

# Audit & Risk Committee – for assurance

**Meeting agenda title:** Corporate Charge Card Internal Audit Update

**Meeting date:** 17 January 2023

**Time required:** 10 minutes

**Presenter:** Angela Donaldson

**Approved by:** Angela Donaldson

## 1. Objective and recommendation

- 1.1. To provide the Audit & Risk Committee (ARC) with an update on progress made against the corporate charge card internal audit recommendations for assurance.

## 2. History and dependencies

- 2.1. Mazars conducted an internal audit on ICO’s use of corporate charge cards (CCCs) in August 2022. The audit report provided a limited assurance outcome and noted some opportunities for improvements.
- 2.2. Specifically, there were 6 medium audit recommendations noted in the Mazars audit report. During Q3 2022-23 progress has been made towards each of these and we aim to complete the remaining actions in Q4 2022-23. There will be further enhancements implemented in Q1 2023-24 following the implementation of our new ERP system implementation which will help us to further improve the efficiency of the processes we are implementing.

## 3. Executive Summary

- 3.1 A summary of the progress made to date against the internal audit actions for assurance is provided in the table below, with further detail provided in section 4 of this report:

Internal Audit Action	Progress to date	Final Completion due date
The ICO should consider amending the cardholder’s and approver’s guides to become a policy.	A policy has been drafted by the Finance team in December and is going through internal review for sign off prior to being	Q4 2022/23

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	communicated to card holders.	
Introduce regular CCC spend analysis reporting at the ICO.	Monthly expenditure reporting and analysis is going to the Finance Director and Resources Board from January	January 2023
The ICO should remind cardholder's that transactions must not be split.	An email was issued to all cardholders in November.	Complete
The ICO should review spend on the Corporate Charge Cards to determine whether it is appropriate, for example, using the cards for newspaper subscriptions. The guidance should then be updated as necessary	<p>Actions in progress to assist with this:</p> <ul style="list-style-type: none"> <li>• New policy in progress</li> <li>• Monthly analysis of expenditure now being completed by Finance</li> <li>• Finance are looking to introduce a central procurement card for certain purchases to minimise expenditure on individual corporate charge cards where appropriate</li> </ul>	Q4 2022/23 procurement card timeline
The ICO should remind staff to upload transactions and/or approve them in a timely manner including uploading supporting evidence.	Monthly email reminders are now sent by Finance to all card holders and approvers. The new policy and credit card agreement will detail the SLAs to be abided by and reporting of aged transactions will be included in the analysis from January.	Q4 2022/23

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The ICO should carry out an annual review of cardholders to ensure that there continues to be a reasonable rationale for their requirement. Cards no longer required should be withdrawn or cancelled	An initial review has been undertaken already. A further review will be undertaken once the new CCC policy is live.	Q4 2022/23
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### 4. Progress against recommendations to date

4.1. Further to the executive summary above, a more detailed update has been provided against each of the internal audit actions below to provide assurance to the ARC of the significant progress made to date.

#### **The ICO should consider amending the cardholder's and approver's guides to become a policy.**

4.2. In December 2022 the finance team drafted the first version of the new ICO CCC policy. The draft policy reflects recommendations in the internal audit and includes changes such as:

- Changing the cardholder's and approver's guide to a policy where cardholders and approvers will have to sign up to the policy and accept the terms of the policy, including where misuse could lead to the card being withdrawn and disciplinary action taken.
- All cardholders must complete a needs-based assessment before being issued with a CCC. The assessment process itself will further highlight the acceptable use of the CCC.
- Setting out clear service level agreements to control and improve the timescales for uploading evidence for approval and for approval of transactions. Both uploading evidence and approving transactions will each have a 20 working day deadline (to allow consideration of personnel annual leave or sickness absence).

4.3. This policy is now going through internal review before it is finalised and communicated to all current card holders. The new policy also introduces a signed declaration in the needs-based

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assessment from the card holder and approver noting agreement to abide by the terms of the new policy.

- 4.4. The policy will be further updated as needed in Q1 2023-24 once our new ERP Workday system goes live.

### **Introduce regular CCC spend analysis reporting at the ICO.**

- 4.5. In November 2022 a full list of the CCC transactions year to date was compiled for analysis. The analysis split the transactions into categories of expenditure. The analysis highlighted that:
- There were 721 transactions on CCCs between 01 April and 31 October 2022. The total value of these transactions was £77,153.
- 4.6. 47% was spent on Travel and subsistence, 19% on Recruitment Advertising, 10% on Learning and Development and 6% on subscriptions. The 18% remainder was across a wide range of low value transactions.
- 4.7. From December 2022 a monthly analysis is being carried out by the Finance team on corporate charge card expenditure with emails sent to card holders where transactions warrant further investigation. As at the end of November for the year to date, only 15 (2%) transactions totalling £3,745 (5%) required investigation.
- 4.8. Following the December analysis, a report will be produced for the January Resources Board on the results of the CCC analysis. This report will go to the Finance Director for review, and Resources Board for assurance, and will detail:
- Total expenditure on CCC
  - Analysis by category of expenditure, volumes and sub totals £ by type
  - Any concerns regarding the appropriateness or nature of the expenditure in month
  - Any concerns regarding any split of expenditure highlighted in month, or confirmation nothing has arisen in this area
  - Aged analysis – outstanding receipts due and how old - split into categories < 20 working days > 20 working days
  - Aged analysis – outstanding approvals due and how old – split into categories < 20 working days > 20 working days

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- Outline any action taken re any concerns raised during the period

### **The ICO should remind cardholder's that transactions must not be split.**

- 4.9. In November 2022 a reminder email was issued to all current ICO corporate charge card holders reminding them not to split transactions.
- 4.10. The new monthly analysis in place from December will highlight any concerns on splitting transactions and this will be reported to the Finance Director and Resources Board from January onwards for review, visibility and assurance.
- 4.11. The new policy and card holder agreements being implemented in January will increase compliance, with card withdrawal being actioned by Finance where the policy is not adhered to.

### **The ICO should review spend on the Corporate Charge Cards to determine whether it is appropriate, for example, using the cards for newspaper subscriptions. The guidance should then be updated as necessary.**

- 4.12. Further to improvements mentioned above, for areas of expenditure outside of subsistence expenses claims, we are looking to source a central procurement CCC to make low value or one-off purchases such as annual subscriptions, for example for payment of conference attendance or training courses. The procurement team would hold this thereby further assuring that expenditure outside of subsistence claims is being compliantly purchased.
- 4.13. We expect to have this in place by 31 March 2023.

### **The ICO should remind staff to upload transactions and/or approve them in a timely manner including uploading supporting evidence.**

- 4.14. Finance are now issuing monthly reminders to all card holders to update transactional evidence for CCC expenditure.
- 4.15. As highlighted above, the new policy will detail timescales to be adhered to for uploading evidence and approvals.
- 4.16. As at end November, we had reduced the number of outstanding transactions for approval from 77% to 57% and reduced the

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approval timeline to 60 days from 93 days. The December data has yet to be analysed at the time of writing this report.

**The ICO should carry out an annual review of cardholders to ensure that there continues to be a reasonable rationale for their requirement. Cards no longer required should be withdrawn or cancelled.**

- 4.17. The finance team have conducted a review of transactions per card holder across the last financial year to determine those holding a card that are not actively using it. To date from the 110 live cards at the time of audit, 47 cards have been withdrawn / cancelled in agreement with the card owner as not being required.
- 4.18. The current ICO policy for granting an ICO corporate charge card is based on a staff member requesting a card rather than a needs-based assessment. The new CCC policy introduces a needs-based assessment, therefore a further review will take place in Q4 following agreement of the new policy with the aim to limit the number of cards to those passing the needs-based test.

**Finance will also be implementing further enhancements in Q1 2023-24 with the implementation of the new ERP Workday solution.**

- 4.19. As part of our Workday system implementation, we are developing an improved subsistence expenses claim process, with faster payments for reimbursement for subsistence expenses.
- 4.20. Workday will automate the current manual excel based process, allowing receipts to be uploaded to the system, with subsistence expenses directed for approval via an online workflow to the relevant line manager. Once approved expenses are ready for payment, Finance will complete a payment run on a daily basis. This will significantly reduce the time taken to reimburse staff (assuming line managers approve expenses on a timely basis).
- 4.21. Implementing this new solution would provide a suitable alternative to corporate charge cards for standard subsistence claims, which could further reduce the volumes of corporate charge cards required.
- 4.22. We recognise that some staff will want to retain their corporate charge cards, and this will be a choice for individuals assuming they meet the needs test. Corporate charge cards are recognised

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as being particularly useful for frequent or international travellers to provide contingency for any unforeseen travel disruptions.

### 5. Next steps

- 5.1. The Finance team continue to work to implement the audit recommendations in full as per the timelines outlined in this report.

**Author:** Craig Morton, Head of Finance

**Consultees:** Finance Team

**List of Annexes:** N/A

**Publication consideration:** Report can be published internally and externally.

**Outcome reached:**