

CYNGOR SIR POWYS COUNTY COUNCIL.

**AUDIT COMMITTEE
29th September 2011**

REPORT AUTHOR: Sue Spencer, Principal Accountant - Systems

**SUBJECT: Purchase Card Audit Report, 2011 – Progress Update
September 2011**

REPORT FOR: Information

The Audit that was completed in May 2011, was only able to give “Low Assurance” in the records and procedures relating to Purchase Cards. The audit specifically highlighted some weaknesses in the procedures and filing of paperwork. The work of the Auditor in highlighting these weaknesses is appreciated.

The attached Action Plan has been drawn up to address the weaknesses and most of this has now been implemented. Part of the improvements has involved changing the team structure to strengthen line management and to clarify individual responsibilities for those staff involved in the process.

The Action Plan provides an update of progress against each item and most actions have now been completed, checked and reviewed by the Principal Accountant.

Although some paperwork is still to be provided by the card holders, the target is to receive all outstanding documentation by 30th October 2011.

Conclusion

The rigorous implementation of the action plan will ensure the weaknesses identified by the audit will be eliminated.

Recommendation:	Reason for Recommendation:
The implementation of the action plan is endorsed.	To ensure the weaknesses in the system are removed

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Ref	Control Weakness	Consequences / Risk	Grading	Agreed Actions by Client	When and by Whom	Progress - September 2011
8.1	An accurate database detailing all cardholders, transaction limits and monthly limits is not in place.	Without an accurate database monitoring by management cannot be carried out. Accurate reports for Service Heads cannot be produced.	Significant	A report is available within the SDOL System. This is the only set of data that is used, and agreed to the paperwork.	Sue Spencer Ongoing	Smart Data Online (SDOL) is the bank database that holds all the relevant information except for the individual transaction limits. Reports from this database are checked to the paperwork and the scanned images.
8.2	There is no framework in place for the monitoring and checking of information maintained by the System Administrator.	Errors may go undetected. Poor practices will not be identified and will continue.	Significant	The report has comprehensive information. All employee agreements will be scanned, enabling identification of any anomalies.	Sue Spencer From May 2011	See 8.1 .A monthly report from SDOL has been set up to check against the existing information. New agreements have been scanned. Old agreements will be scanned when resources are available.
8.3	The MasterCard Procedures do not accurately reflect processes used by the Cardholders.	Cardholders will adopt their own procedures which may not be in line with Financial Procedures. Inconsistent approaches will be used by different services.	Fundamental	Procedures have been revised and updated prior to the Audit. They have now been made available via the Wiki.	Sue Spencer April 2011	All procedures are available to staff on the intranet: http://wiki.powys.gov.uk/oar_policy/finance/index.php/Powys_Mastercard John Jones re-designed headings and navigation. Kevin Price – amended procedure documents. Reviewed by John and Sue.
8.4	There are no Procedures or System Manual relating to Purchase Cards, for use by Systems Administration.	Roles and Responsibilities of the System Administration Unit in respect of MasterCard operations have not been defined.	Significant	Procedures will be drawn up.	Sue Spencer John Jones September 2011	Kevin - System Admin procedures written. John reviewed. Detailed procedures on : <ol style="list-style-type: none"> 1. setting up new cardholder 2. amending financial transactions 3. card holder leaves or changes job – cancelling a card 4. running reports To be filed in new folder
8.5	Evidence that Service Heads verify the number of employees within their	It cannot be proven that employees who have left the authority or changed	Significant	Annual reports will be generated from the SDOL system and sent to	Sue Spencer Immediate and	Reports for Housing, FM and Highways are on file.

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	service and review the transaction and monthly limits, does not exist.	roles and no longer require a card are identified promptly.		managers for them to check and notify us of amendments. We are waiting for regular reports to be generated from Trent regarding notification of leavers. Otherwise we still rely on employees to notify us.	on an annual basis thereafter	First report from Trent received on 11/09/11.
8.6	Employee Agreements do not accurately reflect the current processes.	In the event of misuse of the Purchase card, disciplinary action would be difficult to implement.	Fundamental	Point 6 seems to be the only issue, and will be discussed with Procurement. If purchases were made for purposes other than council business, then disciplinary action could be taken.	Sue Spencer Immediate	Employee Agreement has been changed. There are now 3 different employee agreements <ul style="list-style-type: none"> • use with preferred suppliers (Highways and FM) • lodged cards - catering and cleaning • other ie schools libraries.
8.7	Employee Agreements could not be found for 13 current users of the Purchase Card System.	Assurance cannot be given that all current users have signed an Employee Agreement and that they have been appropriately authorised to hold a card.	Fundamental	There were 6 agreements missing relating to arrangements entered into post 2007. These have been identified and new agreements signed.	Administrator Assistant – Immediate	See 8.1 A full set of employee agreements have now been obtained. Cards never issued to be cancelled and returned to the bank.
8.8	The Manager's signature on a significant number of Employee Agreements was illegible.	Assurance cannot be given that the Employee Agreements have been appropriately authorised.	Significant	The form has been amended to include printed name.	Sue Spencer April 2011	Form amended, for new applicants. For existing card holders, the manager has been identified and written onto the form.
8.9	Card Applications detailing current cardholders transaction and monthly limits were not kept on the current file.	Assurance cannot be given that the limits on the SDOL correctly reflect those applied for.	Significant	All Card Applications are filed (post 2007) If amendments are made to limits, the form requesting amendment is also filed.	Sue Spencer Ongoing	See 8.1. They are all kept. The filing has been reorganised to make them easier to find, and the documents will be scanned.

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				The bank updates SDOL. Some pre 2007 Applications were not retained.		
8.10	Monthly limits recorded on the SDOL system did not match limits recorded on the Employee Agreements or Bank Application form.	Budgets may be exceeded. No written authorisation of increases. No audit trail.	Fundamental	Card holders complete a form to request amendments of their limits. These are authorised and filed. A verification exercise will be carried out against the SDOL report to identify any discrepancies.	Sue Spencer May 2011	See 8.1 All checked. Where the limits have been changed, Amendment forms have been obtained and approved.
8.11	Clarification on who can authorise a Purchase Card does not exist.	Officers who are not on the Authorised Signatory list or who do not have the appropriate fiscal authority may be authorising Purchase Cards.	Merits Attention	The procedures will incorporate the requirement to formally record that all purchase cards are authorised by an Authorised Signatory.	Sue Spencer Steve Evans May 2011	The forms have been re-worded to confirm that when the system administrator signs the form, they confirm they have checked the authorised signatory list.
8.12	The current list of Approved Suppliers out of date.	The list does not accurately reflect those Suppliers who have been Approved.	Merits Attention	The current list of Approved Suppliers has now been updated.	Sue Spencer Immediate	Intranet and forms has been updated.
8.13	There is no formal process in place for identifying non exported items i.e. those purchases that have been made but not allocated against a cost centre.	Non exported items may not be posted against cost centres. Effective budgeting cannot take place.	Significant	Lists of non-exported transactions are already sent to the Principal Accountants every month. If material, they make the necessary accounting adjustments. Evidence of this process will be retained in future. A copy of the file will be stored on the server.	Kevin Price Immediate	These reports are now saved in the Estimate directory for the Accountants to use directly from there. They will be notified by systems admin when the files have been created and where they are saved. Accountants can then take the necessary action.

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8.14	There is no procedure in place to ensure that bills received from the Royal Bank of Scotland in respect of MasterCard transactions correctly relates to the total value of transactions made.	Assurance cannot be given that payments made to RBS relate to the total value of transactions made.	Fundamental	<i>A meeting will be arranged with Steve Cameron, Accountancy Manager, to identify where responsibility for this process lies and arrange implementation of a procedure.</i>	Sue Spencer Sept 2011	Reconciliation now carried out by staff in Accountancy.
8.15	There are no contingency arrangements in place where only one officer within a Service holds a card but then leaves the Authority.	Purchases will need to be made in the name of an employee who no longer works for the Authority until a replacement cardholder can be found. Contravention of Financial Procedures.	Fundamental	When officially informed that an officer has left, the card is cancelled. The issue in Catering is being addressed. However, to cancel the card without having another in place would cause significant problems for the canteens and the supplier. The requirement to inform systems when a cardholder leaves the authority will be incorporated into the employee agreement.	Sue Spencer Immediately	New cards are now in place. Where the card is "lodged" with the supplier (for Catering and Cleaning), it has been agreed with the department that they will have two cards, in two officers names. Therefore, if the card holder leaves, their card can be cancelled immediately, and the alternative card can be used in the interim, until a new officer is appointed. Point 9 of the Employee Agreement states: <i>"9. I agree to return the card immediately upon request or upon termination of employment (including retirement). Should there be an organisational change, which causes my purchasing requirements to change, I agree to return my card & in the event of a new card being required will contact the Purchasing Card Administrator."</i> This has always been part of the Agreement. It will be enforced by the System Administrator.