

<b>Committee:</b>	<b>Date:</b>
Finance Committee	31 January 2016
<b>Subject:</b> Review of the Corporate Purchase Cards card holders and controls	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Chris Bell and Geoff Parnell, Chamberlain's Department	

### **Summary**

The P-card Policy 1 Year Review Paper was presented at Finance Committee in September 2016. Members asked for a further report on the Purchase Card (P-card) controls, cardholders with limits over £5k and a possible alternative method for payments of personal expenses should it be a large percentage of PCard spend.

City Procurement ran a cardholder survey and undertook a full review of cardholders and the credit limits with all departments.

The summary findings of the report are:

- The review resulted in 49 cards being cancelled immediately.
- A review of cardholders limits resulted in a reduction of £683k (25%) in credit limits and £245k (20%) in transactional limits.
- Card holders with limits of £5k and above have been reduced by 40% to 62 users
- There are robust levels of P-card Control in place via 6 stage approval and review process.
- P-card Survey results:
  - 98% of card holders are aware of the P-card Policy and their responsibility as a cardholder
  - 90% of cards are used for business supplies and services only
  - 10% of cards used cards for personal expenses only with the majority of expenses processed via the Corporation's expenses system on the City People portal.

Finally after consultation with HR and Payroll and considering the small percentage of personal expense usage it is recommended no additional debit card option is needed at this time.

### **Recommendation**

Members are asked to note the findings of the report.

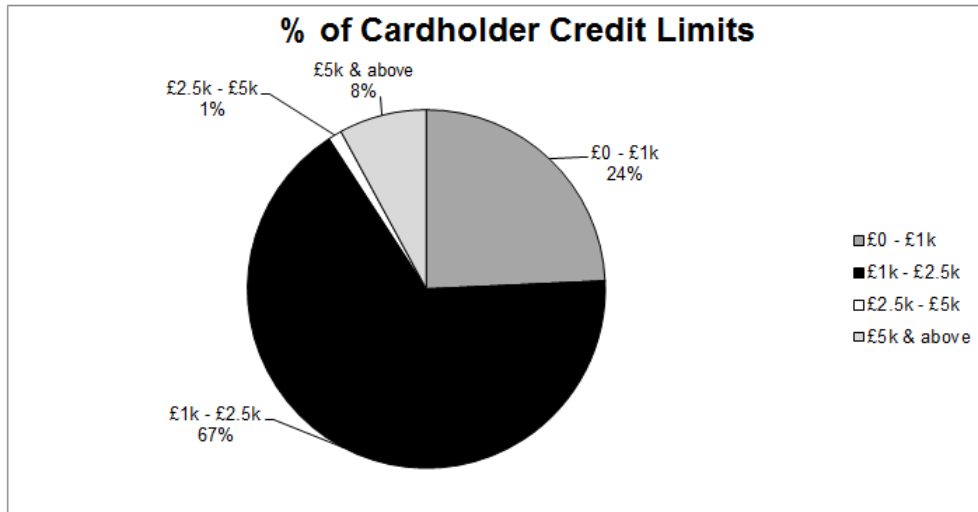
## **Main Report**

### **Background**

1. P-cards are used typically to buy goods or services, online or by telephone, that either cannot be purchased easily by traditional purchase order methods or where their use offers more efficient payment processes. Examples are for low value one-off purchases and other ad hoc expenses that do not merit setting up a supplier on our payment system.
2. For the period of January 2016 – December 2016 the total P-card spend was £4.6m million through 33k individual transactions with an average spend per transaction value of £140.
3. In response to Members concerns, a full review of P-card holders was completed in December 2016 to determine the main purpose of P-Card use and spend. All departments reviewed their cardholder population, the credit limits and transactional limits with an aim to ensure they were in line with operational needs and to mitigate potential misuse or fraudulent activities.
4. Members also requested details on the use of P-Cards and requested City Procurement in consultation with HR and Payroll consider – if personal expenses were at a high volume - the implications of introducing a debit card approach to work alongside the current expenses procedure.
5. Finally, Members requested more details on our internal controls in monitoring and approving spend via P-Cards to give reassurance that such controls offer robust management of such spend.

### **Results and Analysis of Annual P-card holder Review**

6. The September Committee Paper highlighted that the Cardholder community at that time totalled 844 cards. Historically the Corporation had a default recommended individual credit limit of £2.5k.
7. In response to Member feedback City Procurement commissioned a full review of all P-cards. The evidence gathered on typical P-Card usage has now resulted in a revised default card holder credit limit of £1k.
8. 19% of existing cards Credit Limits were reduced to £1k. Overall we now have 24% of all cards with a Credit Limit of £1k or less. We expect this number to grow over time due to new cardholders being defaulted to £1k and further reviews furthering this trend. Please see table below with a breakdown of all card holders Credit Limits.



9. Members asked at September's Finance Committee to be updated on the amount of card holders with limits over £5k. After the review there are now 8% of card holders with a credit limit of £5k or above amounting to 63 users who have higher spend limits. The need for the higher limits are due to operational requirements of their role, each of which has been reviewed and set by the Chief Officers of the individual card holder. We originally had 105 users with a value of £5k and above, the review has resulted in a 40% reduction. The full list of above £5k credit limit cardholders is at Appendix 1.
10. At the time of the September Committee Paper the total available credit limit of cardholders was £2.7M. The new total P-card Credit Limit has been reduced to a total of £2M, with a reduction of £683k. As a result this has significantly reduced our credit liability by 25%. The overall transactional credit limits were reduced by £245k, a 20% reduction.
11. The review also identified 49 P-cards that have been cancelled completely, resulting in a 6% reduction in the overall number of active P-cards which currently stands at 795 in total.

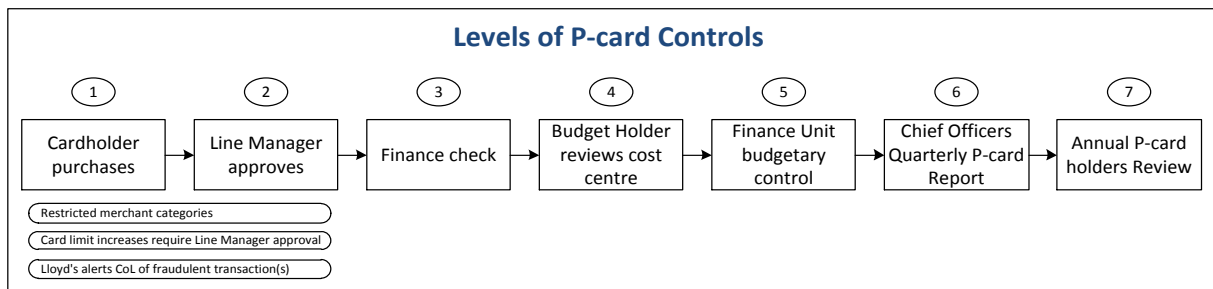
### Results of the P-card Holder Survey

12. A survey was issued to all 844 cardholders on the 1<sup>st</sup> December. The aim of the survey was to get clarification on how often cards were being used, what they were being used for, feedback on the CityCard system and cardholders awareness of the P-card policy.
13. The summary of findings are as follows:
- **Card Usage** – 64% of the surveyed cardholders use their card 2 or more times a month.
  - **Business Expenses** - 90% confirmed that they use their cards for solely business expenses.
  - **Personal Expenses** - 10% use their cards for personal expenses only.
  - **P-card Policy Awareness** – 98% of cardholders have read the P-card Policy and their responsibility as a cardholder.

- **CityCard vs Centresuite** – The survey confirmed that 62% of cardholders found CityCard to be an improvement compared with the previous system.

### Levels of P-card Controls

14. The diagram below shows the standard 6 level spend approval hierarchy that follows a purchase which is designed to mitigate the risk of misuse. A recent Audit confirmed a high level of controls were in place.



15. Other new controls include the ability to limit card purchases via merchant categories, this restricts card purchases to categories of spend relevant to the post holder and can bar purchases for items such as alcohol, gifts etc.

16. The continuous aim of City Procurement is to improve P-card compliance and mitigate misuse, the risk of fraud, poor value for money behaviours and reputational damage.

### Use of Personal Debit Cards as an alternative for purchases related to personal expenses

17. The findings of the P-card survey show that only 10% of P-card use relate to personal expenses. There are instances where for operational efficiency P-cards are required such as to facilitate Police Officers on covert missions or who are away from home for long periods of time. The out of pocket expenses would be high and their ability to claim expenses via CityPeople are limited.

18. City Procurement in conjunction with HR will do a campaign to promote the policy that all personal expenses should go through City People rather than P-cards. The City People portal is the formal route for all Corporation officers to claim expenses. The process is that officers incur the costs and pay for them and claim reimbursement on the City People portal, if approved they receive the due amount in a future salary payment.

19. The ability to introduce a debit card system resulted in City Procurement consulting the City of London's P-card provider, Lloyd's Bank, on whether personal debit cards can be linked to the CityCard system. Lloyd's Bank advised us that this functionality is not available.

20. City Procurement also consulted Payroll about taking increased amount of transactions by changing the emphasis of personal expenses to staff being funded by staff and then claiming back from the City through City People system. Prior to making any changes HR would need to develop a more defined policy on how personal expenses are processed. If approved then

Payroll advised that City People would need to be enhanced to handle the increased level of claims if City People was used in place of a P-card. They estimated that this would cost around £24k based on a similar recent project.

21. Payroll would then ideally need to add additional payment run days which would require an additional resource to do so as currently Officers are only paid once a month. If additional payment runs for personal expenses are not added then Officers may not be able to reimburse in time for them to pay their personal card bill.
22. It is felt that given the personal expense usage on Pcards is limited to 10% and with a policy campaign on claiming expenses through the corporate process being imminent, the cost to implement and the business processes changes required to introduce a debit card system mean that this is not a recommended option as the impact would be limited.

### **Conclusion**

23. City Procurement has completed a card holder review of all P-cards in consultation with the service departments - this has cleansed the overall data, reduced the monthly card holder credit limits liability by £683k and the number of Card holders with limits of £5k and above by 40%. The review also suggests that the controls in place are suitably robust to mitigate the risk of potential misuse while still providing Officers with the operational flexibility that is needed. Personal expenses are only used by a small portion of card holders and with the City People expenses process policy in place we recommend that the introduction of a debit card scheme is not required.

### **Background Papers**

- *Purchasing Card Policy* - October 2015 Finance Committee Paper
- *Annual revisions to the Corporate Purchase Card Policy* - June 2016 Finance Committee Paper
- *Review of the Corporate Purchase Card Policy after 12 months* - September 2016 Finance Committee Paper

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## Appendix 1 – List of Card Holders with Credit Limits of £5k and above

	Department	Job Title		Department	Job Title
1	Barbican Centre	Production Manager	33	Community & Children's Services	Business Support Manager
2	Barbican Centre	Events Producer	34	Culture, Heritage & Libraries	Performance Management Officer
3	Barbican Centre	Head of Music	35	Guildhall School	Director of Technical Theatre
4	Barbican Centre	Senior Technical Manager	36	Guildhall School	Director of Drama
5	Barbican Centre	Head of Sales	37	Guildhall School	Head of Performance Venues
6	Barbican Centre	Production Manager	38	Guildhall School	Assistant Principal
7	Barbican Centre	Head of International Enterprises	39	Guildhall School	Executive Assistant to the Director of Music
8	Barbican Centre	Head of Sales	40	Guildhall School	Head of Production
9	Barbican Centre	Senior Manager	41	London Councils	Principal Finance Officer
10	Barbican Centre	Costume Supervisor/Lecturer	42	Mansion House	Swordbearer & Senior Programme Manager
11	Central Criminal Court	Legal & Ceremonial Officer	43	Mansion House	Head of Programmes
12	City of London Police	Force Armourer	44	Mansion House	Deputy Keeper
13	City of London Police	Office Manager for IFED	45	Mansion House	Senior Programme Manager & City Marshall
14	City of London Police	Comm&er – ECD	46	Mansion House	Senior Programme Manager
15	City of London Police	Directorate Head for ECD	47	Mansion House	Keeper of the House
16	City of London Police	Sergeant – Safer Transport	48	Remembrancer's	Business Support Assistant
17	City of London Police	Sergeant – Fraud Investigation	49	Sir John Cass School	Administration Assistant
18	City of London Police	Logistics Support Officer - IFED	50	Tower Bridge	Operational Support Officer
19	City of London Police	Head of DCPCU	51	Tower Bridge	Senior Technical Officer
20	City of London Police	Finance Admin Officer	52	Town Clerks	Business Support Manager
21	City of London Police	OACU Investigator	53	Town Clerks	Senior European Regulation Advisor
22	City of London Police	OACU Investigator	54	Town Clerks	Head of Regulatory Affairs
23	City of London Police	Inspector – Fraud Investigation	55	Town Clerks	Head of City Competitiveness
24	City Surveyor's	Business Liaison Assistant	56	Town Clerks	Events Manager
25	City Surveyor's	City Surveyor	57	Town Clerks	Director of Economic Development
26	CoL Freeman's School	Headmaster	58	Town Clerks	Assistant Director EDO
27	CoL Freeman's School	Bursar	59	Town Clerks	Special Representative for the City
28	CoL School for Boys	IT Systems Manager	60	Town Clerks	Town Clerk & Chief Executive
29	CoL School for Boys	Finance Assistant	61	Town Clerks	Special Projects & Correspondence Manager
30	CoL School for Boys	IT Systems Manager	62	Town Clerks	Head of City Office in Brussels
31	CoL School for Girls	Bursar	63	Town Clerks	Business Support Manager
32	CoL School for Girls	Finance Manager			