

Report

Governance & Audit Committee

Part 1

Date: 25th May 2023

Subject **Unsatisfactory Audit Opinion
Governance & Audit Committee Call In
Purchasing Card (P-Card) Transactions Audit 2022/23**

Purpose The Strategic Director (Transformation & Corporate) and the Head of Finance have overall responsibility for the P-Card system operated within Newport City Council (NCC).

For Members of the Council's Governance & Audit Committee to:

- i) Consider the explanations and assurances provided by the Strategic Director and the Head of Service in relation to the concerns raised by Internal Audit for P-Card Transactions, that improvements have been made in service provision following an Unsatisfactory audit opinion.

Author Acting Chief Internal Auditor

Ward General

Summary Following an **Unsatisfactory** Internal Audit opinion in relation to P-Card Transactions, the Strategic Director and the Head of Service responsible for the P-Card system have been invited into Governance & Audit Committee to provide assurances that appropriate improvements within service provisions and the control environment have been made.

Proposal That Members of the Governance and Audit Committee:

- i) accept the explanations and assurances of the Strategic Director and the Head of Service, which will be confirmed via the follow up internal audit planned for 2023/24

or

- ii) don't accept the explanations and assurances provided and escalate concerns to the Chief Executive and Executive Board.

Action by Governance & Audit Committee

Timetable Immediate

This report was prepared after consultation with:

- Chief Financial Officer
- Monitoring Officer
- Head of People, Policy & Transformation

Signed

Background

1. The Public Sector Internal Auditing Standards requires the Chief Internal Auditor to present a formal annual report to the Governance & Audit Committee which includes audit opinions issued and to disclose any qualifications to the overall opinion.
2. The Strategic Director for Transformation & Corporate and the Head of Finance have overall responsibility for the P-Card system operated within NCC. In relation to concerns raised via the P-Card Transactions audit, they have been invited into Governance & Audit Committee to:
 - a) Explain why there were weaknesses in control
 - b) Provide assurances that the card users fully understand their responsibilities for using the card and that the concerns raised are minimised going forward
 - c) Provide assurances on the progress of the implementation of the agreed management actions taken to demonstrate improvement in the control environment
 - d) Include a timeline as appropriate.
3. Internal Audit (IA) undertake a review of P-Card Transactions annually. Work undertaken as part of the 2022/23 IA Plan, relating to 2021/22 transactions, resulted in an **Unsatisfactory** audit opinion. The draft memo was issued to management in November 2022 and the final memo issued at the end of March 2023.
4. A sample of transactions was reviewed from across all service areas to ensure that cardholders had adhered to the Purchasing Card Policy, had not used their card for transactions that were prohibited and were able to justify that the spend was appropriate.
5. This audit completed a high-level review across all transactions with a sample of 227 transactions totalling £893,889 chosen for detailed testing. This represented 18% of the total expenditure and approximately 1% of the total number of transactions. As a comparison, 141 transactions totalling £517,493 were selected for testing in the previous internal audit review (2021/22).
6. Despite reminders, some cardholders failed to respond to the requests made by Internal Audit for either a copy of the receipt or to provide an explanation as to why a transaction had been made. At the time of issuing the final memo there were 29 transactions involving 8 cardholders where the information requested remained outstanding.
7. The main weaknesses identified from this audit are shown below:

1.	<i>Cardholders have failed to review transactions as per the Purchasing Card Policy</i>
2.	<i>Full, legible and detailed receipts were not held for all transactions made</i>
3.	<i>VAT had been incorrectly applied to a number of transactions. VAT was not always appropriately reclaimed or supported by a full VAT receipt</i>
4.	<i>A number of transactions had been made which were deemed by the Purchasing Card Policy as being 'prohibited'</i>
5.	<i>Purchases had been made which were deemed by the auditor to be an inappropriate use of public funds</i>
6.	<i>Transactions had not always been administered in line with the required financial accounting principles relating to pre-payments</i>
7.	<i>Purchases had been made by persons other than the designated cardholder</i>

8. The action plan showing agreed management comments and actions is shown at **Appendix 1**.
9. Senior Management action taken since the memo was issued is shown at **Appendix 2** and **Appendix 3**.

Financial Summary

10. There are no material financial issues related to this report, although appropriate use of the P-Card, provision of all relevant documentation and correct classification of VAT could result in cost savings in the future.

Risks

11. If management action is not taken to improve the control environment and increase service delivery resilience, service users may not receive an efficient and effective service, the number of complaints may increase and could lead to reputational damage.

Risk Title / Description	Risk Impact score of Risk if it occurs* (H/M/L)	Risk Probability of risk occurring (H/M/L)	Risk Mitigation Action(s) What is the Council doing or what has it done to avoid the risk or reduce its effect?	Risk Owner Officer(s) responsible for dealing with the risk?
Poor internal controls could impact on effective and efficient service delivery, increase in complaints from service users and negative impact on reputation.	M	M	The Strategic Director has agreed a way forward to support service delivery. Internal Audit will undertake a follow up audit within 6 months to verify that agreed action has been taken to improve service delivery.	Strategic Director (T&C)
Potential mis-use of the P-Card could result in fraudulent activity with a negative impact on reputation and finances.	L	L	<p>Policy is being reviewed and with cardholders having to resign to accept its terms and conditions.</p> <p>The Executive Board and CMT have re-enforced the need for cardholders and approvers to comply with the policy and use the card appropriately.</p> <p>The Procurement Team and the Internal Audit Team will continue working closely to flag up any concerns identified with transactions.</p>	<p>Head of Finance</p> <p>Exec Board / CMT</p> <p>Head of Finance</p>

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

12. Giving Management assurance on the systems in operation gives them confidence that there is sound financial management in place, that more effective services can be provided and the risk of theft, fraud and corruption is minimised. Better service provision and looking after the public pound makes our City a better place to live for all our citizens, hence delivering an ambitious, fairer, greener Newport for everyone. (Corporate Plan 2022-2027).

Options Available

13. This is a factual progress report and therefore there are no specific options to be considered; there are no decisions to be made further to the proposals noted above.
14. Members of the Governance & Audit Committee are asked to either accept the assurances from the Strategic Director and Head of Service or refer their concerns onto the Chief Executive and Executive Board.

Preferred Option and Why

15. Members of the Governance & Audit Committee to decide.

Comments of Chief Financial Officer

16. The purchase of goods and services is a significant spend for the Council and a small, but increasing part of that is transacted through the Council's 'BarclayCard' corporate card system. The process has appropriate controls associated with it but does depend on card users following the Council's card use policy and managers/approvers managing the controls robustly in reviewing and authorising transactions made and managing any issues resulting from that. This is because unlike the Council's normal ordering/payment process, a large part of the control / review takes place after transactions have already taken place.

The audit has highlighted problems in respect of the above and robust management expectations have been made clear in relation to use of the cards and managers / approvers roles. We have reviewed the process and card system and have introduced new training, additional oversight arrangements, and updated the Council's policy to reinforce compliance around subjective and potential non-compliant spend.

Comments of Monitoring Officer

17. There are no specific legal issues arising from the report. As part of its role in monitoring the effectiveness of the Council's systems of internal control and financial management, Governance & Audit Committee oversee the implementation and outcomes of the internal audit programme and, where necessary, can review and make recommendations regarding unsatisfactory audit reports. The Committee can seek assurances on the adequacy of responses to internal audit advice, findings and recommendations and will monitor implementation and compliance with agreed action plans. In this case, there has been an unsatisfactory audit opinion issued in relation to the administration of the P-Card Transactions and the relevant Head of Service and Strategic Director have been invited to attend the meeting to explain the situation and outline the management action that will be taken to address the issues concerned. If the Governance & Audit Committee are not satisfied with the management responses and consider there to be residual risks in terms of the P-Card Transactions processes, then the Committee can escalate those concerns through to the Chief Executive and the Executive Board. As this unsatisfactory audit report

relates to operational management issues, then it is not considered appropriate for any concerns to be escalated through the Cabinet or Cabinet Member as they do not involve strategic policy issues.

Comments of Head of People, Policy and Transformation

18. As part of the Well-being of Future Generations Act (2015) and its corporate governance arrangements it is necessary to ensure that the Council's functions are operating effectively and efficiently to manage its governance, internal control and risk management arrangements in the delivery of the Corporate Plan and its statutory duties.

This report presents a review of the Internal Audit activity during the period concerned and the outcomes of completed audit reviews. The Council is in the process of reviewing the supporting policy, training and communication to staff on the appropriate use of P-cards and further setting expectations. All of which will be completed in the immediate future. Should a review of P-card transactions identify any potential employee relations matters, this will be investigated in line with the Council's employment policies and supported with appropriate actions.

Local issues

19. N/A

Scrutiny Committees

20. N/A

Equalities Impact Assessment and the Equality Act 2010

21. The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users. In exercising its functions, the Council must have due regard to the need to: eliminate unlawful discrimination, harassment, victimisation and other conduct that is prohibited by the Act; advance equality of opportunity between persons who share a protected characteristic and those who do not; and foster good relations between persons who share a protected characteristic and those who do not. The Act is not overly prescriptive about the approach a public authority should take to ensure due regard, although it does set out that due regard to advancing equality involves: removing or minimising disadvantages suffered by people due to their protected characteristics; taking steps to meet the needs of people from protected groups where these differ from the need of other people; and encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
22. All audits are undertaken in a non-discriminatory manner and key equalities issues identified under the scope of the audits will be identified as part of the audit reports and management discussions. As this is a report on the call-in relating to audit opinions there is no requirement for an Equality Impact Assessment.

Children and Families (Wales) Measure 2010

23. N/A

Wellbeing of Future Generations (Wales) Act 2015

24. The role of Internal Audit supports the Council in complying with the principles of the Wellbeing Act and providing assurance on the activities undertaken across the Council. In compiling this report the principles of this Act have been considered:

Long term - The Internal Audit workload is based on an annual operational plan supported by a 5 year strategic plan that is aligned to the Council's Corporate Plan.

Prevention - Internal Audit identify strengths and weaknesses within the control environment of Newport City Council; addressing the weaknesses gives management the opportunity of preventing gaps in service provision getting worse. This should also minimise the potential for fraud, theft, loss or error.

Integration - Internal Audit opinions provide an objective opinion on the adequacy of the Council's corporate governance, internal control and risk management environment in operation and support sound stewardship of public money.

Collaboration - Internal Audit work in collaboration with operational managers to develop an appropriate action plan in order to address identified concerns.

Involvement - Heads of Service and Senior Managers are invited to contribute to the audit planning process each year in order to prioritise audit resources. The involvement of the Governance & Audit Committee provides assurance and oversight of an effective internal audit provision to carry out its duties.

Consultation

25. N/A

Background Papers

26. 2022/23 Approved Internal Audit Plan, 2022/23 Internal Audit quarterly reports.

APPENDIX 1

Agreed Final Action Plan for P-Card Transactions Audit 2022/23

Ref.	Recommendation	Agreed Management Action	By Who	By When	Current Status (As at May 2023)
1. Cardholders have failed to review transactions as per the Purchasing Card Policy.					
1a	Cardholders who have not reviewed their transactions are advised of their responsibilities to submit a receipt or invoice in support of their purchases. Formal action is taken where cardholders fail to review or provide valid VAT receipts in relation to their spend.	<p>1. All card holders informed by email of the requirement to fully comply with the P-Card Policy and provide valid receipts for each transaction and to review each month. Card holders to be advised that the P-Card Policy is being revised and that training is being developed to ensure all card holders are aware of their compliance needs.</p> <p>2. The requirement for full compliance with policy is supported by the Chief Executive through CMT, instructing all Heads of Service to cascade the importance of compliance through their service areas. Supporting detail to be provided by the Chief Internal Auditor and Procurement Manager. Future non-compliance with policy should result in investigation by Head of Service in line with Council's Capability Policy, and if necessary Disciplinary Policy.</p>	<p>eProcurement Team Leader (CT)</p> <p>All Heads of Service & Senior Managers</p>	<p>February 2023</p> <p>CMT meetings in Dec 2022 and Jan 2023</p> <p>On-going</p>	<p>COMPLETED</p> <p>COMPLETED</p>

Ref.	Recommendation	Agreed Management Action	By Who	By When	Current Status (As at May 2023)
1b	Card Supervisors are advised of their responsibilities regarding making appropriate checks to ensure that transactions are properly recorded and compliant with the terms of the Purchasing Card Policy.	<p>1. All card supervisors informed by email of the requirement to fully comply with the P-Card Policy and provide valid receipts for each transaction and to review each month. Card supervisors to be advised that the P-Card Policy is being revised and that training is being developed to ensure all card supervisors are aware of their compliance needs.</p> <p>2. The requirement for full compliance with policy is supported by the Chief Executive through CMT, instructing all Heads of Service to cascade the importance of compliance through their service areas. Supporting detail to be provided by the Chief Internal Auditor and Procurement Manager. Future non-compliance with policy should result in investigation by Head of Service in line with Council's Capability Policy, and if necessary Disciplinary Policy.</p>	<p>eProcurement Team Leader (CT)</p> <p>All Heads of Service & Senior Managers</p>	<p>February 2023</p> <p>CMT meetings in Dec 2022 and Jan 2023</p> <p>On-going</p>	<p>COMPLETED</p> <p>COMPLETED</p>

Ref.	Recommendation	Agreed Management Action	By Who	By When	Current Status (As at May 2023)
1c	Cardholders are reminded of the need to input a full description of the purchase including the business need if that is unclear from the items purchased.	<p>1. All card holders informed by email of the requirement to fully comply with the P-Card Policy and provide full descriptions of purchases made, including business need where appropriate. Card holders to be advised that the P-Card Policy is being revised and that training is being developed to ensure all card holders are aware of their compliance needs.</p> <p>2. The requirement for full compliance with policy is supported by the Chief Executive through CMT, instructing all Heads of Service to cascade the importance of compliance through their service areas. Supporting detail to be provided by the Chief Internal Auditor and Procurement Manager. Future non-compliance with policy should result in investigation by Head of Service in line with Council's Capability Policy, and if necessary Disciplinary Policy.</p>	<p>eProcurement Team Leader (CT)</p> <p>All Heads of Service & Senior Managers</p>	<p>February 2023</p> <p>CMT meetings in Dec 2022 and Jan 2023</p> <p>On-going</p>	<p>COMPLETED</p> <p>COMPLETED</p>
<p>2. Full, legible and detailed receipts were not held for all transactions made.</p>					

Ref.	Recommendation	Agreed Management Action	By Who	By When	Current Status (As at May 2023)
2a	Cardholders are advised of the need to obtain full, itemised and detailed receipts or invoices in support of purchases made.	<p>1. All card holders informed by email of the requirement to fully comply with the P-Card Policy and provide valid receipts for each transaction and to review each month. Card holders to be advised that the P-Card Policy is being revised and that training is being developed to ensure all card holders are aware of their compliance needs.</p> <p>2. The requirement for full compliance with policy is supported by the Chief Executive through CMT, instructing all Heads of Service to cascade the importance of compliance through their service areas. Supporting detail to be provided by the Chief Internal Auditor and Procurement Manager. Future non-compliance with policy should result in investigation by Head of Service in line with Council's Capability Policy, and if necessary Disciplinary Policy.</p>	<p>eProcurement Team Leader (CT)</p> <p>All Heads of Service & Senior Managers</p>	<p>February 2023</p> <p>CMT meetings in Dec 2022 and Jan 2023</p> <p>On-going</p>	<p>COMPLETED</p> <p>COMPLETED</p>
<p>3. VAT had been incorrectly applied to a number of transactions. VAT was not always appropriately reclaimed or supported by a full VAT receipt.</p>					

Ref.	Recommendation	Agreed Management Action	By Who	By When	Current Status (As at May 2023)
3b	Cardholders are advised to obtain a VAT receipt or invoice where their purchase includes a VAT element which can be legitimately reclaimed.	<p>1. All card holders informed by email of the requirement to fully comply with the P-Card Policy and a valid VAT receipt is obtained. Card holders to be advised that the P-Card Policy is being revised and that training is being developed to ensure all card holders are aware of their compliance needs.</p> <p>2. The requirement for full compliance with policy is supported by the Chief Executive through CMT, instructing all Heads of Service to cascade the importance of compliance through their service areas. Supporting detail to be provided by the Chief Internal Auditor and Procurement Manager. Future non-compliance with policy should result in investigation by Head of Service in line with Council's Capability Policy, and if necessary Disciplinary Policy.</p>	<p>eProcurement Team Leader (CT)</p> <p>All Heads of Service & Senior Managers</p>	<p>February 2023</p> <p>CMT meetings in Dec 2022 and Jan 2023</p> <p>On-going</p>	<p>COMPLETED</p> <p>COMPLETED</p>
3c	Cardholders are provided with further guidance to explain what constitutes a valid VAT receipt/invoice for the purposes of reclaiming VAT.	A training module will be developed with HR, hopefully available via NHS eLearning Hub. All card users will be required to undertake training within a short period following go live, and new card applicants will need to complete training prior to card issue.	eProcurement Team Leader (CT)	April 2023	TRAINING MODULE GOING LIVE 15 th MAY 2023, ALL CARD HOLDERS TO COMPLETE BY 23 rd JUNE 2023. REFRESHER TRAINING REQUIRED EVERY 2 YEARS.

Ref.	Recommendation	Agreed Management Action	By Who	By When	Current Status (As at May 2023)
3d	Cardholders are advised against reclaiming VAT where no VAT is payable or where the purchase is zero-rated for VAT purposes.	All card holders informed by email of the requirement to fully comply with the P-Card Policy around VAT and not to reclaim in error. Card holders to be advised that the P-Card Policy is being revised and that training is being developed to ensure all card holders are aware of their compliance needs.	eProcurement Team Leader (CT)	February 2023	COMPLETED
3e	Card supervisors are advised to only approve transactions where the VAT element has been correctly applied and where a valid VAT receipt or invoice has been uploaded by the cardholder to the Barclaycard system.	All card supervisors informed by email to only approve transactions where the VAT element has been correctly applied and where a valid VAT receipt or invoice has been uploaded by the cardholder to the Barclaycard system. Supervisors to request corrections with cardholders.	eProcurement Team Leader (CT)	February 2023	COMPLETED
3f	The accountancy team are advised of the amounts of VAT that have been identified as being over claimed which should be recharged to the relevant service area as appropriate.	Where Procurement identify any instances through monthly spot checks, we will make the necessary amendments. Where Internal Audit identify any instances through the annual transactions audit, they will advise VAT helpdesk.	eProcurement and Audit Teams	On-Going	COMPLETED / ON-GOING
3g	The accountancy team are advised of the amounts of VAT that have yet to be reclaimed where a valid VAT receipt or invoice was held by the service area.	All card holders informed by email that the accountancy team are advised of the amounts of VAT that have yet to be reclaimed where a valid VAT receipt or invoice was held by the service area.	eProcurement Team Leader (CT)	February 2023	COMPLETED

Ref.	Recommendation	Agreed Management Action	By Who	By When	Current Status (As at May 2023)
3h	In future, appropriate action is taken against cardholders and/or card supervisors where no VAT receipt has been obtained or incorrectly processed on the Barclaycard Spend Management System.	The requirement for full compliance with policy is supported by the Chief Executive through CMT, instructing all Heads of Service to cascade the importance of compliance through their service areas. Supporting detail to be provided by the Chief Internal Auditor and Procurement Manager. Future non-compliance with policy should result in investigation by Head of Service in line with Council's Capability Policy, and if necessary Disciplinary Policy.	All Heads of Service & Senior Managers	CMT meetings in Dec 2022 and Jan 2023 On-going	COMPLETED
4. A number of transactions had been made which were deemed by the Purchasing Card Policy as being 'prohibited'.					
4a	Action is taken to recover the cost of parking / speeding fines from those employees who are identified as driving the relevant vehicle at the time of the offence.	The review of the Purchasing Card policy will include that individual card holders are not permitted to use cards for payment of fixed penalty notices. All notices must be paid for via the Fleet Management team. Communication to be issued to all staff regarding parking / speeding tickets when using a vehicle on Council duty and the procedures which must be followed.	Service Manager Procurement & Payments (RL) Senior HR & OD Business Partner (HM) Fleet Management Team	March 2023	COMPLETED WORK IN PROGRESS – New process to be agreed. T&S Policy to be updated and comms to be issued. Implementation Date: June 2023

Ref.	Recommendation	Agreed Management Action	By Who	By When	Current Status (As at May 2023)
4b	A formal procedure is established and communicated to all employees / fleet drivers / managers regarding the actions required to be undertaken if a Fixed Penalty Notice or Notice of Intended Prosecution is received in relation to an NCC fleet vehicle.	<p>Discussion to be held with the Fleet Management team regarding establishing a policy / procedure for recovery of fines from the driver. Any authorisation for non-recovery to be sought from the respective Head of Service.</p> <p>Communication to be issued to all staff regarding parking / speeding tickets when using a vehicle on Council duty and the procedures which must be followed.</p>	<p>Senior HR & OD Business Partner (HM)</p> <p>Fleet Management Team</p>	April 2023 (following agreement of new P-Card policy)	<p>WORK IN PROGRESS</p> <p>– New process to be agreed. T&S Policy to be updated and comms to be issued.</p> <p>Implementation Date: June 2023</p>
4c	Cardholders are reminded that the purchasing card is not to be used to make cash withdrawals under any circumstances.	The ability to withdraw cash is prohibited on all cards by default. No request for this facility will be considered, unless supported by authorisation by Head of Service or Head Teacher, and only where a valid reason can be justified.	eProcurement Team Leader (CT)	Already in place	COMPLETED
4d	Cardholders are reminded that the purchasing card is not to be used to make taxi bookings unless agreed with the Passenger Transport Unit in advance.	All card holders informed by email that the purchasing card is not to be used to make taxi bookings unless agreed with the Passenger Transport Unit in advance.	eProcurement Team Leader (CT)	February 2023	COMPLETED
4e	Cardholders are reminded that the Council's corporate contract for business travel should be used unless agreed with the Procurement team in advance.	All card holders informed by email that the Council's corporate contract for business travel should be used unless agreed with the Procurement team in advance.	eProcurement Team Leader (CT)	February 2023	COMPLETED

Ref.	Recommendation	Agreed Management Action	By Who	By When	Current Status (As at May 2023)
4f	A decision to be made on what constitutes a business need for the purchase of gift vouchers and how this is approved by the respective Head of Service / Senior Manager / Procurement.	The purchase of gift cards will become a prohibited purchasing card transaction within the revised policy. All gift voucher purchases should be made via purchase order using the established contract with ICOM in future.	Service Manager Procurement & Payments (RL)	February 2023	COMPLETED
4g	Staff are made aware of existing contract arrangements which exist for the purchase of gift vouchers.	All card holders informed by email of existing contract arrangements which exist for the purchase of gift vouchers.	eProcurement Team Leader (CT)	February 2023	COMPLETED
4h	Where gift vouchers are purchased, appropriate controls are put in place with regards to their security and subsequent use by officers of the Council.	The revised P-Card Policy will prohibit the purchase of gift vouchers by credit card, so this will negate the need to put in appropriate controls. All business based gift vouchers must be purchased through ICOM, the corporate contract for which a PO can be raised.	Service Manager Procurement & Payments (RL)	February 2023	COMPLETED
5. Purchases had been made which were deemed by the auditor to be an inappropriate use of public funds.					

Ref.	Recommendation	Agreed Management Action	By Who	By When	Current Status (As at May 2023)
5a	All cardholders are advised of the proper use of the Council's purchasing card and the expectation that it should be used appropriately in accordance with the published guidance, which is there to support staff and protect public monies. All cardholders are reminded that NCC reserves the right to cancel purchasing cards and/or take disciplinary action against employees for the failure to adhere to the prescribed policy.	<p>1. All card holders informed by email of the requirement to fully comply with the P-Card Policy and informed of the consequences for non-compliance. Card holders to be advised that the P-Card Policy is being revised and that training is being developed to ensure all card holders are aware of their compliance needs.</p> <p>2. The requirement for full compliance with policy is supported by the Chief Executive through CMT, instructing all Heads of Service to cascade the importance of compliance through their service areas. Supporting detail to be provided by the Chief Internal Auditor and Procurement Manager. Future non-compliance with policy should result in investigation by Head of Service in line with Council's Capability Policy, and if necessary Disciplinary Policy.</p>	<p>eProcurement Team Leader (CT)</p> <p>All Heads of Service & Senior Managers</p>	<p>February 2023</p> <p>CMT meetings in Dec 2022 and Jan 2023</p> <p>On-going</p>	<p>COMPLETED</p> <p>COMPLETED</p>
6. Transactions had not always been administered inline with the required financial accounting principles relating to pre-payments.					
6a	Cardholders and budget managers are advised of the need to ensure that the purchase of goods and services which are delivered or received in the following financial year are properly adjusted for within the Council's financial accounts.	All card holders and supervisors informed by email of the need to ensure that the purchase of goods and services which are delivered or received in the following financial year are properly adjusted for within the Council's financial accounts.	eProcurement Team Leader (CT)	February 2023	COMPLETED

Ref.	Recommendation	Agreed Management Action	By Who	By When	Current Status (As at May 2023)
7. Purchases had been made by persons other than the designated cardholder.					
7a	All cardholders are advised of the need to strictly comply with the Purchasing Card Policy in relation to the security of their purchasing card and PIN.	<p>1. All card holders informed by email of the requirement to fully comply with the P-Card Policy and informed of the consequences for non-compliance around card security and PIN confidentiality. Card holders to be advised that the P-Card Policy is being revised and that training is being developed to ensure all card holders are aware of their compliance needs.</p> <p>2. The requirement for full compliance with policy is supported by the Chief Executive through CMT, instructing all Heads of Service to cascade the importance of compliance through their service areas. Supporting detail to be provided by the Chief Internal Auditor and Procurement Manager. Future non-compliance with policy should result in investigation by Head of Service in line with Council's Capability Policy, and if necessary Disciplinary Policy.</p>	<p>eProcurement Team Leader (CT)</p> <p>All Heads of Service & Senior Managers</p>	<p>February 2023</p> <p>CMT meetings in Dec 2022 and Jan 2023</p> <p>On-going</p>	<p>COMPLETED</p> <p>COMPLETED</p>
7b	A decision to be made regarding the purchasing card of a care home employee and if it can be reinstated as requested by service area management.	This relates to a currently suspended card for a Childrens Home. Internal Audit have asked Head of Finance for a decision, outcome pending.	Head of Finance (MR)	February 2023	COMPLETED

APPENDIX 2

Management Actions – Corporate Purchasing Cards

November 2022 – May 2023

The results of the audit, like all unsatisfactory/unsound audit reports, have been discussed at length at the Council's Executive Board and given the nature of this particular audit, the wider Corporate Management Team; on several occasions. It has also been reported to the Cabinet Member for Finance.

All Heads of Service were instructed to ensure all card users and approvers complied with the corporate cards policy with immediate effect whilst further actions were considered.

A number of changes and improvements have now been agreed and they are listed in the table below with current status.

ACTION / CHANGE	CURRENT STATUS (As at May 2023)
1. A list of all card users and approvers reviewed by HoS and Directors to ensure: <ul style="list-style-type: none"> - Cards still required - Card users and reviewers appropriate. 	Work has been completed, and following Exec Board Review, the identified cards have been cancelled. This has resulted in approx. 20% reduction in the number of cards in use.
2. Update to Corporate Card policy to tighten up on: <ul style="list-style-type: none"> - Some aspects of inappropriate use - Making clear that not following the policy and the requirements for card use and approval could be dealt with via the Council's 'Competency & Disciplinary' process given they are integral parts of those individuals roles. 	Work has been completed and following review by Exec Board and Head of Finance, new policy has been issued.
3. Monthly exception report developed listing card transactions not authorised and sent to HoS for review and follow up.	Completed. Reports developed and reviewed for the last three months. No issues reported. Business as Usual now – part of the 'purchasing team' monthly processes.
4. E-Learning module developed for use of the card and which: <ul style="list-style-type: none"> - Is mandatory as part of any new card application - Is mandatory for current users to complete. Non-compliance resulting in suspension of card until completed. 	Work has been completed, and new eLearning module now live. Communications issued to all card holders. All card holders have until 23 rd June 2023 to complete the training or have their card suspended. Refresher training to be completed every 2 years.
5. Assessment of the requirement to further investigate, as needed, of the inappropriate	Further investigations currently underway to understand any performance or conduct issues. Supported by Internal Audit and the HR team.

ACTION / CHANGE	CURRENT STATUS (As at May 2023)
uses of the card found in the latest audit and take appropriate action.	

APPENDIX 3

Corporate Management Team (CMT) Review of the *Unsatisfactory* 2022/23 Purchasing Card Transactions Audit

January 2023

Actions and Process Changes Agreed:

1. Each Head of Service (HoS) to undertake a review of all cards within their area, both card holder and approver with a view to deciding:
 - a) Does the officer require a card to undertake their duties?
 - b) Is the current approver the best person to validate and approve spend?

In above, all cardholders to review and prove need for card and if the use of the ordering/invoicing main system is possible and/or alternative arrangements which reduces overall numbers of cards are possible, these are implemented.

Directors to review and sign-off for service areas within their area of responsibility.

Agreed by CMT

2. Monthly reports to be produced, detailing all card holders (by service area) who have failed to review their transactions, as well as all approvers who have failed to validate and approve. In addition, reports on VAT errors and non-compliance. These reports to be issued to each HoS monthly and summarised for Exec Board.

Directors to satisfy themselves and ensure all non-compliance transactions are robustly followed up by their HoS.

Agreed by CMT

3. Consider the introduction of card holders obtaining prior approval for purchases. This could be service area specific (linked to previous non-compliance, inappropriate spend etc) and could be threshold based e.g. prior approval for a purchase over £100.00

CMT agreed to defer this action, and reconsider, if necessary, at a future CMT meeting.

4. The Purchasing Card Policy be fully reviewed and amended to reinforce compliance around subjective and potential non-compliant spend.

Agreed by CMT

5. Independent investigations be undertaken on the back of the findings from the last transactions audit, regarding potential inappropriate spend by card holders.

Agreed by CMT

6. Purchasing Card Policy to be revised to state that non-compliance with policy will result in suspension of card, reported to Head of Service who will investigate reasons and decide on

appropriate action in line with the Council's Capability Policy and/or potentially Disciplinary Policy.

Agreed by CMT

7. Look at putting together a training module or video for all card holders to undertake, and for all new card holders to complete prior to issue of card.

Agreed by CMT

New Action

8. Policy to be amended to further enforce the use of P-Cards as being the 'exception', and that the Council's Purchase Order system should be used wherever possible and practicable.

Agreed by CMT