

**REPORT TO: SCRUTINY COMMITTEE – 8 FEBRUARY 2023**

**REPORT ON: INTERNAL AUDIT REPORTS**

**REPORT BY: CHIEF INTERNAL AUDITOR**

**REPORT NO: 44-2023**

**1.0 PURPOSE OF REPORT**

To submit to Members of the Scrutiny Committee a summary of the Internal Audit Reports finalised since the last Scrutiny Committee.

**2.0 RECOMMENDATIONS**

Members of the Committee are asked to note the information contained within this report.

**3.0 FINANCIAL IMPLICATIONS**

None

**4.0 MAIN TEXT**

4.1 The day-to-day activity of the Internal Audit Service is primarily driven by the reviews included within the Internal Audit Plan. Broadly, on the completion of a specific review, a report which details the audit findings and recommendations is prepared and issued to management for a formal response and submission of management's proposed action plan to take the recommendations forward. Any follow-up work subsequently undertaken will examine the implementation of the action plan submitted by management.

4.2 Executive Summaries for the reviews which have been finalised in terms of paragraph 4.1 above are provided at Appendix A. Within each Executive Summary the prime aim is to provide both Elected Members and management with key information which includes the reason for undertaking the review, a summary of financial data and statistics, the areas encompassed within the review and specific areas which were excluded, the principal audit objectives, an audit opinion on the adequacy of the systems and control framework of the area reviewed, the key conclusions based on the audit findings and recommendations and a summary of management's response to the audit report. The full reports are available to Elected Members on request.

**5.0 POLICY IMPLICATIONS**

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

**6.0 CONSULTATIONS**

The Council's Leadership Team have been consulted in the preparation of this report.

**7.0 BACKGROUND PAPERS**

None

Cathie Wyllie, Chief Internal Auditor

DATE: 17 January 2023

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## i) INTERNAL AUDIT REPORT 2021/25

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Government Procurement Cards</b>

**Introduction**

Government Procurement Cards (GPCs) are used within the Council as an additional method of ordering goods and services.

The preferred method of ordering within the Council is by purchase order via the Civica Purchasing system. However, the Corporate Procurement Team can also provide members of staff with a GPC. GPCs are intended to be used for low value purchases which are one-off, or where a purchase can only be made online. They can also be used for transactions to replace the regular use of cash which would otherwise be processed via the petty cash system. In addition, cards can also be used where there is an efficiency benefit or significant cash saving. The Corporate Procurement Strategy should always be adhered to.

Each card is registered to a member of staff who is responsible for safe storage of the card and accountable for all transactions. The card should only be used by that member of staff. The cardholder should also check the transactions to the corresponding bank transactions on receipt of an e-mail prompt. Each cardholder has a related cardholder approver, normally the cardholder's line manager. The approver is responsible for ensuring that the cardholder adheres to the agreed procedures and should check and monitor the cardholder's transactions as recorded on CIVICA Purchasing on a monthly basis. The GPC policy prohibits the use of the card for personal purchases.

The Council's GPC provider is Royal Bank of Scotland (RBS). There were 398 GPCs active within the 2021/22 financial year with a total spend of £923,920. The total amount paid by direct debit in this period was £977,265.56 which related to 13,352 transactions. The Council received £2,906.55 cashback from RBS in respect of payments made via this purchasing route.

**Scope and Objectives**

Review of the internal controls in place to manage and monitor the use of government procurement cards, including the authorisation of card transactions.

**Conclusion**

*The principal conclusion drawn from this review is that there are weaknesses in the system which should be addressed.*

The main areas highlighted in the report are as follows:

- The ONE Dundee Procurement pages and the Guidance for Use document should be reviewed and updated as appropriate with accurate and up to date documents and links provided. Responsibility for maintenance of the pages should be assigned to an appropriate person.
- In addition, procedures for key areas of operation within the remit of the Corporate Procurement Team should be developed to ensure that during periods of long-term absence necessary tasks are completed and working practices remain consistent.
- The Corporate Procurement Team should ensure that GPC cardholders sign the GPC Policy prior to a GPC being issued to them. Application forms received which do not detail the business reason for the card being requested should be declined and returned to the Service for completion. Consideration should be given to making the efficiency benefit a compulsory field in the application form.

## i) INTERNAL AUDIT REPORT 2021/25 (cont'd)

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Government Procurement Cards</b>

**Conclusion (cont'd)**

- The review of the GPC Guidance for Use document as detailed in recommendation 1, should include the addition of clear information regarding compliant purchasing, e.g.
  - when it is appropriate to use a GPC,
  - specific details of suppliers who should not be used,
  - when a Purchase Order should be raised, as an alternative to using a GPC,
  - details of the frameworks that are available for typical core purchases should be made available across the Council,
  - contacting the Corporate Procurement Team for advice and the processes which should be followed by cardholders and approvers in respect of GPCs.

The Guidance should then be reissued to all cardholders, relevant administration staff and approvers along with a reminder to comply with them.

- To support better use of the GPCs, relevant staff should be provided with the opportunity to take part in procurement / purchasing training sessions to ensure they have a clear understanding of purchasing routes and the most appropriate compliant purchasing routes.
- It is not appropriate and contrary to the GPC Policy and Procedures for staff within the Corporate Procurement Team, with the exception of those who are cardholders, to compare and or approve GPC transactions. Therefore, alternative arrangements should be put in place for circumstances when it is not possible for designated cardholders, administration staff and approvers to compare and authorise transactions.
- Steps should be taken to ensure there are sufficient resources within the Corporate Procurement Team to ensure relevant checks and monitoring are carried out in relation to the appropriate use of GPCs.
- Officers responsible for the authorisation of transactions should be reminded that in addition to the authorisation of purchases they are also responsible for ensuring that cardholders adhere to the GPC Guidelines.
- The Corporate Procurement Team in conjunction with the relevant accountant should meet to agree appropriate reconciliation procedures.

**Management Response to the Audit Report**

The audit findings and recommendations were formally reported to the Executive Director of Corporate Services and appropriate action agreed to address the matters raised.

Whilst the point regarding resources is noted by management, it should also be recognised that the procurement team has gone through a period of significant turnover of staff and absences. Recruitment to these posts has been attempted on a number of occasions but has not been successful. These vacancies are currently advertised for recruitment.