

EAST SUSSEX FIRE AUTHORITY

Meeting	Scrutiny & Audit Panel
Date	22 July 2021
Title of Report :	Internal Audit Report – ESFRS Procurement Cards
By	Claire George, Procurement Manager
Lead Officer	Duncan Savage, Assistant Director Resources / Treasurer
Background Papers	None

Appendices	Appendix 1: Internal Audit Report ESFRS Procurement Cards – Follow Up Audit - Final Report – 2020/21 Appendix 2: Planned Position as of 31/05/21
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Implications

CORPORATE RISK	✓	LEGAL	
ENVIRONMENTAL		POLICY	✓
FINANCIAL	✓	POLITICAL	
HEALTH & SAFETY		OTHER (please specify)	
HUMAN RESOURCES		CORE BRIEF	
EQUALITY IMPACT ASSESSMENT			

PURPOSE OF REPORT	To update on the findings and assurance opinion of the Follow Up Internal Audit Report of Procurement Cards, undertaken in 2020/21.
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EXECUTIVE SUMMARY This audit report is a follow up to the review undertaken in January 2020, as part of the agreed audit plan for 2019/20, to provide assurance that PCards were only issued to appropriately authorised and trained staff and were being used only to purchase goods and services that were wholly, exclusively and necessary for the use of East Sussex Fire & Rescue Service (ESFRS).

The audit opinion given at that time was Partial Assurance and contained fifteen actions, including twelve rated as medium priority.

This latest audit is part of the agreed Audit Plan for 2020/21 and its purpose was to follow-up on the previously agreed actions to ensure that these have been implemented.

Of the fifteen previously agreed actions from the 2019/20 audit report, five had been fully implemented, four actions had been partially implemented and six medium risk actions remained outstanding, at the time of audit.

The report concluded that the opinion therefore remained unchanged and that Partial Assurance would be provided in respect of PCards at that time.

Action planned by the Procurement Team has ensured that all but two recommendations had been completed by the end of May 2021, with the remaining two planned to be complete by Dec 2021. Internal Audit will carry out a follow up review in Q4 to provide assurance that this has happened.

RECOMMENDATION	To note the final audit report, its opinion and recommendations & consider whether any further information is required.
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1. INTRODUCTION

- 1.1 The PCard audit of 2019/20 sought to provide assurance that PCards are only issued to appropriately authorised and trained staff and are being used only to purchase goods and services that are wholly, exclusively and necessary for the use of ESFRS. It also aimed to establish whether the introduction and roll-out of the PCard programme has delivered the targeted process efficiencies intended, by reducing the number of low value purchase orders and invoices that have been raised.
- 1.2 The purpose of this follow up audit was to provide assurance that controls are in place to meet the following objectives:
- Purchase cards are issued in accordance with ESFRS policy;
 - Cards are only issued to appropriately authorised and trained employees;
 - Cards are only used for goods and services wholly, exclusively and necessarily for ESFRS use; and
 - Purchases are subject to appropriate review, authorisation and reconciliation, in a timely basis.
- 1.3 Of the fifteen previously agreed actions from the 2019/20 audit report to improve controls, five of the actions have been fully implemented. Of the 10 actions remaining:
- 0 were considered high risk;
 - 6 were considered medium risk;

- 4 represent low risk.

The majority of the findings relate to outstanding actions to email staff to remind them of their obligations.

- 1.4 It is the Authority's agreed protocol that any internal audit report that gives an assurance opinion of partial or lower must be reported in full to SLT and Scrutiny & Audit Panel. In addition internal audit will carry out a follow up review to provide assurance that agreed recommendations have been implemented.

2. PROGRESS AGAINST FINDINGS

- 2.1 Appendix 2 outlines where actions had been either fully or partially implemented at the time of the audit & the actual position as at 31 May 21. The actions due for action by the end of May have been completed.

- 2.2 PCards deliver greatest value when used for high volume, low value supplies and for one-off purchases and this is an area where we are pleased to report we have seen a significant improvement.

The number of purchase orders raised for less than £250 has remained consistently below 20 per month during the previous financial year - moving from a starting point of 22 raised in April 20 to just 3 in Feb 21 and at less than £1,000, from 35 to 9 over the same period.

- 2.3 Audit are cognisant that due to the diversion of procurement resources to support the Service's response to Covid-19, the planned post implementation review of the roll out of PCards has been delayed and will now take place in 2021/22. This has contributed to several of the actions not being implemented as planned.

- 2.4 The priorities identified for immediate action, which were implemented by the end of May are summarised below:

- Approvers will be reminded of their obligation to undertake the mandatory training;
- Cardholders will be reminded of their responsibility to return their card, prior to leaving the Service;
- Cardholders will be reminded of their responsibility to retain VAT receipts for 7 years and of the necessity to wait for a VAT invoice before reviewing; Cardholders will be reminded of their responsibility in relation to Asset Marked goods & IT;
- Cardholders will be reminded of their responsibility to review & approve in a timely manner.

- 2.5 Taking immediate action to remind Cardholders and Approvers ensured that we have implemented all of the recommendations, with the exception of the development of an e-learning package to support VAT reconciliation and an update to the User Guide to detail the retention expectations.

These 2 outstanding actions which will be addressed as part of the full PCard review, which is due for completion by the end of Dec 2021

Relevant staff who have not completed the mandatory Approvers training will be required to undertake by the end of July 2021.

3. FINANCIAL

- 3.1 It is generally accepted that every transaction completed by card saves ESFRS £28.00 in purchase order and invoice processing costs we have seen a continued and consistent reduction of low value purchase orders being raised.
- 3.2 To fully realise the benefits of PCards, transactions limits will be capped at £5,000 and the revised PSOs further encourage their use for all one-off & sub £5,000 expenditure

4. POLICY IMPLICATIONS

- 4.1 Procurement will reinforce the message to all Approvers that the training is mandatory & ensure that the Policy is updated to reflect this.
- 4.2 The User Guide will be updated to include document retention requirements, which are also now reflected in the PSOs.
- 4.3. As described, it has been agreed with Treasurer that a maximum transaction limit of £5,000 will be applicable to all card applications.
- 4.4 ESFRS do not currently have a mandated Leavers Policy. In the absence of a corporate leaver's process, the return of PCards will continue to be manually coordinate via the PCF process. As this policy develops, there is scope to coordinate this as part of the wider corporate exit process, to include not only PCards but all Procurement issued items such as IT, PPE, uniform and workwear.