



Corporate Credit Card Usage

FINAL REPORT

Author

July 2020

Distribution List

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1) Executive Summary

i) Introduction

This audit was carried out as part of the agreed audit plan for the 2020/21 financial year. Audit testing has been restricted to areas that have been assessed as high risk by Internal Audit.

For the period 2019/20 the total payments the Council incurred is £70,580.29 spread over 16 corporate credit cards. At the start of the audit there were 21 cards in use with one being cancelled during the audit.

Audit testing has been carried out on the following objectives to ensure that:

- **Objective 1: Controls are in place for the issue of corporate credit cards**
- **Objective 2: That Council Policy has been adhered to for the usage of credit cards**

ii) Overall audit opinion

The overall audit opinion is based solely on testing carried out and discussions held during the course of the audit.

	Levels	Description/Examples
	No Assurance (Critical Risk Exceptions)	Major individual issues identified or collectively a number of issues raised which could significantly impact the overall objectives of the activity that was subject to the Audit
→	Limited Assurance (High Risk Exceptions)	Control weaknesses or risks were identified which pose a more significant risk to the Authority
	Reasonable Assurance (High or Medium Risk Exceptions)	Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority
	Assurance (Low Risk/Improvement Exceptions)	No issues or minor improvements noted within the audit but based on the testing conducted, assurance can be placed that the activity is of low risk to the Authority

iii) Summary of findings

Objective 1: To ensure that controls are in place for the issue of corporate credit cards – Reasonable Assurance

There was one medium risk exception raised as a result of testing carried out under this objective.

On receipt of a corporate credit card the card holder signs a User Agreement/Procedure that also gives instruction on the use of the credit card including keeping the card secure at all times. From data provided by Financial Services at the start of the audit there were 21 active credit cards. Testing found in all cases there was a signed copy of the agreement. There are more in depth procedures available to all staff on the Council's intranet 'Purchasing Using a Corporate Credit Card'. These are updated on an annual basis or as required and were last updated in May 2020.

During the audit a cardholder left the Council, leaving 20 active cardholders. A physical check for the security of credit cards could not be carried out due to COVID-19, so a questionnaire was sent to all cardholders. It was ascertained that 3 credit cards are held in a locked safe within the Council offices and 17 were kept on their person. Cards that are held in the Council offices would not be able to be used in an emergency situation if the building was inaccessible. There is also a security risk that credit cards could be accessed and used by an unauthorised officer with access to the safes (see EX1.1).

Each new credit card is required to have an allocated unique supplier number for purchase orders and invoices payments to be allocated against within the Council's financial system, Civica. A review within Civica of each credit card holder found that each card holder was allocated a supplier number. All supplier numbers had been allocated in numerical order.

Objective 2: To ensure that Council Policy has been adhered to for the usage of credit cards - Limited Assurance

3 high risk exceptions have been raised as a result of testing carried out under this objective.

Each card has been given a single purchase limit as well as a monthly limit to control the value of purchases. Testing found that all credit cards in use had set limits depending on staff position. The Director of Corporate Services, or in his absence the Financial Services Divisional Manager, can give approval in times of an emergency for a card holders' credit to be increased. Testing found

that due to the current pandemic, the credit limit has been increased on 8 cardholders' credit cards and these had been approved by the Director of Corporate Services.

From the 20 active accounts, 15 cards had been used. The Council's Financial Regulations set out that an authorised purchase order must be created in Civica prior to placing an order with a supplier, whether the purchase is by invoice or by credit card. Only under exceptional circumstances can a purchase order be raised retrospectively and authorised. Testing carried out on purchases on the 15 active cards found that this was not always the case (see EX2.1).

It is also a requirement to supply a VAT receipt/invoice to support the purchase, this is scanned onto Civica and matched against the purchase order to ensure they correlate and VAT can be reclaimed where applicable. If an Invoice or a VAT receipt is not provided then the Council are unable to reclaim the VAT (see EX 2.2).

The card must not be used for inappropriate transactions such as entertaining guests etc. and used in accordance with the Council's Constitution and Financial Regulations. The card should only be used for purchasing goods and services on behalf of the Council where no other payment method is accepted, or due to purchases being made on-line or by telephone to expedite urgent items. A review of each card expenditure for this financial year found that on occasion payments could have been made by invoice. (see EX2.3).

A procedure is in place for a credit card reconciliation which is carried out by the Assistant Accountant. Statements are downloaded each month from the NatWest Cards Online system and checked against purchase orders raised within Civica. Any anomalies are raised with the cardholder and the Group Accountant.

When a card holder leaves employment or the credit card is no longer required, cards are cancelled. Testing found that there were 7 cancelled cards between March 2018 and March 2020, 5 of which were leavers and 2 were no longer required. All 5 leavers' credit cards were cancelled prior to leaving the Council. Confirmation letters from NatWest were found on file for all cancelled cards except one that had been mislaid. A copy of the letter was requested from NatWest and received.

Overall assurance level – Limited Assurance

3 high risk and 1 medium risk exceptions have been raised as a result of testing carried out during the course of the audit. Therefore Internal Audit can give limited assurance that the area is of low risk to the Authority.

Key for risk rating of exceptions:

Priority Level	Description
Critical Risk	Control weakness that could have a significant impact upon not only the system function or process objectives but also the achievement of the organisation’s objectives in relation to: <ul style="list-style-type: none">▪ The efficient and effective use of resources▪ The safeguarding of assets▪ The preparation of reliable financial and operational information▪ Compliance with laws and regulations And corrective action needs to be taken immediately.
High Risk	Action needs to be taken to address significant control weaknesses but over a reasonable timeframe rather than immediately. These issues are not “show stopping” but are still important to ensure that controls can be relied upon for the effective performance of the service or function. If not addressed, they can, over time, become critical. An example of an important exception would be the introduction of controls to detect and prevent fraud.
Medium Risk	These are control weaknesses that may expose the system function or process to a key risk but the likelihood of the risk occurring is low.
Low Risk - Improvement	Very low risk exceptions or recommendations that are classed as improvements that are intended to help the service fine tune its control framework or improve service effectiveness and efficiency. An example of an improvement recommendation would be making changes to a filing system to improve the quality of the management trail.

EX1.1 Corporate Credit Cards are held by the card holder outside of office hours at all times.	
Risk Rating: Medium	
Findings	
The policy for credit cards states they should be held securely at all times. A physical check for the security of credit cards could not be carried out due to COVID-19, so a questionnaire was sent to all cardholders. It was ascertained that 3 credit cards are held in a locked safes within the Council Offices and 17 were kept on their person.	
Risks and consequences	
If officers were not able to access the Council Offices to retrieve their corporate credit card then they would not be able to use the card in the event of emergency acquisitions. This could affect business functions within the Council.	
There is also a risk of unauthorised access to the credit cards being held in a safe which could result in unapproved purchases and financial loss to the Council if supplies or services were unable to be refunded.	
Agreed action	Officer responsible and by when
The policy is made clear where corporate cards are held to ensure that the credit cards are held with cardholders at all times.	<p>This is a business continuity and security risk. For the small number of cards that are presently held securely by departments Finance will require their repatriation to the named card holder. The credit card policy will be amended to require cardholders to hold their card securely and for it to be available at all times for emergencies. If necessary a nominated officer in each department will be issued with a card for local emergency purchases.</p> <p>Officer responsible: Group Accountant, Mark Catlow Due by 31 December 2020</p>

EX2.1 Purchase orders are raised and approved on Civica	
Risk rating: High Risk	
Findings	
<p>From the 20 active accounts at the time of the audit 5 credit cards had not been used. For the remaining 15 credit cards, one transaction per credit card was tested. 1 payment showed a purchase order had not been raised for the credit card purchase and was therefore not authorised in advance as per the Financial Regulations.</p> <p>Further checks were carried out from the summary spread sheet 19/20 provided from Finance. A review of each card holder from the sheet found that in February and March 2020 there were 19 purchases made from 4 cardholders' credit cards. 12 out of the 19 did not have a purchase order and were therefore not authorised in advance.</p>	
Risks and consequences	
<p>Currently the only formal transparent method of approving a purchase is by raising a purchase order through the financial system Civica. There is a risk that the cardholder/budget holder is not aware of the purchase and that funds may not be available. Fraudulent activity could also be occurring that would not be identified until a credit card statement is received.</p>	
Agreed action	Officer responsible and by when
<p>Controls are put in place to ensure all purchases without supporting documentation and authorisation is escalated and appropriate action taken against the cardholder.</p>	<p>This is an issue that Finance has raised with cardholders multiple times over an extended period with no consistent improvement in compliance.</p> <p>In an attempt to enforce compliance the Council is moving to an online cards administration system provided by national Westminster Bank Plc. This allows for mandatory approval and receipt requirements to be enforced and will provide a better overview of card spend to identify areas for investigation.</p> <p>Once all cards are on this new system, Finance will temporarily suspend any corporate credit card if transactions remain unauthorised or without receipts after a reminder.</p> <p>Officer responsible: Group Accountant , Mark Catlow Due by 31 December 2020</p>

EX2.2 Supporting documents are provided for purchases	
Risk rating: High Risk	
Findings	
<p>From the 20 active accounts at the time of the audit 5 credit cards had not been used. For the remaining 15 credit cards, one transaction per credit card was tested. 15 invoices were chosen at random from Civica. Testing found 3 payments had no supporting documents to support the purchase made which contravenes the credit card guidance and Financial Regulations.</p> <p>Further checks was carried out from the summary spread sheet 19/20 provided from Finance. A review of each card holder from the sheet found that in February and March 2020 there were 19 purchases made from 4 cardholders' credit cards. 19 did not have supporting documents.</p>	
Risks and consequences	
<p>Without supporting documents such as invoice or receipt, checks would not be able to be made against the purchase order and the monthly credit card statement to ensure that the correct amount has been charged and that they are legitimate.</p> <p>If purchases are not supported by receipts/invoices then VAT cannot be reclaimed resulting in a financial loss to the Council.</p>	
Agreed action	Officer responsible and by when
<p>Controls are put in place to ensure all purchases without supporting documentation and authorisation is escalated and appropriate action taken against the cardholder.</p>	<p>This is an issue that Finance has raised with cardholders multiple times over an extended period with no consistent improvement in compliance.</p> <p>In an attempt to enforce compliance the Council is moving to an online cards administration system provided by national Westminster Bank Plc. This allows for mandatory approval and receipt requirements to be enforced and will provide a better overview of card spend to identify areas for investigation.</p> <p>Once all cards are on this new system, Finance will temporarily suspend any corporate credit card if transactions remain unauthorised or without receipts after a reminder.</p> <p>Officer responsible: Group Accountant Mark Catlow Due by 31 December 2020</p>

EX2.3 Credit Cards are only used where no other payment method is available	
Risk rating: High Risk	
Findings	
<p>The card must not be used for inappropriate transactions such as entertaining guests etc. and used in accordance with the Council's Constitution and Financial Regulations. The card should only be used for purchasing goods and services on behalf of the Council where no other payment method is accepted, or due to purchases being made on-line or by telephone to expedite urgent items.</p> <p>For 2019/20 there were a total of 450 transactions. For 294 of these it was not possible to ascertain whether using a credit card was the most appropriate means of purchase.</p> <p>For the remaining 156 there is a possibility that other methods of payments, such as an invoice could have been used. These transactions included 48 for rail travel, 12 for food expenses during travel and other food expense, 22 were for overnight stays for training, 63 for training, 1 for car hire, 1 for fuel, 1 for vehicle repairs and 8 for professional membership renewal.</p> <p>Testing found that from the description on Civica 8 payments for training, travel and subsistence claims were found to have been approved by the cardholder for their own expenses and 3 were approved by their staff. None of the purchases were inappropriate but individuals' Managers should have approved the expenses.</p>	
Risks and consequences	
<p>If procedures are not adhered to then cardholders could have their credit cards taken away from them. This could have an operational impact on the service if they did not have the facility to immediately make emergency payments.</p> <p>If there is no independent authorisation of travel and subsistence expenses then there is no independent check to ensure that expenses are properly and necessarily incurred and payable; and journeys are appropriately planned.</p>	
Agreed action	Officer responsible and by when
Controls are put in place to ensure that credit cards are used for their intended purpose and Cardholders are reminded of the use of the credit cards and the authorisation of their own expenses.	<p>This is an issue that Finance has raised with cardholders multiple times over an extended period with no consistent improvement in compliance.</p> <p>In an attempt to enforce compliance the Council is moving to an</p>

	<p>online cards administration system provided by national Westminster Bank Plc. This allows for mandatory approval and receipt requirements to be enforced and will provide a better overview of card spend to identify areas for investigation.</p> <p>Once all cards are on this new system, Finance will temporarily suspend any corporate credit card if it is used inappropriately.</p> <p>Officer responsible: Group Accountant , Mark Catlow Due by 31 December 2020</p>
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