

**Agenda Item 8**  
**Report GOV11/17**

Report to	<b>Governance Committee</b>
Date	<b>24 May 2017</b>
By	<b>Head of Business Services</b>
Title of Report	<b>Purchasing Cards – Update on progress following Audit report</b>

**Recommendation: The Committee is recommended to note the progress made in establishing proper controls over the use of purchasing cards and in the compliance with those controls**

**1. Summary and Background**

- 1.1 SDNPA have been using purchasing cards since 2013 for incidental expenses. The spending limits on the cards are relatively low, with a transaction limit normally of £250 or £300. The purchasing card management system used to control the authorisation of expenditure is provided by the bank issuing the cards.
- 1.2 There are now 26 purchasing card holders within SDNPA and their use has allowed the removal of petty cash floats from each of the Area Offices.
- 1.3 An internal audit report into the use of purchasing cards, discussed at the Governance Committee in November 2016, gave only limited assurance on the control of purchasing card expenditure, citing low levels of review and authorisation, receipts not always being obtained and retained, VAT being incorrectly claimed and exemption reports not being run to ensure that any unusual transactions are promptly investigated.

**2. Reviewing and Authorising**

- 2.1 It is important in any purchasing card system that transactions are first of all reviewed by the cardholder – to ensure that the transaction itself is genuine and not the result of fraudulent activity – and thereafter approved by the cardholder’s line manager. The internal audit report identified a low rate of compliance with both of those controls. One of the reasons for this was that the purchasing card management system was not generating e-mail notifications to either the card holders or the line managers to remind them when this needed to be done. This caused particular difficulties where line managers did not work in the same location as the cardholder.
- 2.2 The purchasing card system now generates e-mails to the cardholder to let them know when their transaction is available to review. When the cardholder completes this a further e-mail notification is generated to the line manager to let them know a transaction is ready for approval.
- 2.3 The audit report identified that in 2015/16 30% of the expenditure was not reviewed by the cardholder making the purchase. SDNPA are now receiving reports on non-compliance on a monthly basis. During February 2017 97.6% of transactions were reviewed by the cardholder.
- 2.4 The audit report also identified that during 2015/16 76% of the expenditure had not been approved on the system by an authorising officer. During February 2017, 99.2% of all transactions submitted were approved by an authorising officer.
- 2.5 This is a significant improvement and shows that the e-mail reminders do work. It is not

that staff do now want to operate the process properly, they were however struggling to use the system. With the prompts and links provided by the e-mails, they are now able to do this. Two members of the Facilities Team within Business Services have now been made responsible for monitoring compliance within SDNPA and for helping staff who have difficulties with the purchasing card management system, or any aspects of the card use.

### 3. Receipts

- 3.1 The audit checked for receipts and found the retention of receipts by cardholders not to be consistent. Receipts should be obtained and retained for 6 years for all purchasing card transactions.
- 3.2 The retention of receipts relied on individual members of staff holding on to their own receipts in a paper format, usually kept in folders or envelopes. This was prone to information being lost and was particularly vulnerable to being mislaid when a cardholder left SDNPA.
- 3.3 Last year, again following an internal audit report, a place was established within the corporate ICT system, for staff to hold receipts relating to expenses claims. This has now been duplicated to allow scanned receipts from purchase card transactions to be stored there. This can easily be checked by line managers, or other staff checking on compliance and is backed up regularly.

### 4. VAT

- 4.1 The audit report found that VAT had been incorrectly claimed during the period covered by the audit.
- 4.2 We have taken steps to ensure that cardholders are aware of when VAT can be allocated against a purchase, but more importantly, since we do want VAT to be allocated where appropriate, cardholders are now all aware that they can ask advice on VAT matters at any time when reviewing their transactions and do not need to make their own judgements on more complicated purchases.

### 5. Governance Committee

### 6. Other Implications

Implication	Yes*/No
Will further decisions be required by another committee/full authority?	No
Does the proposal raise any Resource implications?	No, although managing the expenditure through Purchasing Cards requires some resources, both in SDNPA and in Finance, it is the most cost effective way to handle small value transactions.
How does the proposal represent Value for Money?	Replacing purchase card expenditure with other forms; eg. petty cash or P2P would increase administration.
Are there any Social Value implications arising from the proposal?	No
Has due regard been taken of the South Downs National Park Authority's equality duty as contained within the Equality Act 2010?	Yes, there are no implication for the Authority's equality duty
Are there any Human Rights implications arising from the proposal?	None
Are there any Crime & Disorder implications arising from the	Compliance with good practice in the management of purchasing cards reduces the possibility of fraud against

proposal?	the organisation.
Are there any Health & Safety implications arising from the proposal?	None
Are there any Sustainability implications based on the 5 principles set out in the SDNPA Sustainability Strategy: 1. Living within environmental limits 2. Ensuring a strong healthy and just society 3. Achieving a sustainable economy 4. Promoting good governance 5. Using sound science responsibly	None

\*[If 'Yes' please explain – if a lengthy explanation is required this may need to become a separate paragraph]

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 SDNPA Consultees Chief Executive; Director of Countryside Policy and Management; Director of Planning; Chief Finance Officer; Monitoring Officer; Legal Services,  
 External Consultees None  
 Background Documents [Governance Committee 24 November 2016 – Internal Audit Progress and Implementation Report](#)

