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Memorandum

To: [REDACTED], Director HR
[REDACTED], Director GTPC

CC: [REDACTED], Deputy Head GTPC (Operations)

From [REDACTED]
Reviewed by [REDACTED]

Date 19 February 2014

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MANAGEMENT LETTER: CORPORATE CREDIT CARD AND GOVERNMENT PROCUREMENT CARD**1. Scope / Approach**

- 1.1 The FCO annual internal audit plan for 2013-2014 includes the audit of the Corporate Credit Card (CCC) and Government Procurement Card (GPC). This Internal Audit Report summarises the key findings from the audit fieldwork, which was conducted between September and November 2013.
- 1.2 The objective of the audit was to provide an assurance that CCC and GPCs are used for their intended purpose and expenditure incurred can be accounted for, is adequately supported, and appropriately authorised.
- 1.3 We selected 103 CCC transactions and 48 GPC transactions for detailed review and contacted relevant staff for copies of their expense claims and the supporting documentation for the transaction. Staff were given 48 hours to respond to our request.

2. Overall Assurance Opinion

- 2.1 We consider the strength of risk management relating to the CCCs and GPCs to be **Moderate**
- 2.2 Our detailed findings are presented on an exception basis. Recommendations are at Annex A.

3. Findings

- 3.1 At the close of the audit 27 officers (26.21%) had not responded to our request for receipts/vouchers to support their CCC expenditure and 10 GPC holders (20.8%) had also not responded. FCU, in liaison with the Head of the Corporate Credit Card Team, will continue to chase outstanding responses. We are concerned that the lack of response may be due to staff not retaining receipts/documentation in line with HMRC rules and CCC/GPC guidance. **(see recommendation CC & GPC1)**
- 3.2 Therefore, we looked in detail at the CCC expenditure of the 76 officers who responded to our request and the expenditure 38 GPC holders.
- 3.3 The FCO has developed guidance which clearly sets out what CCCs can and cannot be used for. However, the policy has changed whereby individuals are now able to purchase travel and substance for others when travelling in a group as opposed to only being able to purchase items/ services for their own official use. Current guidance does not reflect this. Operational use of the GPC has also changed whereby cards can now be used to purchase travel and accommodation for third parties. The GPC guidance also needs to be updated to reflect this change. **(see recommendation CC & GPC 2)**
- 3.4 We sought to confirm where appropriate that the Geographical Expenditure Guide (GEG) was applied to CCC expenditure. In four instances expenditure was higher than the GEGs (24%, 29%, 63% and 3% over the GEG rates). **(see recommendation at CC & GPC 3)**
- 3.5 We reconciled the expenditure documentation of 34 GPC holders to transactions on the Secure Data On Line (SDOL) (4 out of the 38 GPC holders who responded did not supply a screen shot of transactions on SDOL to allow us to match documentation to transactions). Of the 34 reviewed we found 3 instances where payments had been split to circumvent GPC expenditure limits. **(see recommendation CC & GPC 4 and CC & GPC 5)**
- 3.6 We identified 14 non-compliance issues with CCC and GPC use (see Advisory notes at Annex A). However, no trends in non-compliance were identified. **(see recommendation CC & GPC 6)**

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ANNEX A: RECOMMENDATIONS AND ACTION PLAN

No.	Recommendation	Implementation Details (response and target date)
PRIORITY 1 (1 MONTH)		
CC & GPC 1	HRD should issue a bulletin to remind staff that receipts should be kept for 3 years to comply with HMRC rules and be made available for review within 2 days of notice.	Agreed & Completed. Reminder issued in FCO Bulletin dated 14 April 2014. When requesting claims for Management audit we give them 10 days. Will change Guidance to reflect this. Aim to complete update of guidance by end April.
CC & GPC 2	The Head of Allowances and Pay Policy, HRD, should ensure that CCC and GPC guidance is updated to reflect the revised approach when claiming expenses for others.	Agreed & Completed. Credit Card Guidance relating to making purchases and claiming for others was updated in January 2014
CC & GPC 3	HRD should issue a bulletin to remind all staff that GEGs needs to be complied with when incurring travel expenses. Exceptions should be explained and supported.	Agreed & Completed. Reminder issued in FCO Bulletin dated 14 April 2014.
PRIORITY 2 (2 MONTHS)		
CC & GPC 4	The Head of Credit Card Programme and Expense Manger (GTPC) in liaison with CPG should write to the GPC holders responsible for split payments and remind them of the rules governing GPC expenditure.	Agreed & Completed. Message sent in Monthly reminder dated 11 April 2014 to all GPC Holders and Approvers: <u>GPC Limits</u> The credit limit is set at a default amount of £1,500 for a single transaction and £5,000 for the monthly limit. Transactions must not be split in order to avoid exceeding the single transaction limit. This minimises the risk of fraudulent transactions if a card is lost or cloned, reducing the amount of possible activity on the card in such circumstances. An individual can request an increase or decrease in their credit limit using the <u>FCOUK Change of Credit Limit form</u> . These are considered on a case by case basis against the

No.	Recommendation	Implementation Details (response and target date)
		GPC policy, and spend is then reviewed over a three month period to ensure that any increase is necessary.
CC & GPC 5	The Head of the Credit Card Programme and Expense Manager (GTPC) in liaison with CPG should issue a bulletin to remind GPC holders that expenditure thresholds should be complied with.	<p>Agreed & Completed: Message sent in Monthly reminder dated 11 April 2014 to all GPC Holders and Approvers:</p> <p><u>GPC Limits</u></p> <p>The credit limit is set at a default amount of £1,500 for a single transaction and £5,000 for the monthly limit. Transactions must not be split in order to avoid exceeding the single transaction limit. This minimises the risk of fraudulent transactions if a card is lost or cloned, reducing the amount of possible activity on the card in such circumstances. An individual can request an increase or decrease in their credit limit using the <u>FCOUK Change of Credit Limit form</u>. These are considered on a case by case basis against the GPC policy, and spend is then reviewed over a three month period to ensure that any increase is necessary.</p>
CC & GPC 6	The Head of the Credit Card Programme and Expense Manager (GTPC) should ensure non-compliance issues are robustly challenged when identified during routine GTPC- Card Team management “audit” checks, and escalation/sanctions applied as per guidance.	<p>Completed. Expenses Team regular challenge claimants when conducting management “audits” checks over non-compliance.</p> <p>Escalation process is followed as per guidance for non engagement with management audit checks and reported to FCU and FCO Conduct Advisor if paperwork is not received in set deadlines.</p>

ADVISORY NOTES

Descriptions of 19 out of 34 GPC claims reviewed against SDOL to be vague making it difficult to reconcile transactions to receipt documentation and GPC expense policy. We advise the CSC – Card Team in liaison with CPG to remind GPC holders of the need for robust descriptions to support claims.

We reviewed 11 transactions that exceeded £1.5k threshold for GPC use and found one where the business case submitted and approval by the CSC – Card team was not retained. We advise the CSC – Card team to retain all correspondence relating to increased credit limits on file to confirm the appropriateness of the increase in case of future dispute.

Five CCC respondents did not provide the Prism expense claim form. Therefore, we were unable to confirm fully the appropriateness of the claim. CSC-Card Team should review the claim form to confirm the expenditure was appropriate.

In two instances a CCC was used to pay for expenses incurred in relation to training which as per guidance should have been made on a GPC card not a CCC Card.

In one instance a business class flight was made when the journey was less than 10 hours. In one instance we required further details of the flight information to ensure that the appropriate class of travel was claimed. No further response was received.

In one instance breakfast was paid for separately when it was included in the cost of the room rate.

In three instances the expense on the form had been fully converted to £GBP when the receipt was not. We have been unable to fully reconcile these receipts to claims. We advise HRD to consider issuing a bulletin to all staff to request that where exchange rates do not feed through to expense form explicit notes should be held with claims to allow approver to fully reconcile receipts to transactions.

In one instance it appeared that drinks were purchased separately to dinner which is not in line with policy.

HRD in liaison with the GPTC – Card team should consider making it a disciplinary offence under the 3 strike rule should staff fail to produce receipts/documentation in support of claims within the 2 day deadline as set out in policy.

Assurance Grading

Grading	Description
High (H)	Internal controls provide a high level of assurance that objectives will be achieved. Where weaknesses were identified they would improve internal control if addressed, but do not affect key controls and are unlikely to impair the achievement of the objectives of the system.
Moderate (M)	Internal controls provide a moderate level of assurance that objectives will be achieved. Some weaknesses in the operation of controls could impair the achievement of the objectives. However, either their impact would be less than critical or they would be unlikely to occur.
Limited (L)	Internal controls provide a limited level of assurance that objectives will be achieved. While there are some compensating controls weaknesses could have a significant impact on the achievement of objectives.
No (N)	Internal controls provide no assurance that objectives will be achieved. This is because of the absence of controls, poorly designed controls or a high level of non-compliance with key controls.

Exposure Grading

Grading	Basis
High (H)	If exploited the weakness may, or has, materially affect(ed) the organisation in terms of loss or error. The material effect could be financial (loss of funds, mis-statement in accounts), physical (loss or damage to assets), or reputational (which might also be an impact of financial / physical loss).
Medium (M)	If exploited the weakness may, or has, affect(ed) the organisation in terms of loss or error, although the affect is likely to be restricted. The material effect could be financial, physical, or reputational (i.e. a small value asset, restricted financial error).
Low (L)	The weakness is unlikely to lead to any significant exposure but needs to be addressed to prevent the problem escalating.