

To: Scott Crudginton, Asst Chief Executive (Finance)

For Information: Dan Harris, Interim Finance Project Manager
Jan Corr, Exchequer Manager
Pauline Coletta, Head of Finance

1. Introduction

An audit of Officers Expenses has been carried out as part of the 2005/06 audit plan. Detailed testing has been carried out on the systems of control and the management of risk within this area.

2. Findings and Recommendations

The detailed findings and recommendations are set out in the report attached as Appendix A to this memo. A management action plan is attached as Appendix B. Appendices C through F contain supporting material to the findings contained in Appendix A. An electronic copy of this memo and the Appendices can be e-mailed to you on request.

3. Conclusions

The audit was concerned with reviewing the four main processes available to officers for claiming expenses, namely, Petty Cash; Travel and Subsistence; Mileage Allowances and Corporate Credit Card. The main conclusion drawn from the audit is that some of these processes lack effective management control. Mileage allowance is being used for the purpose intended, otherwise the remaining processes are sometimes used interchangeably. While the testing showed the incidence of authorisation and verification of authorisation is relatively high, effective control of the processes is not present in many instances. The policies contained within Financial Regulations are sometimes overlooked or ignored completely.

Petty cash is frequently subject to claims far in excess of the £30 limit placed upon it in Financial Regulations. Testing showed that several claims related to the payment of wages and salaries. This was explained as being an aberration relating to the introduction of the new payroll system. However, these claims range over a 10-month period.

Travel and subsistence shows incidences of claims for very low values that would be more appropriately handled through petty cash. Car parking is being claimed through this medium, even though the mileage allowances process provides for claiming car park fees.

The corporate credit card system is lacking in effective control. It is used routinely to claim for items ranging from just over £2 to items in excess of £5,000 (the latter items were a response to the Harrow Court incident). Credit cards are issued in response to the completion of the bank's 'standard' application, providing a uniform credit limit of £5,000 for single purchases. A limit set at this level exposes Stevenage Borough Council to loss due to fraudulent use of the card, whether it be through an employee or as a result of a lost card.

It is clear that well-defined control arrangements are in place for most officers' expenses but there is an issue with compliance. This should be addressed in order to protect both the individual officer and the Council from undue exposure to risk.

S H Martin
Audit Partnership Manager
October 2006

OFFICERS' EXPENSES

1.1 AREAS COVERED DURING THE AUDIT

The key areas of **possible** risk identified at the planning stage of the audit were as follows:

- a) There is no separation of duties between the payee, the authoriser and the officer making payment, to ensure against the risk of illicit payment.
- b) A claim for reimbursement of expenses will not be paid unless it is fully supported by receipts, to provide against the risk of fraudulent claims.
- c) Duplicate claims and/or payments are not prevented by systems controls, in order to protect against the risk of overpayment.
- d) There are no controls on the level of allowable expenses by type, to provide for the risk that certain types of expenditure might be abused through the purchase of high-value items.
- e) The forms and the mechanisms for claiming expenses are not standardised and deviation from the standards is prevented by controls, to provide against the risk of data errors caused by a multiplicity of procedures and/or forms in use.
- f) There are no controls to ensure that claimants are valid employees of the Council, to guard against the risk of illicit or fraudulent payment.
- g) Claims of expenses for strictly personal use are not prohibited and excluded by the controls in place, to guard against the risk of illicit or fraudulent payment.
- h) Expenses are not authorised by defined officers and authorisation is not verified by officers responsible for payment, to guard against the risk of unapproved payment.
- i) Officers responsible for the processing of expenses claims are not trained in the necessary control procedures, to provide against the risk of data errors caused by lack of the requisite knowledge/skill.
- j) Claims for expenses incurred are not properly separated from purchase ledger expenditure, in order to insure against the risks of improper accounting and/or allocation of costs.
- k) Claims for small purchases (petty cash) are not properly separated from travel and subsistence and purchase ledger expenditure, in order to insure against the risks of improper accounting and/or allocation of costs.
- l) Expenses claims are not reconciled against the General Ledger and/or Payroll, to provide against the risk of incomplete accounting of expenditure.
- m) Personal taxation implications, such as Form P11D, are not properly accounted for as part of the payment of expenses, in order to protect the Council from the risk of being found in breach of taxation law.
- n) Failures in the IT system result in a loss of expenses data. A full audit trail is not retained for subsequent reference, in order to provide against risks to proper recovery of data and provision of data for inspection by the appropriate authorities.
- o) Where expense claims prove to be corrupt or otherwise fraudulent, policies and procedures are not in place to ensure the appropriate authorities are advised of the circumstances of the discoveries made, in order to protect against the risk of fraud or malpractice going un-notified.

- p) Policies and procedures are not in place for the claiming, authorising and payment of claims for expenses incurred, to protect the Council against the risk of illicit expenditure.
- q) The level of expenditure on officers' expenses is not reported periodically to management, to provide against the risk of expenditure not being managed due to a lack of information.
- r) The adherence to the requirements of Financial Regulations and defined policies for claiming, authorisation and payment of officers' expenses is not monitored and controlled, to provide against the risk of data errors caused by a multiplicity of procedures and/or forms in use.

The methodology stated in the terms of reference document was used to establish and test the controls that management have in place for mitigating or reducing the above risks to an acceptable level.

1.2 OVERALL AUDIT OPINION

We have concluded that there is some likelihood of error or mal-administration in a minority of officers' expenses claims. The control issues range from relatively minor matters through to disregarding the requirements of Financial Regulations and an absence of acceptable and proper control over corporate credit cards.

1.3 PREVIOUS RECOMMENDATIONS

The last audit of Officers' Expenses carried out in June 2003 included the following recommendations:

- The authorised signatory lists are brought up-to-date. This should include specific reference to travel & subsistence claims and;
- Exchequer Services are informed of all employees who need removing from the lists (or new lists are produced).
- Guidance on claims for travel warrants & eye tests are updated in the employee handbook (which is currently being revised). These revisions should be communicated to all staff, perhaps via the intranet.
- Management review the current arrangements for holding previous employee payroll files and ensure that the requirements of the Data Protection Act 1998 are adhered to.
- The policy per the employee handbook, in relation to subsistence claims, is updated to reflect the fact that receipts are required to support these claims.
- The Payroll Section is given clear guidance regarding the maximum level of subsistence that employees are entitled to claim.

The above were agreed in the Management Action Plan and were scheduled for completion by March 2004. The outcomes from the recommendations were reviewed as part of the current audit and are reported in Section 1.4 below.

1.4 AUDIT FINDINGS – 2005/06

For ease of reference, the four major areas of officers' expenses are discussed separately below, together with any recommendations made. Section 1.4.6 contains discussion and recommendations applicable to all types of officers' expense claims.

1.4.2 Travel & Subsistence

A sample of 40 travel and subsistence claims were examined and the following was identified:

- Petty cash is sometimes used to pay travel & subsistence claims.
- The cost of an eye test and glasses is sometimes reimbursed via travel & subsistence claims, rather than petty cash.
- The cost of car parking is sometimes reimbursed via travel & subsistence claims, rather than mileage allowances.

Authorised signatories are generally responsible for controlling travel and subsistence claims. However, it would appear some signatories are not ensuring Council policy is complied with. This is potentially motivated by a desire to ensure staff are reimbursed as quickly as possible. However, it could inadvertently lead to error or misadministration. **We therefore recommend** the Assistant Chief Executive (Finance) remind all staff of Council policy, drawing attention to the requirements of Financial Regulations with respect to travel & subsistence claims.

1.4.3 Petty Cash

We identified there were a significant amount of petty cash payments in excess of the £30 limit imposed in Financial Regulations. Of the 1,475 transactions, 292 were in excess of £30 and accounted for more than £19.5K (57%). In addition 40 of these transactions had a value in excess of £100 and accounted for more than £7.5K (22%) of the overall total.

The sample of petty cash claims examined included:

- Multiple claims for wages and salaries throughout the 10-month period from which the sample data was taken. Some of these wages/salary claims were said to be due to problems following the introduction of a new payroll system in April 2005, but it appears the petty cash system is used routinely for extraordinary arrangements for pay.
- Travel and subsistence claims being made via petty cash, rather than through the proper route.
- Purchase ledger transactions being carried out via petty cash. These represent items that would be transacted more appropriately through a purchase order and an invoice for goods and services provided.
- Credit values being entered through the petty cash system, thus creating a form of income. This is opposed to the spirit of Financial Regulations, which says that income to petty cash can only be achieved via the imprest system.
- Loans and advances being made via petty cash, imposing a problem of reconciling the subsequent repayment(s) to the amount advanced. An incidence of a payroll-based loan being paid through petty cash was noted in the sample of transactions examined.
- Cash repayments being made through petty cash in respect of purchases paid by credit card creating, in effect, a 'cash-back' facility at the expense of the Council.

- Mileage and car parking claims being made via the petty cash system, rather than through the proper system.
- Frequent omissions from the petty cash claim submitted, such as no reason given for the purchase, claim undated, receipt of cash not signed for.
- The Petty Cash system often used to cover up inadequate preparation by its claimants, judging by the number of “urgent” claims for payment.

It is suggested that the petty cash system is being operated in a way that is sometimes devoid of effective control. The requirements set out in Financial Regulations are being overlooked and authorised signatories are not ensuring Council policy is complied with. Exchequer Services cannot reasonably be expected to police every element of petty cash claims. Petty cash is therefore not well controlled at the current time.

We therefore recommend:

- a) Any claim for reimbursement via petty cash in excess of £30 is rejected and returned to the authorising officer for resolving action, or the £30 limit is revised upwards to an appropriate level.
- b) The ad hoc payment of payroll-related amounts via petty cash should cease in favour of payment via the urgent cheque procedure, perhaps accompanied by arrangements for special clearance.
- c) The payment of loans and advances through petty cash should be restricted to exceptional items since there is no procedure in place to ensure repayment of the advance is correctly accounted for.
- d) Any requirement to enter a credit value into the petty cash system, other than a float adjustment via imprest, should be authorised.
- e) The current central petty cash float of £3,000 is excessive and should be reviewed to bring it to a level more in keeping with true petty cash claims. This recommendation is subject to a) above.
- f) The central petty cash holding should be subject to a more conventional imprest reconciliation, where the value of claims paid is reconciled to the value of the cash holding, resulting in the calculation of the imprest value. The same reconciliation should allow for a variance to be reported between the calculated float and the counted float, together with an explanation of the variance.
- g) Two officers should be present when the petty cash float is counted and both should sign their agreement to the value declared.
- h) Any ‘urgent’ payment via petty cash should require the counter-signature of a senior officer within Financial Services.

1.4.4 Mileage Allowance

Mileage is entered into the accounting system as quoted by the claimant. The mileage is combined with the rate per mile for the particular engine size and the cumulative mileage to form a total amount due. An additional sum may be claimed in respect of passengers carried on Council business. This mileage is specified on the claim form by the claimant and is calculated by the Exchequer Services officer at a rate of £0.01/mile. The calculated figure is entered into the accounting system. Finally, any amounts of car parking expense are claimed separately on the form and are entered into the accounting system as specified.

In general, mileage claims appeared to be made appropriately, judging by the evidence from the test sample used.

1.4.5 Corporate Credit Cards

Corporate credit cards are issued to nominated members of staff following submission of an application form authorised by their Head of Service. The application is submitted to the Local Taxation Manager, who provides the liaison with the card issuing bank. The card is issued and sent directly to the cardholder. No signature is sought from within SBC to acknowledge receipt of the card.

Credit card transaction statements are received calendar monthly by Exchequer Services in respect of any cardholder who has made a purchase in the intervening month ('nil' returns are not received). The statements are sent out to the cardholders, together with a claim form on which each transaction is to be recorded and attributed according to the cost centre/ account code standard in use by SBC. It appears that accounting for credit card purchases is not being treated seriously by all cardholders. At the time of this audit, over £7K of expenditure remained unattributed for 2004/05. For the current year-to-date (2005/2006), £28K has not yet been attributed to the appropriate accounts.

The completed claim form/statement set is returned to Exchequer Services for entry into the accounting system. It is anticipated that the returned claim form/statement set will have the receipts for all transactions attached. However, the officers performing the data entry operation are not responsible for checking the content of the claim form, other than verifying that an authorising signature is present and the cost centre/account code combinations specified are acceptable to the accounting system. The officers make no attempt to check for correspondence between the claim form, statement and accompanying receipts.

The monthly credit card statement value is paid by direct debit, regardless of any dispute that may exist with respect to the individual transactions on the statement. The resolution of any dispute is a matter for the cardholder and the issuing bank. It was noted that the payment of the statement by direct debit gives an implied reduced priority to the data entry process by Exchequer Services. Accordingly, a backlog of unprocessed credit card claims existed at the time of the audit.

A review of the test sample of transactions gave rise to the following observations:

- Receipts may be omitted when the claim form is returned to Exchequer Services.
- Credit transactions present on the statements reviewed were not supported by explanations.
- Claim form, statement and receipt dates can differ markedly, making a correspondence check more difficult to achieve.
- In one case the claim form had been completed some 3 months after the date of the statement to which the transactions applied.
- It appears that in some instances, the credit card use is circumventing the purchase ledger process and may not be taking advantage of best value arrangements.
- An incidence of the claimant and the authoriser being one and the same person was identified.
- Inadequate description of the reason for the purchase in some cases.
- Small value expenses being paid through the credit cards, rather than being paid and reclaimed from petty cash. In one case, the credit card was used to pay a £2.30 rail fare.

It appears there is little accountability and responsibility assigned for the Councils portfolio of corporate credit cards. Individuals have responsibility for parts of the process but nobody holds the overall watching brief. It also appears that there are no terms and conditions for use of corporate credit cards issued to cardholders. The effect of this omission is to leave the Council at risk from:

- Inappropriate use of the credit cards,
- reduced ability to sanction abuse of credit cards,
- potential for fraudulent use.

Credit limits of £5,000 are provided routinely and can be up to £10,000 by exception. With an average transaction value of less than £120 in the sample selected, these credit limits seem to be excessive and expose the Council to unnecessary risk.

Testing showed incidences of claims having been made for items such as prescription charges and spectacles for tenants, with no indication of how or if the amounts were reclaimed subsequently.

During testing, several instances were noted where the transaction dates on the claim form were unrelated to either the dates on the receipts attached to the form nor the transaction dates on the card issuer statement dates. This exacerbates the problem of verifying the claim form, in that there is no obvious reason why either the receipt date or statement date is not used.

An incident of a claim form being returned 3 months after the statement date was noted from the sample testing. Further investigation showed a total of £7.3K accrued in 2004/05 has never been attributed to an accounting code. The same investigation showed £28.2K from the current year (2005/06) is, as yet, also unattributed to an accounting code.

It was noted during sample testing that very low value expenses are being paid by credit card. An extreme example was the £2.30 rail ticket referred to above.

We therefore recommend:

- a) The issue of a credit card following a successful application should be via the officer responsible for corporate credit cards within the Council. In issuing the credit card to the cardholder, the officer responsible should require a signature confirming the card has been issued. The cardholder should be issued with the Council's terms and conditions for use of the card, together with the similar terms and conditions for use supplied by the card issuer.
- b) Terms and conditions for the use of Corporate Credit Cards must be provided by the Council. These terms and conditions should set out the types of purchases that are and are not allowed, the retailers and service providers who should be used wherever possible, the responsibilities for resolution of disputed amounts, minimum and maximum purchase values and any constraints on use and retention of the card.
- c) A clear procedure should be put in place to ensure that Corporate Credit Cards are retrieved from all cardholders leaving the employment of the Council. Similarly, any change to the circumstances and/or responsibilities of the cardholder should be accompanied by a review of his credit card and its attributes, and potential withdrawal of the card on the grounds of need.
- d) A policy statement should be produced and issued to all cardholders, stating that it is a specific responsibility of the cardholder to account for his spending on his credit card within 30 days of the statement date. Some £35.5K of payments to the card issuer had not been properly accounted for at the time of this audit. Cardholding officers should be told to return their accounting of the

transactions on the card issuers statement within 30 days. It should make clear that failure to render the accounting in that time may mean the withdrawal of the card.

- e) A policy statement should be issued together with an instruction to staff processing claims into the accounting system, saying claim forms that do not have a receipt attached for all transactions contained on the statement will be rejected and returned to the authorising officer for action.
- f) Within the Council, there is no single appointee controlling all matters related to corporate credit cards and their use and abuse. A person should be specifically nominated to this role, and should have responsibilities covering credit card policy, acquisition and distribution of cards, provision of card processing procedures, development of the Councils corporate credit card base and reporting of purchases and outstanding, unaccounted amounts.
- g) Currently, nobody has acknowledged responsibility for chasing cardholders who are late in their accounting for credit card purchases. It is suggested that the chasing rightly belongs within the line management structure, but managers need to be provided with reports naming parties responsible. An individual officer should be nominated to produce a report of all credit card statements remaining unaccounted for 30 days after the statement date.
- h) The current limits applied to corporate credit cards are excessive, when considered in terms of the average spend recorded against the cards. It appears that credit limits are being established at a 'standard' value at the time that the card is issued, with little or no thought as to whether or not the limit is appropriate. Greater attention should be given to the individual needs of the cardholder and the credit limit should be set accordingly. Credit card limits should be adjusted downwards to reflect the individual needs of the cardholders and the relative risk to the Council. Future issues of corporate credit cards should be considerate of the purpose for which they are being requested, and the credit limit should be set accordingly.
- i) Consideration should be given to the transfer of the corporate credit card base (which is very small at present at just 18 cards) to the alternative of purchasing cards. The Government Purchasing Card (GPC) is available from HSBC, the Council's bankers and is compatible with the Councils own declared "*e-Procurement Strategy 2004-2006*". At so-called Level 3, the GPC provides for electronic transfer of detail, obviating the need to enter the data manually.
- j) A policy statement should be issued to cardholders saying any credit amount present on the cardholders statement should be attributed to the same account code as the original debit transaction to which it relates, and the description on the claim should both cross-reference to the original debit and explain the reason for the credit.
- k) A higher priority must be given to the entry of credit card claim forms returned from the cardholders to Exchequer Services, in order that the cardholders can be held properly accountable for late returns.
- l) It should be made clear to cardholders in applicable statements of policy that credit card purchases or goods and services do not obviate the need to follow established purchase ledger requirements in the acquisition of goods and services.
- m) An instance was noted in the audit testing where the claimant and the authoriser for a credit card claim was one and the same person. This eventuality should be specifically excluded by policy and procedure.

- n) Items are being purchased through corporate credit cards on behalf of persons other than the cardholder. A policy should be established covering these incidences specifically and if they are to be regarded as permissible, the means of their reimbursement should be established.
- o) The instructions at the foot of the Backing Form for Credit Card Invoices should be enhanced to include an instruction to use the dates from the card issuer statement in the "Date" column of the form.
- p) A minimum value should be specified for expenses paid by corporate credit card, in order to avoid the process becoming much more costly than processing the same claim through (say) petty cash.
- q) A new section should be included in the Financial Regulations describing the requirement with respect to corporate credit cards, and statements 16.8 and 16.9 of the current Financial Regulations should be moved to the new section.

1.4.6 Officers' Expenses - General Observations

We were advised by Exchequer Services staff that certain claims will not be paid unless it has a receipt attached. The review showed several claims where:

1. Receipts were incomplete or not attached to the claim (it is possible the receipts had become detached).
2. Receipts did not relate to the claimed value.

All claim forms are subject to authorisation before being passed for payment. It is understood from interviews with Exchequer Services staff that any claim form that is not properly authorised is returned to the claimant for action. Testing showed all the claim forms were authorised, although the signature is not capable of being interpreted in all cases. In many cases, the signature is no more than a scribble, easily forged, and potentially capable of being entered by the claimant on a fraudulent claim.

Recommendations

The procedures for the submission of Officers' Expenses claims should be amended to include the following requirements:

- Any claim that is not supported by the attachment of receipts will be rejected by the authorised signatory
- It is required that all receipts attached to claims will be original copies, unless the authorised signatory is satisfied that it is not possible to do so
- Any claims where the value on the receipts does not tally with the values on the claim will be rejected by the authorised signatory

Staff should be reminded by restatement of policy that all purchases of goods/services and capital items must be via purchase order and the purchase ledger. The statement should make it clear that inadequate forward planning will not be accepted as an excuse for using an inappropriate medium for the claim. It is understood that this has since been done.

The payment of eye tests and spectacles should be validated by the authorised signatory to ensure that SBC is only reimbursing these amounts where the eye test and spectacles are required for operating visual display equipment, and the invoice is in respect of basic frames and lenses only.

A suitable payment media should be identified for the payment of invoices in respect of eye tests and the supply of spectacles.

Where an error has been made in the entry of a financial transaction, the standing instruction should be that the whole value is reversed out as a contra entry, and

the correct value is entered in its place. Otherwise, the entry of net values creates a value that is not supported by any form of invoice or receipt.

Claims are not being fully described in a significant number of instances, with an extreme example being a list of retailers rather than the items purchased and the reason for purchase. Financial Regulations should be updated to reflect the requirement that expense claims must be accompanied by a full description of what was purchased and the reason for the purchase.

Financial Regulations should be updated to be specific with regard to the four forms of expense media, so that officers will be in no doubt what claim form they must use for what and any limitations on such claims. In the case of the Corporate Credit Card, it is mentioned as an afterthought in the petty cash section at the moment, and would be more appropriate in a section dedicated to corporate credit cards.

There is a need for the authorising signature to be accompanied by a printed name, so that the officers clearing the claim for payment can verify more easily the name of the authoriser against their list of authorised signatories.

Input should be provided into the Chief Officer Board with respect to their work on Business Continuity Planning in the event of an IT failure. Specifically, it should address the reporting of potential areas of data loss, including expense data.

A process for reporting suspicious occurrences should be put in place in Exchequer Services, so that a formal investigation process is invoked and resolving action is put in place.

Either a system for the payment of advances or loans should be introduced and controlled outside the officers' expenses system, or such payments should be expressly forbidden, as stated in Financial Regulations.

The policy that travel warrants must be used for all rail travel should be restated to all employees of the Council.

Terry Schooling
October 2005

Management Action Plan For: - Officers' Expenses – 2005/06

Appendix/ Para	Recommendation	Significance * Low ** Med *** High	Agreed/ Not agreed	Officer Responsible	Officer Comments	Implement'n date
Travel & Subsistence:						
1.4.2	The Assistant Chief Executive (Finance) remind all staff of Council policy, drawing attention to the requirements of Financial Regulations with respect to Travel & Subsistence claims.	***	Agreed	Scott Crudgington		31 January 2007
Petty Cash						
1.4.3 a)	Any claim for reimbursement via Petty Cash in excess of £30 is rejected and returned to the authorising officer for resolving action, or the £30 limit is revised upwards to an appropriate level.	*	Agreed	Dan Harris	We agree to the £30 limit and we are enforcing this. However, there will be occasions for urgent claims above £30 and we will request an authorised memo.	Implemented
b)	The ad hoc payment of payroll-related amounts via Petty Cash should cease in favour of payment via the urgent cheque procedure, perhaps accompanied by arrangements for special clearance.	*	Agreed	Dan Harris	Infrequently urgent cash payments are required for weekly paid employees. Therefore we cannot cease all of these payments	

Appendix/ Para	Recommendation	Significance * Low ** Med *** High	Agreed/ Not agreed	Officer Responsible	Officer Comments	Implement'n date
c)	The payment of loans and advances through Petty Cash should be restricted to exceptional items since there is no procedure in place to ensure repayment of the advance is correctly accounted for subsequently.	**	Agreed	Jan Corr	Only in exceptional circumstances	Implemented
d)	Any requirement to enter a credit value into the Petty Cash system, other than a float adjustment via imprest, should be authorised.	*	Agreed	Jan Corr		Implemented
e)	The current central Petty Cash float of £3,000 is excessive and should be reviewed to bring it to a level more in keeping with true Petty Cash claims.	**	Agreed	Jan Corr	Already reduced to £1500	Implemented
f)	The central Petty Cash holding should be subject to a more conventional imprest reconciliation, where the value of claims paid is reconciled to the value of the cash holding, resulting in the calculation of the imprest value. The same reconciliation should allow for a variance to be reported between the calculated float and the counted float, together with an explanation of the variance.	**	Not agreed	Jan Corr	We already reconcile the petty cash float on a daily basis	N/A
g)	Two officers should be present when the Petty Cash float is counted and both should sign their agreement to the value declared.	**	Not agreed	Jan Corr	Alternative procedure in place whereby a different officer reconciles the petty cash float on a daily basis	N/A

Appendix/ Para	Recommendation	Significance * Low ** Med *** High	Agreed/ Not agreed	Officer Responsible	Officer Comments	Implement'n date
g)	Any 'urgent' payment via Petty Cash should require the counter-signature of a senior officer within Financial Services.	*	Agreed	Dan Harris		Immediate
Corporate Credit Cards						
1.4.5 a)	The issue of a credit card following a successful application should be via the officer responsible for Corporate Credit Cards within the Council. In issuing the credit card to the cardholder, the officer responsible should require a signature confirming the card has been issued. The cardholder should be issued with the Council's terms and conditions for use of the card, together with the similar terms and conditions for use supplied by the card issuer.	***	Agreed	Ian Wilson	Have contacted bank to see if this is possible. Currently bank issue card directly to card holder.	Awaiting response
b)	Terms and conditions for the use of Corporate Credit Cards must be provided by the Council. These terms and conditions should set out the types of purchases that are and are not allowed, the retailers and service providers who should be used wherever possible, the responsibilities for resolution of disputed amounts, minimum and maximum purchase values and any constraints on use and retention of the card.	***	Agreed	Ian Wilson	Policy needs to be set, agreed and issued by Council's S151 Officer	End October

Appendix/ Para	Recommendation	Significance * Low ** Med *** High	Agreed/ Not agreed	Officer Responsible	Officer Comments	Implement'n date
c)	A clear procedure should be put in place to ensure that Corporate Credit Cards are retrieved from all cardholders leaving the employment of the Council. Similarly, any change to the circumstances and/or responsibilities of the cardholder should be accompanied by a review of his credit card and its attributes, and potential withdrawal of the card on the grounds of need.	***	Agreed	Ian Wilson	As above	As above
d)	A policy statement should be produced and issued to all cardholders, stating that it is a specific responsibility of the cardholder to account for his spending on his credit card within 30 days of the statement date. It is clear that scant regard is being paid to making a timely return of credit card claims. Some £35.5K of payments to the card issuer had not been properly accounted for at the time of this audit. Cardholding officers should be told to return their accounting of the transactions on the card issuers statement within 30 days. It should make clear that failure to render the accounting in that time may mean the withdrawal of the card.	***	Agreed	Ian Wilson	To be included in policy Report to be provided by Corporate Admin to authorising & responsible officer. Repeated failure to comply will lead to withdrawal of card. I.e. three occasions in a year.	End October
e)	A policy statement should be issued together with an instruction to staff processing claims into the accounting system, saying claim forms that do not have a receipt attached for all transactions contained on the statement will be rejected and returned to the authorising officer for action.	**	Agreed	Ian Wilson	Policy to be drawn up and issued. Receipt or evidence of purchase to be produced.	End October

Appendix/ Para	Recommendation	Significance * Low ** Med *** High	Agreed/ Not agreed	Officer Responsible	Officer Comments	Implement'n date
f)	Within the Council, there is no single appointee controlling all matters related to Corporate Credit Cards and their use and abuse. A person should be specifically nominated to this role, and should have responsibilities covering credit card policy, acquisition and distribution of cards, provision of card processing procedures, development of the Council's corporate credit card base and reporting of purchases and outstanding, unaccounted amounts.	***	Agreed	Ian Wilson	The local taxation and revenue manager will be the responsible officer and make recommendations on these issues if req'd to the Council's S151 Officer	End October
g)	Currently, nobody has acknowledged responsibility for chasing cardholders who are late in their accounting for credit card purchases. It is suggested that the chasing rightly belongs within the line management structure, but managers need to be provided with reports naming parties responsible. An individual officer should be nominated to produce a report of all credit card statements remaining unaccounted for 30 days after the statement date.	**	Agreed	Ian Wilson	Refer any failure to authorising officer and responsible officer. Providing report from a new corporate admin post	As above

Appendix/ Para	Recommendation	Significance * Low ** Med *** High	Agreed/ Not agreed	Officer Responsible	Officer Comments	Implement'n date
h)	<p>The current limits applied to Corporate Credit Cards are excessive, when considered in terms of the average spend recorded against the cards. It appears that credit limits are being established at a 'standard' value at the time that the card is issued, with little or no thought as to whether or not the limit is appropriate. Greater attention should be given to the individual needs of the cardholder and the credit limit should be set accordingly. Credit card limits should be adjusted downwards to reflect the individual needs of the cardholders and the relative risk to the Council. Future issues of Corporate Credit Cards should be considerate of the purpose for which they are being requested, and the credit limit should be set accordingly.</p>	**	Agreed	Ian Wilson	<p>For Emergency Planning Purposes it is recommended that for Strategic Directors, Heads of Service and First Reports credit card limits remain at £5,000. The exception to this will be the Section 151 Officer where it will be £10,000. An individual evaluation will be made of those Cardholders beneath the levels mentioned above in conjunction with the Council's Procurement Officer. At present it is being encouraged within the Council that a credit card be used for one-off purchases below £1,000, where the supplier is a new supplier to the Council. This is recognised as a more efficient and economic means of payment processing than setting the supplier up on Integra if we do not intend to use the supplier again (see new supplier request form).</p> <p>Integra if we do not intend to use the supplier</p>	End of October

Appendix/ Para	Recommendation	Significance * Low ** Med *** High	Agreed/ Not agreed	Officer Responsible	Officer Comments	Implement'n date
i)	Consideration should be given to the transfer of the Corporate Credit Card base (which is very small at present at just 18 cards) to the alternative of Purchasing Cards. The Government Purchasing Card (GPC) is available from HSBC, the Council's bankers and is compatible with the Council's own declared " <i>e-Procurement Strategy 2004-2006</i> ". At so-called Level 3, the GPC provides for electronic transfer of detail, obviating the need to enter the data manually.	**	Not agreed	Ian Wilson	Needs to be investigated with input from the Council's Procurement Officer	Decision to be made before the end of March.
j)	A policy statement should be issued to cardholders saying any credit amount present on the cardholders statement should be attributed to the same account code as the original debit transaction to which it relates, and the description on the claim should both cross-reference to the original debit and explain the reason for the credit.	*	Agreed	Ian Wilson	Incorporate in terms and conditions.	End October.
k)	A higher priority must be given to the entry of credit card claim forms returned from the cardholders to Exchequer Services, in order that the cardholders can be held properly accountable for late returns.	**	Agreed	Jan Corr		Implemented

Appendix/ Para	Recommendation	Significance * Low ** Med *** High	Agreed/ Not agreed	Officer Responsible	Officer Comments	Implement'n date
l)	It should be made clear to cardholders in applicable statements of policy that credit card purchases or goods and services do not obviate the need to follow established purchase ledger requirements in the acquisition of goods and services.	*	Agreed	Ian Wilson	Incorporate in terms and conditions.	End October.
m)	An instance was noted in the audit testing where the claimant and the authoriser for a credit card claim was one and the same person. This eventuality should be specifically excluded by policy and procedure.	*	Agreed	Ian Wilson	Incorporate in terms and conditions.	End October.
n)	Items are being purchased through corporate credit cards on behalf of persons other than the cardholder. A policy should be established covering these incidences specifically and if they are to be regarded as permissible, the means of their reimbursement should be established.	*	Agreed	Ian Wilson	Incorporate in terms and conditions.	End October.
o)	The instructions at the foot of the Backing Form for Credit Card Invoices should be enhanced to include an instruction to use the dates from the card issuer statement in the "Date" column of the form.	*	Agreed	Ian Wilson	Incorporate in terms and conditions.	End October.
p)	A minimum value should be specified for expenses paid by Corporate Credit Card, in order to avoid the process becoming much more costly than processing the same claim through (say) Petty Cash.	*	Agreed	Ian Wilson	Incorporate in terms and conditions.	End October.

Appendix/ Para	Recommendation	Significance * Low ** Med *** High	Agreed/ Not agreed	Officer Responsible	Officer Comments	Implement'n date
q)	A new section should be included in the Financial Regulations describing the requirement with respect to Corporate Credit Cards, and statements 16.8 and 16.9 of the current Financial Regulations should be moved to the new section.	**	Agreed	Ian Wilson		When next revised
Officers' Expenses – General Observations						
1.4.6 a)	<p>The procedures for the submission of Officers' Expenses claims should be amended to include the following requirements:</p> <ol style="list-style-type: none"> 1. Any claim that is not supported by the attachment of receipts will be rejected by the authorised signatory. 2. It is required that all receipts attached to claims will be original copies, unless the authorised signatory is satisfied that it is not possible to do so. 3. Any claims where the value on the receipts does not tally with the values on the claim will be rejected by the authorised signatory. 	**	Not agreed	Scott Crudgington	It may not always be possible to obtain a receipt and sometimes these will get lost. It should be at the authorised signatories discretion.	N/A
		*	Agreed	Jan Corr		With immediate effect
		**	Not agreed	Scott Crudgington	This will not always be possible as receipts may sometimes show personal items which are not being claimed for	N/A

Appendix/ Para	Recommendation	Significance * Low ** Med *** High	Agreed/ Not agreed	Officer Responsible	Officer Comments	Implement'n date
b)	Staff should be reminded by restatement of policy that all purchases of goods/services and capital items must be via purchase order and the purchase ledger. The statement should make it clear that inadequate forward planning will not be accepted as an excuse for using an inappropriate medium for the claim.	*	Agreed	Dan Harris	Already implemented via HoS/1 st reports group, regular management information, BV8 awareness, etc.	Implemented and ongoing
c)	The payment of eye tests and spectacles should be validated by the authorised signatory to ensure that SBC is only reimbursing these amounts where the eye test and spectacles are required for operating visual display equipment, and the invoice is in respect of basic frames and lenses only.	*	Agreed	Sue Kingsley Smith/Suzanne Brightwell	Issue already raised and discussed at the H & S Working Group	Implemented and ongoing
d)	A suitable payment media should be identified for the payment of invoices in respect of eye tests and the supply of spectacles.	*	Agreed	Dan Harris	Already being paid via Payroll	Implemented
e)	Where an error has been made in the entry of a financial transaction, the standing instruction should be that the whole value is reversed out as a contra entry, and the correct value is entered in its place. Otherwise, the entry of net values creates a value that is not supported by any form of invoice or receipt.	*	Agreed	Dan Harris		Staff advised and implemented

Appendix/ Para	Recommendation	Significance * Low ** Med *** High	Agreed/ Not agreed	Officer Responsible	Officer Comments	Implement'n date
f)	Claims are not being fully described in a significant number of instances, with an extreme example being a list of retailers rather than the items purchased and the reason for purchase. Financial Regulations should be updated to reflect the requirement that expenses claims must be accompanied by a full description of what was purchased and the reason for the purchase.	*	Agreed	Scott Crudgington		31 March 2007
g)	Financial Regulations should be updated to be specific with regard to the four types of expenses claim, so that officers will be in no doubt what claim form they must use for what and any limitations on such claims. In the case of the Corporate Credit Card, it is mentioned as an afterthought in the Petty Cash section at the moment, and would be more appropriate in a section dedicated to Corporate Credit Cards.	**	Agreed	Scott Crudgington		31 March 2007
h)	There is a need for the authorising signature to be accompanied by a printed name, so that the officers clearing the claim for payment can verify more easily the name of the authoriser against their list of authorised signatories.	*	Agreed	Scott Crudgington		31 January 2007
i)	Input should be provided into the Chief Officer Board with respect to their work on Business Continuity Planning in the event of an IT failure. Specifically, it should address the reporting of potential areas of data loss, including expenses data.	**	Agreed	Dan Harris		31 March 2007

Appendix/ Para	Recommendation	Significance * Low ** Med *** High	Agreed/ Not agreed	Officer Responsible	Officer Comments	Implement'n date
j)	A process for reporting suspicious occurrences should be put in place in Exchequer Services, so that a formal investigation process is invoked and resolving action is put in place.	*	Agreed	Jan Corr	Already in place. Staff are aware to advise management or Audit.	
k)	Either a system for the payment of advances or loans should be introduced and controlled outside the Officers' Expenses system, or such payments should be expressly forbidden, as stated in Financial Regulations.	***	Agreed	Dan Harris	In an earlier recommendation it is stated that this would be allowed in exceptional circumstances. In addition SMB members have in the past requested such payments	
l)	The policy that travel warrants must be used for all rail travel should be restated to all employees of the Council.	*	Agreed	Dan Harris/Jan Corr		31 January 2007

Signed _____ (Executive Manager) Date _____

Unaccounted Credit Card Statements as at the End of Period 4 2005/06

Date Paid Into Bank	Description	DD's on Bank Statement (a)	Invoices raised by Exchequer this period	Outstanding Balance
21-Jun-01	Commercial Card	1,145.59	0.00	1,145.59
20-Nov-01	Commercial Card	298.70	0.00	298.70
20-Dec-01	Commercial Card	846.37	0.00	846.37
20-Mar-02	Commercial Card	255.00	0.00	255.00
21-Jul-03	Commercial Card	2,874.59	0.00	2,874.59
20-Aug-03	Commercial Card	383.05	0.00	383.05
20-Nov-03	Commercial Card	1,290.42	0.00	1,290.42
21-Jan-04	Commercial Card	255.43	0.00	255.43
		<u>7,349.15</u>		<u>7,349.15</u> O/S from 2004/05
22-Apr-04	Commercial Card	701.33	0.00	701.33
21-Sep-04	Commercial Card	1,935.77	-1,935.77	0.00
21-Oct-04	Commercial Card	767.22	-415.22	352.00
21-Jan-05	Commercial Card	1,967.35	-247.35	1,720.00
7-Mar-05	Commercial Card	3,036.02	-2,103.10	932.92
16-Mar-05	Commercial Card	16,736.02	0.00	16,736.02
19-Apr-05	Commercial Card	2,424.85	0.00	2,424.85
18-May-05	Commercial Card	4,929.85	0.00	4,929.85
20-Jun-05	Commercial Card	1,660.28	-1,660.28	0.00
	Commercial Card	1,713.60	-1,629.80	83.80
	Commercial Card	2,451.14	-2,126.14	325.00
		<u>38,323.43</u>		<u>28,205.77</u> O/S 2005/06 YTD
	Totals:	<u>45,672.58</u>		<u>35,554.92</u> or 78%

Reconciliation for Petty Cash Imprest

Date	Details of Expense	Claim value	
dd/mm/yy	description	£x.xx	
dd/mm/yy	description	£x.xx	
dd/mm/yy	description	£x.xx	
dd/mm/yy	description	£x.xx	
dd/mm/yy	Total Claims:	£y.yy	Imprest value
dd/mm/yy	Plus: Counted Float:	£z.zz	Cash-in-hand
	Calculated Float:		
	Less: Authorised Float:	£p.pp	Established float value
	Variance:		Overs/shorts

Explanation for variance in float:

Prepared by:

Name:	Signature:	Date:
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Approved by:

Name:	Signature:	Date:
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¹CORPORATE CREDIT CARD PROCEDURES – SUGGESTED MODEL

ROLE OF ASSISTANT CHIEF EXECUTIVE (FINANCE) AND HEAD OF FINANCE

AUTHORISED CARD HOLDERS

To ensure good financial management and sound corporate governance only the Assistant Chief Executive (Finance) and the Head of Finance will be authorised to approve the use of Corporate Credit Cards.

The credit card must be used only by a member of staff that has signed the Acceptance and Undertaking, agreeing to abide by the Terms and Conditions of Use as detailed. Cards must be terminated immediately the authorised card holder ceases to have responsibilities that require it.

An up to date record of authorised card holders including date of issue/termination, card limit etc. must be maintained and held by the Head of Finance.

Authorised Users should familiarise themselves with the regulations for travel and subsistence and must ensure that the credit card is not used for transactions which are not appropriate.

LIMITS

The upper limit of a card will be determined by the Assistant Chief Executive in consultation with the Head of Finance but **may** not be greater than £5k.

The card **must not** be used for: -

- Withdrawing cash or obtaining foreign currency (a normal imprest may be applied for if necessary), or
- The purchase of goods required for business purposes, except in an emergency, or
- Any type of personal expenditure – even if it is the intention to repay such expenditure to Stevenage Borough Council.

The card **may** be used for: -

- Accommodation bookings/payment while abroad;
- Payment of travel costs (air, train taxi etc.) including bookings made via the internet;
- Payment for meals and hospitality subject to the amounts being in accordance with the relevant codes and other directions currently in force.
- The purchase of goods required for business purposes in an emergency only.

¹ Source Document: Use of Corporate Credit Cards. Circular Reference: HSS (F) 11/2003. Date of Issue: 18 April 2003. Document issued by the Finance & Policy Accountability Unit, Department of Health, Social Security and Public Safety (www.dhsspsni.gov.uk).

ROLE OF AUTHORISED USER

BACKING FORM FOR CREDIT CARD INVOICES

As stated in the Acceptance and Undertaking it is the responsibility of authorised card holders to complete the Backing Form for Credit Card Authorisation and to have it approved retrospectively by their line manager. The Chief Executive's claim form will be authorised by the Chairperson of Stevenage Borough Council. Any disputes regarding the credit card statement must be noted and relevant documents regarding the outcome of the dispute must be kept for audit purposes.

PAYMENT AND UPDATING ACCOUNTS

1. Each month a statement will be received from the credit card issuer detailing charges.
2. This must be checked immediately upon receipt and associated with the Backing Form for Credit Card Authorisation and copies of the relevant receipts or vouchers.
3. Where a receipt is not available, the authorised card holder will be asked to provide verification of the transaction. A receipt should follow as soon as possible.
4. The authorised card holder must ensure that any items appearing on the statement also appear on their normal Backing Form for Credit Card Authorisation.
5. Any item appearing on the statement which is not recognised and would not have been authorised for payment by the user should be investigated immediately with the credit card issuer by the authorised card holder.
6. The Backing Form for Credit Card Authorisation form must then be signed by the authorised card holder and verified by the line manager.
7. Original copies of the Backing Form for Credit Card Authorisation and the credit card statement must then be passed to Exchequer Services for checking and verification by an independent officer no more than 10 days from the date of receipt of the statement.
8. Should a dispute arise the Backing Form for Credit Card Authorisation and credit card statement must still be signed and sent to Exchequer Services.

It is the responsibility of the authorised card holder, to pursue any disputed items with the credit card issuer/vendor. As stated in the 'Acceptance and Undertaking' any expenditure for which supporting receipts/vouchers are not presented will become the liability of the user.

ROLE OF FINANCE DIRECTORATE

1. To guard against fraud it is essential that the Finance Directorate maintains strict financial control of credit card usage and implement procedures to ensure that a full reconciliation of all transactions is completed each month.
2. Immediately upon receipt of the Backing Form for Credit Card Authorisation and the credit card statement, an independent officer must check and verify that the expenditure incurred complies with the terms and conditions for usage and also with the relevant codes and any other directions for payment of travel and subsistence and/or supply of goods and services currently in operation. This may include liaison with the service supplier and/or credit card issuer to confirm details of particular transactions.
3. If, during the check, any discrepancies are found they should be referred back to the authorised card holder via the officer who authorised the payment.
4. ***To ensure no interest charges are incurred, payment of the balance on the credit card statement should not be delayed pending outcome of the investigation of any discrepancy.***
5. Finance Directorate also will be responsible for: -
 - Training authorised card holders.
 - Training of staff responsible for authorising or verifying forms.
 - Maintaining/updating procedures.
6. There should be documented procedures in place to deal with the following: -
 - For discrepancies which cannot be resolved amicably with either the authorised card holder or the credit card issuer.
 - Where possible fraud investigation is thought necessary.

TERMS AND CONDITIONS OF USE

1. Corporate Credit Cards used in the day to day business of Stevenage Borough Council are intended to facilitate transactions only in limited circumstances, chiefly to provide an easier means of booking and paying for travel and accommodation and/or supply of goods and services where it has not been possible to pre-book these by conventional means.
2. The cards **may be used** for: -
 - Accommodation bookings/payment while abroad;
 - Payment of travel costs (air, train, taxi etc.) where it has not been possible to pre-book prior to departure, including bookings made via the internet;
 - Payment for meals and hospitality subject to the amounts being in accordance with the relevant codes and any other directions currently in force.
 - Supply of goods and services where it has not been possible to pre-book these by conventional means.
3. The cards **must not be used** for: -
 - Withdrawing cash or obtaining foreign currency (a normal imprest can be obtained if necessary).
 - The purchase of goods required for business purposes, except in an emergency.
 - Any type of personal expenditure - even if the intention is to repay such expenditure.
4. Only officers who have been authorised by the Assistant Chief Executive or Head of Finance may use the card.
5. Credit card usage will be subject to management checks to ensure compliance with current policies for claiming travel and subsistence and supply of goods and services, in order to guard against fraud and contravention of established procedures.
6. The card must be kept in a safe place at all times. Authorised card holders are responsible for custody of the card. To guard against possible fraud, the authorized card holder should not lose sight of the card during a transaction. Loss of a card must be reported immediately to the credit card issuer and also to the Head of Finance.
7. The authorised card holder is responsible for completing the normal Backing Form for Credit Card Authorisation and ensuring that items charged to the card have been solely and necessarily incurred in the conduct of official business; for providing details of each occasion of use; and for submitting receipts or vouchers for all expenditure. Any expenditure for which supporting receipts/vouchers are not presented will become the liability of the authorised card holder.
8. Before using the card, each authorised card holder must sign the Acceptance and Undertaking document. A copy should be retained for personal reference and the original sent to the office of the Head of Finance for retention on file.
9. Unauthorised usage of a credit card issued in accordance with the Terms & Conditions of Use will be considered a disciplinary offence and could result in dismissal. In a case where a genuine mistake has occurred, the authorised card holder must inform the Head of Finance and reimburse Stevenage Borough Council immediately.

Stevenage Borough Council Credit Card Agreement

Acceptance and Undertaking

I have been provided with a copy and understand and accept the Terms and Conditions of Use.

I understand that I am personally liable for any expenditure charged to the card that does not comply with the Terms and Conditions for Use. I undertake to repay any such sums to the Stevenage Borough Council immediately.

Signed: _____

Date: _____

Name: _____ (print)

CREDIT CARD VERIFICATION FORM

From: Exchequer Services

Date: _____

To:

MONTHLY CREDIT CARD STATEMENT _____

Thank you for confirming details of expenditure on your Stevenage Borough Council credit card detailed in the card issuer's statement dated _____.

I note, however, that a receipt has not been included for the following transaction(s): -

	PURCHASE DATE	DESCRIPTION	AMOUNT
1			
2			
3			
4			
5			

A copy of the statement is attached.

I would appreciate if you would arrange for details of the purchase(s) to be sent to Exchequer Services so that payment can be authorised. Please use the space provided below.

Your assistance in this matter is appreciated.

Signed:

Exchequer Services, Stevenage Borough Council.

	DETAILS OF PURCHASE
1	
2	
3	
4	
5	

Backing Form for Credit Card Invoices

Where an officer has incurred substantial Officer Expenses using an SBC credit card, this form should be completed and submitted in support of all credit card invoices.

Name: Title: Dept.: Credit Card Number:								
Date	Receipt Attached (Yes/No)	Purpose	Persons for whom expenditure was made	Items	Cost Centre	Account Code	VAT Code	Amount *£ p
						Total Amount £		
Goods Rec/Work Done		Prices/Quant's checked	Arith. checked	Certified by Spend. Dept.				

***GIVE THE AMOUNT IN LOCAL CURRENCY IF NOT IN UK, AND APPROXIMATE AMOUNT IN STERLING IF POSSIBLE**

To use this form as the coding voucher, record all details of expenditure above and complete authorisation section. Continue on attached sheet if necessary. Attach all receipts and attach to credit card invoice for payment.

Government Procurement Card
Annual Report 2004

Delivering efficiency savings across the UK Public Sector

Introduction

“GPC Visa is, in every sense, a success. It reduces bureaucracy and saves money while it opens up the government market to new opportunities and new suppliers”

John Oughton, Chief Executive, Office of Government Commerce, 2004

This year we can celebrate the milestone of over £1 billion cumulative spend on the Government Procurement Card (GPC Visa), by more than 62,000 users, in over 420 public sector programmes.

This achievement is not just a good example of efficiency working, but also one of collaboration succeeding as OGCbuying.solutions (OGCb.s) has worked with Visa Europe and a consortium of seven banks to make this initiative a reality. In achieving such a significant success, GPC Visa has shown that the public and private sectors can work in partnership.

Effective partnership is not the only initiative which is being demonstrated here. GPC Visa is also a key component in the National e-Procurement Strategy, assisting public sector organisations to fulfil both their efficiency targets and their e-targets as well as meeting prompt payment legislation.

In turn, prompt payment and reduced administration have another beneficial effect – enabling small and

medium sized enterprises to conduct business with a wide range of public sector organisations.

Environmental benefits are generated as a result of using less paper – 330 tonnes of paper has already been removed from the purchase to pay process. The number of card users is on the increase, and it is estimated that GPC Visa is now responsible for saving over 2 million pieces of A4 paper per month.

So GPC Visa is, in every sense, a success. It reduces bureaucracy and saves money while it opens up the Government market to new opportunities and new suppliers. The card has already been adopted by many areas of Central Government and the wider public sector. I would urge every public sector organisation to make full use of GPC Visa; it really is an easy way to reduce their administration and maximise their potential for efficiency savings.

John Oughton
Chief Executive, OGC

This year's progress

“The total amount of spend placed through GPC Visa since the first card was issued is now over one billion pounds”.

Seventh year results

This, the seventh year of the card, has been the most successful to date. The total amount of spend on GPC Visa since the first card was issued is now more than one billion pounds. This is an increase in spend of £405 million in the last year, which represents more than a 56% increase overall. The use of GPC Visa is accelerating fast, with over 60% of the £1bn total spend occurring since the launch of the second contract in February 2003.

The pattern of monthly spend increase continues to reflect that of previous years. Again there were slowdowns in spend during April and December, which can be attributed to spring allocation of

budgets and Christmas holidays respectively. The trend was upwards growth throughout the year.

A good indication of card usage is to look at both the amount of spend and the number of transactions. Comparing the figures for spend and transactions for individual months between 2003 and 2004 shows monthly increases in both spend and transactions across the twelve months. When comparing spend, the lowest rate of increase between months across the year is 18% between January 2003 and January 2004, whilst a 50% rate of increase is found between December 2003 and December 2004. Comparing the number of transactions per month between 2003 to 2004 demonstrates similar rates of increase. Growth is clearly both consistent and regular, and there is no expectation that it will slow in the immediate future.

This year's progress

“GPC Visa is becoming a standard form of payment for the public sector”

This year's progress cont.

Turnover has also increased, with this year's amounting to 45% of the total since the programme started in 1997. The reason for this very strong growth can be attributed to the number of card programmes, which has grown from 277 in 2003 to 424 this year, representing an increase of 53% in 2004. This is the largest percentage increase in the last three years.

For the first time the number of transactions per programme is less than the previous year. However, with such significant growth in the number of programmes, this is not unexpected and as new initiatives mature we expect to see a significant increase in the number of transactions per programme for the coming year.

Environmental

Increased usage of the GPC Visa card also has a positive environmental impact. Visa estimates that 23 million pieces of paper were saved last year** by using the card, an increase of 53% on the previous year. This amount of paper is an equivalent saving of 2,015 trees this year alone, with a cumulative saving of 5,804 trees during the whole programme.

Such strong growth clearly demonstrates that GPC Visa is becoming a standard form of payment for the public sector. Card programmes are rapidly extending beyond Central Civil Government departments and into all areas of the public sector. For example Bristol City Council are using 170 virtual cards in 160 schools to improve the efficiency of their procurement, whilst the Ministry of Defence have over 14,000 cards in their programme. In both cases the purpose is the same: increased efficiency.

As the use of the card has increased, so have the savings figures. The annual savings figure for calendar year 2004 is £64,875,216* which represents 35% of the £187m cumulative savings for the entire programme.

With approximately 35% of all landfill in the UK being made up from waste paper, we can see that the GPC is having a positive effect, both in terms of reducing the consumption of paper and reducing our dependency on landfill. Also by reducing paper usage we reduce the use of printer inks, energy use for print runs and therefore positively reduce CO₂ emissions.

*Calculated using the NAO approved figure of £28 saving per transaction.

** Paper savings based upon 10 pieces of A4 paper saved per transaction

The challenges

“Potential usage for GPC Visa outweighs the current success and demands still further growth”

Challenges for the future

Whilst the GPC Visa programme has been highly successful this year, there is a great deal of potential for increasing the usage of GPC Visa across the public sector. Total Government expenditure for 2004 was £488bn*. Industry expertise indicates that GPC Visa is an appropriate payment tool for 5% to 8% of any institutional turnover. At current spend levels GPC Visa occupies less than 0.1% of last year's annual expenditure (£405m of £488bn). Five per cent is an aspirational target, but even using the card for 0.25% of annual expenditure would require an annual spend of £1.2bn, more than a two fold increase on this year's spend.

Industry estimates place over 60% of invoices raised in the public sector at less than £500, all of which could be paid using GPC Visa. There is no estimate for the total number of public sector invoices, but given the total value of spend it is reasonable to assume that GPC Visa is used to pay fewer than 5% of all of the public sector's sub £500 invoices. This indicates that the potential usage for GPC Visa outweighs the current success and demands still further growth. Several programmes have mandated the use of GPC Visa for all transactions below £5,000, which generally accounts for 90% of invoices.

OGCb.s' aspirational target of £4.5bn total expenditure by December 2008 will require the public sector to use GPC Visa for a further £3.4bn of spend before the deadline. This increase in total spend will require a year on year increase of 43% per annum over the next four years. Last year's percentile increase in spend was 53%, so an increase of 43% per annum is clearly achievable, not least because the potential for use is so much greater. However, increases of this amount represent a significant challenge for the public sector, not only to create new programmes, but also to extend the existing programmes.

Advice to organisations which wish to extend a GPC Visa programme:

Increase the number of cards

Cards are commonly distributed within departments and are allocated to employees according to their grade or function. Can cards be used in more departments and by more employees?

Increase the amount that can be spent on the cards in issue

Where employees are using a mix of both paper transactions and GPC Visa transactions, consider allowing GPC Visa users to make higher value purchases, thereby reducing the number of invoices still further.

Let suppliers know that you prefer to pay by GPC Visa

The transactional efficiencies available from using GPC Visa can benefit suppliers as well as public sector bodies. For more details see page 11.

Use 'virtual' cards

'Virtual' or 'embedded' cards allow multiple users to make use of a single card. A card can be applied to a single office, supplier or business function. For example, virtual cards are successfully used by staff in the Scottish Executive, through their Oracle e-Procurement System.

Use the card to pay and gain savings for prompt payment

Suppliers are often prepared to give better terms for prompt payment, above and beyond any charge they incur for accepting GPC Visa payments. Work with your suppliers to gain better price savings or better service terms.

Conduct an annual review of spending to assess areas within the business that could utilise GPC Visa as a payment tool

Link this work to the requirement to publish an annual efficiency statement, to ensure your plans are directly linked to your organisation's work on the Efficiency Review.

* Treasury financial statement and budget report, March 2004

The Efficiency Review

“It is, therefore, very likely that the demands of the Efficiency Review will increase both the number of GPC Visa programmes and increase the spend being delivered through existing card programmes”

OGC was asked by the Chancellor to conduct a review of efficiency across the entire public sector. The outcome of this review was a target of £20bn in annual savings to be made by 2008. Savings are to be achieved through the streamlining and consolidation of support processes, better procurement, and encouraging the take-up of online Government services. All public sector bodies are now working on detailed plans to meet their efficiency targets so that they can push investment back into the front-line services.

The review will encourage the public sector to reassess the prices they pay to suppliers and the methods they use to procure goods and services. GPC Visa is proven to deliver improved price and process efficiencies. It is, therefore, very likely that the demands of the Efficiency Review will increase both the number of GPC Visa programmes and increase the spend being delivered through existing programmes.

OGC has set an aspirational target of £4.5bn of cumulative spend before the contract expires in 2008. Meeting this target would mean delivering at least

£747m of efficiency savings solely from the use of the GPC Visa framework contract.

Below are some Key Performance Indicators that may be used to measure efficiency from the use of GPC Visa

GPC Visa provides, as a minimum, the following (level 1) data for every transaction: card number, transaction date, merchant details, currency of transaction and amount. The Management Information reports driven by this data enable organisations to assess cost saving per transaction, number of transactions, compliance to contract and paper savings (provided that an assessment of paper use per transaction has already been conducted).

As a headline figure for efficiency gains, this report utilises the NAO’s 1999 figure of £28 of efficiency savings per GPC Visa transaction. This is a figure that will provide a baseline figure for savings available in individual organisations. It is recommended that organisations identify their own figures for savings by using the benchmarking tool at www.purchasingcard.info.

	Baseline	Efficiency saving
The cost saving per GPC Visa transaction	Cost of transaction without using GPC Visa	Reduction in cost from the use of GPC Visa
Number of transactions	Number of GPC Visa transactions in previous financial year	Number of GPC Visa transactions multiplied by cost saving per transaction
Price savings	Price of goods / services bought from supplier(s) in previous year	The reduction in price of goods / services bought from supplier following introduction of GPC Visa
Compliance to contract	Estimated amount of ‘off-contract’ spend in previous year	The increased compliance to contract following introduction of GPC Visa
Paper savings	Amount of paper used to complete a purchase without GPC Visa	Reduction in the amount of paper used in a GPC Visa transaction

Suppliers

“Suppliers and Government agencies can be seen to be working in partnership to improve their efficiency and effectiveness”

Recruiting new suppliers to GPC Visa can initially represent a challenge for procurement professionals, as suppliers may be unsure of the benefits of becoming a Visa merchant. Conversely, some existing suppliers are so sure of the benefits of accepting payment by GPC Visa that they now offer discounts to users.

As part of the procurement negotiation, it is important to engage with suppliers to ensure that the benefits of using and accepting GPC Visa (detailed below) are fully understood. In proposing that a supplier becomes a Visa merchant, the cost to the supplier needs to be weighed against the operational cost of managing a payment through a traditional, paper payment method.

Suppliers need to cost the effort of managing the traditional method of payment against the following benefits:

- Prompt payment
- Cost savings through process reduction
- Credit control function diminishes
- Invoice queries diminish

- Duplicate invoice requests diminish
- Empowers SMEs to do business with major corporates and Government
- Improves relationship with buying organization

Significantly, GPC Visa allows public sector bodies to trade effectively with small and medium enterprises (SMEs) which are essential to the economic vitality of a locality or region. Increasing use of e-procurement solutions by the public sector is sometimes seen as a threat to SME suppliers. However, making Visa payments through an e-procurement system is no different from paying for goods online using a supplier website. Suppliers taking Visa payments are therefore more able to engage with an organisation’s e-procurement solution. Again this is mutually beneficial because the buyer receives greater control and spend compliance, whilst the supplier can retain their trade with the Government organisation by trading electronically.

Suppliers can also benchmark their current processes at www.purchasingcard.info and create a business case for accepting GPC Visa.

Common tasks for suppliers using a traditional payment method compared to GPC Visa:

Paper	GPC Visa
Input into sales ledger	Can be done automatically with integration from bank to sales ledger
Print invoice	Not necessary (with enhanced data)
Pack and post invoice	Not necessary (with enhanced data)
Chase payment - frequent task	Not necessary
Send duplicate information - frequent task	Not necessary
Receive cheque	Not necessary
Update sales ledger	Not necessary
Take cheque to bank and pay-in	Not necessary
Issue customer monthly statement	Can be done electronically, significantly reducing administrative tasks

Conclusion

“To meet the challenge of the Efficiency Review, it will be necessary to set up programmes where there are currently none, and to maximise usage in existing programmes”

The Efficiency Review has understandably increased awareness of GPC Visa and is a likely factor in the increasing number of card programmes this year. The card is a low cost solution where the needs for organisational change and training, whilst important, are significantly less than other e-procurement solutions. Efficiencies can also be recovered relatively quickly. The increase in card programmes is likely to continue for many more years to come. It is anticipated that as existing programmes mature, the use of GPC Visa will become further embedded into organisations and be seen as a tool for recovering efficiencies in the long term as well as the short term.

The challenges of the Efficiency Review are significant and should not be underestimated. GPC Visa is a key mechanism for delivering efficiency in public sector procurement and can be used to a much greater degree by public sector bodies. To meet the challenge of the Efficiency Review, it will be necessary to set up programmes where there are currently none, and to maximise usage in existing programmes.

GPC Visa also demonstrates the value of partnership between the public and private sectors. The partnership working between Visa Europe, the issuing banks and OGCB.s has delivered a successful product that is proven to be beneficial to each, but primarily the solution is beneficial to the cardholders and users. This is evidenced by the fact that Visa supports OGCB.s User Groups and sponsors tools such as www.purchasingcard.info and makes them available to GPC Visa users at no cost. OGCB.s provides users with a dedicated support team, committed to advancing the use of the card,

improving the product offering, working with suppliers and promoting best practice use of GPC Visa, again at no cost to the user. OGCB.s and Visa have also produced a number of implementation guides for use by public sector bodies, which are available on the OGCB.s website, www.ogcbuyingsolutions.gov.uk.

OGCB.s has continued to work with suppliers to negotiate point of sale discounts with high street retailers and other suppliers. Further work is being done with common suppliers to move them from providing standard data to enhanced data. The partnership is also committed to advancing the technology available to GPC Visa users. Visa and OGCB.s continue to promote best practice in card use. Team members regularly attend events such as National e-Procurement Project workshops to deliver specific messages that are tailored for the specific sector.

Upcoming events

18th / 19th May 2005
International Government Services Conference,
Singapore

21st / 22nd June 2005
Public Sector Expo, London

Additionally there are ongoing knowledge forums and User Groups regionally across the UK, details of which can be found in the GPC Visa newsletter and on the OGCB.s website www.ogcbuyingsolutions.gov.uk.

Why GPC Visa?

GPC Visa is a partnership agreement between the Visa issuing banks and the UK Government. It is seen as an exemplar programme because of the level of support and advice that is on offer to GPC Visa users, and the significant uptake has been achieved without needing to mandate its use.

In summary, the programme benefits are highlighted in the following list, reproduced from the first GPC Visa newsletter.

10 things you ought to know about GPC VISA

1. GPC Visa is the first choice for UK Government and UK public sector organisations. OGC awarded the contract to Visa and a consortium of its member banks following a fully EU compliant tender process. It provides tailored public sector payment systems that deliver proven savings in time, money and paperwork.
2. Established in 1994, GPC Visa is a proven solution and has been selected and endorsed by the UK Government and market tested on two occasions by them.
3. GPC Visa empowers end users while utilising appropriate levels of control. Accountability is key with centralised electronic reports producing a clear audit trail identifying exactly who has made each purchase.
4. Every card and programme is fully bespoke and can be used with any existing system. It does not have to be a physical card but can also be a virtual card embedded as an account number.
5. Management Information can be delivered in a variety of ways including the Internet. It is tailored to suit the requirements of each individual organisation.
6. Seven different member banks offer a GPC Visa solution promoting choice and competition and providing a range of alternative functionality. All have to adhere to a set of KPIs monitored by OGCbuying.solutions.
7. GPC Visa replaces bureaucracy and is a simple to use payment system which can have appropriate levels of control added.
8. GPC Visa plays an important role in helping organisations migrate to e-government, including the 2005 e-government target.
9. The GPC Visa contract provides for both procurement and travel & subsistence cards, responding to the needs of the public sector community.
10. Suppliers can benefit from guaranteed payment within 4 working days and reduced invoice queries.

The data to compile this study was provided by various Departments and Banks and has not been audited by Ticon. Ticon accept no responsibility for the accuracy of this data.

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