## Purpose of these audits
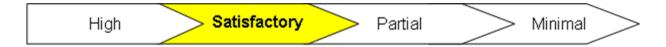
To assess whether the actions agreed in the original audit report have been implemented and are now effectively embedded into the day-to-day operation of the service.

## Procurement Cards (P-Cards) Revisited

| High | Satisfactory | Partial | Minimal |

## Original Objective

To assess whether the arrangements in place to monitor and challenge expenditure on Southend on Sea Borough Council (the Council) Procurement Cards (P-Cards) are sufficient to prohibit inappropriate use or inconsistent practices.

## Results

| Fully implemented | Substantially implemented | Partially implemented | Not implemented |
|---|---|---|---|
| 4 | 3 | 2 | 0 |

## Summary/Audit Committee Summary

There is now a process in place to identify situations where P-Cards are not coded (against the correct type of expenditure) or are authorised inappropriately. This is undertaken by the P2P, Reporting and Compliance Manager. Spot checks have been implemented to monitor whether a valid receipt has been attached to a claim and whether the expenditure is in line with the policy. A non-compliance policy is live on the intranet outlining the process should a cardholder or approver not follow the policy and user instructions.

Further reports such as an 'Exceptions' report are run by the P2P, Reporting and Compliance Manager. This helps track spending patterns and identifies anything deemed to be unusual, although there have not been any significant issues identified to date.

Monthly reconciliations are taking place between the information on the Barclaycard Spend Management System[1] (BSM) and Agresso. They are currently completed by the Finance Manager and authorised by the Group Manager, Financial Planning & Control. However, there were some timeliness issues throughout the year in terms of completion and approval. Issues of timely completion arose due to a staffing change in who completed the reconciliation.

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[1] This is the P-Card system. It monitors all transactions involving P-Cards.

To further strengthen the reconciliations, the service should:

- check and approve reconciliations in a more timely manner

- introduce electronic signatures to ensure the appropriate person is signing to approve.

The BSM added an extra module in 2017 that forces receipts to be attached to P-Card transactions. Whilst it cannot control the upload of an appropriate receipt, it does force users to attach a file. This can then be properly checked to ensure it is consistent with the expenditure and the policy. Some transactions were identified during the spot checks where the Line Manager should have challenged the cardholder prior to submission and approval, due to non-compliant supporting documentation.

The P2P, Reporting and Compliance Manager and the Finance Manager (Technical & Compliance) have completed monthly spot checks since Q2 2017/18 to confirm that:

- transactions are completed in line with the P-Card policy
- receipts are attached and appropriate (eg.- VAT receipt if required)
- coding on the BSM system is correct
- the VAT is coded and accurately calculated
- expenditure is in line with HR policies if applicable
- expenditure on gate kept2 codes is accurate if applicable.

These spot checks select a random 20% sample of transactions each month and assess compliance with the above. Any issues with the spot checks are escalated in line with the non-compliance policy.

The non-compliance policy states that escalation to the next stage of the policy requires two consecutive months to be non-compliant. The majority of transactions checked in the sample did not show non-compliance over two consecutive months, although evidence was provided showing escalation of issues identified that were included in reports sent to the Payments and Requisitions Board.  More rigorous checking would enhance the quality of all of these checks as instances were found during audit testing whereby there was non-compliance with VAT regulations and non-compliance with HR policies.

Procedure notes in the form of the policy and user card instructions have been developed to ensure users and approvers of P-Cards understand their roles and responsibilities in this process and the implications of non-compliance. They are available on the intranet although evidence of an official re-issue cannot be located.

**Additional Findings not affecting the assurance of this audit**

Whilst undertaking testing in relation to some of the recommendations in this audit, transactions were identified that were in clear breach of the P-Card Policy. These transactions related to expenditure on a staff recognition event, incomplete supporting evidence and evidence of limits that were being shared to pay for expenditure that breached individual cardholders limits. The approver of the staff recognition event has been informed of their responsibilities and the implications should a breach occur again. These transactions were not randomly selected as part of the implemented spot checks and therefore there is no impact on the assurance level given to those recommendations.

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2 Gate kept codes are those codes on the system that are controlled by a certain department. The main example of this is for ICT expenditure. ICT would be the gatekeepers for those codes, so cardholders should not be spending on items that would go through the gatekeepers unless they have prior approval.