

Finance – Use of procurement cards

Internal Audit Report

January 2024

Public Health Wales NHS Trust



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Committee:	Audit & Corporate Governance Committee



Audit and Assurance Services conform with all Public Sector Internal Audit Standards as validated through the external quality assessment undertaken by the Chartered Institute of Public Finance & Accountancy in April 2023.

Acknowledgement

NHS Wales Audit and Assurance Services would like to acknowledge the time and co-operation given by management and staff during the course of this review.

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Executive Summary

Purpose

The overall objective of this review was to consider the monitoring, governance and reporting arrangements in relation to the administration and use of the Trust’s procurement cards.

Overview

We have issued reasonable assurance on this area.

The key matter requiring management attention is that increases to procurement card limits should be approved by the Head of Financial Reporting and Control before they are actioned.

Other recommendations / advisory points are within the detail of the report.

Report Opinion

Reasonable



Some matters require management attention in control design or compliance.

Low to moderate impact on residual risk exposure until resolved.

Trend



2018/19

Assurance summary¹

Objectives	Assurance
1 Policies and procedures	Substantial
2 Issuing of procurement cards and credit limits	Substantial
3 Procurement card expenditure compliance	Reasonable
4 Card holder leaver/role change process	Substantial
5 Monitoring and review of card expenditure	Substantial

¹The objectives and associated assurance ratings are not necessarily given equal weighting when formulating the overall audit opinion.

Key Matters Arising

	Objective	Control Design or Operation	Recommendation Priority
4	Increases to procurement card limits	3 Design	Medium

1. Introduction

- 1.1 Our review of financial systems in relation to procurement cards was completed in line with the 2023/24 Internal Audit Plan for Public Health Wales NHS Trust (the 'Trust').
- 1.2 Procurement cards can reduce paperwork and administration time involved in the ordering and invoicing process for low value, *ad hoc* goods and services not covered by purchasing agreements or contracts. This has the benefit of allowing organisations to pay suppliers instantly for goods and services.
- 1.3 During the Covid-19 pandemic the Trust identified an increase in both the requests for, and use of, procurement cards. The Trust has also seen an increase in the use of procurement cards to pay for travel and subsistence, which would normally be paid through the expenses system. Given the rise in both the number and use of procurement cards, there is an increased risk of misuse. The Trust must ensure that there are effective controls in place for the prevention and identification of procurement card misuse.
- 1.4 The management of procurement cards and staff expense budgets is delegated to directorate/departmental budget holders in line with the Trust's scheme of delegation. These responsibilities include reviewing and approving individual staff expense claims, procurement card expenditure, and ongoing budget monitoring.
- 1.5 Our review sought to provide assurance that procurement card expenditure, including where used for travel and subsistence, is compliant with the Trust's established policies and procedures.
- 1.6 The Deputy Chief Executive, Executive Director Operations and Finance is the nominated lead for the review.
- 1.7 The potential risks considered in the review were:
 - Unauthorised and/or inappropriate expenditure when using the Trust's procurement cards.
 - Insufficient scrutiny and monitoring of procurement card expenditure, resulting in financial loss.
 - Travel and subsistence payments made through procurement cards are not in line with the Trust's guidance.

2. Detailed Audit Findings

Objective 1: Policies and procedures have been developed and are readily available to staff. These include guidance on the use of procurement cards for travel and subsistence.

- 2.1 The Trust has a cardholder guidance and procedure document in place that was last updated in June 2018. This includes details regarding the purchase card application process, examples of items which should not be purchased using the cards, and details regarding raising transactions and placing orders. The guidance is readily available to members of staff via the Trust's intranet.

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- 2.2 During November 2023 the guidance and procedure document was reviewed by Finance. At the time of our fieldwork a revised document was out for consultation with senior management.
- 2.3 We read the revised version of the guidance and procedures and note that whilst there is a reference to using purchasing cards for making travel and subsistence payments, the information is limited. The document could be expanded to capture further guidance for staff when using procurement cards for travel and subsistence.
(Matter Arising 1 – Low Priority)
- 2.4 In light of the current financial pressures on the NHS, the Trust’s Executive Team issued additional guidance to staff in August 2023 – *Working to support the Financial System within the NHS*, in an attempt to reduce non-essential expenditure. As part of the additional guidance, the Trust implemented tighter controls over approval of costs for internal staff events, external events, attendance at conferences and rules for travelling outside the UK.

Conclusion:

- 2.5 The Trust has developed suitable procedures on the use of procurement cards which are readily available to staff via the Trust’s intranet. However, the content of the procedures could be improved to explicitly capture the Trust’s policy on using procurement cards for travel and subsistence expenditure. We have provided **Substantial Assurance** for this objective.

Objective 2: Arrangements are in place for the administration of new procurement cards, including approval of credit/transaction limits in line with the scheme of delegation and agreed categories of spend.

- 2.6 The Finance Support Accountant is responsible for administering the Trust’s procurement cards and oversight is provided by the Head of Financial Reporting and Control.
- 2.7 Budget holders are responsible for monitoring expenditure against their budgets, and for approving the granting of procurement cards and an associated credit limit.
- 2.8 There are two stages to setting up a procurement card:
- A provider (Barclaycard) application form is completed for each cardholder. Forms are signed by the Finance Support Accountant and the Head of Financial Reporting which identify the monthly card and single transaction limits. The Trust has adopted limits for these, which are £2,500 and £1,000 respectively. A different limit can be agreed following consideration of a business case request submitted by the cardholder and approved by the relevant budget holder.
 - A cardholder agreement is completed and signed by the cardholder, their budget holder and the Finance Support Accountant. The agreement form includes a declaration by the cardholder that they have read and understood the requirements set out within the Trust’s procedures.
- 2.9 At the time of our review there were 29 cardholders within the Trust. We tested a sample of cardholders and found:

- Application forms – For 2/5 the original application was before 2014 and so documentation was not held.
- Cardholder agreements – 1/5 had not been properly authorised. **(Matter Arising 2 – Low Priority)**

2.10 Section 8 – “Exemptions” of the cardholder procurement procedures set out the permissible categories of spend and the items/commodities not to be purchased using procurement cards. As part of our sample testing of card transactions (see paragraphs 2.14 and 2.15) we can confirm that no issues were found with the nature of transactions as all related to the allowed categories of spend.

Conclusion:

2.11 We note that there are arrangements in place which ensure that the process for granting and issuing procurement cards is documented and procurement card limits are approved. Our sample testing identified minor issues which related to the timeliness/completeness of documentation. We have provided **Substantial Assurance** for this objective.

Objective 3: Procurement card expenditure remains in line with Trust policies and procedures, is approved, and reconciled to bank statements and receipts of expenditure.

- 2.12 Cardholders are required to complete a transaction request form setting out the nature and cost of the transaction before incurring expenditure. The form is signed and dated by the cardholder and approved by their line management/budget holder. Directorates/Divisions are responsible for retaining this evidence locally and must provide this information to the finance team if required.
- 2.13 We were provided with transactional data of procurement card usage and expenditure for the six-month period between April to September 2023. During that period there were six instances where the total monthly spend exceeded the monthly card limit and 25 cases where the transaction value exceeded the Trust’s transaction card limit. A process is in place to allow card holders to seek approval to exceed the set limits and our testing, in relation to a sample of the higher spends established that all were pre-agreed. However, we note that the actioning of higher limits is carried out by the Finance Support Accountant without approval by the Head of Financial Reporting and Control. **(Matter Arising 4 – Medium Priority)**
- 2.14 We tested a sample of twenty procurement card transactions to ensure that the expenditure was appropriate and had been appropriately approved. Our testing identified a small number of minor issues. **(Matter Arising 5 – Low Priority)**
- 2.15 Furthermore, we undertook separate testing on a sample of five overseas journeys to confirm approval in line with the additional guidance issued by the Trust. We did not identify any issues.

2.16 We reviewed the monthly bank reconciliations and procurement card journals for the period and identified minor accounting inaccuracies. **(Matter Arising 3 – Low Priority)**

Conclusion:

2.17 Procurement card expenditure was adequately supported and appropriately approved. However, we identified minor issues with the current process for procurement card limit increases. We have provided **Reasonable Assurance** for this objective.

Objective 4: Arrangements are in place for the identification of card holders who leave or change roles and the return of their card.

2.18 When a cardholder leaves the Trust or changes role they, or their line manager, should notify the Finance Support Accountant who terminates the card via the provider (Barclaycard). We note that there is no reference to this within the leaver/exit interview process and therefore finance relies on being informed by the cardholder/line management. **(See Matter Arising 1)** Furthermore, we were not aware of the Trust performing any periodic checks to confirm cardholders remain current employees or to monitor for low usage. **(Matter Arising 6 – Low Priority)**

Conclusion:

2.19 Arrangements are in place for cardholders who leave or change roles. However, the notification process for a cardholder leaving the Trust could be strengthened by capturing this within the leaver/exit interview checklist. We have provided **Substantial Assurance** for this objective.

Objective 5: Procurement card expenditure is monitored and reviewed on a regular basis including total amount of spend and trend analysis.

2.20 The monthly procurement card journal summarises transactions and includes the cardholder, transaction amount, and the narrative for the expenditure.

2.21 Monthly spot checks are carried out by the Financial Support Accountant who tests a sample of transaction approval forms for compliance with procedures, and records the outcome on a spreadsheet. We note that if supporting documents are not provided by departments a note was recorded indicating that checks had been attempted, but was not updated when the checks were subsequently completed. **(See Matter Arising 3)**

2.22 Since September 2023, procurement card expenditure information has been included in the monthly directorate finance reports which are collated by the finance business partners. The procurement card information comprises of monthly and cumulative expenditure by category and a full transaction detail report.

Conclusion:

2.23 In addition to the detail recorded on the monthly procurement card journals and the individual procurement card transaction approval forms, summary

information regarding procurement card expenditure has been included in the monthly finance partner directorate reports from September 2023. We also note that finance performs monthly spot checks of procurement card purchases and verify the relevant documentation as part of this process. We have provided **Substantial Assurance** for this objective.

Appendix A: Management Action Plan

Matter Arising 1: Guidance and procedures (Design)	Potential Impact
<p>The Trust has a cardholder guidance and procedure document in place that was last updated in June 2018. At the time of our fieldwork the Trust were in process of reviewing the procedure document, with submission for approval at the Audit and Corporate Governance Committee in January 2024.</p> <p>The revised guidance and procedure document contains limited information on the use of procurement cards for travel and subsistence. Whilst there is a section to remind cardholders that <i>'Travel and subsistence purchases should be made in accordance with the Agenda for Change Terms and Conditions for reimbursement of Travel and Subsistence'</i>, there is no link to the latest guidance (NHS Terms and Conditions of Service TCS Advisory Notice issued in February 2023).</p> <p>We also note that the document does not include a statement explicitly forbidding the use of procurement cards through cashback websites when making purchases.</p> <p>Our testing identified:</p> <ul style="list-style-type: none"> • The cardholder agreement, which is set out in appendix 3 of the cardholder guidance and procedure document, does not include details of the monthly card and single transaction limits that are stated on the provider (Barclaycard) application form. • The cardholder procedure and guidance document does not contain information on the process to follow when a cardholder leaves the Trust or changes role. 	<p>Risk of inappropriate procurement card expenditure.</p>
Recommendations	Priority
<p>1.1 The review and approval of the updated cardholder guidance and procedure document should be completed with consideration to incorporate the following points:</p> <ul style="list-style-type: none"> • the use of procurement cards for travel and subsistence, • the process for returning cards when staff leave or change roles, 	<p>Low</p>

	<ul style="list-style-type: none"> a statement forbidding staff making online purchases through personal accounts via 'cashback websites'. <p>Once approved, the revised guidance should be made available to all relevant staff.</p>		
1.2	The monthly card and single transaction limits should be included in the Trust cardholder agreement.	Low	
1.3	Returning of procurement cards should be included as part of the employee exit checklist.	Low	
Agreed Management Action		Target Date	Responsible Officer
1.1	<p>We accept this recommendation in full. The cardholder guidance and procedure document has now been updated with the following amendments:</p> <ul style="list-style-type: none"> A link has been added (alongside the reference to travel and subsistence) to signpost cardholders to the NHS Terms and Conditions of Service Handbook. The guidance sections for returning cards when staff leave or change roles has been updated to makes clearer the process to follow in these instances. A statement has been added to advise that cardholders should not make online purchases through personal accounts via 'cashback websites'. 	31 January 2024	Jane Matthews (Head of Financial Reporting and Control)
1.2	We accept this recommendation in full. The monthly card and single transaction limits are currently communicated to the cardholder via e-mail. However, we have updated the Cardholder Agreement template to include fields for the monthly card and single transaction limits to be completed.	31 January 2024	Jane Matthews (Head of Financial Reporting and Control)
1.3	We accept this recommendation in full. The People and Organisational Development Directorate have guidance pages on the Trust intranet for employees and line managers to refer to when an employee leaves the organisation. We will ensure these are updated to include guidance on returning procurement cards to the Finance Division.	29 February 2024	Jane Matthews (Head of Financial Reporting and Control)

Matter Arising 2: Completion of cardholder agreements (Operation)		Potential Impact
<p>One of the stages in setting up a new procurement card is that a Trust cardholder agreement should be completed. This is set out in appendix 3 of the cardholder guidance and procedure document. The agreement should be signed by the cardholder, their line manager and the Finance Support Accountant.</p> <p>From our testing of five cardholder agreements we noted that one cardholder had incorrectly signed the cardholder agreement where the budget holder should have signed, and this error was not challenged and corrected. A card was therefore issued without budget holder approval.</p>		<p>Inadequate approval for setting up a procurement card resulting in inappropriate expenditure.</p>
Recommendations		Priority
<p>2. The cardholder agreements for all current procurement cards should be reviewed to check whether they have been properly completed and, where they have not, then appropriate corrective action should be taken.</p>	<p>Low</p>	
Agreed Management Action	Target Date	Responsible Officer
<p>2. We accept this recommendation in full. An exercise will be carried out to ensure cardholder agreements for all existing cardholders have been properly completed. Where they have not, cardholders will be asked to complete again and submit to the Finance Division.</p>	<p>29 February 2024</p>	<p>Jane Matthews (Head of Financial Reporting and Control)</p>

Matter Arising 3: Completion of monthly journals and spot check spreadsheets (Operation)		Potential Impact	
<p>Our review of the monthly procurement card journals for April to September 2023 identified five entries totalling £680 on the April journal that were labelled with an incorrect cardholder name.</p> <p>On a monthly basis the Finance Support Accountant undertakes spot checks of ten procurement card transactions to ensure supporting documentation has been retained and has been appropriately authorised. The results are recorded in a monthly spreadsheet. Our review of the spreadsheet noted that in May and September 2023 there were delays obtaining the supporting forms for one of the transactions sampled. While a note is recorded on the spreadsheet indicating that a check has been attempted, it is not updated when the check has subsequently been completed.</p>		Procurement card errors within the financial records.	
Recommendations		Priority	
3.1	The draft procurement card journals should be properly reviewed so that errors are identified and corrected before being posted to the general ledger.	Low	
3.2	Where there are delays obtaining a procurement card transaction approval form for the monthly spot checks, the note in the monthly control spreadsheet should be updated when the check has subsequently been completed. Where supporting information cannot be provided, this should be raised with the budget holder and future monthly spot checks should include transactions from that cardholder to ensure there is no ongoing issue.	Low	
Agreed Management Action		Target Date	Responsible Officer
3.1	We accept this recommendation in full. A reconciliation will be included in the journal document to show how the journal total reconciles back to the purchasing card monthly statement value.	29 February 2024	Jane Matthews (Head of Financial Reporting and Control)
3.2	We accept this recommendation in full. The monthly control spreadsheet will be updated to include a flag (for example, colour coded or status assigned) to indicate	29 February 2024	Jane Matthews (Head of Financial Reporting and Control)

	that an item requires follow-up. Where the cardholder cannot provide supporting information, this cardholder will be included in the subsequent spot check exercise.		
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Matter Arising 4: Increases to procurement card limits (Design)		Potential Impact	
<p>There were six instances during April to September 2023 where the total monthly spend exceeded the monthly card limit, and 25 instances where the transaction value exceeded the transaction card limit. We undertook testing in relation to two and four cases respectively, and we identified that in all cases the limits were knowingly exceeded.</p> <p>Prior to exceeding the limits email requests were provided to the Finance Support Accountant which indicated the reason for the higher limit. Requests were supported by an approved procurement card transaction approval form. However, we note that the temporary increase requests were actioned by the Finance Support Accountant without approval by the Head of Financial Reporting and Control. We acknowledge that the guidance notes do not explicitly state the Head of Financial Reporting and Control is required to provide approval to temporary increases, however this is something that should be considered given they are required to give approval to cardholder applications initially.</p>		<p>Inadequate approval of increases to procurement card limits.</p>	
Recommendations		Priority	
<p>4.1a 4.1b</p>	<p>Increases to procurement card limits should be approved by the Head of Financial Reporting and Control before they are actioned by the Finance Support Accountant.</p> <p>The cardholder procedure and guidance document should be updated to reflect this.</p>	<p>Medium</p>	
Agreed Management Action		Target Date	Responsible Officer
<p>4.1a 4.1b</p>	<p>We accept this recommendation in full and will ensure this approval stage is incorporated into the process.</p> <p>The cardholder procedure and guidance document has now been updated to reflect this additional approval requirement.</p>	<p>31 January 2024</p>	<p>Jane Matthews (Head of Financial Reporting and Control)</p>

Matter Arising 5: Completion of procurement card transaction approval forms and supporting supplier evidence (Operation)		Potential Impact	
<p>We tested a sample of 20 transaction approval forms and the supporting supplier evidence for the transaction:</p> <ul style="list-style-type: none"> In 10 cases forms had not been fully and accurately completed. Some, or all information was missing in relation to budget holder and cardholder approval signature, printed names and dates. However, we acknowledge the email trails containing the forms support the approval process. In 1 case, it was unclear from the narrative information how the total cost had been calculated. 		Inadequate approval of procurement card purchases.	
Recommendations		Priority	
5.1	All boxes for budget holder and cardholder approval signature, printed name and date should be fully and accurately completed.	Low	
5.2	The narrative information should fully and clearly explain how the total cost has been calculated.	Low	
Agreed Management Action		Target Date	Responsible Officer
5.1	We accept this recommendation in full. A reminder will be circulated to purchasing cardholders to ensure forms are completed fully and accurately. Guidance on the transaction request form template has been updated to request that all boxes are accurately completed.	29 February 2024	Jane Matthews (Head of Financial Reporting and Control)
5.2	We accept this recommendation in full. A reminder will be circulated to purchasing cardholders to ensure total costs on the transaction request form are supported by a breakdown. Guidance on the transaction request form template has been updated to request that a breakdown is provided for multiple purchases.	29 February 2024	Jane Matthews (Head of Financial Reporting and Control)

Matter Arising 6: Cards held inappropriately or un-necessarily (Operation)		Potential Impact
<p>We are unaware of any periodic checks performed to ensure all cardholders continue to be employees of the Trust.</p> <p>Our analysis of the procurement card journals noted that some cards have only been used a small number of times over the year and we are unaware if activity levels are monitored to ensure unused cards are cancelled.</p>		<p>Risk of misuse of a procurement card may be greater than the benefit of having it.</p>
Recommendations		Priority
6	<p>Consideration should be given to reviewing all procurement cards and spend on a periodic basis to confirm that no staff have left and to also identify low usage. Where low or no usage is identified it should be considered if the ongoing need for a card is necessary.</p>	<p>Low</p>
Agreed Management Action		Target Date
6	<p>We accept this recommendation in full. A periodic review will be implemented to monitor purchasing card usage. Instances of low or no usage will be investigated.</p>	29 February 2024
		Responsible Officer
		Jane Matthews (Head of Financial Reporting and Control)

Appendix B: Assurance opinion and action plan risk rating

Audit Assurance Ratings

We define the following levels of assurance that governance, risk management and internal control within the area under review are suitable designed and applied effectively:

	Substantial assurance	Few matters require attention and are compliance or advisory in nature. Low impact on residual risk exposure.
	Reasonable assurance	Some matters require management attention in control design or compliance. Low to moderate impact on residual risk exposure until resolved.
	Limited assurance	More significant matters require management attention. Moderate impact on residual risk exposure until resolved.
	Unsatisfactory assurance	Action is required to address the whole control framework in this area. High impact on residual risk exposure until resolved.
	Assurance not applicable	Given to reviews and support provided to management which form part of the internal audit plan, to which the assurance definitions are not appropriate. These reviews are still relevant to the evidence base upon which the overall opinion is formed.

Prioritisation of Recommendations

We categorise our recommendations according to their level of priority as follows:

Priority level	Explanation	Management action
High	Poor system design OR widespread non-compliance. Significant risk to achievement of a system objective OR evidence present of material loss, error or misstatement.	Immediate*
Medium	Minor weakness in system design OR limited non-compliance. Some risk to achievement of a system objective.	Within one month*
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. Generally issues of good practice for management consideration.	Within three months*

* Unless a more appropriate timescale is identified/agreed at the assignment.



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