



APPENDIX 2

Audit of Purchase Cards

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Audit Report Distribution

Client Lead:	Finance Manager – Financial Systems and Control
Senior Manager:	Chief Finance Officer Director of Resources
Others:	Chief Executive Chief Legal Officer Group Accountants Interim Accountant Manager – Procurement & Contracts Assistant Director – Customer Solutions
Audit Committee:	The Audit Committee due to be held on 25 th March 2024 will receive a copy of this report.

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1. Introduction

- 1.1 Purchase cards were introduced for Cumberland Council as part of a continued business requirement as part of LGR implementation. The various schemes managed in sovereign councils were discontinued from 31st March 2023 and the Cumberland Scheme commenced from 1st April 2023.
- 1.2 Purchase cards are not intended to replace the corporate procurement process and should only be used where purchases cannot be made through the normal channels. Examples include, where purchase orders are not accepted, supermarket purchases, online only purchases and emergency payments.
- 1.3 Cards are administered by staff in the Purchase to Pay Team. Prior to the Cumberland scheme commencing Purchase to Pay was in Customer Services at the County Council, which provided cards to the majority of current card holders. As part of LGR the Purchase to Pay team moved into Finance and began administering all Cumberland cards including those for ex-district council staff.
- 1.4 Each purchase card has a set four weekly spend limit, as well as an individual transaction limit. As at 18th January 2024 there were 120 active purchase cards with credit limits ranging from £100 to £35,000 and single transaction limits ranging from £10 to £15,000 (though the majority of cards have limits below these highest values).

2. Audit Objective

- To review the expenditure and the controls in place for corporate purchase cards.

3. Audit Scope

- Review / analysis of current years spend via corporate purchase cards (ensure appropriate use and VFM).
- Guidance / procedures issued on corporate purchase cards.
- Confirmation of controls in place (checks / reviews) for a sample of corporate purchase cards.
- Alignment to Council Procurement Procedures.

The school purchase card scheme is not in the scope of this audit.

4. Audit Limitations

- 4.1 There were no instances whereby the audit work undertaken was impaired by the availability of information.

5. Assurance Opinion

- 5.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 5 levels of assurance opinion which may be applied (See Appendix C for definitions).
- 5.2 From the areas examined and tested as part of this audit review, we consider the current controls operating around Purchase Cards provide **Partial assurance**. As audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

6. Summary of Recommendations

- 6.1 There are two levels of audit recommendation; the definition for each level is explained in Appendix D. Audit recommendations arising from this audit review are summarised below:

Scope areas	High	Medium
1. Review / analysis of current years spend - (see section 7.1)	-	-
2. Guidance / procedures issued - (see section 7.2)	-	2
3. Confirmation of controls in place (checks / reviews) for a sample of cards - (see section 7.3)	4	-
4. Alignment to Council procurement procedures - (see section 7.4)	-	2
Total Number of Recommendations	4	4

- 6.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A. Advisory comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix B for management information. Completion of all actions will be followed up by Internal Audit on a regular basis.

6.3 Findings Summary (good practice / areas for improvement):

It was acknowledged prior to the audit that controls in place for the purchase card scheme required review and tightening and Purchase to Pay had already commenced work on this. Some action has been taken to strengthen controls, including reducing card limits and ensuring a segregation of duties between card holders and those who administer cards, and further changes are planned for April 2024 as part of a rebuild of the current system.

Our review recognises the work undertaken to date, but has made a number of high graded recommendations due to the significant control concerns identified, particularly the absence of segregation of duties between administrating and approving payments.

There are significant concerns around both current record keeping and accounting arrangements, with limited descriptions included with transactions and minimal reconciliation and journaling of transactions to the correct nominals within the accounting system. This lack of transparency makes it difficult to review card usage and provide clear assurances that usage is appropriate.

There is also significant non-compliance with current guidelines, identifying the need for further training and guidance. Of most concern is the lack of segregation in place between card holder and review of purchases, which needs to be rectified as a matter of urgency.

Director of Resources comments
We appreciate the detail and the speed of the work undertaken by Internal Audit. We also thank the purchase to pay team for their ongoing work on this issue. Happy to support the details and recommendations of the report.

7. Audit Findings and Recommendations

7.1 Review / analysis of current years spend

7.1.1. Purchase card transactions were provided for the first five months of the current financial year and showed a net spend of £533K. This spend was across 94 different cards and 5,421 transactions. 88 transactions lines were refunds totalling £6.5K and have been included in the figures below.

7.1.2. The number of transactions over the 5 months per card holder ranged from 1 to 897, with 409 being the next highest count, and a net spend value range of £19.80 to £82,089.01. 14 cards had a net spend over £10,000 with 4 card holders being in Purchase to Pay (who use them across the Council), 4 being Business Support Team Leaders / Administrators for Children and Young People (which attract significant card use), 2 being Registered Managers at Childrens homes, 1 a Fleet and Depot Manager, 1 a Transport Resources Officer, 1 an ICT Service Support Officer and 1 a Transport Resources Team Leader.

Number of Transactions	Number of Card holders
1-10	42
11-50	29
51-100	11
101-300	8
301-500	3
897	1
Total	94

Total Net Spend (£)	Number of Card holders
-366.69 – 1000	50
1001 – 5000	24
5001 – 10000	6
10001 – 20000	9
20001 – 32000	2
75000 – 83000	3
Total	94

7.1.3. The highest individual purchase was £15,000 and including this, six of the seven transactions of £5,000 and over related to credit for franking machines and all were made by the Purchase to Pay team. Just over 60% of all transactions were for less than £50.

- 7.1.4. The majority of transactions (59%) had no description recorded for them. The description is entered by the person reviewing and coding the transactions in the Smart Data Online (SDOL) system, which should be done by the 20th of each month for the preceding month's transactions (reporting cycles run from 4th of the month to the 3rd of the next month). The SDOL user manual appended to the purchase card guidance manual suggests a format of merchant name and brief, meaningful description. Where descriptions were entered this suggested format was not used as many descriptions were not meaningful and did not easily identify what payments related to.
- 7.1.5. Whilst the merchant these transactions were with was evident, the lack of description made it difficult to determine if purchases are appropriate, particularly where they were with merchants that sell a variety of items, such as Amazon. However, it should be noted that if a card holder wanted to misuse a card they could record anything in the description field if they are also the card reviewer, as there is no segregation between payment authoriser and review (see 7.3.17).
- 7.1.6. Review of descriptions, merchants and merchant descriptions showed a number of transactions for items to merchants that superficially could appear to be irrelevant to Council Services, such as to various eating establishments, clothes and jewellery retailers, hairdressers / barbers, Alton towers and Blackpool Pleasure Beach, Haven Holidays and Newmarket holidays. However, discussions advised that these were legitimate spend for a small number of Council areas, providing support to people within the Council's care. There were also a number of transactions where it appeared that purchases should have been made using a different route (see section 7.4).
- 7.1.7. It is not straightforward to determine the value spent with all suppliers as although transactions were placed with 1,301 separate merchants (i.e. unique merchant names) it was seen that several of these related to the same overall merchant e.g. different branches of the same store / petrol station were shown separately. Similarly, there were merchants with more than one named variation.
- 7.1.8. It was also noted that some payments to companies were made via PayPal and so had a PayPal merchant name as well as an original merchant name on the transaction listing e.g. PayPal trainline, trainline and trainline.com.
- 7.1.9. Merchants with cumulative spend over £15,000 included Argos, Trainline, Amazon, DVLA Vehicle tax and Quadient UK (franking machine credit).
- 7.1.10. 1196 transaction lines were to 249 different PayPal merchants totalling £107,207.14 net. Based on the merchant description shown on the data provided it appears 790 of these transactions relate to 199 individuals rather than to businesses. The majority of PayPal payments to individuals were in Children's Service areas based on the cost centres the transactions were coded to and appear to be direct payments to Children looked after / leaving care (with some cases including relevant client reference). An agreed process for including references should be consistently applied to ensure it is clear the recipient is a Council client.
- 7.1.11. The identity of individuals paid via PayPal was not verified, so it is not possible to be fully assured that payments are appropriate and legitimate for all transactions, particularly due to the limitations in current descriptions provided.

7.1.12. More than half of the transactions were coded to the default nominal which is used when card reviewers have not coded transactions in SDOL. Whilst this may have been a legitimate code for some of the transactions this did not appear to be the case for the vast majority and the transactions with this code accounted for just over half of the total card spend (see 7.3.14). It is noted that card holders did not have access to SDOL to recode transactions until the middle of July 2023; however, there has been very little evidence that previous month's transactions have been coded before the deadline given of the 21st August.

7.2 Guidance / procedures issued

7.2.1. The current purchase card scheme is a continuation of existing schemes held by each legacy authority. Dormant cards were removed from the scheme; however, there has been no review of the business need for continuing to administer existing cards. Purchase to Pay have made amendments to card limits following concerns raised prior to this review. However, given the training needs identified by this review (see remainder of this report) it would be appropriate to conduct a closer review of existing card holders.

Recommendation 1 – Review existing card holders to ensure there is a reasonable business need for all cards currently in use by the council.

7.2.2. A guidance manual is in place for purchase cards, which includes an overview of the cards and procedures for them. Updates to the guidance manual have been made as part of the wider review of the scheme and it has recently been placed on My Finance (22nd January 2024). Further updates will be made to reflect upcoming changes to the purchase card scheme (see 7.3.19) and communicated to card holders once a launch date for the new changes is known. Comments in this report are based on the original guidance manual which was in place at the time of the audit.

7.2.3. Whilst the guidance manual was posted out to each cardholder receiving a new purchase card as part of LGR implementation, new requests for purchase cards have the manual emailed to them wherever possible. The card holders of the sample of purchase cards tested confirmed they had all received a copy of the guidance manual.

7.2.4. Review of the manual confirmed that it includes that the cards are not intended to replace the E-procurement system and should only be used when purchases cannot be placed through the normal channels. General areas of what the cards should not be used for, personal purchases, withdrawing cash or foreign currency, purchases not specifically intended for legitimate council use and purchases that fall under the construction industry scheme, are also included.

7.2.5. It was noted that the manual did not include references to or examples of council contracts that should be used in all cases for particular supplies. This may be useful to some card holders, including those new to the council or unfamiliar with this area and appeared would have been beneficial to some of the card holder sample (see section 7.4). It was subsequently seen that this is included in the recently updated guidance manual.

7.2.6. The manual states that cardholders and reviewers must follow the policies and procedures set out in this guide and includes responsibilities of both.

- 7.2.7. It also includes: any misuse of the payment card by the cardholder will result in withdrawal of the card and may be deemed a disciplinary offence, cardholders must sign the acceptance of terms of use, purchases should be approved by the budget holder / authorised person prior to being made, appropriate records are to be held for purchases, and value for money considered.
- 7.2.8. The manual also includes an SDOL User manual as an appendix, which provides detailed procedures on reviewing and coding transactions and includes system screenshots.
- 7.2.9. Signed terms of use were requested for a sample of 15 card holders. Current terms were provided for 9 of the sample (though one of these had only just been signed in December 2023). Terms signed in 2020 (so not relating to their current purchase card) were provided for another of the sample, with no terms provided for the remaining 5. It should be noted that 4 of the 5 card holders who signed terms were not provided for stated that they had signed and returned terms for their new purchase cards. Despite the majority of the card holders sampled stating they had signed terms, testing confirmed they were not necessarily complying with them (see section 7.3 below).
- 7.2.10. We were informed that terms and conditions were in the process of being updated and that once they have been finalised they will be sent out to all card holders asking for them to be signed and returned. Returned forms will be recorded on a control record and card holders will be followed up to return them.
- Recommendation 2 – It should be ensured that signed terms are held for all purchase card holders.**
- 7.2.11. A segregation of duties is now in place between those who administer the purchase cards and those that use them. To enable this a number of Purchase to Pay staff had their cards cancelled in late November 2023.

7.3 Confirmation of controls in place (checks / reviews) for a sample of cards

- 7.3.1. Testing of a sample of 13 purchase cards and discussions with the card holders confirmed that processes / procedures for card use vary and do not always align with the purchase card guidance manual.
- 7.3.2. It was identified that some cards are used by people other than the card holder (though a couple of these are solely / mostly via card details being saved on online accounts rather than the card being used directly and another card holder has to provide access to the card before others can use it). The PIN number for two of the cards sampled was known by people other than the card holder. The guidance manual clearly states that card holders must ensure that the card is only used by them and not disclose their PIN to anyone.
- 7.3.3. The guidance manual also includes that payment cards be kept securely at all times, that approval to purchase is always obtained from the budget holder before a purchase is made, all transactions are recorded and sale receipts are obtained and kept securely.

- 7.3.4. Again, these items varied across the sample tested with some cards held in locked items in Council buildings such as cabinets / cupboards / tambour units, some within locked items within these – safe / tin etc and others kept in wallets/phone cases, while others were held in an unlocked drawer, or laptops bags (although several card holders stating they were with them at all times). With the increase in working from home since Covid it is unsurprising that cards are not always locked away within a council office, but cards should still be stored securely to prevent unauthorised access.
- 7.3.5. Gaining approval before a purchase is made on the card also varied. Some card holders are authorisers for their cost centres on e-procurement and do not request approval from elsewhere before using their cards. Where their cards are used by others – one card holder provides access to the card (which is outside of guidelines), one card holder does not require day to day spend to go via them first, team members check with the card holder before making a purchase whilst the other team who use this card (via details being saved to online account) record purchases they have made on a spreadsheet for the card holder.
- 7.3.6. Where card holders are not authorisers themselves: one does not seek approval for day to day essential spend (but stated they would for other items), one requires appropriate approval for purchases (with the exception of a recurring water bill) though one of the sample did not appear appropriate per the scheme of delegation, and one stated they always check purchases with the budget holder (which is often verbal), who then allows the team managers to authorise the forms requesting the purchase.
- 7.3.7. For another of these cards routinely used to purchase for other, unrelated council departments it was stated that the person requesting the purchase is asked to get their manager to confirm the cost centre for it to be coded to if they are not the budget holder but there is no check that the person providing this information is a budget holder (and per the scheme of delegation some sampled were not). One of the sampled transactions had a message from the purchase requestor saying they would refer it to their manager for approval and then confirming themselves that it was authorised for purchase.
- 7.3.8. For the remaining two cards used regularly to purchase for other council departments until recently (mid December 2023), typed approval signatures were accepted for purchases, even where requests were not submitted by the person approving them. Now an email is required from the approver unless a manual signature is provided on the purchase request form. However, whilst one card holder confirmed the scheme of delegation on ‘my finance’ could be used to confirm if there were any doubts about who was approving the purchase, the other stated there is no check that it is the budget holder / appropriate person approving.
- 7.3.9. Records of all purchases made are not maintained for all the cards sampled, and one where a record is held did not have one of the sampled transactions recorded on it.
- 7.3.10. One card holder left the Council before providing supporting documentation for their sample of transactions, but it was provided for the majority of the other card holder transactions sampled. Documentation varied from purchase card request forms, order / booking confirmations, invoices, receipts and a combination of these. However, a couple of the card holders confirmed they did not hold supporting documentation for purchases in a specific location and that it was just in their emails. It was also noted that supporting documentation had to be obtained by three card holders from another officer or the supplier

in order to provide it and that several transactions appeared as though they should have been processed via standard Council routes (see section 7.4. below).

- 7.3.11. Another point noted by the guidance manual is that card holders are responsible for ensuring that goods and services are only delivered to Council premises. Whilst this should be followed by most card holders, this was not the case and not practical for all our sample due to the nature of the purchase and who it was purchased for (i.e. council clients).
- 7.3.12. It is clear from these findings that adherence to the existing guidelines is inconsistent and there are numerous examples of non-compliance, indicating the current process is ineffective in ensuring secure, appropriate use of purchase cards. The requirement for new guidelines has already been recognised and have been prepared; however, it is clear that a full review of the current process is required and further training must be provided to card holders to ensure compliance with Council procedures.

Recommendation 3 – Mandatory training should be put in place for all purchase card holders.

- 7.3.13. The manual includes that the department / card reviewer must ensure that SDOL is kept up to date (including allocating coding and descriptions to transactions and recording VAT appropriately) and reconciling them on the system by the 20th of the month following the reporting period.
- 7.3.14. The majority of sampled transactions were coded to the default nominal. Whilst there were some initial issues with access to the SDOL system and coding historic transactions, discussions with card holders implied that coding should have improved in most cases. Audit were unable to verify whether this was the case as the audit sample was across only the first five months of the year.
- 7.3.15. Where SDOL is not updated this will mean additional work for finance staff who will have to determine what transactions relate to, whether VAT can be separately accounted for and re-code them. Sample testing confirmed that some uncoded transactions did have enough evidence for VAT to be separately accounted for and reclaimed by the council.
- 7.3.16. One card is used to make purchases for both Cumberland and Westmorland and Furness (W&F) staff by a hosted service. The card holder stated that they code the transactions in SDOL to the cost centre provided at the time of request if the code exists in Cumberland e5 (even if it is a W&F code provided). This means that some Cumberland cost centres will be charged for items that do not relate to them and that it will be down to budget holders to identify these. If the W&F cost centre provided is not used in Cumberland e5, transactions are coded to an agreed Cumberland cost centre, and this noted on the purchase card transaction log. The card holder did not know whether costs related to W&F are true W&F costs or costs covered by an inter-authority agreement that should be borne by the hosted service and despite the card holder's managers being aware of this no other arrangement has been put in place.

Recommendation 4 – Arrangements should be put in place to ensure that cost centres are not charged for purchase card transactions that do not relate to them.

- 7.3.17. The guidance manual includes that reviewers can be the card holders meaning there may be no independent person involved in the purchase card process. Most card holders sampled were also reviewers, with three reporting they were not the reviewer and one

stating they did not know who the reviewer was. Another card holder stated they had not undertaken this role as the card was previously only used to make one type of purchase so Finance was asked to move everything coded to the default nominal to the required nominal code each month. This card is now used for more than one type of purchase so it should be ensured that transactions are now reconciled and coded in SDOL.

7.3.18. With the exception of the cards that have independent reviewers, card holders were not aware of any independent review of card transactions they make. This is a significant control weakness, which would potentially allow fraudulent activity to be undertaken without being identified due to inadequate segregation of duties.

7.3.19. As part of the wider review being undertaken on the purchase card scheme it was stated that an approver role is to be created in SDOL who will check purchases are valid and approve transactions. This person will not be the cardholder and so this would ensure a segregation of duties is in place. It is hoped this will be in place by April 2024.

Recommendation 5 – A segregation of duties should be in place for all purchase cards.

7.3.20. It was noted that the guidance manual includes that the Council will spot check transactions each month and carry out random audits for both payment card activity and to ensure receipts are being retained. We were informed that this is a known action but is not yet in place with roles and responsibilities to be defined. It was stated that purchase card spend files are now placed on SharePoint for Finance Business Partners to review, though further details of this were not provided before the report was written.

Recommendation 6 – Checks / reviews should be undertaken to confirm required controls are in place for purchase cards and that card transactions are appropriate, correctly authorised and coded / VAT applied correctly in SDOL. These checks should also be used to identify officers that may require additional information / assistance with an aspect of the purchase card process.

7.4 Alignment to Council procurement procedures

7.4.1. The purchase card manual clearly includes that cards are not intended to replace the E-procurement system and that they should only be used when purchases cannot be placed through the normal channels. In some cases procurement cards had to be used post Local Government Reorganisation due to some initial difficulties providing access to E5 for officers, making it impossible to purchase items via purchase orders.

7.4.2. Purchase cards are administered by the Purchase to Pay team within Finance with Commissioning and Procurement staff having no oversight of purchase cards or the transactions going through them. Extrapolating transaction data provided, this means they are unaware of over £1 million worth of purchase spend annually. If data was available to them it could potentially be used to identify trends in purchases and determine if new contracts need put in place.

Recommendation 7 – Determine what information Commissioning and Procurement would require to enable them to effectively assess purchase card transactions and whether this can be provided to them.

- 7.4.3. A comparison of the suppliers included in the contracts register, provided by Commissioning and Procurement, to the merchants on the purchase card data was undertaken to determine whether purchases were being made on purchase cards where a contract was in place. This identified transactions from 15 merchants that required further review, though it should be noted that some lines on the contracts register did not have a supplier recorded against them and that lower value contracts the Council has are not necessarily recorded on the register.
- 7.4.4. Given the lack of detailed information on items purchased using purchase cards and that the contracts register does not specify exactly what each contract covers it was difficult to determine whether transactions from these 15 merchants should have been routed via contracts and therefore not purchased using a purchase card. However, further review confirmed that very few transactions, from only a handful of merchants, should potentially have gone via contracts so this does not appear an area of great concern.
- 7.4.5. A general review of purchase card transactions noted that some descriptions suggested that they should have been purchased via contracts and using e-procurement including stationery and cleaning items.
- 7.4.6. Commissioning and Procurement advised that it is important that people use the contracts in place and make contact / use buyer assisted orders if items they require are not available otherwise there will be no visibility of purchase requirements and whether a more formal purchasing arrangement needs to be put in place.
- 7.4.7. A large number of purchase card transactions related to train tickets and some transactions were for accommodation. Commissioning and Procurement confirmed the contract in place for these items relates to council staff whilst the majority of these transactions appear to relate to clients of the Council instead.
- 7.4.8. Some transactions were reimbursements to employees / contract staff and were approved requests provided to card holders rather than card holders initiating these themselves. Card holders stated that if requests are appropriately approved they will process them and that some ask to be paid more promptly than if they submitted an expense claim (often are for larger amounts / would be detrimental to wait longer). It was also stated that purchase cards might be used where items are needed quickly or payments are overdue and the standard purchase process would take time that was not available.
- 7.4.9. Discussions with a sample of card holders suggested that some would benefit from greater knowledge of Council purchase processes and contracts in place. It was noted that the recently updated guidance manual includes reference to contracts in place that should be used and also includes links to guidance on the e-procurement process.
- 7.4.10. A couple of card holders confirmed that they had used their purchase cards for items that would usually go via standard council purchase routes but that this was due to issues with access and authorisations in the first few months of the financial year which have now been resolved. Another card holder stated an invoice was provided to them for processing late and so it was paid by purchase card as this would be quicker than blue slipping it and

sending it to Purchase to Pay for processing. If other card holders experienced similar issues, it is possible that further transactions have been paid using purchase cards that should have gone via other routes.

7.4.11. Another card holder confirmed that they continued to use the purchase card as they had at their previous employer and were not aware until a recent discussion with their manager that they had used it on items that should be purchased via different means including train tickets and accommodation. However, few transactions had been made using this card.

Recommendation 8 – Ensure that purchase card holders and those reviewing transactions are fully aware of standard purchase / payment routes and contracts in place and that these should be used wherever possible.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – Review existing card holders to ensure there is a reasonable business need for all cards currently in use by the council.	Medium	Cards in use where no business need required, resulting in additional exposure to risk of inappropriate or inaccurate usage.	As part of the SDOL rebuild current allocations will be discussed with budget managers to ensure cards reflect business need. To work with HR to review exit interview to ensure robust guidance is in place for leavers.	Interim Service Lead – Purchase to Pay and Accounts Receivable.	1 April 2024
Recommendation 2 - It should be ensured that signed terms are held for all purchase card holders.	Medium	Inability to evidence that staff understood requirements in case of misuse.	An exercise to obtain outstanding forms has already been undertaken, with only a few currently outstanding. Card holders will be required to agree new terms and conditions as part of SDOL rebuild.	Interim Service Lead – Purchase to Pay and Accounts Receivable.	1 April 2024
Recommendation 3 – Mandatory training should be put in place for all purchase card holders.	High	Card holders do not fully understand the requirements of purchase card guidance / use.	New Purchase Card scheme will be operational from 1st April, training will be delivered week commencing 4th March.	Interim Service Lead – Purchase to Pay and Accounts Receivable.	1 April 2024

Summary of Recommendations and agreed actions

Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
<p>Recommendation 4 – Arrangements should be put in place to ensure that cost centres are not charged for purchase card transactions that do not relate to them.</p>	<p>High</p>	<p>Purchases incorrectly reflected in accounts.</p>	<p>Controls to ensure appropriate cost centres are loaded to appropriate SDOL environment. Application to be monitored (see R6)</p> <p>Clarification of responsibility of costs for cards utilised for Hosted services to be ascertained and applied to the SDOL coding structure. Ensure cost centre recording is right for monitoring and recording.</p>	<p>Interim Service Lead – Purchase to Pay and Accounts Receivable. 1 April 2024</p> <p>Group Accountant</p>	<p>1 April 2024</p> <p>1 April 2024</p>
<p>Recommendation 5 – A segregation of duties should be in place for all purchase cards.</p>	<p>High</p>	<p>No oversight of purchases made.</p> <p>Increased risk of inappropriate use / fraud.</p>	<p>SDOL environment being rebuilt to launch 01st April 2024. The SDOL platform will hold two roles - cardholder and Approver. Approvers will be nominated by Budget Managers (linked to Scheme of Delegation).</p>	<p>Interim Service Lead – Purchase to Pay and Accounts Receivable.</p>	<p>1 April 2024</p>

Summary of Recommendations and agreed actions

Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
<p>Recommendation 6 – Checks / reviews should be undertaken to confirm required controls are in place for purchase cards and that card transactions are appropriate, correctly authorised and coded / VAT applied correctly in SDOL. These checks should also be used to identify officers that may require additional information / assistance with an aspect of the purchase card process.</p>	<p>High</p>	<p>Increased risk of inappropriate use / fraud.</p> <p>Additional cost to the Council if VAT is not correctly accounted for.</p> <p>Additional work for Finance.</p>	<p>Issued to be addressed during training sessions scheduled for w/c 04th March 2024. Guidance document currently under review with emphasis on coding of vat and transactions. Description field will be made mandatory, additional 'Detail' code field to be added for ICS reference. Monthly reporting to be scheduled and procedures for checks to be carried out recorded.</p> <p>Transaction details to be made available on a monthly basis on Intouch - My Finance to allow finance staff to complete reviews (including retrospective review of YTD). Sample checks to be carried out in P2P and recorded.</p>	<p>Interim Service Lead – Purchase to Pay and Accounts Receivable.</p> <p>Group Accountants</p>	<p>1 April 2024</p>

Summary of Recommendations and agreed actions

Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
<p>Recommendation 7 – Determine what information Commissioning and Procurement would require to enable them to effectively assess purchase card transactions and whether this can be provided to them.</p>	<p>Medium</p>	<p>Formal purchasing arrangements are not established where they could be.</p>	<p>Guidance has been updated to include more information on correct procurement processes.</p> <p>Transaction details to be made available on a monthly basis on Intouch - My Finance to allow review.</p>	<p>Interim Service Lead – Purchase to Pay and Accounts Receivable Service / Manager – Procurement & Contracts</p>	<p>1 April 2024</p>
<p>Recommendation 8 – Ensure that purchase card holders and those reviewing transactions are fully aware of standard purchase / payment routes and contracts in place and that these should be used wherever possible.</p>	<p>Medium</p>	<p>Council purchasing arrangements not followed.</p> <p>Inappropriate use of purchase cards.</p>	<p>Purchase to Pay Handbook is held on Intouch - My Finance. Additional information on contracts already added to purchase card manual. Monitoring in place (R7) will identify any non compliance that requires corrective action.</p>	<p>Interim Service Lead – Purchase to Pay and Accounts Receivable Service / Manager – Procurement & Contracts</p>	<p>1 April 2024</p>

Appendix B – Advisory Comments

Ref	Advisory Comment
7.2.1	Any changes to purchase card guidance should be clearly communicated to all relevant officers.

Appendix C - Audit Assurance Opinions

There are five levels of assurance used; these are defined as follows:

	Definition:	Rating Reason:
Comprehensive	<p>There is a robust system of internal control designed to achieve service objectives.</p> <p>Risk Management processes are thorough.</p>	<p>The control framework is suitable, complete and consistently applied.</p> <p>Only minor advisory items have been identified.</p>
Substantial	<p>There is a sound system of internal control designed to achieve service objectives.</p> <p>Risk Management processes are advanced.</p>	<p>The control framework is suitable, complete and consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded controls.</p>
Reasonable	<p>There is a satisfactory system of internal control, helping to ensure that service objectives are generally achieved. Some issues have been raised that may increase risk exposure.</p> <p>Risk management processes require some improvements.</p>	<p>The control framework is adequate. Some controls are ineffectively applied and/or insufficiently embedded.</p> <p>Any high graded recommendations relate to a limited aspect of the control framework.</p>
Partial	<p>There is an insufficient system of internal control, reducing the likelihood that service objectives will be achieved. Some areas are satisfactory but a number of weaknesses have been identified.</p> <p>Risk management processes are weak.</p>	<p>The control framework is ineffective and/or inconsistently applied. A significant level of error has been identified.</p> <p>High graded recommendations have been made, covering several aspects of the control environment.</p>
Limited/ None	<p>Fundamental internal control weaknesses have been identified exposing system objectives to an unacceptable level of risk.</p> <p>Risk management is ineffective.</p>	<p>Significant non-existence or non-compliance with basic internal controls, exposing the system to error and/or abuse.</p> <p>High graded recommendations have been made, covering significant aspects of the control environment.</p>

Appendix D

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).