AUDIT REPORT 24'023

PURCHASING CARDS

Executive Summary

The Internal Audit Plan for the 2023/24 year provides for a review of the systems and procedures for the management, use and control of purchasing cards. A purchasing card is similar to a personal credit card issued by the Council's Bank used by the Moray Council to enable purchases of supplies and services to be made quickly and efficiently. Cards are available to officers on approval of their budget manager. It provides flexibility and a cost effective alternative to the Council's standard requisition ordering process. Purchasing cards are managed by a payment card software application administered by the Bank.

The audit scope for this review was to assess the key controls and systems in place in the management and use of purchasing cards. This involved testing a sample of transactions to evidence operating arrangements compliance with the Purchasing Card Manual. In addition, the audit checked the use of purchasing cards to Financial Regulations, Authorisation Policy and VAT accounting requirements. The audit also undertook a reconciliation of purchasing card transactions within the payment card system to the Council's Financial Management System.

In terms of scale, at the time of the audit, purchasing cards were in issue to 424 officers. The audit selected a time period for testing of April to October 2023, which amounted to a total expenditure of £1.7 million.

The audit was carried out in accordance with Public Sector Internal Audit Standards (PSIAS).

Areas identified for management attention include:-

- The audit has noted a number of findings where improvements have been identified as required in Value Added Tax (VAT) accounting arrangements. Testing has found examples where the maximum recovery of input VAT is not being achieved. Services should be reminded of VAT accounting arrangements detailed within the Purchasing Card Manual to ensure increased costs are not being incurred unnecessarily.

- All officers issued a purchasing card are required to sign and return to the Payments Service a Payment Card Terms of Use Form. This form details the officer's acceptance of the conditions of use, card security and the requirement for purchases to comply with the Council's Financial Regulations. Audit testing found from a random sample that the majority of officers using a purchasing card had not signed this Payment Card Terms of Use Form.

- All payment card transactions over £10 must be authorised by the appropriate budget manager within the payment card software application. Operating arrangements involve a weekly email notification from the Bank to a budget manager to highlight any unauthorised transactions. Additionally, there are periodic notifications by the Payments Service to remind budget managers to

authorise all transactions. Testing noted within the time period reviewed that approximately 6% of all transactions had not been authorised. This amounted to 394 individual transactions. In accordance with the Authorisation Policy, a Budget Manager is required to authorise all transactions over the value of £10. The authorisation of transactions is a key control as a payment is made in full on receipt of the monthly purchasing card statement from the Bank.

The Internal Audit Section provides Management with an opinion on the internal control environment and also categories risk ratings for recommendations as high, medium or low. The audit recommendations for this review have been classified as follows:

Risk Ratings for Recommendations		
High	Medium	Low
Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Less critically important controls absent, not being operated as designed or could be improved.	Lower level controls absent, not being operated as designed or could be improved.
3	6	3

Recommendations

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low	Lower level controls absent, not being operated as designed or could be improved.	
No.	**Audit Recommendation**	**Priority**	**Accepted (Yes/ No)**	**Comments**	**Responsible Officer**	**Timescale for Implementation**
Key Control: Procedures are in place and frequently reviewed to govern use of the corporate purchasing cards system.						
5.01	In accordance with agreed timescales, Purchasing Card Procedures should be reviewed annually and made available on the Interchange for user reference.	Medium	Yes	Procedures will be reviewed annually, every March, and uploaded to the interchange for reference.	Assistant Manager FMS & Banking	30/04/2024
Key Control: A robust purchase card application process is in place accompanied by a controlled process for issue of cards on acceptance of terms of operation.						
5.02	All officers must sign and return a Payment Card Terms of Use Form to the Payments Service before being issued a purchasing card and access granted to the Payment Card System.	Medium	Yes	As an addition, it will be included as part of the terms and conditions that the card will not be issued until the signed form is returned.	Payments Officer	30/04/2024

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low		Lower level controls absent, not being operated as designed or could be improved.
No.	**Audit Recommendation**	**Priority**	**Accepted (Yes/ No)**	**Comments**	**Responsible Officer**	**Timescale for Implementation**
Key Control: Usage of purchase cards is controlled by imposed limits, is for purchases not suitable for standard procurement routes, is appropriately detailed for authorisation and scrutiny purposes and supports the continued appropriateness of card retention.						
5.03	Consideration should be given to aligning all purchasing cardholders who hold a standard single transaction limit to the current transaction limit of £1,000 to ensure consistency.	Low	Yes	An exercise to review limits will be undertaken.	Payments Officer	31/07/2024
5.04	The Bank should be informed to correct the errors found in Cardholders spending limits noted during the audit review.	Low	Yes	As above, this will be addressed by the exercise to review all cardholder limits.	Payments Officer	31/07/2024
Key Control: Purchase Card transactions are appropriately authorised by the relevant budget manager.						
5.05	Full transaction listings of purchase card transactions should be issued for information to all budget managers every quarter, in	Medium	Yes	Full transaction listings for 23/24 will be issued to budget	Assistant Manager FMS & Banking	30/04/2024

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.		Low	Lower level controls absent, not being operated as designed or could be improved.
No.	**Audit Recommendation**	**Priority**	**Accepted (Yes/ No)**	**Comments**	**Responsible Officer**	**Timescale for Implementation**
	compliance with purchasing card procedures.			managers as a catch-up exercise and quarterly reports will be issued going forward.		
5.06	Agreed timescales should be established where payment card transactions not authorised by a budget manager are referred to the appropriate Head of Service to resolve and if required, authorise the outstanding expenditure.	Medium	Yes	Budget Managers will be chased monthly and non compliance will be reported to Heads of Service on a quarterly basis.	Payments Officer	30/04/2024
Key Control: VAT on purchasing card transactions is accurately documented and accounted for with full recovery of applicable input tax elements.						
5.07	A reminder should be issued to all services to remind officers of VAT accounting requirements for payment card transactions.	High	Yes	A reminder will be added to the annual email template used for confirming	Payments Officer	30/04/2024

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low	Lower level controls absent, not being operated as designed or could be improved.	
No.	**Audit Recommendation**	**Priority**	**Accepted (Yes/ No)**	**Comments**	**Responsible Officer**	**Timescale for Implementation**
				terms of use and cardholder details with every cardholder.		
5.08	Consideration should be given for the Payments Service to undertake further monitoring of payment card transactions with the aim of maximising VAT recovery where documentary evidence is required of valid VAT receipts / invoices from services.	High	Yes	This will be considered in terms of available resources and workload prioritisation. However, the process should be assisted by the electronic developments for receipt recording currently being progressed.	Assistant Manager FMS & Banking	31/07/2024
5.09	The agreed procedure for the Payments Service of issuing routine escalation reports on	High	Yes	Process has been reinstated with	Assistant Manager FMS & Banking	30/04/2024

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low		Lower level controls absent, not being operated as designed or could be improved.
No.	**Audit Recommendation**	**Priority**	**Accepted (Yes/ No)**	**Comments**	**Responsible Officer**	**Timescale for Implementation**
	purchase card transactions with potential VAT implications to Heads of Service should be reinstated to promote VAT recovery arrangements.			catch-up reports for 23/24 now issued to Heads of Service. The standard process of issuing timely quarterly reports will be followed going forward.		
5.10	Investigation of an electronic document imaging facility to record VAT receipts / invoices on transaction logging should continue with the aim of implementing more effective VAT accounting and documentation retention arrangements.	Medium	Yes	System development is currently being undertaken to progress the required electronic upload of spend evidence.	Assistant Manager FMS & Banking	31/07/2024

**Risk Ratings for Recommendations**
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.	Low		Lower level controls absent, not being operated as designed or could be improved.
No.	**Audit Recommendation**	**Priority**	**Accepted (Yes/ No)**	**Comments**	**Responsible Officer**	**Timescale for Implementation**
**Key Control:** Processes are in place to ensure purchase card permissions are fully withdrawn from cardholders on termination of employment.
5.11	In accordance with operating arrangements, the payment card system should be updated promptly to reflect current budget management responsibilities when notified of officers leaving the employment of the Council.	Medium	Yes	Leaver information will continue to be addressed monthly. Process will be strengthened to ensure budget managers who cannot be immediately removed from the system are flagged for review in the following month.	Payments Officer	30/04/2024
5.12	Greater care should be taken on inputting payroll reference numbers when setting up employees on the purchasing card system.	Low	Yes	An email reminder will be issued to the Team.	Assistant Manager FMS & Banking	30/04/2024