



Internal Audit Final Report

Purchasing Cards

Directorate:

Resources

Date:

1st February 2010

1. Introduction

- 1.1. An audit review of Purchasing Cards was undertaken as part of the 2009/10 annual Internal Audit Plan at the request of the Chief Accountant. The purpose of the review was to provide assurance that expected controls are in operation prior to rolling out card availability further across the Authority.
- 1.2. A pilot scheme for an initial period of six months operating within three departments, Building Maintenance Services, Fleet Services and Library & information Services, was approved by Cabinet on 9th October 2007. Purchasing cards are charge cards which work in a basically similar way to credit cards but with additional controls. These allow the card holder to purchase goods which are then charged directly to the Council via the card provider.
- 1.3. There are a number of benefits of using purchasing cards. These include savings in the time and cost of processing transactions. In addition to this, under the scheme, we receive a rebate from Value Wales dependant on the total spends on the cards across Wales. The higher the level of expenditure across Wales, the higher the rebate percentage will be. To date BCBC has received rebates for the first two financial years in which the scheme has been in force as follow:

Financial Year Ended	Rebate Received
31 st March 2008	£24.84
31 st March 2009	£642.85

Whilst these do not represent significant amounts, as card use becomes more widespread in this Authority and in others in Wales, there is potential for much larger rebates in the future. At present there are approximately 30 card holders across the Authority so usage is not yet widespread.

- 1.4. In the financial year to 31st March 2009 total expenditure on the BCBC purchasing cards was £107,142 with the rebate awarded as stated above being 0.6%. As at 9th December 2009, expenditure year to date on purchasing cards amounted to £90,952.

2. Objectives of the Audit

- 2.1. The main objectives of the audit were to:

- Review control procedures over the setting up of new users.
- Assess whether reconciliations are carried out regularly and promptly.
- Identify that appropriate VAT documentation requirements are met and VAT is being appropriately reclaimed where applicable.
- Identify whether card holder and supervisor reviews are being carried out as required by the card holder procedures.
- Review control procedures in place for the removal of card users.

3. Audit Opinion

- 3.1 Based on the limited audit work carried out, it is felt that there are adequate controls in place to minimise potential risk to the authority. However, there is concern that these controls are not operating effectively in all sections using the cards and consequently the overall level of assurance gained is limited.
- 3.2 During the audit a number of strengths and areas of good practice were identified as follows:
- Regular and timely reconciliations of card transactions are carried out by the Accountancy section.
 - Each card holder has been given and signed a card holder agreement setting out roles and responsibilities.
 - IT controls prevent a card holder from undertaking a supervisor review of his/her own transactions thus forcing segregation of duties in the procurement process.
 - Appropriate merchant category blocking is in place.
- 3.3 The following key issues were identified during the audit which need to be addressed:
- Supervisor reviews are not always taking place in a timely manner. Testing undertaken in November 2009 indicated over 100 transactions relating to the period July 1st 2009 to 31st August 2009 had not been reviewed. Reports are available off the Nat West system indicating transactions that have not been reviewed by the card holder's supervisor. These are not generated and reviewed at present.
 - Similar to the above, card holder reviews are not always taking place in a timely manner leading to additional work for the Senior Accountant administering the card reconciliations. This has led to transactions been posted to the wrong accounting subjective codes.
 - One instance was identified where a card holder who left employment with BCBC in October 2007 did not have his card disabled until April 2008. Internal Audit has obtained evidence that no purchases were made on this card during the period. Procedures for leavers need to be tightened.
- 3.4 We have also made a number of recommendations. These include one off occurrences of failures in control which may be due to one off errors or weaknesses in the system. These are detailed in the main report and accompanying action plan. It is felt that, given the large number of non reviewed transactions referred to in paragraph 3.3 above and the small number of cards presently in use, caution is required before rolling out the cards further across the Authority. Implementation of these recommendations is necessary in advance of rolling out use of the cards across BCBC to ensure that the Authority is not exposed to the associated risks.
- 3.5 This report is a report of exception and therefore only where issues have been identified have they been commented on.

5. Management Action Plan

Rec. No.	Recommendation	Categorisation	Para. No.	Agreed	Management Comments	Officer Responsible	Date to be implemented
1	It needs to be stressed upon card holders that they must "card holder" review their transactions in a timely manner. Where this is a persistent problem, consideration should be given to removing the card in line with the card holder agreement.	Significant	4.1.1	In part	It is stressed throughout the training process that this review needs to take place. System training is arranged which covers the reconciliation process for both card holders and card supervisors. This is also covered in the training user guide. We agree with the recommendation to remove cards for persistent offenders	Accountable Manager/ Group Manager Procurement	Currently being implemented
2	Responsibility should be assigned at a Corporate level for the regular review of transactions to ensure that these have been supervisor reviewed.	Significant	4.4.1	In part	Responsibility for supervisor reviews must rest within the specific Service area. We concur that there should be a regular peer review which identifies offenders and relays this to the appropriate line manager for action, and this is now being actioned within the Finance Section on a monthly basis. Any supervisors who do not review transactions will be reminded after 4 th of each month that they have not completed this action persistent offenders will have their cards removed.	Chief Accountant	Currently being implemented
3	Procedures should be reviewed as to how it can be ensured that cards are destroyed as soon as possible following a card holder leaving BCBC or changing departments.	Significant	4.5.1	Yes	We agree that this process needs to be more robust and that destruction is overseen by 2 officers to ensure probity. However, we will only know of employees leaving if we are advised by the department or if they are high profile. There is a bank form for the destruction of the card but not an internal one and Procurement will devise a leaving form and include in the training pack	Accountable Manager/ Group Manager Procurement	1 st March 2010

