

REPORT TO: Audit and Governance Committee

MEETING DATE: 19 March 2013

BY: Executive Director (Support Services)

SUBJECT: Internal Audit Report – Purchase Cards

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Purchase Cards.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan for Purchase Cards.

3 BACKGROUND

- 3.1 A review of Purchase Cards was undertaken as part of the audit plan for 2012/13.
- 3.2 The main objective of the audit was to ensure that internal controls in place in respect of the use of Purchase Cards were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	8 March 2013

EAST LOTHIAN COUNCIL – INTERNAL AUDIT PURCHASE CARDS

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the arrangements in place for the use of Purchase Cards was undertaken as part of the Audit Plan for 2012/13. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Adequate procedures are in place covering the use of purchase cards.

1.3 Areas with Scope for Improvement

- There was a lack of clear audit trail to support purchase card transactions – in a number of cases, cardholders had failed to retain invoices and receipts to support the purchases made. *Risk – expenditure may not relate to legitimate Council business.*
- In a number of cases, purchase cards were being used to procure goods and services, which should have been purchased through the PECOS system. *Risk – inappropriate expenditure may occur.*
- The existing arrangements within departments for the storage of purchase card statements and supporting invoices/receipts require review – difficulties were encountered in obtaining key documentation during the course of our audit. *Risk – loss of key documentation.*
- There was a failure by some Cardplus Supervisors to review purchase card transactions to ensure that all purchases related to genuine Council expenditure. *Risk – inappropriate expenditure may occur.*
- In a few cases, there was a failure to maintain effective purchase card security. *Risk – irregularities and misuse may occur.*
- In a number of cases, VAT had not been properly accounted for by cardholders, including a failure to recover VAT on purchases made. *Risk – loss of income to the Council.*

1.4 Summary

Our review of the internal controls in place in respect of the use of Purchase Cards identified a number of areas with scope for improvement. Detailed recommendations and opportunities for improvement are contained in our main Audit Report.

Mala Garden
Internal Audit Manager

March 2013

ACTION PLAN

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.1	All new purchase card applications should be approved by an appropriate authorised signatory.	Heads of Service (Council wide)	Agreed by Executive Director (Support Services)		March 2013
3.3.1	Management should ensure that the purchase card administrator is informed when purchase cards have been withdrawn.	Heads of Service (Council wide)	Agreed by Executive Director (Support Services)		March 2013
3.3.2	Management should give consideration to rationalising the use of purchase cards across the Council.	Heads of Service (Council wide)	Agreed by Executive Director (Support Services)		June 2013
3.3.3	<p>Management should ensure that the existing guidance in place is being complied with and that purchase cards are only being used where alternative procurement routes are not available.</p> <p>Purchase cards should not be used to pay supplier invoices or for large items. These should be purchased via the Council's normal procurement processes.</p> <p>Where an existing contract is in place, the Council's contracted suppliers should be used.</p>	Heads of Service (Council wide)	Agreed by Executive Director (Support Services)		March 2013

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.3 (cont)	Purchase cards should not be used to pay for ongoing or recurring items of expenditure.	Heads of Service (Council wide)	Agreed by Executive Director (Support Services)		March 2013
3.4.1	Cardholders should ensure that purchase card procedures are followed and that effective card security is maintained.	Heads of Service (Council wide)	Agreed by Executive Director (Support Services)		March 2013
3.5.1	Cardplus Supervisors should review all cardholders' transactions on the Cardplus system on a monthly basis to ensure that they are valid.	Cardplus Supervisors (Council wide)	Agreed by Executive Director (Support Services)		March 2013
3.6.1	Management should ensure that all purchase card transactions are supported by an appropriate invoice or receipt. Management should ensure that all key documentation relating to purchase card transactions is easily accessible – a consistent approach should be adopted across departments for the storage of purchase card statements and supporting invoices/receipts.	Cardplus Supervisors (Council wide)	Agreed by Executive Director (Support Services)		March 2013

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.6.1 (cont)	All supporting documentation should be held for a period of seven years (six years plus the current year) to ensure compliance with relevant statutory requirements.	Heads of Service (Council wide)	Agreed by Executive Director (Support Services)		March 2013
3.6.2	<p>Management should ensure that cardholders identify all purchase card transactions with VAT and update the Cardplus system to properly reclaim the VAT.</p> <p>Management should ensure that a valid VAT invoice/receipt is retained for all VAT reclaimed on purchases.</p> <p>Management should provide detailed guidance to cardholders on VAT – the guidance should include the proper treatment of VAT on overseas purchases.</p>	Executive Director (Support Services)	Agreed		March 2013