial loss for the Council.
- There may be lack of monitoring and recording of credit card transactions/uses resulting in financial loss and non-compliance with Council policies.

## Audit Approach

Our audit fieldwork comprised:

- Documenting the systems via discussions with key staff
- Consideration of the key risks within each audit area
- Examining relevant documentation
- Carrying out a preliminary evaluation of the arrangements and controls in operation generally within the Council
- Testing the key arrangements and controls
- Testing the completeness and accuracy of records.

The table below shows the staff consulted with and we would like to thank them for their assistance and co-operation.

Job title
Director of Environmental Services
Director of Corporate Services
Director of Leisure Services
Head of Planning
Chief Finance Officer
Financial Accountant

## Findings and Recommendations

This section of the report sets out our findings in relation to control issues identified and recommendations.

### 6.1 Risk 1 – Lack of appropriate process for the use of corporate credit cards

Issue 1 – Review of Corporate Credit Card Policy
<p><b>a) Observation-</b> The council's corporate credit card policy was drafted in November 2015. Since then a number of changes in Councils financial policies and procedures have been implemented including an electronic purchase order system.</p> <p>In a number of occasions when queries were made to authorised card holders they were unable to provide a response as to why expenditure had been incurred.</p>
<p><b>b) Implication-</b> Council corporate credit card policy may not be in line with current best practice.</p>
<p><b>c) Priority Rating-</b> 3</p>
<p><b>d) Recommendation-</b> Audit recommends that the corporate credit card policy be reviewed to ensure that it incorporates changes in policies and personnel.</p> <p>Audit recommends that the corporate credit card expenditure be extended to ensure that each transaction is supported by an order/purchase form completed by the officer procuring the expenditure and formally signed off by the director.</p>
<p><b>e) Management Response- Accepted</b> Corporate credit card policy to be reviewed, updated and circulated to reflect the recommendation</p>
<p><b>Responsible Officer &amp; Implementation Date-</b> Chief Finance Officer – June 2021</p>

## 6.2 Risk – Lack of Monitoring and Recording of credit card transactions

Issue 2 – Spending on another service areas credit card	
<b>a) Observation-</b>	Audit noted that one directorate had spent to their authorised limit on its corporate credit card and also spend on another Directorates credit card.
<b>b) Implication-</b>	There is a risk that expenditure may not be in line with Councils corporate objectives and the employees may incur unnecessary expenditure.
<b>c) Priority Rating-</b>	3
<b>d) Recommendation-</b>	Audit recommends that directorates only charge expenditure to its Council credit card. Expenditure should not be incurred on another Directorates card. Authorised limits for council credit cards should be reviewed to ensure that they remain at appropriate levels for the service area.
<b>e) Management Response-</b>	Accepted and Implemented. Staff have been reminded of the procedures in respect of Council corporate credit cards, see management response contained within issue 3.
<b>Responsible Officer &amp; Implementation Date-</b>	
Directors and Heads of Service – February 2021	
Issue 3 – Subsistence paid by Council Corporate Credit Card	
<b>a) Observation-</b>	Audit found that one cardholder had used the card to pay for car parking fees, train tickets and other items that would be deemed to be travel and subsistence transactions. These transactions were within the purposes of Council activities, however the proper method in dealing with travel and subsistence is that employees pay for the expense out of their own pocket and then reclaim the expenditure through the travel and subsistence form providing the relevant receipts to enable finance to check that expenditure incurred is in line with JNC conditions.
<b>b) Implication-</b>	There is a risk that subsistence paid using the Corporate Credit Card may exceed the authorised limits allowed to be reclaimed under the current council travel and subsistence policy.
<b>c) Priority Rating-</b>	2

**d) Recommendation-**

It is recommended that the Corporate credit card be used for proper and legitimate expenditure incurred on behalf of Causeway Coast and Glens Council, and subsistence claimed through the appropriate means. Staff should be reminded of the relevant policies in place.

**e) Management Response-** Accepted and implemented

Following the issues raised by internal audit, guidance was issued to staff on the 15<sup>th</sup> February 2021 advising:

- The Corporate Credit cards are not to be used for Travel or Subsistence. This includes the payment for parking, train fares and taxis. Such purchases are to be claimed retrospectively.
- Only Leisure and Development Corporate Credit Card to be used for Leisure and Development purchases.
- All purchases are to be authorised by the Card Holder in advance of the transaction.
- A record of all transactions is to be retained by the Card Holder, therefore all purchases are to be recorded in advance of the transaction.
- In accordance with the Procurement Policy, 'Best Value' must be demonstrated for all purchases under £1,000.

**Responsible Officer & Implementation Date-**

Responsible Director - Immediate

**Issue 4 – Payment of Professional Fees**

**a) Observation-**

Audit noted on three occasions during 2020 officers had used council's corporate credit card to pay for personal professional insurance. Council does not have a policy for payment of professional fees/insurance on behalf of staff. All professional fees should be paid personally by staff and reclaimed from HMRC as eligible employment costs. The corporate credit card policy states that 'no personal use should be made for the corporate credit/debit card.

**b) Implication-**

Council credit card expenditure has been used for expenditure that is not permissible under current Council procedures/policies.

**c) Priority Rating-**  
2

**d) Recommendation-**

Council credit cards should not be used to pay expenses or professional fees on behalf of staff. Staff need reminding of the process for using Council credit cards.

**e) Management Response-** Accepted and Implemented

As part of a wellbeing programme being delivered on behalf and funded by the Public Health Agency, the funder required Council Sport and Wellbeing staff delivering the programme to have Personal Professional Insurance. Measures are now in place to ensure that such payments do not occur in future.

**Responsible Officer & Implementation Date-**

Director of Leisure and Development - Immediate

**Issue 5 – Purchase of Computer Software/Equipment**

**a) Observation-**

The corporate credit card policy states 'credit/debit card should only be used for the purchase of goods and services on behalf of the Council and used in specific circumstances i.e. where use of the normal purchase order / creditors payment arrangements is not possible.

Audit noted that a service area had purchased computer software that would be outside of their area of responsibility. All IT software/hardware should be purchased in consultation with the relevant service area. Audit recognises that in light of Covid-19 arrangements had to be put in place quickly however the purchase of the IT platform of zoom, should have been purchased on a Council wide basis by IT and procured through the normal list of suppliers.

In addition, the IT section had recommended the use of Microsoft Teams for Council wide use as a platform which they felt could most comfortably manage any IT security risk arising. Any additional platforms purchased should have been in close consultation with the IT section to reduce any IT security risks to the Council.

**b) Implication-**

The risk is that the normal procurement procedures within the Council may not have been followed. Cardholders may not appreciate the importance of these controls, and may adopt practices which could lead to misuse or fraud.

**c) Priority Rating-**

**3**

**d) Recommendation-**

The use of Corporate Credit Card to purchase capital items should be on an exception basis only. Staff should be required to requisition products via existing procurement contracts, where no contracts exist, the relevant staff should put in place a contract with the relevant supplier.

All corporate credit card expenditure and a summary of the review should be reported on a quarterly basis to those charged with governance.

**e) Management Response-**

A 1 hour+ Zoom Licence was required to meet community groups during the early stages of the Covid Pandemic. Zoom was the preferred software for community groups, not MS Teams.

The purchase required a Credit Card Transaction to facilitate the purchase.

In normal circumstances, this matter would have been referred to IT, but this was not 'business as normal'.

**Responsible Officer & Implementation Date-**

Director of Leisure and Development - Immediate

**Issue 6 – Retention of receipts**

**a) Observation-**

Cardholders are expected to obtain a receipt for all purchases for VAT and audit purposes. Approvers are expected to check these to ensure purchases are suitable, quantities and values appropriate, VAT is coded correctly, and to keep receipts for audit purposes. The guidance quotes the retention schedule which confirms the VAT receipts should be retained for six years.

Failing to retain receipts increases the risk that the cardholder and approver cannot demonstrate that purchases were appropriate, and could result in lost opportunities to reclaim the VAT.

**b) Implication-**

There may be a loss of VAT to the Council.

**c) Priority Rating-**

1

**d) Recommendation-**

Credit card holders should be reminded of the importance of obtaining and retaining receipts for all purchases for six years, in accordance with the guidance.

Staff in departments using credit cards must ensure that they have adequate record-keeping arrangements in place.

**e) Management Response-** Accepted and Implemented

Credit card receipts are to be obtained and submitted to Finance to allow for VAT to be reclaimed.

**Responsible Officer & Implementation Date-**

Directors and Heads of Service – February 2021

**Issue 7 – High Street Stores**

**a) Observation-**

Audit noted that supplies were purchased from a number of high street or online vendors such as Asda, Amazon or Argos.

Whilst there is no question over the legitimacy of spend, it does not present best value when items are procured using these methods.

<b>b) Implication-</b> There is a risk that Council are not achieving best value for money when items are purchased at short notice from the high street.
<b>c) Priority Rating-</b> 3
<b>d) Recommendation-</b> There should be a review of the types of expenditure and an assessment whether contracts are in place for that particular expenditure.
<b>e) Management Response-</b> Credit Card has been used mainly for low value expenditure, where there is no account with the supplier/s, due to the infrequent nature of the spend eg accommodation or travel for Elected Members Conference and Courses, food and drinks for Mayoral receptions, one-off specially commissioned items eg silver poppies agree to review both the types of expenditure and procurement of same to ensure best value for money.
<b>Responsible Officer &amp; Implementation Date-</b>  Director of Corporate Services - Immediate

## Conclusion

The risk associated with using a credit card are low as a means of payment and having credit cards available for use as an alternative method of payment for certain types of transaction has proved convenient and cost effective. However, concise procedures need to be put in place and made available to all staff to ensure a consistent approach is adopted.

As a result of the audit, senior management have been reminded of the credit card policy and guidance notes. Internal Audit has made seven recommendations, one at high, two medium and four low. The recommendations have been accepted by management and procedures put in place to address the issues.

## **Appendix I: Definition of Assurance Ratings and Hierarchy of Findings**

### **Satisfactory Assurance**

Evaluation opinion: Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

### **Limited Assurance**

Evaluation opinion: There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

### **Unacceptable Assurance**

Evaluation opinion: The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

## **Hierarchy of Findings**

This audit report records only the main findings. As a guide to management and to reflect current thinking on risk management we have categorised our recommendations according to the perceived level of risk. The categories are as follows:

**Priority 1:** Failure to implement the recommendation is likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds.

**Priority 2:** Failure to implement the recommendation could result in the failure of an important organisational objective or could have some impact on a key organisational objective.

**Priority 3:** Failure to implement the recommendation could lead to an increased risk exposure.

## **Appendix II:**

There are no minor points for the attention of management.