

Area of Review	Audit Committee Request – Payments Review COVID Response
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Background

At the last meeting of the Audit Committee in July 2020, the committee requested a review of payments made to suppliers, during the period that the Council was responding to the impact of COVID-19. The purpose of the review was to:

- Identify any unusual transactions that may be due to fraud or error.
- Identify instances of procurement where the council did not comply with its own Financial Regulations as well as best practice..

All payments made to suppliers during the period 1.3.20 – 22.7.20 were included in the review. During this period 1184 payments were processed, it should be noted that not every payment was reviewed in detail.

Internal Audit only reviewed high value procurements and transactions where the description of the payment merited further investigation.

Findings

Payments made via Accounts Payable

1. No transactions were identified that would have been due to fraud or error.
2. Two duplicate payments were found to be paid as part of the Business Grants process, however, retrospective controls in place ensured that on each occasion one transaction was cancelled before the payment was sent to the business.
3. There was one area of procurement where an emergency decision was required to maintain business continuity. This was the purchase of laptops (£80K) and a VPN (£15K (Virtual Private Network), to enable homeworking. These procurements have already been reported to Overview & Scrutiny in June as part of the report on the Council Response to COVID-19. This provided an appropriate level of transparency of these transactions and the reasons for an emergency decision.
4. We can provide reasonable assurance that our review of purchases made via the Accounts Payable process, during the response to COVID-19 appear to be valid.
5. However, what we did find during our review of payments were that long standing control weaknesses remained such as the avoidance of use of

Purchase Orders (PO) still exist. During the review it was found that at least 15%, which equates to 177 transactions that would require the use of a PO did not do so. The use of Purchase Orders reduces the risk of unbudgeted expenditure as well as fraud and error and is a requirement of our Purchase to Pay process.

6. Our review indicates that lack of compliance with the No PO No Pay requirement is Council wide. Whilst some services are more diligent on this issue all Heads of Service and Budget Managers should be reminded that Purchase Orders are a requirement for all payments unless the supplier is included on the Purchase Order Exemption List.
7. We did not carry out a full review of procurement compliance. Further work on procurement to confirm procurements comply with the requirements of Contract Standing Orders and Financial regulations will be carried out as part of our annual review of Accounts Payable.

Risks

- Purchase Orders are not always used where appropriate which could result in fraud and error.
- Financial Regulations and Contract Standing Orders are not adhered to
- The Purchase order Exemption List is not effective

Findings

Credit Card Payments

1. During the response to COVID-19 the overall credit limit allowed by Barclays was increased to £250,000 per month.
2. Temporary Credit limits were set for each card holder. These were in place for the period between March to July.
3. Once the initial response phase was over credit limits were returned to the normal allocated amounts.
4. The credit limit amounts are managed by the Finance Client and this ensures flexibility if large purchases are required or in times of emergency and can be reduced to reduce the risk of fraudulent use if cards are lost or stolen. Records of these limits are held.

Detailed below is the total amount spent on HDC Corporate Credit Cards March to July 2020.

Date	Actual Spend 2020	Same Period 2019
March	4,699	6,088
April	4,511	5,409
May	4,261	4,347
Juine	4,261	4,825
July	5,413	4,825

£22,626.92 out of £1,250,000 available credit spent in the 5 month period , this equates to less than 2% of the available credit (actual 1.81%)
Spend Year on Year shows that less was spent on credit cards in 2020 than in 2019.

Sample Transaction Findings

A number of credit card transactions were reviewed the following items were noted:

1. There were a number of transactions where had proof or purchase was provided but did not have VAT receipts submitted
2. Some of the payment vouchers used to record payments did not include a VAT breakdown
3. The policy states that the items should be delivered to Hart District Council - whilst it was understood practically some large items needed to be delivered to a client directly the actual purchase was made in the name of the recipient with the recipients email and contact details – there was no reference to Hart District Council.
4. From the sample taken none of the payment vouchers were signed by Managers, although some had the name inserted. It was noted that in one service area, managers did not have any oversight of the monthly credit card spend for their team.
5. Much of the spend was relating to emergency hardship payments and needed to be purchased urgently.
6. One transaction was challenged as there was the potential that there could have been better value for money if a longer term view and alternative suppliers considered.

Risks

- Insufficient controls in place to authorise credit card spend
- Inadequate supporting documentation to support the transaction
- Inability to make VAT claims due to VAT receipts not being provided
- Non compliance with Credit Card Procedures and procurement rules

Management Action Pan					
	Recommendation	Risk Level	Management Response	Responsible Officer	Target Date
1.	Purchase Orders should be used where appropriate, to reduce the risk of fraud and error.	High	Managers and Heads of Service have been reminded of this on the 7 th September 2020. Non-compliance will now be reported to SLT on a bi-monthly basis.	Head of Corporate Services	Done
2.	Checks on credit card payments should be carried out by all managers to ensure all payments are valid.	High	All Managers have been reminded of this and been written to personally with a copy of the procedures attached,	Head of Corporate Services	30/9/2020
3.	Supporting information including a valid VAT Receipt must be retained for credit card transactions.	Medium	All Managers have been reminded of this and been written to personally with a copy of the procedures attached,	Head of Corporate Services	30/9/2020
4.	All credit card Users should be reminded of the content of the Credit Card Policy, and the need to comply with the rules over the use of credit cards.	Medium	All card holders will receive a personal email in September 2020 reminding them of the requirements to comply and stating that non-compliance will result in their card being immediately cancelled	Head of Corporate Services	Done