

Procurement Cards
City of York Council
Internal Audit Report 2013/14

Business Unit: Customer & Business Support Services,
Responsible Officer: AD – Finance, Asset Management and Procurement
Service Manager: Head of Procurement
Date Issued: 27 November 2013
Status: Final
Reference: 10181/003

	P3	P2	P1
Findings	2	0	0
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

The council has a corporate contract with Barclays Bank for Government Procurement Cards, as a way of increasing efficiencies across the Purchase to Pay system. These were initially implemented in 2011 for staff in Elderly People's Homes and since this pilot phase, cards have been issued to staff in service areas and for corporate use within the commercial hub.

Procurement cards are designed to increase the efficiency of making small value purchases, through avoiding the need to process purchase orders and invoices for every item purchased. They also enable more responsive and flexible purchasing. These benefits of such a purchasing method also bring inherent risks in the authorisation of transactions, appropriateness of them and value for money considerations if corporate contracts are by-passed.

At the time of the audit there were thirty five cards in use, with twelve of these having been recently issued. There was a total spend between August 2012 and July 2013 of £125,941.

Objectives and Scope of the Audit

The purpose of the audit was to provide assurance to management that the controls it has put in place to manage key risks relating to procurement cards are effective.

The audit covered the following areas:

- procurement cards are used in line with the policy and guidance issued to cardholders;
- users comply with corporate contracts, to ensure value for money is being achieved;
- payments are made on time and transactions are authorised prior to payment;
- VAT is dealt with correctly and VAT receipts are requested at the point of sale and retained.

Key Findings

Overall, it was found that there have been significant improvements to the control environment due to the actions implemented following the 2012-13 audit of procurement cards. Central monitoring is being undertaken and this has contributed to an improvement to the levels of compliance with the processes for entering, comparing and authorising procurement card transactions on the purchasing system. In addition, appropriate action is now being taken when users do not comply with these processes.

However, these central monitoring processes do rely heavily on a few individual officers and require a significant amount of time to conduct properly. It is likely that if the number of cardholders increases, these processes will either become less reliable or will require so much time that the intended efficiencies of having procurement cards could be undermined.

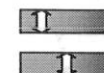
Therefore, the main issues arising from this audit relate to improvements that could be made to the efficiencies of the system. This includes having reports that will enable more targeted monitoring and more efficient identification of non-compliance and setting up a direct debit for payment of the Barclaycard invoice.

Overall Conclusions

It was found that the arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

Area Reviewed: Direct debit for Barclaycard invoice

Severity
Probability



1 Issue/ Control Weakness

Risk

Inefficient payment processes

Officers' time is not spent where it can add most value; increased risk of late payments

Findings

A direct debit has not been set up so invoices still have to go through a fairly lengthy process to get paid and this requires input and action from various officers. Although invoices have all been paid on time they could be paid more efficiently by direct debit and this would eliminate any risk of late payment.

1.1 Agreed Action

The direct debit will be set up and actual value of direct debit will be reconciled to the Barclaycard statement on a monthly basis.

Priority

3

Responsible Officer

Systems Accountant

Timescale

April 2014

Area Reviewed: Monitoring reports

Severity
Probability

11

11

2 Issue/ Control Weakness

Risk

Current monitoring processes may not be suitable in the longer term.

Monitoring may be inefficient and there may not be sufficient management information to inform decisions about the future use of procurement cards.

Findings

Monitoring is taking place on the frequency of use of procurement cards and on compliance with the procurement card policies and procedures. Levels of compliance have improved from the previous audit.

However, this monitoring is done by reviewing each card individually and is also heavily reliant on the knowledge and experience of 2 specific officers. There are no management reports available identifying overall trends in the levels of compliance with procedures, including: frequency of card use; timeliness of entering, comparing and authorising transactions. Nor are there exception reports that identify instances of non-compliance with procedures.

Management information on trends cannot be easily identified and reported to the P2P board and it will also become increasingly difficult to carry out monitoring effectively and efficiently with the current processes if more procurement cards are issued in future.

2.1 Agreed Action

Reports will be developed to monitor card usage and compliance with procurement card policies and procedures. These will be run on a monthly basis so that trends can be identified and quarterly monitoring can be targeted more effectively and conducted more efficiently. Initial reporting criteria will include compliance of users in entering and comparing transactions and also to identify where cards have not been used.

Priority

3

Responsible Officer

Head of Procurement /
Systems Accountant

Timescale

February 2014

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Moderate assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.