

# Causeway Coast & Glens Borough Council

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## *Internal Audit Report* *Review of Corporate Credit Card* *Recommendations*

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November 2021



## Summary

As part of the 2021-22 Internal Audit plan, we are following up on assignments from 2020-21 which resulted in Limited Assurance. A report summarising the findings of an internal audit of the Use of Corporate Credit Cards, which received a limited assurance, was reported to Audit Committee in March 2021.

The findings are reported in the table in the following pages.

**Audit has reviewed the recommendations made in the 2020-21 report and the findings are summarised in the Table below:**

Recommendation Number	Priority	Addressed	Being Addressed	Not Yet Addressed
1.	3		√	
2.	3			√
3.	2		√	
4.	2	√		
5.	3		√	
6.	1		√	
7.	3			√
<b>Total</b>		<b>1</b>	<b>4</b>	<b>2</b>

In summary:

- **Four recommendations are being addressed (three Priority 2 and one Priority 1)**
- **One recommendation has been addressed (Priority 2)**
- **Two (Priority 3) recommendations are not yet addressed**

Audit also tested the implementation of a P3 recommendation made in 2018-19. The recommendation was that there should be a signed agreement in place between cardholders and Council. When audit reviewed this in May 2021 the Credit Card Policy containing the agreement for credit card users to sign was just about to be approved by the Corporate Policy & Resource Committee. Audit found that since the Policy is now approved all cardholders now have signed agreements in place. **This recommendation has been fully addressed and implemented.**

The detail of the progress in addressing the more recent recommendations (from 2020-21) is included in Appendix 1 – Detailed Audit Testing. A brief synopsis of these findings is presented in the following paragraphs:

- **The Credit Card Policy has been updated** and approved. It includes the use of an approval form for card holders. However audit testing revealed the form is not consistently being used (Recommendation 1).
- Audit testing found no subsistence payments paid by credit card in the period reviewed (Recommendation 3). However, a central notice of the issues raised by internal audit in the previous audit and a reminder of relevant policies has not yet been issued by Finance to all staff allocated or using credit cards (Recommendation 2 & 3).  
*A central note to remind corporate credit card users of the need to use the approval form in all instances should be issued by finance. (Regardless of remote working the approval form can be submitted via e-mail.) A list of expenses which should not be paid using the Council credit card e.g., subsistence, professional fees etc. could be also inserted into this reminder for credit card users and issued by Finance.*

- All VAT relating to those credit card transactions in the sample tested by Audit, which had been provided to Finance, had been appropriately claimed. Services areas provided evidence of expenditure but there were a small number of low value purchases in the audit sample (4 out of 15) where the evidence was not a VAT receipt/invoice. These were online purchases (Recommendation 6).  
*When finance issues a centralised guidance/reminder to any staff using corporate credit cards, they should remind staff of the need to obtain VAT receipts/invoices – especially for online transactions.*
- Audit testing revealed no evidence of staff expenses or professional fees being paid for by credit card thereby concluding that Recommendation 4 has been addressed.
- A Zoom license renewal was found as part of the sample of credit card transactions sampled by audit. Audit is also aware of another Zoom license in use by a different team in Council. Both licenses had originally been acquired without consulting with ICT (during the pandemic). Microsoft Teams is the virtual meeting tool supported by ICT across Council. ICT advised Audit that they do not see any security risk around the use of Zoom in this way. However, to ensure such Zoom licenses can be made available in other areas of Council, which may require them, a central record of their availability should be retained by ICT (Recommendation 5).  
*Audit would recommend that service area personnel should always consult with ICT prior to investing in any ICT related software, hardware or license. Credit Card users should be advised of this. ICT should retain a centralised record of such matters to ensure optimum availability and of such items across Council.*
- A review of credit card expenditure (Recommendation 7) or credit card limits (Recommendation 2) has not yet taken place.  
*Audit would recommend that the review of credit card expenditure and credit card limits be performed by finance.*

## **Conclusion –**

**Audit testing revealed improvements in the retention of evidence to support credit card transactions, including the use of the new approval form. However testing revealed the form is not being used in every case, audit was advised that remote working has affected the use of the form.**

**Finance should perform an analysis of the expenditure types and credit card limits (as previously recommended).**

**Service area personnel should be reminded to consult with ICT prior to investing in any ICT related software, hardware or license. ICT should retain a centralised record of such matters to ensure cybersecurity risks have been assessed and optimum use and of such items across Council.**

**Finance should issue additional guidance to all credit card users addressing the points highlighted above in the synopsis.**

These recommendations will be reviewed again as part of the scheduled review of prior year recommendations in the Spring of 2022.

## Appendix I: Detailed Audit Testing

	Recommendation	Priority Level	Management Response	Updated Position November 2021
1	<p>Audit recommends that the Corporate Credit Card policy be reviewed to ensure that it incorporate 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>	3	<p>Accepted – Corporate Credit Card policy will be reviewed, updated and circulated</p> <p>Chief Finance Officer June 2021</p>	<p>The Corporate Credit Card policy was revised and approved by the Corporate Policy &amp; Resources Committee on 25<sup>th</sup> May 2021. In the new Policy there is a template for an Approval form included as an Appendix which should be completed by the officer requesting to use the credit card and formally signed off by the card holder.</p> <p>Audit sample tested 15 credit card purchases in the period July 2021-September 2021 and found that 9 transactions were supported by completed approval forms, 7 of which were approved by the card holder and 2 approved by other officers: but no evidence of card holders' approval.</p> <p>For the other 6 transactions in the sample there were e-mail trails to support the validity of the transactions; 2 of these e-mail trails contained evidence of approval by the cardholder, however 4 did not.</p> <p><b>Issue being addressed</b></p>

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2	<p>Audit recommends that directorates only charge expenditure to its Council credit card. Expenditure should not be incurred on another Directorates card.</p> <p>Authorised limits for credit cards should be reviewed to ensure that they remain at appropriate levels for the service area.</p>	3	<p>Accepted and Implemented Staff have been reminded of the procedures in respect of Council corporate credit cards – February 2021</p>	<p>Audit was advised that one Director issued a reminder to the staff within that Directorate who use credit cards; however, there is no evidence that Finance has issued a centralised reminder to all card holders.</p> <p>Audit notes that a review of credit card limits has not yet taken place.</p> <p><b>Issue not addressed</b></p>
3	<p>It is recommended that the Corporate Credit card be used for proper and legitimate expenditure incurred on behalf of Council, and subsistence claimed through the appropriate means. Staff should be reminded of the relevant policies in place.</p>	2	<p>Following the issues raised by internal audit, guidance was issued to staff on the 15th February 2021 advising:</p> <ul style="list-style-type: none"> <li>• Corporate credit cards are not to be used for travel and subsistence. (These must be claimed retrospectively).</li> <li>• Only Leisure &amp; Development Corporate credit cards to be used for L&amp;D purchases</li> <li>• All purchases are to be authorised by the card holder in advance</li> <li>• A record of all transactions is to be retained by the card holder</li> <li>• In line with the procurement policy, 'best value' is to be demonstrated for all purchases under £1,000</li> </ul>	<p>See above in relation to the guidance issued.</p> <p>Audit reviewed the updated Credit Card Policy and notes that Section 6.1 Conditions of Use states that the corporate credit/debit card is only to be used in circumstances where normal ordering procedures are not available, not suitable or where improved value for money is evident. There is a list of types of purchases where the use of credit card is generally acceptable. This includes travel and accommodation.</p> <p>Council's Travel &amp; Subsistence Policy states that employees are entitled to <b>reimbursement</b> for travel &amp; subsistence incurred whilst on Council business. The Travel &amp; Subsistence Policy also states, "Air travel must be arranged where it is the most economic form of transport for a particular journey" and "should be arranged to ensure the purchase of the best value fare available." Audit was advised that such purchases would be</p>

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				<p>carried out in line with Council's procurement policy. A credit card payment would result when a flight is booked online.</p> <p>Air travel is not a common expense within Council; however, it would enhance the Travel and Subsistence Policy if it contained a reminder that to ensure best value is obtained that the procurement policy is to be followed for such travel.</p> <p>Audit testing of 15 credit card purchases in the period July 2021-September 2021 revealed no transactions related to subsistence.</p> <p>As mentioned in Recommendation 2 Audit was advised that one Director issued a reminder of Council policies to the staff within that Directorate who use credit cards, however, there is no evidence that Finance has issued a centralised reminder to all corporate credit card holders</p> <p><b>Issue being addressed</b></p>
4	Council credit cards should not be used to pay expenses or professional fees on behalf of staff	2	Accepted – as part of a wellbeing programme delivered on behalf and funded by PHA, the funder required Council Sport & 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.	The revised credit card policy sets out more detail of the circumstances credit cards can be used and the type of expenditure which would be paid using credit cards. The policy does not include a list of expenses which should not be paid using the Council credit card e.g., subsistence, professional fees etc.

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				<p>Audit testing of 15 credit card purchases in the period July 2021-September 2021 revealed no evidence of staff expenses or professional fees being paid for by credit card.</p> <p><b>Issue addressed</b></p>
5	<p>Audit observed the purchase of a Zoom license, using the Corporate Credit Card, but no consultation with ICT, despite Microsoft Teams being the medium of choice within Council and its use supported by Council's ICT team. The use of the 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 supplier. All corporate credit card expenditure and a summary of the review should be reported to those charged with governance.</p>	3	<p>Not normal circumstances (due to Covid-19); this would usually be referred to IT.</p>	<p>Audit was advised that all credit card transactions are reviewed monthly by Accounts Payable. Audit reviewed the spreadsheet summary retained by Finance of credit card transactions, and testing revealed Finance carried out checks and requested completed approval forms or other evidence during this review. No summary is reported.</p> <p>Testing did reveal that Zoom was paid for again in June 2021 using a credit card. It was an automatic renewal of an annual Zoom license. This license was initially purchased during the pandemic without consultation with ICT, and audit was advised that this had occurred in this manner due to the unusual circumstances arising from Covid 19. Audit was advised that this cost is reimbursed to Council from DfC as Zoom is used by Community &amp; Voluntary Groups and the Rural Development Group. Audit is also aware of another Zoom license in use by a different team in Council (also a reimbursed cost). This license had also been acquired without consulting with ICT (during the pandemic).</p>

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				<p>The purchase of a Graphic Design Platform was also part of the credit card transactions sampled by audit.</p> <p>Audit would recommend that service area personnel should always consult with ICT prior to investing in any ICT related software, hardware or license; and ICT retain a central record to ensure assessment of cybersecurity risk and optimum availability of such items across Council.</p> <p><b>Issue being addressed</b></p>
6	Credit card holders should be reminded of the importance of retaining receipts for all purchases for 6 years. Staff in departments using credit cards must ensure that they have adequate records in place	1	Credit card receipts are to be obtained and submitted to Finance to allow for VAT to be reclaimed	<p>Audit sample tested 15 credit card purchases in the period July 2021- September 2021 and found 14 out of the 15 sampled had provided an invoice, receipt, or other proof of payment (the final one was an e-mail stating the expenditure was valid Council expenditure relating to Council's website £117.75).</p> <p>For 4 cases of online purchases there was evidence of the goods purchased and total paid. However, there was no VAT invoice to determine if VAT could be reclaimed.</p> <p>All VAT relating to credit card transactions in the sample tested by Audit, which had been provided to Finance, had been appropriately claimed.</p> <p><b>Issue being addressed</b></p>



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7	There is a risk that Council is not achieving best value for money when items are purchased at short notice from the high street. There should be a review of the types of expenditure and an assessment whether contracts are in place for that particular expenditure.	3	Agreed to review	Audit was advised that no review had taken place as yet.  <b>Issue not addressed</b>