

Oxford City Council

Internal Audit Report - Final

Purchase Cards

SEPTEMBER 2025

Design Opinion	● Limited
Design Effectiveness	● Limited



IDEAS | PEOPLE | TRUST

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DISTRIBUTION

Nigel Kennedy	Group Finance Director and s151 Officer
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Sue Allen	Payments Team Leader

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

REPORT STATUS

Auditors:	Gurpreet Dulay - Partner Yasmin Ahmed - Manager Joe Taylor - Assistant Manager
Dates work performed:	May - July 2025, with a closing meeting held on 15 July 2025
Draft report issued:	2 September 2025
Final report issued:	22 September 2025

Executive summary

CRR REFERENCE: 001 FINANCIAL STABILITY AND 002 OXFORD MODEL

Design Opinion

 Limited

Design Effectiveness

 Limited

Recommendations

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SCOPE

Background

- ▶ Oxford City Council (the Council) uses purchase cards for Council related expenditure and the Barclaycard Expense System (BCOS) to review and approve their expense claims and reimbursements. The use of purchase cards and expense claims require oversight and monitoring by management to prevent misuse and ensure compliance with the Council's financial regulations.
- ▶ During a recent Data Analytics audit for 2023-24, some exceptions were found in relation to purchase card transactions. A high priority finding was raised with the Council, whereby management and card holders were not reviewing and approving purchase card transactions promptly, creating a backlog of over two years of purchase card transactions. Improvements have since been made in this area and regular Council monitoring is in place. We have included this area as part of our audit review.
- ▶ There is a regulatory requirement set out in the Local Authorities (Data Transparency) Code 2015, requiring local authorities in England to publish information relating to expenditure over £500. The Council publish a list of payments on the Council website for transactions over the purchase value of £500 made to suppliers as part of their commitment to transparency.
- ▶ In 2025-26 the Council has issued a significant number of purchase cards, particularly in the Housing sector to support with temporary accommodation requests. Therefore, there are concerns by senior management over the consistency of the purchase card approval process and whether purchase cards are used for appropriate Council related activity.
- ▶ The Barclaycard statements have been reviewed from April 2024 to March 2025, and the total expenditure was £1,493,529.42.
- ▶ An audit of Data Analytics at the Council has recently been completed by BDO which included a review of purchase card transactions. A finding from this audit related to purchasing cards and the development of a purchase card policy. This finding was also highlighted in this review, however, has not been included in this report to avoid duplication.

Purpose

- ▶ The purpose of the audit was to provide assurance around the use of purchase cards and expenditure to ensure controls are appropriate.

Areas reviewed

As part of this audit, we reviewed the following areas:

- ▶ Assessed whether purchase card policies and procedures were up-to-date and the appropriateness of the content, including

requesting/issuing, authorisation, and usage of purchase cards along with retention of supporting documentation was in line with Council reporting requirements.

- ▶ Ensured that the record of all purchase cards was in use and that purchase cards had been issued following appropriate request and approvals as per the purchase card policy and procedure.
- ▶ Identified whether cardholders were current employees of the Council, that they held their card securely and that cards were only used by the named cardholder.
- ▶ Reviewed the record of card limits to ensure that card limits were in line with the category of the card and that any changes had been appropriately authorised, with any large value transactions that incur regularly identified.
- ▶ For a sample of purchase cards, we reviewed that all transactions per the card statement agreed to an up-to-date transaction log reviewed and approved by the cardholder and subsequently their manager and this was regularly monitored by the Council's Finance team.
- ▶ For a sample of transactions, we assessed that expenditure was supported by appropriate documentation in line with policy requirements.
- ▶ That the Finance team and the Revenue Service Delivery Manager had appropriate oversight of purchase card activity and retained audit evidence for all expenditure.
- ▶ Following discussions with the Payments Team Leader, purchasing cards in use at OxPlace and ODS have not been included in this review as the Council do not issue or monitor any of their expenditure.



AREAS OF STRENGTH

We have identified the following areas of good practice:

- ▶ The Senior Payments Officer has performed a review of unapproved transactions on the Barclaycard Online System over several years and has reduced the backlog (totalling £145,217.46) by the following amounts:
 - 2022 £0
 - 2023 £20,448.47
 - 2024 £19,045.16.



AREAS OF CONCERN

We found:

- ▶ Purchasing card transactions are not submitted, reviewed and approved in a timely manner (Finding 1 - High).
- ▶ Transactions totalling £145,217.46 made between 2022-2024 have not been submitted and/or approved on the Barclaycard Online System. All of which are currently being followed up by the Senior Payments Officer (Finding 1 - High).
- ▶ From a sample of 20 transactions processed in March 2025, 40% had not been approved online and 20% remain open with no supporting evidence attached (Finding 1 - High).
- ▶ The record of card holders held by the Payments Team is not up to date or comprehensive and therefore cannot be used to perform reviews to identify any leavers who should have returned their card or existing staff who no longer require a card (Finding 2 - High).

- ▶ The existing purchasing card limits are not regularly reviewed for appropriateness and purchasing cards are being used in place of invoicing (Finding 3 - Medium).
- ▶ On occasion purchasing cards are not used solely by the card holder and card details have been shared with colleagues (Finding 4 - Medium).



CONCLUSION

We conclude that the Council has a Moderate design of controls and a Limited effectiveness of control for purchase cards.

Control Design

The control design is Limited as the system of internal control requires strengthening to reduce the identified risks in the management of purchasing card processes at the Council.

In particular, the purchasing card agreement and procedures has not been updated for approximately 10 years and is therefore not reflective of current practice. In addition, there is no review of card limits or the suitability of the nature of purchases. Suitability should be reviewed by the approver, however as described below, the Payments Team have been working on resolving a backlog of non-approved transactions demonstrating the ineffectiveness of the current approval process.

Whilst no instances of leavers still holding a purchase card were identified during the review, it should be noted that there is no process for identifying leavers on the record of card holders. However, there has been a recent introduction of an automatic notification received by the Payments Team prompted by the completion of the leaver's checklist if the employee holds a purchasing card. This will assist in enabling the record of card holders to be kept up to date.

Control Effectiveness

The control effectiveness is also Limited as there is evidence of non-compliance with controls, that may result in the risk of financial loss materialising.


Instances of transactions not being submitted, supported by receipts and approved in a timely and comprehensive manner on the Barclaycard Online System have been identified which could potentially result in fraudulent payments not being detected. We have been unable to determine whether any inappropriate/fraudulent purchases have been made due to the lack of consistent approval and supporting documentation.

Also highlighted during the review, was two instances of card details being shared with colleagues. This is a breach of the card holder agreement and increases the risk of inappropriate use.

We do, however, recognise the efforts made by the Payments Team to manage the purchasing card process and the plans in place to improve existing controls.

Detailed findings

1. PURCHASING CARD TRANSACTIONS ARE NOT SUBMITTED, REVIEWED AND APPROVED IN A TIMELY MANNER AND SUPPORTING DOCUMENTATION IS NOT UPLOADED TO THE BARCLAYCARD ONLINE SYSTEM

TOR Risk:	There is no monitoring of purchase card expenditure to ensure that all transactions are appropriate and in line with policy, resulting in potential financial loss or fraudulent activity
Significance	 High



FINDING

All purchases are entered onto the Barclaycard Online System (BCOS) by the card holder and should be authorised by the nominated approver on a regular basis. However, there have been issues with transactions not being entered correctly by card holders and not being approved. The Senior Payments Officer has been working through all outstanding payments over the course of the last 6 months by contacting card holders and approvers to ensure they fulfil their roles. This has been a resource heavy task and is still in progress.

For context, the records have been provided for 2022, 2023 and 2024. As of 3 June 2025, the following amounts were in the process of being investigated and approved:

- ▶ 2022 £4,797.65
- ▶ 2023 £34,792.30
- ▶ 2024 £105,627.51.

This totals £145,217.46 of payments not correctly processed and approved since 2022.

Not approving transactions in a timely manner has resulted in a high volume of resource from the Payments Team required to investigate outstanding transactions over the past 3 years. All cardholders are required to sign up to the agreement which states that they will be responsible for the timely reconciliation of the monthly purchasing card statement through the BCOS system and failure to manage transactions in a timely manner will result in the card being blocked or cancelled.

The agreement also states that copies of all invoices and receipts for a transaction must be uploaded to BCOS. The receipt is then available for review by the approver prior to authorisation.

A sample has been reviewed from the Barclaycard statement dated March 2025. There were 533 transactions which equals a daily control frequency, assessed as high risk due to the lack of controls currently in place for the usage of purchasing cards. Therefore, a sample of 20 was selected to verify that each transaction has been recorded on BCOS and was reviewed and approved.

Out of 20 transactions:

- ▶ 20 have been recorded on BCOS. Four (20% of the sample) remain with an open status and have not yet been submitted, despite the date of the transactions being 06/20/23 March. They have therefore not been approved prior to the monthly reimbursement by the Council
- ▶ 12 have been reviewed and approved on BCOS by the card approver. The remaining eight (40%) have not been approved
- ▶ Five (25%) do not have appropriate supporting documentation uploaded to BCOS. Four of these are open transactions, therefore there is the opportunity for the user to upload a receipt prior to their submission of the transaction. However, given that the

transactions all occurred over three months ago, receipts have not been attached in a timely manner ready for what should be a monthly review and approval.

The five transactions without a receipt range from £288 to £1,220, totalling £3,205.36 and are for social media advertising, an office chair, the Royal Town Planning Institute, a car battery and app building software.

The likelihood of the purchasing cards being used fraudulently increases without review and approval of each transaction.

Without supporting documentation, it is not possible for a reviewer to verify the purpose of the transaction and for the Council to process the potential VAT claim on the purchase.



RECOMMENDATION

- A. To prevent further instances of transactions not being approved on BCOS, a policy should be produced to clearly stipulate the consequences of not recording and approving transactions in a timely manner. The policy should be presented at Senior Management meetings and then circulated to all card holders and approvers to raise awareness and ensure the support of Senior Management if the consequences need to be actioned.
- B. All transactions should be supported by the relevant documentation and submitted on BCOS before the next monthly reconciliation is due. This should be reiterated to cardholders and approvers including the consequences of non-compliance. Details of any VAT paid on each purchase should be evidenced by the supporting documentation where relevant. This allows timely and accurate approval to be granted, including the appropriate VAT reclaim, and will help to prevent a backlog in transactions without approval.
- C. Following the review of the backlog of previously unapproved transactions, an assessment should be performed of spend which is deemed inappropriate and a list of ineligible items should be included in the purchase card policy.




MANAGEMENT RESPONSE

- A. To prevent further instances of transactions not being approved on BCOS, a formal policy has been developed to clearly outline the responsibilities of cardholders and approvers, as well as the consequences of failing to record and approve transactions in a timely manner. This policy has been presented at Senior Management meetings to ensure visibility and support at the highest level. It has also been circulated to all card users and their approvers. As part of the implementation, all relevant officers are required to confirm in writing that they have read and understood the policy. The policy explicitly states the consequences of non-compliance, ensuring that expectations are clear, and that appropriate action can be taken when necessary. A revised credit card application form was sent to all current credit card holders. They have all signed up to the conditions contained within the document and returned the card application form.
- B. Have fully complied with the requirements outlined in points B and C. All managers have been advised of their responsibilities regarding timely submission and documentation of transactions on BCOS. Monthly checks will be carried out to monitor compliance, and any necessary corrective actions will be enforced promptly.
- C. Additionally, the review of transactions has been completed, and no inappropriate spend has been identified.

Responsible Officer:	Phil McGaskill, Revenues and Payments Service Delivery Manager
Implementation Date:	31 December 2025 (design of controls has been implemented, however, to judge the effectiveness this will take through to the end of the calendar year)

2. THE RECORD OF CARD HOLDERS DOES NOT CAPTURE ADEQUATE DETAILS AND IS NOT UP TO DATE TO ALLOW FOR IDENTIFICATION OF LEAVERS AND CARDS NO LONGER REQUIRED

TOR Risk:	There are insufficient security controls in place resulting in the cards being incorrectly issued and used by non-authorised personnel.
Significance	 High



FINDING

Council procedure is for purchase cards to be issued to card holders following an email request received from their manager. An official Barclaycard application form is completed by the prospective card holders' manager and then forwarded to the Head of Financial Services for approval. Once authorisation is granted, the form is forwarded onto Barclaycard.

The Barclaycard form only requires information, which is required by the bank, such as account number, business address, expenditure limits, card holder name and address, signature of employee authorised to request cards and signature of the Head of Financial Services.

There is no separate Council application form to record additional details such as the department/team who require the card, an outline of what the card is required for and the approver. If requested, this information could then be recorded on the card holder master record and used to identify areas where there is an excess of cards to potentially reduce the number of cards in issue.

The request and issue of cards is not documented as a procedure (refer to finding 3).

A master record of card holders is maintained by the Payments team on an excel spreadsheet. There are 131 current cardholders listed. The spreadsheet also includes tabs for leavers, authentication card holders, inactive/cancelled and those which were moved to Oxford Direct Services (a wholly-owned Council company) and later destroyed, with Oxford District Services issuing their own cards.

The Payments Team Leader has acknowledged that the record is not up to date and is aware that it requires a full review of format and content.

Currently there is only one name on the authentication card holders tab with no further details recorded. An authentication card holder cannot make purchases (the card has been issued to them to use as a tool for logging onto BCOS for administration purposes). For example, the Payments Team Leader is an authentication card holder to allow for monitoring and review of payments.

A sample of 10 current card holders were selected (from the master record of cardholders) as it is a periodic control frequency (131 - the number of cardholders) and is assessed as high risk due the lack of current controls in place and the inherent risk of fraud. The Barclaycard application form for each of the sample has been requested, to verify the process followed for the request and the approval given.

Out of 10 cardholders selected from the record held, only eight application forms were provided (the remaining two are historic and no forms could be provided). Six of the forms were fully completed with appropriate approval, however two of the forms had not been approved (one of which has no expenditure limit for the card recorded). It has been noted that Barclaycard do not process applications without the nominated approval, therefore although not documented on the forms, approval would have been provided via email, but evidence of this could not be found during the audit.

Not having an up-to-date record of card holders across the Council increases the risk of fraudulent activity due to the Payments team not being aware of leavers who may still hold their card and potentially make purchases. In addition, not having the full details of each card holder and what the card is to be used for, increases the risk of excess cards being issued where not required or being used for inappropriate purchases.



RECOMMENDATION

- A. An application form for requesting a purchasing card should be produced by the Payments Team to ensure they are consistently receiving the required information for each request. This is in addition to the Barclaycard application form but should not be a duplicate of it. The information from the form should be recorded on the card holder record and should be used to perform regular reviews of the use and distribution of cards across the Council. The Council application form should be attached to the Barclaycard form and submitted to the Head of Financial Services for oversight and information to consider prior to his approval. The Council application form should be approved by the Line Manager and card holder. The Barclaycard application form should be signed by the cardholder; employee authorised to nominate cardholders and the Group Finance Director.
- B. A full review of the list of cardholders and approvers should be performed to remove any who no longer work at the Council and to cancel their card and/or approval permissions with immediate effect.
- C. Following the review and update of card holders, the record should be reformatted to allow clarity and ease of use and should be kept up to date. The record should include (but not limited to):
 - ▶ Full name
 - ▶ Job title
 - ▶ Department
 - ▶ Line manager/Approving manager
 - ▶ Reason for requiring a card
 - ▶ Date purchasing card issued
 - ▶ Date for review of future requirement for card
 - ▶ Card limit
 - ▶ Individual purchase limit.



MANAGEMENT RESPONSE


The Council have implemented the recommendations outlined in points A, B, and C.

- A. A Council-specific purchasing card application form has been created and is now used alongside the Barclaycard form, with appropriate approvals in place.
- B. A full review of cardholders and approvers has been completed, with the outdated records removed.

- C. The cardholder register has been reformatted in the manner recommended for clarity and now includes all the details required in the report. It is now actively maintained to ensure accuracy.

Responsible Officer:	Phil McGaskill, Revenues and Payments Service Delivery Manager
Implementation Date:	31 December 2025 (design of controls has been implemented, however, to judge the effectiveness this will take through to the end of the calendar year)

3. PURCHASING CARD LIMITS ARE NOT REVIEWED FOR APPROPRIATENESS AND PURCHASING CARDS ARE BEING USED IN PLACE OF INVOICING

TOR Risk:	Expenditure using purchase cards is not appropriate, justified and authorised resulting in potential financial loss or fraudulent activity
Significance	 Medium



FINDING

The card expenditure limit required for each card is recorded on the Barclaycard application form which is authorised by the Head of Financial Services. The limits are also recorded on the list of cardholders maintained by the Payments Team.

The Management Accountancy Manager completes the application form and decides on the limit required following discussions with the team manager of the area requiring the card, considering the business need.

All cards held are Barclaycard credit cards and the limits range from £500 to £35,000 (with limits for individual transactions ranging from £500 to £10,000). There are five cards held with a £35,000 limit and one with a £25,000 limit (each of these six cards with an individual transaction limit of £1,000). All these cards in use relate to Housing Services, due to the requirement to house people in hotels when other suitable accommodation is not available. The Payments Team Leader has acknowledged that these limits are high and a review of the need for this value should take place.

Changes to card limits do not occur on a regular basis but when required, a manager contacts the Payments Team Leader with the request and the reasoning behind it. There have been two instances in 2024/25, and the email requests have been reviewed:

- ▶ Email received by the Payments Team Leader on the 25 March 2025 from the Senior Temporary Accommodation Officer to increase a colleague's card limit to £8,000 to cover several temporary accommodation bills which required payment. The Officer authorising the increase was not the approver for the same card, as recorded on the list of card holders.
- ▶ Email received by the Payments Team Leader on the 27 March 2025 from the Community Facilities Operations Manager to increase her card limit as it was being declined and further expenditure was required. The Line Manager confirmed they were happy with the request. The Officer authorising the increase was not the approver for the same card, as recorded on the list of card holders.

The recommendation in Finding 3 includes the identification of specific officers who can approve limit increases to be clearly recorded in the updated procedures.

The Barclaycard statements have been reviewed from April 2024 to March 2025, and the total expenditure was £1,493,529.42.

It was identified that a number of payments are being made to suppliers with whom a business account could be set up and/or payments made via invoice, including but not limited to Screwfix, Travis Perkins, Premier Inn, carpet suppliers, Amazon, Thames Water and other utility companies.

There are several risks associated with paying by credit card rather than invoice:

- ▶ **Limited Control:** Credit card payments can be made quickly, which might lead to less oversight and control over spending. This can result in unauthorised or impulsive purchases if not monitored closely.
- ▶ **Record-Keeping Challenges:** Credit card statements may not provide detailed information about each transaction, making it harder to track spending accurately and complicating budgeting and financial planning.
- ▶ **Cash Flow Impact:** Credit card payments are immediate, which can affect cash flow management. Without the ability to plan payments according to financial cycles, there might be unexpected financial strain.
- ▶ **Increased Fraud Risk:** Credit cards are more susceptible to fraud and unauthorised transactions. Without robust security measures, there's a higher risk of fraudulent activity.
- ▶ **Additional Costs:** Credit card payments can incur fees and interest charges, which can add up over time and increase overall costs for the authority.



RECOMMENDATION

- A. A review should be performed of purchasing card limits to ensure that where they can be reduced, action is taken, and limits are set at a reasonable level. Having only the required limit on purchasing cards reduces the risk of potential fraudulent payments being made.
- B. A review of suppliers who are paid regularly should be performed by the Management Accounting Team, to determine where it would be advantageous to establish business accounts and invoicing for future transactions. This strategy will help reduce the volume of purchasing card transactions, ease the workload for approvers, and decrease the time the Payments Team spends monitoring transactions. Implementing this recommendation will contribute to more efficient financial management within the Council.



MANAGEMENT RESPONSE


- A. Have complied with the recommendation to review purchasing card limits. A bi-annual review process is now in place to ensure limits are set at appropriate levels and reduced where possible. This will mitigate the risk of potential fraudulent payments and ensures card limits remain proportionate to operational needs.
- B. In response to this recommendation, the process for uploading the monthly Purchasing Card transactions from BCOS to the Council's financial system has been reviewed and enhanced to include an analysis of transactions by Merchant. This analysis will be reviewed by a Finance Business Partner and/or the Strategic Finance Manager who will recommend to the Procurement and Payments Teams any Merchants for which a business account with the Council should be sought to enable future transactions to be invoiced with their approval and payment captured through the P2P processes.

Responsible Officer:

Phil McGaskill, Revenues and Payments Service Delivery Manager

Implementation Date:	31 December 2025 (design of controls has been implemented, however, to judge the effectiveness this will take through to the end of the calendar year)
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4. PURCHASING CARDS ARE NOT USED SOLELY BY THE CARD HOLDER AND CARD DETAILS HAVE BEEN SHARED WITH COLLEAGUES

TOR Risk:	There are insufficient security controls in place resulting in the cards being incorrectly issued and used by non-authorised personnel
Significance	 Medium



FINDING

When staff at the Council are issued with a Purchasing Card, they are required to sign the purchasing card procedures and agreement which stipulates:

- ▶ You must sign your card upon receipt, keep the card secure and ensure you take reasonable steps to ensure its safety and never reveal the PIN
- ▶ You must not disclose your card details to anyone other than when conducting a transaction
- ▶ The card is for your use only, for work related purchases.

When an employee leaves, the manager completes a leavers form on the HR system. A recent addition has been made to the form, 'Does the employee have a company purchase card?', if yes is selected from the drop-down menu, an automated email is received by the Payments Team stating that the card needs to be recovered and any payment records updated.

As part of our testing, we issued a questionnaire to a sample of 10 card holders taken from the master record to request responses to the following questions:

- ▶ Do you hold a Council purchasing card?
- ▶ Where do you keep the card?
- ▶ Do you share the card/card details with colleagues?
- ▶ Do you keep a log (separate to BCOS) of all purchases made using the card?
- ▶ How often do you enter purchases onto BCOS?

Seven responses were received:

- ▶ All card holders hold the card on their person or at home on their desk/drawer
- ▶ One of the cardholders has responded yes to having shared card details with colleagues and another has shared card details with their line manager
- ▶ The response to how often purchases are entered onto BCOS varied from weekly to quarterly, with the majority recording monthly.

Upon issue of the form to the sample, an email was received back from a card holder stating that although they are the named card holder, it is in possession of their colleague. This highlights the lack of knowledge held by cardholders that the card should be used only by themselves, in compliance with the card holder agreement.

Using a purchasing card without being the card holder, can pose several risks:

- ▶ **Accountability:** The card holder is responsible for all transactions made with their card. if someone else uses it, it can complicate tracking and accountability, making it difficult to resolve any discrepancies
- ▶ **Security:** Sharing of card details can compromise security. it increases the risk of unauthorised access and potential misuse of funds
- ▶ **Policy violation:** Using a card without being the card holder is in breach of the purchasing card procedures and agreement.



RECOMMENDATION

- A. Purchasing cards should only be used by the named card holder and card details should not be shared. If there are changes to structure and/or roles within teams, and the card holder is no longer the correct person, it should be changed following a defined process via discussions with the Payments Team, the Head of Financial Services and Barclaycard. The process should be documented including the approval required and all evidence of the change retained.



MANAGEMENT RESPONSE

- A. To prevent further instances of misuse of credit cards by sharing the card details with colleagues, a formal policy has been developed which prohibits card sharing, clearly outlining the responsibilities of cardholders and approvers, as well as the consequences of failing to comply with those requirements. The revised credit card application form was sent to all current credit card holders. They have all signed up to the conditions contained within the document and returned the card application form.

Responsible Officer:

Phil McGaskill, Revenues and Payments Service Delivery Manager

Implementation Date:

31 December 2025 (design of controls has been implemented, however, to judge the effectiveness this will take through to the end of the calendar year)

OBSERVATIONS

LACK OF GUIDANCE ON ELIGIBLE AND INELIGIBLE TYPES OF SPEND

During the review, it was identified that the current Purchasing Card Agreement and Procedures have not been updated for approximately 10 years. The existing agreement and procedures have been reviewed and although it is stated that the cards are for work related purchases only and must not be used where there is a corporate contract in place, there is no further detail on types of ineligible spend. While we understand that it is not possible to document a list of all eligible types of spend, it would be beneficial to list definite types of illegible spend to increase cardholders' awareness.

Appendix I - Definitions

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE

High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.

Low

Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

Appendix II - Terms of Reference

**KEY RISKS**

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding the potential key risks associated with the area under review are:

- ▶ Risk 1: There are no policies or procedures in place to govern the usage of purchase cards therefore staff are not aware of what constitutes appropriate usage of these.
- ▶ Risk 2: There are insufficient security controls in place resulting in the cards being incorrectly issued and used by non-authorised personnel.
- ▶ Risk 3: Expenditure using purchase cards is not appropriate, justified and authorised resulting in potential financial loss or fraudulent activity.
- ▶ Risk 4: There is no monitoring of purchase card expenditure to ensure that all transactions are appropriate and in line with policy, resulting in potential financial loss or fraudulent activity.

**SCOPE & APPROACH**

The following areas will be covered as part of this review:

- ▶ Risk 1. We will review if a purchase card policy and procedure is in place and its content is appropriate and up to date, including requesting/issuing, authorisation, and usage of purchase cards along with retention of supporting documentation for example receipts in line with Council reporting requirements.
- ▶ Risk 2. We will confirm that an up-to-date listing of all purchase cards in use is in place and confirm that these have been issued following appropriate request and approvals as per the purchase card policy and procedure documents.
- ▶ Risk 2. We will verify that all cardholders are current substantive employees of the Council and confirm for a sample of purchase cardholders, that the card is in their possession and there are arrangements made by the Council to verify that the purchase card is used solely by the card holder.
- ▶ Risk 3. We will confirm that all card limits are in line with the category of the card and that any changes have been appropriately authorised and identify large value transactions that incur regularly.
- ▶ Risk 4. We will confirm for a sample of purchase cards, that all transactions per the card statement agree to an up-to-date transaction log which is reviewed and approved by the cardholder's and subsequently their manager and this is regularly monitored by the Council's Finance team.
- ▶ Risk 4. We will review for a sample of transactions that expenditure is supported by appropriate documentation in line with policy requirements.
- ▶ Risk 4. We will confirm that the Finance team and the Revenue Service Delivery Manager has appropriate oversight of purchase card activity and retains audit evidence for all expenditure.

Appendix III - Responsibilities and conformance

Management responsibilities

The Global Internal Audit Standards (GIAS) refer to the ‘board’ as ‘the highest-level body charged with governance, such as a board of directors, an Audit Committee, a board of governors or trustees, or a group of elected officials or political appointees.’ For the Council, ‘the board’ is the Audit and Governance Committee (AGC) acting on behalf of the Council.

The AGC is responsible for determining the scope of internal audit work, and for deciding the action to be taken on the outcome of our findings from our work.

The AGC is responsible for ensuring the internal audit function has:

- ▶ The support of the Council’s management team.
- ▶ Direct access and freedom to report to senior management, including the Chair of the AGC.
- ▶ The AGC is responsible for the establishment and proper operation of a system of internal control, including proper accounting records and other management information suitable for running the Council.

Internal controls covers the whole system of controls, financial and otherwise, established by the Council to carry on the business of the Council in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records. The individual components of an internal control system are known as ‘controls’ or ‘internal controls’. The AGC is responsible for risk management in the organisation, and for deciding the action to be taken on the outcome of any findings from our work. The identification of risks and the strategies put in place to deal with identified risks remain the sole responsibility of the Council.

Limitations

The scope of the review is limited to the areas documented under Appendix II - Terms of reference. All other areas are considered outside of the scope of this review. Our work is inherently limited by the honest representation of those interviewed as part of the review. Our work and conclusion is subject to sampling risk, which means that our work may not be representative of the full population.

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that: the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or the degree of compliance with policies and procedures may deteriorate.

Conformance with the Global Internal Audit Standards in the UK Public Sector

This engagement has been conducted in accordance with Global Internal Audit Standards in the UK Public Sector, which encompass:

- ▶ The global Institute of Internal Auditors (IIA) *Global Internal Audit Standards* effective from January 2025
- ▶ The Internal Audit Standards Advisory Board (IASAB) *Application Note Global Internal Audit Standards in the UK Public Sector* effective from 1 April 2025.

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The matters raised in this report are only those which came to our attention during our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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