

London Borough of Enfield

Finance & Performance Scrutiny Panel – 19th October 2022

Subject: Council Purchase Cards

Cabinet Member: Councillor Tim Leaver (Finance & Procurement)

Executive Director: Fay Hammond (Resources Department)

1. Purpose of Report

- 1.1 This report will provide an update to the Finance and Performance Scrutiny Panel on the Council's Purchase Card (P cards) payment process. This will include a summary of how the P card system has operated within recent years, outlines the findings and results of a recent audit and subsequent review of the process which has led to notable changes and improvements.

2. Relevance to the Council Plan

- 2.1 Whilst not replacing the Council's main purchasing system, P cards can be a useful and agile ancillary payment option within a modern council, working primarily for the purchase of small spend items and as an emergency payment method. P Cards are mostly used by frontline services.

3. Background

- 3.1 Purchasing goods via the Council's purchasing system, Neptune, and paying invoices against a purchase order is the Council's preferred method to pay and purchase goods and services. However, P cards were introduced some years ago to enhance the purchase to pay process, providing an easy and flexible alternative for buying small spend items.
- 3.2 The Council's Financial Regulations and Contract Procedure Rules set out the guidelines that officers must comply with when purchasing goods and services on behalf of the Council.
- 3.3 The number of P Cards in circulation increased during the coronavirus pandemic. The period over the pandemic necessitated greater flexibility and the ability to react to support residents. The flexibility of a P card to purchase goods and services quickly was vital, especially when the pandemic had a significant impact on the supply chain.
- 3.4 Examples of where P cards are used effectively are in Childrens and Adults Service where staff are empowered to make decisions to make purchases up to £250 which can indirectly reduce costs e.g., Occupational Therapists

purchasing equipment for a client to assist them with everyday activities at home like a bottle opener etc reducing the need for a carer.

2021 Audit of P card process

- 3.5 An internal audit of the P card process in 2021 was issued with limited assurance and identified non-compliance with P Card policy and procedures. Spend on P Cards requires cardholders to review the transaction and upload evidence to support the purchase. This evidence must then be authorised by a designated approver. The audit identified that this was not taking place thus leaving a risk of fraudulent transactions taking place.
- 3.6 The audit reviewed over 25,000 transactions covering the period June 2019 to June 2021. Across this period, 30% had not been reviewed by the card holder, 41% were not supported by a receipt and 65% had not been authorised by a designated approver.
- 3.7 As a direct and immediate result of the audit, Exchequer Services introduced the additional measures to improve the level of compliance:
- The introduction of a two-strike rule, whereby cards are suspended following two consecutive months of non-compliance by the approvers. This requires a Head of Service or above to reinstate the card.
 - Emails issued every month to card holders and approvers to remind them to upload receipts and approve spend.
 - Raising awareness of the P Card procedures through attendance at DMTs.
 - Training being offered to all approvers (and specifically those not regularly approving transactions).
 - Reports of non-compliance conveyed to DMTs and EMTs.
- 3.8 The measures and monitoring introduced have resulted in improved compliance as shown in the table below:

Reason for non-compliance	August 2021	August 2022
Transactions not reviewed by cardholder	16%	4%
Transactions not reviewed by manager	41%	19%
Transactions with no receipt attached	21%	7%

2022 Review

- 3.9 In light of the findings of the 2021 audit, plus reflections on the P card system and policy post-pandemic, a review of the P card system was undertaken over the summer months of 2022.

3.10 In addition to the review of the policy, each card in circulation and the reason for having a card was reviewed. Guiding principles on the use of P cards were then established to help drive the remainder of the review which included:

- Cards should be retained where there is an operational need, primarily front-line services
- Where possible single 'pool' cards holders should be used to purchase on behalf of the team.
- PA's and Business Managers together with Corporate Procurement will be designated 'pool' card holders as a backup or in the case of an emergency
- Directors, who currently have a card, Emergency Planning Team and Gold / Silver Emergency Rota Officers should have cards
- Cards with no or little spend in the preceding 18 months to be cancelled.

Results of the review to date

3.11 Prior to the review there were 508 purchase cards in circulation with annual spend of approximately £2m. The review of P cards has led to a 44% reduction of cards in circulation, to 284 as summarised below:

Department	Prior to Review	After Review	Reduction	% Reduction
People	304	175	129	42%
Resources	42	17	25	60%
Place	112	63	49	44%
Chief Exec	31	21	10	32%
Non-Enfield	19	8	11	58%
	<u>508</u>	<u>284</u>	<u>224</u>	<u>44%</u>

Other changes have been implemented to further improve control and help P card users and approvers, including:

3.12 Reductions to transaction limits on most cards

Card limits were inconsistent and, in some instances, too high. A consistent set of maximum limits, relating to individual purchases and maximum monthly spend has been agreed and implemented. The majority of cards now have a transaction limit of £250 and a monthly spend limit of £1,000. There are exceptions to this where the business case demonstrates it is needed, and for cards designated for emergency planning.

3.13 Improved Communications /information/ Guidance/ Training

Whilst there is a directory of user guides and videos guides available on the intranet these are in the process of being updated. Staff who have retained their cards have been provided with additional information to assist with refreshing their knowledge on when it is appropriate to use a P card and when Neptune would be the preferred option. Refresher information and training on how to use Neptune is also available e.g. how to raise orders, claim 'work related' expenses back via Payroll etc

P card holders have been given a reminder on 'do's and don'ts', rules for 'pooled' card holders, oyster cards etc. All card users and approvers have been provided with a copy of the revised purchase card policy and will be required to sign a new purchase card declaration. Failure to adhere to the policy may result in disciplinary action.

3.14 Purchase Card Policy and Application Process

The overarching policy has been reviewed and updated, reflecting terms and conditions of having a card, and the expectations for card users and their managers, who approve the card transactions. A new card application process has been implemented to ensure that the number of cards in circulation remains controlled appropriately.

3.15 Monitoring Spend

Exchequer Services are strengthening the monitoring process via data analytic reports, reducing manual officer time required.

3.16 Business Accounts and Corporate Contracts

To maximise value for money and transparency, Exchequer Services are working with HOS in business teams and colleagues in Corporate Procurement to create business accounts with suppliers.

Corporately focused business accounts will provide consistency in relation to the purchasing of hotel accommodation, white goods and home furnishing for residents leaving care / occupational therapy visits etc.

With the emphasis on value for money we are currently looking at business accounts with Travel Lodge, Premier Inn, Argos and Amazon.

4. Conclusions

- 4.1 Post-pandemic, the P card system was in need of review, and the 2021 audit identified issues which required action. Considerable work has now taken place to tighten the policy and rationalise the number of cards in circulation by almost half and reduce/homogenise card limits. The changes outlined in this report ensure improved compliance and, control going forward.

4.2 The development of data analytic reporting will enable the Exchequer team to identify inappropriate spend quickly and efficiently. These measures will provide the Council with confidence that the P card system is operating appropriately with the necessary controls in place to stop abuse.

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Appendices

None

Background Papers

None

