

REDACTED



**FINAL INTERNAL AUDIT REPORT**  
**CHIEF EXECUTIVE'S DEPARTMENT**

**REVIEW OF PURCHASING CARDS**

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**Reviewed by:** Principal Auditor

**Date of Issue:** 26/02/2021

**Report No.:** CEX/07/2020

## REVIEW OF PURCHASING CARDS

### INTRODUCTION

1. This report sets out the results of our audit of the Purchasing Card system. The audit was carried out as part of the work specified in the 2020-21 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. The audit reviewed the governance arrangements for Purchasing Cards to ensure that the controls in place are operating satisfactorily to mitigate risks. It also assessed the delivery of services following any new or revised controls and processes put in place as a direct result of COVID-19.
3. The Purchasing Cards system, which is also referred to as the Procurement Cards system, was previously audited in 2019-20 and was given a 'Limited assurance' audit opinion.
4. We would like to thank all staff contacted during this review for their help and co-operation.

### AUDIT SCOPE

5. The original scope of the audit was outlined in the Terms of Reference issued on 2 October 2020 and controls to mitigate the following key risks were reviewed:
  - Inappropriate purchases may be made
  - Cards are issued without appropriate authority
  - The issue, use and control of each card is not documented and monitored
  - Card users may not be aware of the terms and conditions of use and the Council's regulations and procedures
  - There is no supporting evidence for purchases made

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6. We understand that the purchases may have been needed at a short notice during the pandemic and therefore we also considered any new or revised controls and processes put in place as a direct result of COVID-19.

**AUDIT OPINION**

7. Our overall audit opinion, number and rating of recommendations are as follows.

<b>AUDIT OPINION</b>	
<b>Reasonable Assurance</b>	<b>(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)</b>

<b>Number of recommendations by risk rating</b>		
<b>Priority 1</b>	<b>Priority 2</b>	<b>Priority 3</b>
<b>0</b>	<b>3</b>	<b>0</b>

**SUMMARY OF FINDINGS**

8. The controls which were noted to be in place based on the audit testing include:
- New card holders were provided with the card holders’ guide and the guidance for self-registration on the Purchasing Card system portal once they collected their Purchasing Card.
  - Electronic copies of the signed Purchasing Cards request forms and agreement forms for the new cardholders were retained by the Exchequer Contractor.
  - The sample testing of transactions between March 2020 and September 2020 did not identify any purchases that were split to avoid exceeding spending limits.

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9. We would like to bring to management's attention the following issues:

- We identified that adequate controls are not in place for managing the credit limits and single transaction limits on the purchasing cards, and temporary changes made to purchasing limits were not reinstated after the period specified in the change request had elapsed.
- From our testing on the purchasing card transactions related to Amazon Prime membership, we noted that an active direct debit payment which was no longer needed was set up by a cardholder who was on long term sick leave. The managers contacted to resolve this issue did not know how to cancel the direct debit payments or any other recurring payments which are no longer required if the cardholder is away on long term leave or has left LBB.
- From our testing on leavers' purchasing cards, we identified purchasing cards for leavers that were not deactivated on the purchasing card system when they left LBB.

10. The recommendations made in the previous audit report finalised on 14/01/2020 were also followed up as part of this review. There were three priority one recommendations of which one recommendation has been implemented and implementation of two recommendations is in progress. The outstanding actions relating to the previous priority one findings have been re-prioritised and re-recommended as priority 2s. There were seven priority 2 recommendations which were followed up of which implementation of four is in progress and three are implemented. The follow up work is detailed in Appendix B below.

## DETAILED FINDINGS / MANAGEMENT ACTION PLAN

11. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, recommendations to management raised and prioritised are detailed in Appendix A. The follow up work is detailed in Appendix B and the definitions of assurance levels and recommendation ratings can be found in Appendix C.

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## DETAILED FINDINGS AND ACTION PLAN

## APPENDIX A

**1. Changes to Cardholders Credit limit and Single purchase limit are not managed adequately****Finding**

We wanted to verify if adequate controls were in place for managing the spending limits on the Purchasing Cards and any changes to them. The Exchequer Contractor manages the administration of the Purchasing Cards and we requested them to provide records of all credit limit and single transaction limit changes made to the cards between the period of March 2020 and September 2020. We checked if:

- (i) the spending limits were changed on the Purchasing Card system portal after receiving a change request from the authorised manager and the evidence of such requests were kept.
- (ii) the limit changes were reinstated after the period specified in the change request had elapsed.

We selected a sample of 8 credit limit changes and 15 single transaction limit changes made to the 12 cardholders' Purchasing Cards for testing and:

- (i) we did not see the evidence of the change request by the approver for 2 changes to the credit limit and 1 change to the single transaction limit of the cardholder. Therefore, we were also not able to establish if a change period was advised by the approver.
- (ii) we noticed that the increases made to 5 credit limits and 2 single transaction limits were not reinstated after the period specified in the change request had elapsed.

We discussed with the Contract and Operations Manager (Exchequer) the ability to run a report of all changes made to the purchase limits from the Purchasing Card system portal for the period covered by the audit, i.e. March 2020 to September 2020. He advised that the system currently only shows the audit trail for the last two months.

**Risk**

The Purchasing cardholders may make unauthorised purchases if adequate controls are not in place in the management of spending limits.

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<p><b><u>Recommendation</u></b></p> <p>The Contract and Operations Manager (Exchequer) should ensure that</p> <ul style="list-style-type: none"> <li>(i) Exchequer Contractor retains the evidence of the change requests for all spending limit changes.</li> <li>(ii) Exchequer Contractor reinstates the spending limits in all cases after the period specified in the change request has elapsed.</li> <li>(iii) An audit trail of all changes made to the spending limits of cardholders is available to evidence the adequate control and management of Purchasing Cards. In the first instance, the ability of the Purchasing Card system to generate such reports should be explored. If this is not possible, a process should be agreed with Exchequer Contractor to retain the history of spending limit changes for at least a year.</li> </ul>	<p><b><u>Rating</u></b></p> <p style="text-align: center;"><b>Priority 2</b></p>
<p><b><u>Management Response and Accountable Manager</u></b></p> <p><i>Operations Manager (Exchequer Contractor)/ Contract and Operations Manager (Exchequer)</i></p> <p><i>This process is currently managed through emails which are retained, and a summary spreadsheet called Credit Limit Reversals captures each month the following information each</i></p> <ul style="list-style-type: none"> <li><i>a. Card holder name</i></li> <li><i>b. Type of credit limit – single / credit</i></li> <li><i>c. Date requested</i></li> <li><i>d. Original Credit limit</i></li> <li><i>e. New Credit limit</i></li> <li><i>f. Date limit changed on Purchasing Card system</i></li> <li><i>g. Date limit changed back on Purchasing Card system</i></li> </ul> <p><i>This information will be retained for a maximum of 2 years.</i></p> <p><i>The ability of Purchasing Card system to generate such reports has been explored and this is not available.</i></p>	<p><b><u>Agreed timescale</u></b></p> <p>01/04/2021</p>

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<b><u>2. Direct debits and control of Purchasing Cards</u></b>	
<b><u>Finding</u></b>	
<p>We noted that an active monthly Amazon Prime membership payment of £7.99 by direct debit was initially set up by a cardholder who was now on long term leave. This was discussed with the Contract and Operations Manager (Exchequer) who advised that he was not sure if direct debit payments can be cancelled by the management in the absence of cardholder.</p>	
<b><u>Risk</u></b>	
<p>Unauthorised purchases can be made by the cardholder in circumstances where a cardholder is away for long term and the management cannot control the card.</p>	
<b><u>Recommendation</u></b>	<b><u>Rating</u></b>
<p>The Contract and Operations Manager (Exchequer) should find out from the Purchasing Card system provider how to cancel the direct debit payments or any other recurring payments which are no longer required if the cardholder is away on long term leave or has left LBB. These instructions should be shared with Exchequer Contractor and the Approvers.</p>	<div style="background-color: yellow; border: 1px solid black; padding: 2px; display: inline-block;">Priority 2</div>
<b><u>Management Response and Accountable Manager</u></b>	<b><u>Agreed timescale</u></b>
<p><i>Contract and Operations Manager (Exchequer)</i></p> <p><i>Purchasing Card system provider has advised that a subscription or any other direct debit payment can only be cancelled by the cardholder or the merchant they have set the agreement up with.</i></p> <p><i>The administrator has asked Purchasing Card system provider to apply a stop payment to the merchant on the card referred to in the report and request that visa or mastercard process no further transactions. This process will be added to the procedures for Exchequer Contractor as well as for cardholders and Approvers so that they can ensure any recurring payments are stopped by the cardholder before they leave the organisation.</i></p>	<p>01/04/2021</p>

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**3. Management of the purchasing cards for staff leaving the Council****Finding**

From the list of staff who left LBB between 1 March 2020 and 30 September 2020, we randomly selected a sample of 7 leavers and noted that 4 of them were Purchasing Card holders. We checked the 4 Purchasing Cards on the Purchasing Card system in November 2020 noted that:

- (i) 4/4 Purchasing Cards were still active on the Purchasing Card system, however for 2/4 Purchasing Cards the credit limit was reduced to zero. It was noted that no purchases were made on 4/4 purchasing cards past the leaving dates.
- (ii) For 2/4 Purchasing Cards, the credit limits on the Purchasing Card system were still set at £2500 and £5000 respectively, when both the cardholders had left LBB in July 2020. One of these Purchasing Cards had three unprocessed transactions which have been outstanding since June 2020.

It is expected that the Purchasing Card should be deactivated on the Purchasing Card system when a cardholder leaves LBB. Exchequer Contractor confirmed that they change the credit limit to £0 for leavers' Purchasing Cards instead of deactivating them. When checked with the Contract and Operations Manager (Exchequer), he advised that Exchequer Contractor are expected to deactivate the leavers' Purchasing Card.

We noticed that the guidance document provided by the Contract and Operations Manager (Exchequer) to the Exchequer Contractor and the Purchasing Cards policy do not specify the actions that should be taken on the Purchasing Card Smart data portal for Leavers' cards.

**Risk**

Unauthorised purchases can be made if the purchasing card are not deactivated.



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<u>Recommendation</u>	<u>Rating</u>
<p>The Contract and Operations Manager (Exchequer) should ensure that</p> <ul style="list-style-type: none"> <li>i) Clear instructions are provided to the Exchequer Contractor on cancelling leavers' Purchasing Cards and updating the information on Purchasing Card Smart data portal.</li> <li>ii) Approvers are reminded to check that all outstanding transactions are processed and approved before the cardholder leaves and any direct debits are cancelled.</li> </ul>	<div style="border: 1px solid black; background-color: yellow; padding: 5px; display: inline-block;">Priority 2</div>
<p><b><u>Management Response and Accountable Manager</u></b></p> <p><i>Operations Manager (Exchequer Contractor)/Contract and Operations Manager (Exchequer)</i></p> <p><i>Exchequer Contractor have been advised that the card status must be changed to inactive when a cardholder leaves the council and this is being carried out. The procedures will be amended and reissued by 01/04/21.</i></p>	<p><b><u>Agreed timescale</u></b></p> <p>Completed</p>

FOLLOW UP

No	Original finding and risk	Original recommendation and priority rating	Follow up finding	Further recommendations and management response
1	<p><u>Roles and responsibilities for the operation and governance of the procurement card system</u></p> <p>Administration of the procurement card system transferred to Exchequer Contractor on 1 October 2019 as an addition to the existing Exchequer contract. Exchequer Services, who previously administered the procurement card system, are now performing an advisory role and continuing to provide reports to managers periodically with details of all the card transactions outstanding. The procurement team have updated the procurement card guidance and uploaded that and other related guidance to the intranet site.</p> <p>The respective roles and responsibilities of teams and officers involved are not however clear. As a result of our findings and discussions, we are aware that</p>	<p>Management should clarify and agree the roles and responsibilities of those involved in the different tasks or objectives of the procurement card system. It should include who will carry out periodic checks on procurement card expenditure and take action to address any issues identified such as authorising the removal of the procurement card facility where guidance has not been adhered to, and/or seeking explanation from Heads of Service/Directors if the purchase of items is considered inappropriate.</p> <p><b>Priority 1</b></p>	<p>Implementation in progress.</p> <p>The Assistant Director Governance and Contracts has informed that there is an up to date RACI matrix, which is being rechecked and a copy will be sent to Internal Audit shortly.</p> <p>The Contract and Operations Manager (Exchequer) has issued instructions to Exchequer Contractor to carry out recommended second line of defence checks. Although Exchequer Contractor have not started undertaking all the suggested independent checks, they send six weekly reports of outstanding transactions to the card holders and approvers which are also copied to the relevant Heads of Finance and Directors reminding them to process and approve transactions in a timely manner or risk their card being</p>	<p>The RACI matrix should be periodically reviewed to ensure the risks and controls to mitigate the risks are effective.</p> <p>The Contract and Operations Manager (Exchequer) should agree the timescale and frequency of recommended second line of defence checks with Exchequer Contractor.</p> <p><b>Priority 2*</b></p> <p><i>Agreement is needed for what action Audit consider appropriate for the different scenarios referred to in the finding.</i></p> <p><i>The Contract and Operations Manager (Exchequer) is responsible for ensuring these checks are carried out by the Exchequer service and will agree with Audit the appropriate</i></p>

No	Original finding and risk	Original recommendation and priority rating	Follow up finding	Further recommendations and management response
	<p>the Head of Procurement has developed a RACI matrix (responsibility assignment matrix) showing the tasks and division of responsibilities for those involved in the procurement card system. This will be extremely useful in driving future discussions about roles, responsibilities and governance. It will also highlight where any gaps in these exist.</p> <p>We identified that there is also no evidence of second line of defence checks being carried out, eg:</p> <ul style="list-style-type: none"> <li>- identifying cards which have not been used or used infrequently within the past year,</li> <li>- identifying and seeking explanations for any expenditure which appears inappropriate,</li> </ul>		<p>suspended. A reminder generated by the purchasing card system is also sent to all cardholders every month reminding them not to split the transactions and to ensure that they have a valid VAT receipt/invoice if they are claiming VAT.</p> <p>From all purchases made from the purchasing cards between 1 March 2020 and 30 September 2020, we did not identify any purchases that were split and any significant instances of misuse.</p>	<p><i>action for each type of issue. This will be implemented by 30/04/21.</i></p>

No	Original finding and risk	Original recommendation and priority rating	Follow up finding	Further recommendations and management response
	<ul style="list-style-type: none"> <li>- identifying where supporting evidence has not been uploaded onto the procurement card system,</li> <li>- identifying transactions which have been split to bypass the individual transaction limit, and</li> <li>- identifying transactions where VAT has been recorded incorrectly on the procurement card system.</li> </ul> <p>A separate exercise to analyse supplier spend on procurement cards was carried out by an officer in the procurement team prior to this audit. That analysis was incorporated into our testing rationale.</p> <p><u>Risk</u> A lack of independent checks may result in inappropriate expenditure</p>			

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	<p>not being identified, leading to a risk of fraud.</p> <p>Inappropriate use of a procurement card, leading to a lack of integrity, objectivity and discreditable conduct.</p> <p>Procurement processes which are not being adhered to or which are inefficient may not be identified.</p>			
2	<p><u>Transactions not submitted timely and unauthorised transactions outstanding</u></p> <p>We noted from our sample of 20 transactions that:</p> <p>(i) 9 transactions were not submitted timely (e.g. one after 215 days of the 'Finance posting' date)</p> <p>(ii) 5 transactions were not approved timely (e.g. one after 107</p>	<p>Management should:</p> <p>(i) formalise the process of identifying outstanding procurement card transactions and instructing card holders and approvers that all outstanding transactions should be processed within seven days and all transactions should be approved within one month and</p> <p>(ii) run a report of outstanding transactions after one month to</p>	<p>Implemented</p> <p>We noted that Exchequer Contractor runs the outstanding transactions reports every six weeks. These reports are issued to card holders and approvers and copied to the relevant Heads of Finance and Directors.</p> <p>We however noted that some transactions were still not processed and approved in time.</p>	<p>We note that The Contract and Operations Manager (Exchequer) has taken a decision to not suspend the purchasing cards of the cardholders who are not processing their transactions on time to keep the services running uninterruptedly due to the Pandemic. We expect the control to be back in operation once the Pandemic is over.</p> <p><b>Priority 2*</b></p>

FOLLOW UP

No	Original finding and risk	Original recommendation and priority rating	Follow up finding	Further recommendations and management response
	<p>days of the 'Expenditure submitted' date)</p> <p>A report was provided to us by the Contract and Operations Manager (Exchequer) on 4 October 2019. This showed 882 transactions on the system over six weeks old ie prior to 23 August 2019 and which remained unauthorised. They amounted to a total of £54,256 with the oldest transaction dated 29 January 2018. A further report was provided on 4 December showing 742 transactions outstanding, amounting to £32,708. The email accompanying that report was sent to all card holders and Directors and stated that if transactions were not cleared within one week then use of the card would be suspended until the outstanding transactions had been processed and approved.</p>	<p>ensure that this has been done. Where the instruction has not been complied with the procurement card facility should be withdrawn temporarily from the card holder until those transactions have been cleared.</p> <p><b>Priority 1</b></p>	<p>From our sample of 36 transactions between March and September 2020, 7 transactions were not processed and approved, 4 of which were not processed since 2 April 2020 and 1 transaction has been processed but not approved since 5 April 2020.</p> <p>A report obtained from the Financial Systems Accountant dated 31/12/2020, showed 130 transactions totalling £18,029 were unprocessed and unapproved for the period March 2020 to September 2020.</p> <p>Where the transactions remain outstanding a week after the report has been issued, we noted that the cards were not suspended. The Contract and Operations Manager (Exchequer) confirmed that he has taken this decision to keep the services running uninterrupted during pandemic.</p>	<p><i>Card suspensions will be re-introduced once the pandemic has ended. A report will be issued on 2 March as part of year end process that will remind all card holders, approvers and budget holders that any transactions not processed before 31/3/21 will be charged against the budget for 2021/22. This will be copied to Heads of Finance and Accountancy Teams.</i></p>

No	Original finding and risk	Original recommendation and priority rating	Follow up finding	Further recommendations and management response
	<p>The procurement card policy and procedures document states:</p> <p>(i) the card holder should ensure that the invoice is paid within 14 days of receipt which implies that they should submit the expenditure before 14 days of the Finance posting date.</p> <p>(ii) Approvers should reject or approve the statements in a timely manner which must not exceed one month.</p> <p>The following automated email is sent to card holders each month:</p> <p>'As we are approaching the end of the month, can you please ensure that any transactions you have outstanding are processed urgently so that payments are allocated against the appropriate budget codes.</p>			

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No	Original finding and risk	Original recommendation and priority rating	Follow up finding	Further recommendations and management response
	<p>Please remember that if you have transactions outstanding for more than 6 weeks, which includes not yet authorised by your Approver, then you are at risk of your card being suspended.</p> <p>You are spending public money on your Purchasing card and it is important that you process your transactions within an acceptable timeframe for the sake of transparency.</p> <p>If you are claiming VAT you MUST have a valid VAT receipt/invoice, which must be scanned onto the system against the relevant transaction.'</p> <p><u>Risk</u></p> <p>Inappropriate expenditure might be incurred by card holders.</p>			



FOLLOW UP

No	Original finding and risk	Original recommendation and priority rating	Follow up finding	Further recommendations and management response
	<p>There is an inaccurate budgetary position and funds may not be available due to outstanding expenditure awaiting approval.</p>			
3	<p><u>Supporting documents for VAT reclaim were missing</u></p> <p>Our sample testing identified the following:</p> <p>8 out of 20 transactions did not have the VAT correctly accounted for,</p> <p>6 out of 20 transactions showed the VAT claimed but without a supporting VAT invoice uploaded,</p> <p>8 out of 20 transactions showed that the VAT had not been reclaimed when it should have been,</p>	<p>Card holders and approvers should be reminded that:</p> <p>(i) VAT should be claimed where eligible, with the VAT field on the procurement card system completed correctly with a clear indication of VAT claimed,</p> <p>(ii) a valid VAT invoice must be uploaded to support any VAT claimed and</p> <p>(iii) where checks (as proposed in recommendation 1) show that this practice has not been followed consistently by a card holder, the card facility should be withdrawn.</p> <p><b>Priority 1</b></p>	<p>Implementation in progress</p> <p>From our sample of 36 transactions between March and September 2020, we identified that VAT was claimed without uploading a supporting VAT invoice for 5 transactions and VAT was claimed incorrectly for 1 transaction. Total £319.76 VAT was claimed on these 6 transactions.</p> <p>1/4 transactions included in the VAT testing above related to the Amazon Prime membership and the one transaction where incorrect VAT was claimed related to a purchase made on the Amazon website. We extended our testing to review spend on the Amazon</p>	<p>It is also recommended that the Contract and Operations Manager (Exchequer) should agree the timescale and frequency of VAT monitoring checks with Exchequer Contractor.</p> <p><b>Priority 2*</b></p> <p><i>The Contract and Operations Manager (Exchequer) is responsible for ensuring these checks are carried out by the Exchequer service. This will be implemented by 01/04/21.</i></p>

FOLLOW UP

No	Original finding and risk	Original recommendation and priority rating	Follow up finding	Further recommendations and management response
	<p>The incorrect rate of VAT had been claimed in 2 out of 20 transactions.</p> <p>The Council's VAT Officer has created a flowchart setting out the process for recovering VAT on procurement card transactions and this is given to new card holders when they collect their card from Finance Directorate. It has now been uploaded to onebromley.</p> <p><u>Risk</u></p> <p>VAT is not accounted for correctly leading to a loss of income for the Council.</p> <p>Where VAT has been claimed incorrectly the Council could be fined.</p>		<p>prime membership and noted that 17 transactions relating to it, total spent being £135.83, during this period. We checked if the transactions were approved and VAT was claimed correctly for them. From our testing we identified that VAT of £1.33 each was claimed on 5 transactions without a valid VAT receipt.</p> <p>We noted from the document named "VAT monitoring checks" sent to us by The Contract and Operations Manager (Exchequer) indicates that Exchequer Contractor are expected to run reports to identify instances where VAT has been applied but a receipt has not been attached to the transaction. We haven't seen any evidence of Exchequer Contractor running VAT check reports and sending them to the cardholders. As mentioned in recommendation</p>	

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			1, a reminder generated by purchasing card system is sent to all cardholders every month reminding them to ensure that they have a valid VAT receipt/invoice if they are claiming VAT.	
4	<p><u>Procurement card policy and procedures</u></p> <p>The procurement card policy and procedures dated August 2017, which was in existence prior to the start of this audit, did not specify any excluded categories of expenditure except for cash withdrawals.</p> <p>The document has since been revised and states that the purchase of gifts and numerous other categories of expenditure, should not be made.</p>	<p>Management should revise and re-issue the current procurement card policy and procedures document, taking into account the findings and recommendations arising from this audit, the tax and National Insurance Contribution issues arising from gifts and meals purchased for individuals and the role and responsibilities now undertaken by Exchequer Contractor.</p> <p><b>Priority 2</b></p>	<p>Implementation in progress</p> <p>The Assistant Director Governance and Contracts has informed that there is an up to date Purchasing Cards Policy; it is currently being looked at to consider some of the specific queries raised. It is expected that this action will be in place and a copy of the updated policy will be sent to Internal Audit shortly.</p> <p>Current purchasing cards policy states “On receipt of your card, you should sign the reverse side immediately and also the Card</p>	<p>Management should make sure that correct procedure is being followed and cardholders are signing the reverse side of the card at the time of receiving it.</p> <p>The Oyster Card policy and the document “Processing of Purchase Card Applications to issue of the card v1.2” should be revised and reissued, taking account of the findings and recommendations arising from this audit and the previous audit.</p> <p><b>Priority 2*</b></p>

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	<p>Responsibility for the administration of procurement cards transferred to Exchequer Contractor on 1 October 2019 and their new role and responsibilities are not reflected in the guidance.</p> <p>We also identified tax and National Insurance Contribution (NIC) issues arising from the use of procurement cards to buy gifts and meals for staff. These have been addressed in a separate audit report but the implications of tax and NIC on items purchased will need to be included in the revised guidance.</p> <p>Furthermore, reference is made in the procurement card guidance to the use of Oyster cards. The Procedure Notes for buying and topping-up Oyster Cards are documented on onebromley. They state that further information on the</p>		<p>Agreement Form.” When checked with Exchequer Contractor, they confirmed that they do not ask the card holder to sign the back of the card at the time of receiving it and advised that they can do it going forward if it is recommended.</p> <p>The Oyster Card policy available on onebromley still states that further information on the purchase of cards and the records required to be kept can be obtained from Internal Audit and hasn’t been updated.</p> <p>We also noticed that the document made available to Exchequer Contractor by the Contract and Operations Manager (Exchequer) named “Processing of Purchase Card Applications to issue of the card v1.2” states “Email the Head of Internal Audit with details of the proposed card holder to see if</p>	<p><i>Exchequer Contractor have been reminded of the requirement for the cardholder to sign the back of the card on receipt.</i></p> <p><i>The Processing of Purchase Card Applications to issue of the card v1.2” will be revised and reissued, taking account of the findings and recommendations arising from this audit and the previous audit.</i></p> <p><i>The process of emailing the Head of Audit has been in place for a number of years however as this is no longer a requirement the procedures will be amended.</i></p> <p><i>Contract and Operations Manager (Exchequer) – by 05/03/21</i></p>

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	<p>purchase of cards and the records required to be kept can be obtained from Internal Audit. This is not however the role and responsibility of Internal Audit and the ownership should be re-assigned.</p> <p><u>Risk</u></p> <p>Card holders and approvers may not be aware of the procedures to be followed, leading to the risk of inappropriate expenditure.</p>		<p>there are any concerns with a card being issued to that individual.” This is however not the role and responsibility of Internal Audit and the ownership should be re-assigned.</p>	
5	<p><u>Split or disaggregated transactions and description of transactions not entered on the system</u></p> <p>Our testing of transactions made between 1 August 2018 and 31 July 2019 identified 12 instances of card holders making more than one transaction to the same supplier on the same day. In 11 instances</p>	<p>Card holders and approvers should be reminded that:</p> <p>(i) they cannot split transactions to avoid having to seek authorisation at a higher level of authority and</p> <p>(ii) a description of the transaction should always be entered on the procurement card system.</p>	<p>Implementation in progress</p> <p>(i) Our testing did not identify any split transactions between the period 1 March 2020 and 30 September 2020.</p> <p>(ii) We identified 55 transactions between the period 1 March 2020 and 30 September 2020 which had no description entered for the</p>	<p>The Purchasing cards policy should include guidance for cardholders to fill the reason in the Expense Description box while processing their transactions.</p> <p>Managers should approve transactions only when valid receipt has been uploaded and an appropriate description has been added.</p>

FOLLOW UP

No	Original finding and risk	Original recommendation and priority rating	Follow up finding	Further recommendations and management response
	<p>expenditure with the supplier had been more than £500 and for 10 of these it was apparent that expenditure over £500 had been split into two or more transactions. This could have been to avoid having to seek authorisation at a higher level of authority.</p> <p>The procurement card policy and procedures document states that: 'You must not split the cost of goods or services that exceed the £500 limit to enable the authorisation to go through. Card holders and approvers are reminded that transaction splitting or disaggregation is in contravention of the Council's Financial Regulations and the Contract Procedure Rules and, if it occurs, will result in the withdrawal of the card(s) and any sanctions allowed for under Financial Regulations being taken.'</p>	<p>If the checks carried out as recommended in recommendation 1 identify that transactions have been split without sufficient reason or the transaction description has not been entered, then the card facility should be withdrawn.</p> <p><b>Priority 2</b></p>	<p>transaction made but had been approved by the Cardholder's manager.</p> <p>The current Purchasing Cards policy does not specify that cardholders should record the reason in the Expense Description box while processing their transactions.</p> <p>The Card Holders guide which is sent to the new cardholders at the time of receiving their cards, explains where to add the reason in the Expense Description box as part of creating an Expense report on the Purchasing Card system.</p> <p>We noted that a reminder email is sent out at the end of each month, reminding cardholders to not split the transactions and to record a reason in the Expense Description box. It also states that approvers are responsible for ensuring that</p>	<p>If the checks carried out as recommended in follow-up recommendation 1 identify that the transaction description has not been entered, then the card facility should be withdrawn.</p> <p><b>Priority 2</b></p> <p><i>The Contract and Operations Manager (Exchequer) is responsible for ensuring these checks are carried out by the Exchequer service. This will be implemented by 01/04/21.</i></p>

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No	Original finding and risk	Original recommendation and priority rating	Follow up finding	Further recommendations and management response
	<p>The field for entering the transaction description on the procurement card system is a free text field but the system does not force it to be completed. We identified 676 transactions between the period 1 August 2018 and 31 July 2019 which had no description entered for the transaction made but had been approved by the Card holder's manager.</p> <p><u>Risk</u></p> <p>Financial limits are not adhered to leading to the risk of inappropriate expenditure being made by card holders.</p> <p>Where the details and purpose of the transaction are not recorded, there is a risk of fraudulent transactions being made and approved.</p>		<p>card holders adhere to these instructions.</p>	

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FOLLOW UP

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6	<p><u>Reports which can be run from the procurement card system</u></p> <p>During our audit we identified that there are numerous reports which can be run from the procurement card system to provide management information on purchases made. These include a report of purchases which have not had supporting receipts/invoices uploaded and there are other report options. They have not yet been explored and introduced by management.</p> <p><u>Risk</u></p> <p>A lack of independent checks may result in inappropriate expenditure not being identified, leading to a risk of fraud.</p> <p>Procurement processes which are not being adhered to or which are inefficient may not be identified.</p>	<p>Management should explore and use the management information reports which can be obtained from the procurement card reporting system.</p> <p><b>Priority 2</b></p>	<p>Implementation in progress</p> <p>We have noted that Exchequer Contractor runs reports of unprocessed and unapproved transactions on the Purchasing Card system every six weeks which are issued to card holders and approvers and copied to the relevant Heads of Finance and Directors.</p>	<p><i>Administrators are unable to see what reports might be available for managers to use.</i></p> <p><i>The Contract and Operations Manager (Exchequer) will liaise with a Card Holder and an Approver to see what reports already exist and can be run to assist them with their administration and monitoring. This will be implemented by 01/04/2021.</i></p>



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No	Original finding and risk	Original recommendation and priority rating	Follow up finding	Further recommendations and management response
7	<p><u>Travel and subsistence</u></p> <p>We identified a number of meals purchased using procurement cards. These included meals consumed by officers attending evening meetings of the Council or meeting with external stakeholders. This is allowed within the terms of the existing subsistence policy. We noted that they had only been made by one Directorate. Where the card had been used to purchase several meals in one transaction, implying that these were for more than one person, the names of the other people had not been recorded on the procurement card system ie description field. Where we could identify the name of the card holder, we confirmed that there had been no duplicate claims made for these transactions via the payroll or imprest accounts.</p>	<p>Management should review the travel and subsistence policy, ensuring that it sets out clear guidance on these subjects, subsistence rates are uplifted, overnight rates are included and the document is given a future review date.</p> <p><b>Priority 2</b></p>	<p>Implementation in progress</p> <p>We checked with the Head of HR, Business, Systems and Reward for the latest copy of Travel and Subsistence policy who advised that the Travel and Subsistence policy is currently being updated and will be published by 31 March 2021.</p> <p>There is also a separate guidance in HR Self Service on how to claim travel expenses which will be reviewed and updated if required.</p>	<p>31 March 2021</p> <p>Head of HR Business, Systems and Reward</p>

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	<p>The Council’s policy on travel and subsistence is dated 2013 and needs to be reviewed and updated. It does not have an owner or review date. Whilst it is entitled ‘Travel and subsistence’ there is no reference in the document on how or when to claim travel expenses.</p> <p>Travel and subsistence can now be claimed on-line via the payroll and this should be the primary method of reimbursement, with supporting documents uploaded to support each claim.</p>			
8	<p><u>Records of approved procurement card request forms were not kept</u></p> <p>We did not find records of the approved procurement card request form with the authorised approver’s signature. We identified that these forms are shredded once the procurement card arrives.</p>	<p>An electronic or a physical copy of the procurement card request form should be kept for future reference.</p> <p style="text-align: center;"><b>Priority 2</b></p>	<p>Implemented</p> <p>We noted that 7 new purchase cards were issued to the cardholders between the period 1 March 2020 and 30 September 2020. We requested Exchequer Contractor to send us the scanned</p>	<p>Implemented</p>

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	<p>We only saw the records of procurement card acceptance form, signed by the holder at the time of receiving it.</p> <p><u>Risk</u></p> <p>Evidence of the approval for a procurement card to be provided may not be available in the event of a future enquiry by management or an investigation.</p>		<p>copies of purchase card request forms with approver's signature, and signed agreement forms for these cardholders.</p> <p>We did not see the record of 1 out of 7 signed agreement forms. Exchequer Contractor suggested that they don't have the scanned copy of the form with them and the physical copy could be in the office which they aren't able to check due to Covid-19 restrictions. They have suggested that they will get a new form signed by the cardholder and scan it.</p>	
9	<p><u>Information provided to new card holders</u></p> <p>During discussion with a new card holder we identified that she had not been provided with any guidance when receiving her procurement card. We referred her</p>	<p>Management should ensure that new procurement card holders are being provided with links to the procurement card guidance and other necessary information by Exchequer Contractor.</p> <p><b>Priority 2</b></p>	<p>Implemented</p> <p>We noted from the sample email sent to us by Exchequer Contractor that the cardholders are sent the self-registration guide and Card</p>	<p>Implemented</p>

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	<p>to the intranet page on onebromley where the current version of the guidance, together with instructions for card holders and approvers can be found.</p> <p>Her card had been issued by the Senior Finance Officer at the time when Exchequer Contractor were in the process of taking over the arrangements for issuing procurement cards so there is a need to check that new card holders are being provided with all the necessary information by Exchequer Contractor.</p> <p><u>Risk</u> New card holders and approvers may not be aware of the procurement card policy and accompanying instructions.</p>		<p>Holders guide in email soon after they collect the card.</p> <p>The Contract and Operations Manager (Exchequer) confirmed that all cards are being collected from the office during pandemic.</p>	

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10	<p>We were unable to evidence a signed complete copy of the contract between the Council and Purchasing Card system provider for the procurement card operation. We saw a copy of the signed business application with terms and conditions but this was incomplete because it had pages missing. There was no contract award document evidenced. These matters are being addressed by the Head of Procurement.</p> <p><u>Risk</u></p> <p>The Council is unaware of what it has legally agreed to in its contract with Purchasing Card system provider for the procurement card service, leading to a risk of the Council incurring additional and unexpected costs and being unable to meet terms and conditions agreed to.</p>	<p>Management should ensure that a signed complete copy of the contract with Purchasing Card system provider is in place, with key individuals aware of the terms and conditions and an electronic copy uploaded to the contracts' database.</p> <p style="text-align: center;"><b>Priority 2</b></p>	<p>Implemented</p> <p>A signed copy of the contract with the Purchasing Card system provider was seen on the contracts database.</p>	<p>Implemented</p>

**Assurance Level**

Assurance Level	Definition
<b>Substantial Assurance</b>	There is a sound system of control in place to achieve the service or system objectives. Risks are being managed effectively and any issues identified are minor in nature.
<b>Reasonable Assurance</b>	There is generally a sound system of control in place but there are weaknesses which put some of the service or system objectives at risk. Management attention is required.
<b>Limited Assurance</b>	There are significant control weaknesses which put the service or system objectives at risk. If unresolved these may result in error, abuse, loss or reputational damage and therefore require urgent management attention.
<b>No Assurance</b>	There are major weaknesses in the control environment. The service or system is exposed to the risk of significant error, abuse, loss or reputational damage. Immediate action must be taken by management to resolve the issues identified.

**Recommendation ratings**

Risk	Definition
<b>Priority 1</b>	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
<b>Priority 2</b>	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
<b>Priority 3</b>	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.