



Internal Audit Report
Chief Executive's Service
Corporate / Finance Division
Credit Cards 12-19
June 2013

Final Report

Chief Executive's Service
Finance Division
Perth & Kinross Council
2 High Street
Perth PH1 5PH

Background and Introduction

This assignment forms part of the Internal Audit plan for 2012/2013 as approved by Audit Sub-Committee on 27th March 2012.

The Finance Division oversees the provision of credit cards within Services to ensure that Services are able to procure on a timely basis where it would not be possible to do so by another means and achieve best value.

Acknowledgements

Internal Audit acknowledges with thanks the co-operation of the Finance Division, officers with credit cards within services and the Services' finance teams.

Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A 'control objective' is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective: To ensure that arrangements are in place for requesting and authorising the issue of credit cards.	
Auditor's Comments: Testing confirmed that procedures are in place for requesting and authorising the issue of credit cards. The Finance Division is responsible for processing and authorising the issue of credit cards to Services. In addition the Finance Division authorises credit limits and changes in credit limits. The business reasons for a credit card and for changes in credit card limits are not always documented although the Exchequer Manager (Incomes) advised that the reasons are always discussed with the card holder. Although procedures have been issued to Council credit card holders, they would benefit from being updated.	
Strength of Internal Controls:	Moderately Strong

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Control Objective: To ensure that credit cards are used appropriately and are subject to appropriate control within Services	
Auditor's Comments: There is evidence to suggest that credit cards are predominantly used in appropriate circumstances. However, there are instances where it is not clear whether using the credit card was the most appropriate method of procurement. In addition although credit cards are subject to appropriate control within most Services, there are examples within Housing and Community Care where the credit card payment request is not being fully completed and authorised.	
Strength of Internal Controls:	Moderate

Control Objective: Ensure that credit cards are reconciled on a timely basis	
Auditor's Comments: Testing confirmed that credit card statements are reconciled to source documentation on a monthly basis by each of the Services.	
Strength of Internal Controls:	Strong

Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

Feedback

Internal Audit welcomes feedback from management, in connection with this audit or with the Internal Audit service in general.

Distribution

This report has been distributed to:

B Malone, Chief Executive

D Burke, Executive Director (Housing and Community Care)

J Fyffe, Executive Director (Education & Children's Services)

J Valentine, Executive Director (Environment)

J Walker, Depute Director, Housing and Community Care

J Symon, Head of Finance

E Sturgeon, Chief Exchequer Officer

M Cowdery, Exchequer Manager (Incomes)

G Boland, Service Manager (Contracts and Financial Management)

J Coburn, Finance Manager (Education & Children's Services)

A Taylor, Head of Finance & Support Services (Housing & Community Care)

N Copland, Business & Resources Manager (Housing & Community Care)

G Taylor, Head of Democratic Services

P Dickson, Complaints & Governance Officer

External Audit

Authorisation

The auditor for this assignment is M Morrison. The supervising auditor is J Clark.

This report is authorised for issue:

Jacqueline Clark
Chief Internal Auditor
Date: 4 June 2013

Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Application for Credit Card	Low
2	Procedures	Medium
3	Credit Card Payment Requests	High
4	Use of Credit Cards	Medium

Appendix 2: Action Plan

Action Point 1- Application for Credit Card

The Finance Division administers the council credit card system and is responsible for authorising the issue of credit cards, setting credit limits and authorising any amendments to credit limits. Testing confirmed that the Finance Division is following written procedures. However there are instances where the business reason for the issue of the credit card has not been documented. In addition in some instances the reasons for changes in credit limits have not been documented. The Exchequer Manager (Incomes) has provided assurance that the business need for the credit card is discussed with the prospective card holder and in addition any change to credit limits is discussed with the card holder.

There is a risk that a credit card is issued or the credit limit is increased without a business need being established.

Management Action Plan

The Exchequer Manager (Incomes) will ensure that the business need is documented in all instances where a credit card is issued and where the credit limit is amended.

Importance:	Low
Responsible Officer:	M Cowdery, Exchequer Manager (Incomes)
Lead Service:	Chief Executive's Service
Date for Completion (Month / Year):	November 2013
Required Evidence of Completion:	Sample of documentation

Auditor's Comments

Satisfactory

Action Point 2 – Procedures

Although testing confirmed that procedures are in place for the administration and use of credit cards, they would benefit from some revision and updating.

There is a risk that if the procedures are not updated, card holders will be unable to comply with current guidelines.

Management Action Plan

Documented procedures to be revised and updated.

Importance:	Medium
Responsible Officer:	M Cowdery, Exchequer Manager (Incomes)
Lead Service:	Chief Executive's Service
Date for Completion (Month / Year):	July 2013
Required Evidence of Completion:	Copy of Revised Documented Procedures

Auditor's Comments

Satisfactory

Action Point 3 – Credit Card Payment Requests

Testing confirmed that in some instances credit card payment requests within Housing and Community Care were not being fully completed and were not always authorised.

There is a risk that credit cards may be used in an inappropriate manner.

Management Action Plan

1. The Exchequer Manager (Incomes) will remind credit card holders of the procedures to ensure that the request forms are fully completed and authorised prior to the payment being made.
2. The Financial Controller in Housing & Community Care will ensure that the request forms are fully completed and authorised prior to the payment being made. Where emergency payments are required, the forms will be fully completed and authorised in retrospect on a timely basis.

Importance:	High
Responsible Officer:	1. M Cowdery, Exchequer Manager (Incomes) 2. N Copland, Business & Resources Manager
Lead Service:	1. Chief Executive's Service 2. Housing & Community Care
Date for Completion (Month / Year):	August 2013
Required Evidence of Completion:	1. Copy of Reminder Documentation 2. Samples of fully completed credit card payment requests

Auditor's Comments

Satisfactory

Action Point 4 – Use of Credit Cards

There is evidence to suggest that credit cards are predominately being used in appropriate circumstances. However there are instances where payments have been made which may not meet the criteria as specified in the procedures.

Services should ensure that other means of procurement (e.g. PECOS) have been considered before the use of credit cards. On occasions, in Housing & Community Care and Education & Children's Services, it was not clear that this was the case.

There is a risk that credit cards may be used in an inappropriate manner

Management Action Plan

1. The Exchequer Manager (Incomes) will remind credit card holders to ensure that other means of procurement have been considered before requesting payment using Council credit cards.
2. The Financial Controller in Housing & Community Care will ensure that other means of procurement have been considered before requesting payment using Council credit cards.
3. The Financial Controller in Education & Children's Services will ensure that other means of procurement have been considered before requesting payment using Council credit cards.

Importance:	Medium
Responsible Officer:	1. M Cowdery, Exchequer Manager (Incomes) 2. N Copland, Business & Resources Manager 3. J Cockburn, Finance Manager
Lead Service:	1. Chief Executive's Service 2. Housing & Community Care 3. Education & Children's Services
Date for Completion (Month / Year):	August 2013
Required Evidence of Completion:	1. Copies of e-mails sent 2. & 3. Evidence that other means of procurement have been considered

Auditor's Comments

Satisfactory