Southway Housing Trust

Assurance Review of Use of Credit Cards

October 2024

Final

Executive Summary

OVERALL ASSESSMENT

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

6. Inefficient use of resources and poor value for money.

KEY STRATEGIC FINDINGS

Payment cards are being used in line with the Financial Regulations. Records are retained and expenditure is approved by management.

Payment cards should be provided only to employees in those posts listed in the Financial Regulations' Schedule of Authorities to Incur Funds.

At present, card holders monthly spend limits do not always align with the limits set out in the Financial Regulations.

Consideration should be given towards better evidencing that card purchases provide the Trust with the desired level of value for money.

GOOD PRACTICE IDENTIFIED

The Financial Regulations make sufficient, appropriate provisions for the use of payment cards, with suitable supporting procedures having been developed.

Resources are in place to properly manage, and control payment card processes and the Finance Team is proactive in ensuring prescribed processes are followed.

SCOPE

The review evaluated the controls relating to the use of credit cards, including whether they are being used in line with the Financial Regulations and that expenses are being claimed appropriately, purchase records are retained and signed off by the appropriate management.

ACTION POINTS

Urgent	Important	Routine	Operational
0	**2**	**0**	**1**

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	Paragraph 7.4.2 of the Financial Regulations states that payment cards may be issued to the employees in those posts listed in the Schedule of Authorities to Incur Funds. Testing of a sample of employees that were recently provided with a payment card showed that one of the seven sampled employees did not hold a post that was listed in the Schedule of Authorities to Incur Funds.	In compliance with the Financial Regulations, payment cards be provided only to employees in those posts listed in the Financial Regulations' Schedule of Authorities to Incur Funds.	2	*Noted. The Finance Manager – Investment will ensure the Finance Regulations are followed when setting up credit card.*	*With immediate effect*	*Finance Manager - Investment*
2	Directed	For the ten employees having the highest value of expenditure on payment cards during the six months ended 30th June 2024, the Aggregate Monthly Limit for their post, as stated in the Financial Regulations, was compared with the monthly spend limit per the monthly statement received from the card provider. In four of the ten cases, the monthly spend limit per the statement did not agree with the limit allowed in the Financial Regulations as being applicable to their post.	Card holders be provided with monthly spend limits corresponding to the Aggregate Monthly Limit for their post, as stated in the Financial Regulations. Alternatively, the Financial Regulations be amended to align with current practices.	2	*Noted. The Finance Manager – Investment sets up the credit card with the relevant limit when requested by member of staff.* *Barclaycard operate the limit based on monthly transactions which runs to the 8th of the month. We will check operational limits with Barclaycard and update the Finance Regulations accordingly.*	*30th November 2024*	*Finance Manager - Investment*

PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.	2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.	3	ROUTINE	Control issue on which action should be taken.

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
1	Delivery	The Trust's Value for Money Strategy 2020 - 2025 states that achieving value for money is a core aim in everything the Trust does. Paragraph 7.4.1 of the Financial Regulations supports this statement by requiring that payment by card should only be incurred, either where it is not possible to raise a purchase order, or the expenditure is time critical. From the testing performed, it could not be sufficiently determined that card payments were incurred only in these circumstances and therefore that value for money is always being achieved. Consideration should be given to evidencing better alignment of payment card processes with the Trust's Value for Money Strategy and the Financial Regulations Such consideration may include, for example, adapting the Credit Card Transaction Log spreadsheets by adding two tick-boxes on each transaction line: one to be ticked if the transaction was time-critical and the other to be ticked if it was not possible to raise a purchase order for the transaction. At least one of these tick-boxes would then need to be completed before the transaction is approved. Such consideration may also include raising greater awareness of value for money issues when making purchases by payment cards.	Consideration be given to evidencing better alignment of payment card processes both with the Trust's Value for Money Strategy 2020 - 2025 and with the provisions of paragraph 7.4.1 of the Financial Regulations, whereby payment by card should only be incurred either where it is not possible to raise a purchase order, or the expenditure is time-critical.	*Southway are reviewing the procurement process for a number of contracts and will look to incorporate contracts whereby PO's can be raised to suppliers.* *Also, we will consider your recommendations and how best to incorporate them into the spreadsheet template to capture the necessity of using the credit card.*

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Findings

Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	**Governance Framework**	There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In place	-	-
RM	**Risk Mitigation**	The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	-	-
C	**Compliance**	Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Partially in place	1, & 2	-

Other Findings
The Trust's Financial Regulations include a section headed Expenditure Incurred via Payment Card. This states that payment by card should only be incurred where it is not possible to raise a purchase order, or where the expenditure is time critical. Cards may be held only by employees within certain stipulated posts. Each post has a stated aggregate monthly limit of either £2,000, £5,000 or £10,000. Receipts are required for any item with a value over £50.
Three procedure documents were evidenced in support of the processes around payment cards. If an employee requires a card, a template Request for Corporate Purchase Card form must be approved by the applicant's Manager and submitted to the Finance Team. After receiving Director approval, an application is made to the card-issuing body. Upon receiving the payment card, a template Corporate Card Agreement Form is signed by the new cardholder.
Expenditure on the payment cards is recorded by the cardholder on a monthly 'Credit Card Transaction Log' spreadsheet template. Each transaction line summarises the goods/services purchased and their related charge codes for input to the financial records. Below the expenditure summary for the month is a 'Signature of Cardholder' box and an 'Authorised by' box. Testing showed that payment card statements are paid in full each month.
Paragraph 7.4.2 of the Financial Regulations states that payment cards may be issued to the employees listed in the Schedule of Authorities to Incur Funds, which sets out each cardholder's limit and their Retrospective Authoriser. From a review of the Schedule of Authorities to Incur Funds, the Retrospective Authoriser is not given. It is evident, however, from other text within section 7.4 of the Financial Regulations that the Retrospective Authoriser refers to the employee's immediate manager, or an employee with greater authority.

Other Findings

The Significant Risk Map is presented at each Audit and Risk Committee meeting. At its meeting on 23rd July 2024, the 6th ranked risk within the Significant Risk Map was inefficient use of resources and poor value for money. Existing mitigating controls include that the budgetary control and financial reporting framework has been strengthened. The net risk score was assessed as 16 (red). The target risk score is 12-15 (amber). The risk owner is the Executive Director of Finance and Business Development.

Six spreadsheets were received showing monthly credit card expenditure from January to June 2024. From an analysis of these spreadsheets, it was determined that total expenditure on credit cards for the six months ended 30th June 2024 was £94.7K gross of VAT, with expenditure each month ranging between £10.4K and £19.6K. There were 664 individual purchase transactions across this period, 17 of which were in excess of £1K, with the largest being £3.4K. From the spreadsheets of credit card expenditure for the six months ended 30th June 2024, 20 expenditure transactions were sampled, being the five largest and a further 15 at random.

Paragraph 7.4.6(a) of the Financial Regulations requires each cardholder to advise the nature of each payment and the appropriate coding. All 20 transactions sampled were validated to a corresponding Credit Card Transaction Log spreadsheet advising the nature of each payment and the appropriate coding. The same paragraph also requires each cardholder to provide a receipt for any item with a value over £50. A receipt was evidenced for all 14 transactions with a value over £50 that were sampled.

Paragraph 7.4.6(a) of the Financial Regulations requires each cardholder to sign a monthly statement of payment card transactions to declare that they accept responsibility for all transactions. The ''Signature of Cardholder' box was signed for all sampled Credit Card Transaction Log spreadsheets. Paragraph 7.4.6(c) of the Financial Regulations requires that, if the value of the monthly statement of payment card transactions exceeds £250, it must be approved by the Retrospective Authoriser, usually their immediate manager, or an employee with greater authority. The ''Authorised by' box was signed for all sampled Credit Card Transaction Log spreadsheets, or an equivalent email trail was evidenced as providing such authorisation.

Credit card statements for June 2024 were sampled for the ten employees having the highest value of expenditure on payment cards during the six months ended 30th June 2024. In each case, the Trust's financial records were in agreement with each transaction and with the total balance shown on the card statement received from the card provider. In each case, the statement balance was within the card's monthly spend limit authorised by the card provider. In each case, it was also apparent that the prior month's total expenditure on the card had been paid in full during the current month.

Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	**Performance Monitoring**	There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In place	-	-
S	**Sustainability**	The impact on the organisation's sustainability agenda has been considered.	Out of scope	-	-
R	**Resilience**	Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	1

Other Findings

- Payment card expenditure is regularly monitored and necessarily form part of the Trust's quarterly financial reporting regime to the Board.
- Throughout this review, it was evident that sufficient resources are in place to manage and control payment card processes. The Finance Team was seen to play an integral part in these matters, including taking additional measures to preserve a proper audit trail of approvals.

Scope and Limitations of the Review

1. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

Disclaimer

2. The matters raised in this report are only those that came to the attention of the auditor during the course of the review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Effectiveness of arrangements

3. The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

In place	The control arrangements in place mitigate the risk from arising.
Partially in place	The control arrangements in place only partially mitigate the risk from arising.
Not in place	The control arrangements in place do not effectively mitigate the risk from arising.

Assurance Assessment

4. The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

5. We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

6. The table below sets out the history of this report.

Stage	Issued	Response Received
Audit Planning Memorandum:	4th April 2024	4th April 2024
Draft Report:	26th September 2024	2nd October 2024
Final Report:	3rd October 2024	