



Directorate for Internal Audit & Assurance

Electronic Purchase Card Review

Social Security Scotland 2024/25

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Introduction

The electronic Purchasing Card (ePC) is an efficient, low cost and transparent way of making payments for goods and services. It is particularly useful for low-value expenditure with a single transaction limit of £5,000 and a monthly limit of £10,000. ePCs support the ministerial commitment to pay our suppliers within ten working days. Authorisation and auditing arrangements must be adhered to to monitor their use. In the past year there has been a focus on Electronic Purchase Card (ePC) usage across the Scottish Government (SG) with an audit within SG Core highlighting some control areas that could be improved.

This review looked to provide assurance in relation to ePC card usage within Social Security Scotland. Using Data Analytics we analysed card usage and undertook some targeted testing of ePC transactions to ensure compliance with guidance in relation to the propriety and approval of ePC spend and assessed controls to minimise risk of non-compliance and misuse.

Scope

The scope of this review was to evaluate and report on the controls in place to manage the risk surrounding Social Security Scotland's ePC processes and spend. Based on our assessment of high-risk areas we then focused our data analysis on the remits set out below.

Remit Item 1 – Compliance with Social Security Scotland Policies and Procedures

Testing of ePC transactions for compliance with the latest ePC policies and procedures, as well as applicable elements of the Scottish Public Finance Manual, including the Expenditure and payments and Procurement sections. This included testing to determine if:

- ePC payments are being made in compliance with established policies and procedures.
- Goods and Services covered by central contracting are purchased via ePC cards.
- Local ePC management information is fit for purpose and subject to periodic review by senior personnel
- Effective quality assurance is undertaken on ePC payments internally within the organisation.

Remit Item 2 – ePC Authorisation and Controls

To identify if ePC transactions are subject to the appropriate authorisation controls, assess whether appropriate escalation processes are in place where non-compliance is identified and identify whether remedial action has been taken. This included consideration of:

- The sufficiency and effectiveness of governance structures and arrangements for administering, managing and overseeing ePC usage.
- The evidence supporting transparency of financial decision making and payments made.
- The arrangements to ensure changes to those with ePC responsibilities within Social Security Scotland are actioned within a timely manner.

Remit Item 3 – Social Security Scotland ePC Capacity and Capability

Review of the arrangements in place to support those with ePC responsibilities, including the consideration of:

- The sufficiency and effectiveness of guidance and training to support those with ePC responsibilities.
- The support available to those with ePC responsibilities and the arrangements for challenging whether a payment represents value for money and is appropriate.

Assurance and Recommendations

Assurance Category	Reasonable		
Recommendations Priority	High	Medium	Low
	0	2	3

Our review has identified two medium and three low priority recommendations. A reasonable assurance rating has been provided. Some improvements are required to enhance the adequacy and effectiveness of procedures. There are weaknesses in the risk, governance and/or control procedures in place but not of a significant nature.

The rationale for this is that we found examples of reasonable controls in place, operating as expected within the ePC process. The Corporate Finance and Procurement Teams (who are responsible for performing checks on ePC transactions) demonstrated satisfactory oversight of the ePC policy in place.

Further controls would help provide assurances to other business areas (e.g. Data Protection/Cyber Security Teams) that ePC purchases comply with available policies related to their business areas. Furthermore, we noted several additional measures that could be implemented as part of best practice.

Management Action Plan

No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
1	<p><u>Gaps within ePC Guidance and Procedures</u></p> <p>Issue 1: Available guidance did not reference or signpost ePC users to other Scottish Government/Social Security Scotland policies (e.g. Data Protection/Cyber Security policies) which may be applicable when purchasing particular items.</p> <p>Issue 2: We did not find any security or storage arrangements/suggestions for ePCs within available guidance for cardholders to follow.</p> <p>Issue 3: The ePC booklet does not contain a document control section to evidence approval/sign-off of guidance and procedures, including the most recent review date and version history for audit purposes</p>	<p>A) Management should consider taking action to include guidance in relation to storage of ePC's and links to other relevant policies and guidance within the Social Security Scotland ePC booklet to make cardholders aware of other procedures that must be followed when purchasing specific items (e.g. IT software).</p> <p>Management should also consider implementing appropriate document controls in ePC guidance to include information such as document version history, review and approval dates and signatures from senior personnel.</p>	L	<p>Response: Agreed</p> <p>Action: Guidance to be reviewed to include references to other relevant policies, signposting to the Digital Risk and Security team and Data Protection team for software purchases, and the storage of EPC cards and other items. A table to record version control to be added to the front of the document. Communicate changes to cardholders.</p> <p>Action Owner: [REDACTED]</p>	31 March 2025

Management Action Plan

No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
1 cont.	<p>Risk 1: ePC cardholders lack an awareness of other Social Security Scotland policies (e.g. Data Protection/Cyber Security Policies) that are applicable when purchasing specific items leading to breaches of other Social Security Scotland Policies.</p> <p>Risk 2: A lack of sufficient audit trail to understand if guidance is up-to-date and been approved by authorised personnel.</p> <p>Risk 3: Insufficient storage arrangements leading to an increased risk of theft or inappropriate ePC use.</p>	See previous slide	L	See previous slide	See previous slide

Management Action Plan

No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
2	<p><u>Software Application Purchases</u></p> <p>Issue 1: We performed sample testing and found items had been purchased throughout 2023-24 that were either software applications or interacted/relied on IT systems. These transactions were reviewed by Social Security Scotland Data Protection and Cyber Security colleagues who were not aware of all purchases, with some presenting as potential breaches to Cyber Security and Data Protection policies.</p> <p>Risk 1: A lack of adherence to other Social Security Scotland policies (e.g. Data Protection/Cyber Security Policies) that are applicable when purchasing specific items leading to breaches of other Social Security Scotland Policies.</p>	<p>A) Management should take remedial action to investigate potential examples of noncompliant ePC spend and put arrangements in place to allow other business areas, such as Social Security Scotland Data Protection/Cyber Security Teams, to periodically review ePC transactions.</p>	M	<p>Response: Agreed</p> <p>Action: Periodic reviews of ePC purchases to be discussed with Social Security Scotland Data Protection and Digital Risk and Security teams. Frequency of these reviews may depend on availability of resource.</p> <p>Action Owner: [REDACTED]</p> <p>Action: Restrict card usage so that software purchases are not made without approval from Procurement (this may include approval from Data Protection and Digital Risk and Security where required).</p> <p>Action Owner: [REDACTED]</p>	<p>31 March 2025</p> <p>13 Dec 2024</p>

Management Action Plan

No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
3	<p>Aggregate Spend Analysis and Strengthening Existing Checks</p> <p>Issue 1: Data analysis found examples of aggregate spend with particular suppliers that occurred across several card users (see slide twenty-two) that would not be possible to identify by only reviewing spend on a monthly basis as currently happens.</p> <p>Issue 2: We found a number of purchases over £1000 had not attained 3 competitive quotes. Whilst the majority of the transactions occurred before November 2023 when the Scottish Government ePC Team updated the policy, we did evidence this occurring within 2024 as well.</p> <p>Issue 3: Additionally, we found instances of transactions with no expense description and transactions without retained invoices.</p>	<p>A) Management should consider strengthening Procurement checks to include periodic assessments of aggregate spend with suppliers across all cardholders. Ideally this would cover no less than 6 months.</p>	M	<p>Response: Noted and accepted. Currently monthly checks are carried out but additional periodic assessments will support identifying aggregate spend with single suppliers.</p> <p>Action:</p> <p>Recommendation A - Strengthen Procurement checks to include 6 monthly assessments of aggregate spend with suppliers across all cardholders.</p> <p>Seminar to be provided to ePC card holders to check with Procurement to ensure aggregate spend does not occur. Also to address the issues identified in the audit. Inform cardholders there will be more checks starting from 1 March 2025.</p> <p>Action Owner: [REDACTED]</p>	1 March 2025

Management Action Plan

No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
3 cont.	<p>Risk 1: ePC data is not analysed for areas where similar products are repeatedly purchased, leading to a loss of value-for-money</p> <p>Risk 2: Lack of adherence with the ePC policy leading to increased ePC spend that fails to portray value for money</p>	<p>B) Management should consider ensuring a check of purchases of over £1000 is undertaken by the approver to ensure competitive quotes have been obtained. Where it has not been possible or appropriate to obtain competitive quotes (e.g. only one supplier of required product) a suitable justification should be stored and available for checks.</p> <p>C) Furthermore, where instances of non-compliance are identified Social Security Scotland should continue to reaffirm ePC policies and guidance to cardholders and approvers to prevent future occurrences. This includes ensuring all appropriate transaction fields are completed accurately and invoices and receipts are retained appropriately.</p>	M	<p>Response: Noted and Accepted. Specific and general reminders of policy and guidance for cardholders and approvers will be useful to prevent future non-compliance.</p> <p>Action:</p> <p>Recommendation B – For 2023/24 transactions that have not had 3 quotes – issue advice to individuals responsible that this is the policy and a warning that they may be marked non-compliant if there is a reoccurrence. Guidance for approvers to be updated so they are checking for 3 quotes where applicable [Finance to update guidance].</p> <p>Recommendation C – Issue advice to individuals who have not followed the guidance. Also issue advice to all cardholders and approvers to remind them of ePC policies, highlighting that this includes ensuring all appropriate transaction fields are completed accurately and invoices and receipts are retained appropriately.</p> <p>Action Owner: [REDACTED]</p>	<p>31 January 2025 to put process in place</p> <p>31 March 2025 for process to be communicated to cardholders and approvers.</p>

Management Action Plan

No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
4	<p><u>Budget Holder Approval</u></p> <p>Issue 1: We found incidences of budget holder approval from beyond the last 12 months. This was observed in relation to subscription services only, however, risks a lapse in awareness of spend by budget holders.</p> <p>Risk 1: A lack of awareness from budget holders of reoccurring spend from budget allocations</p> <p>Risk 2: A lack of assurance to the Corporate Finance Team that spend has been considered and is valid and necessary.</p>	A) Management should consider limiting the validity of budget holder approval to a defined period to ensure approval is current and up-to-date.	L	<p>Response: Agreed</p> <p>Action: ePC guidance to be updated to reflect the requirement for budget holder approval to be up to date.</p> <p>Action Owner: [REDACTED]</p>	31 March 2025

Management Action Plan

No.	Issue & Risk	Recommendation	Priority	Management Response & Action Owner	Action Date
5	<p><u>Records of Previous and Current Cardholders</u></p> <p>Issue 1: Through sample testing we found 12 cardholders who were no longer present on the current ePC hierarchy but occurred against ePC transactions throughout 2023-24. We were unable to reconcile this discrepancy with Social Security Scotland as ePC termination requests are submitted directly to the ePC Team.</p> <p>Risk 1: A lack of oversight of current and previous cardholders leading to inappropriate or unauthorised ePC usage</p> <p>Risk 2: A lack of assurance to the Corporate Finance Team that spend has been considered and is valid and necessary.</p>	<p>A) Social Security Scotland should consider maintaining a local register of current and previous card holders, approvers and controllers for use in performing checks and to be able to provide evidence of ePC termination for audit purposes.</p>	L	<p>Response: Agreed</p> <p>Action: Register to be created to record current and previous card holders, approvers and controllers.</p> <p>Guidance to be updated to request that Corporate Finance are notified of any ePC terminations to allow this register to be kept up to date</p> <p>Action Owner: [REDACTED]</p>	<p>31 March 2025</p> <p>31 March 2025</p>

Data Analysis Summary: Physical ePCs

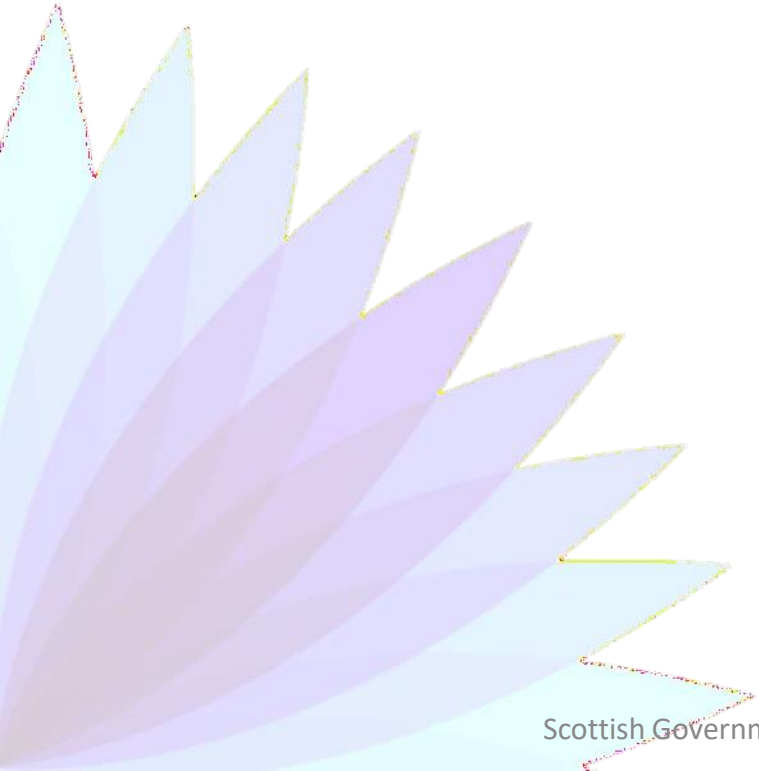
- Source data was extracted from [REDACTED]. All transactions are required to be processed and authorised via [REDACTED].
- During 2023-24 **635 ePC transactions** were made, totalling **£240,787.03**.
- During 2023-24 **31 card holders** used the ePC, across **33 cost centres** and **9 divisions**.
- The top ten cardholders make up 63.3% of total transactions (402/635). By value this represents 77.25% of the total debits (£186,000.56/£240,787.03). [See slide fifteen.](#)
- The top three Business Areas across Social Security Scotland make up 76.79% of total transactions (422/635). By value this represents 66.45% of total debits (£184,902.95/£240,787.03). [See slide sixteen.](#)
- The top ten merchants with the highest spend were also identified. [See slide seventeen.](#)

Data Analysis Summary: Physical ePCs

1. 13 transactions had no expense description (2.05% of total physical ePC transactions).
2. No breaches found for the single ePC transaction limit of £5,000 (or previous £10,000 limit).
3. There were no instances where the £10,000 per month (or previous £50,000 transaction limit per month), per cardholder, was breached.
4. There were no transactions identified as potential duplicate and/or split payments.
5. No instances found of the purchase of exclusions (e.g. alcohol).
6. No duplication found between embedded and physical ePC transactions.
7. We did not find any incidences of goods or services that should have been purchased using central contracts in our testing sample.

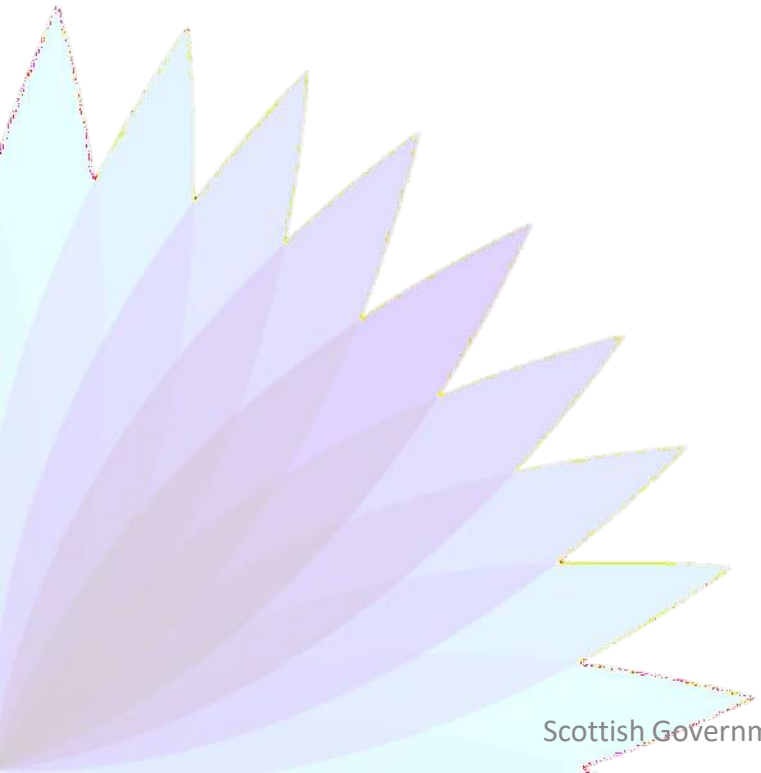
Top ePC Cardholders by Expenditure Value

[REDACTED]



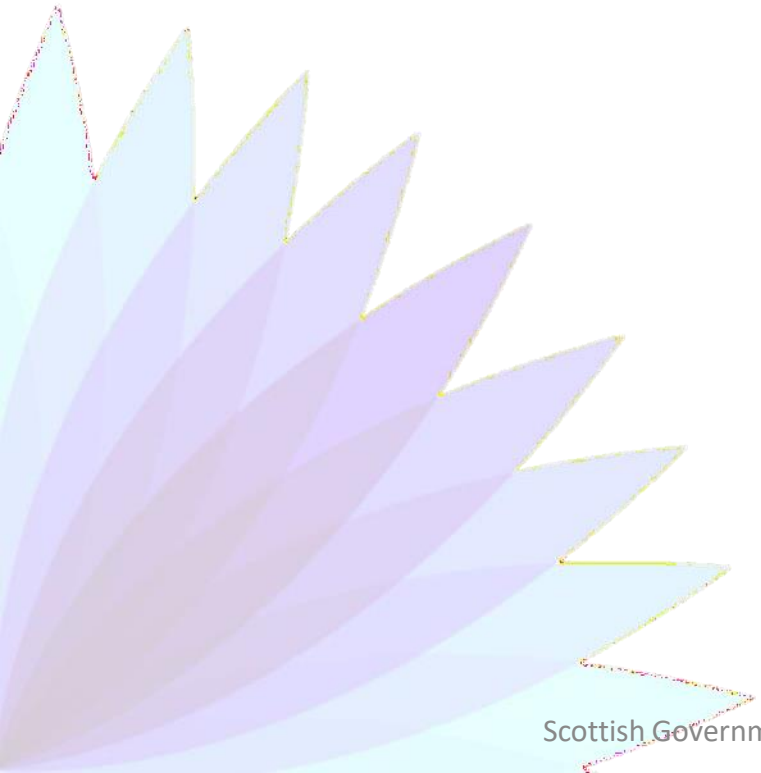
Top Business Areas by Expenditure Value

[REDACTED]



Top 10 Spend by ePC Merchant

[REDACTED]

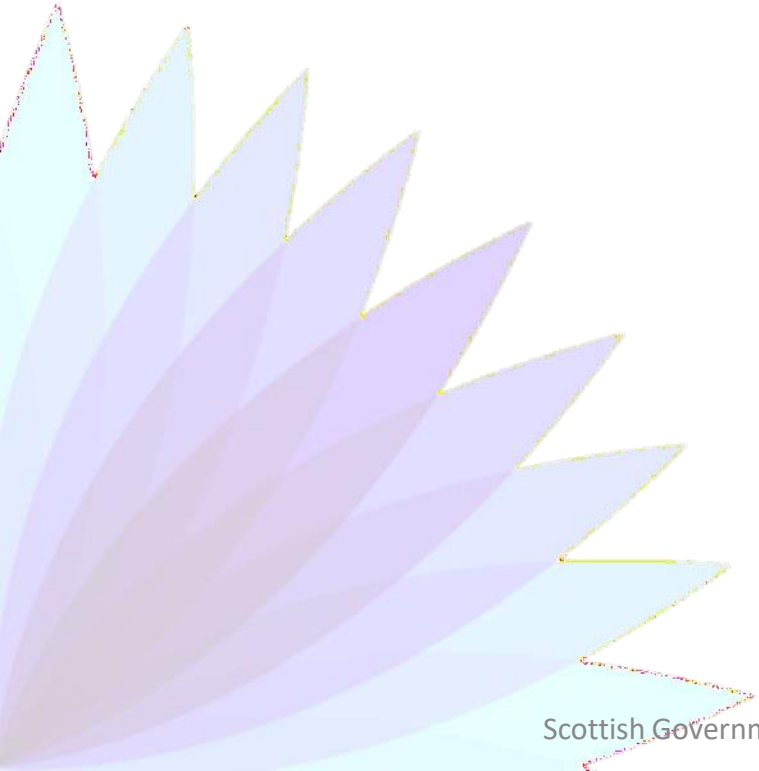


Data Analysis Summary: Embedded ePCs

- Social Security Scotland also use embedded ePC cards which are not subject to the same approval checks as the physical ePC transactions. The embedded card is used to purchase goods/services from contracted suppliers. A Purchase Order is raised on PECOS and then automatically debited from the card that is embedded into the purchasing system. These are in place for high volume purchases and are set up with specific merchants only. Sample testing was not performed on the embedded ePC population and limited data analysis was undertaken.
- During 2023-24 **4234 embedded ePC transactions** were made, totalling **£626,975.86** across 4 different suppliers. [See slide nineteen.](#)
- The top five divisions across Social Security Scotland make up 87.9% of total transactions (3722/4234). By value this represents 89.8% of the total debits (£563,062.37/ £626,975.86). [See slide twenty.](#)
- Source data was supplied by the SG ePC Team. £256,910.58 was excluded from our data analysis due to this being a duplicate charge against Computacentre that should have been made via invoice order. The duplicate charges were identified by The Corporate Finance Team who have been working with the SG ePC Team to reclaim these charges.

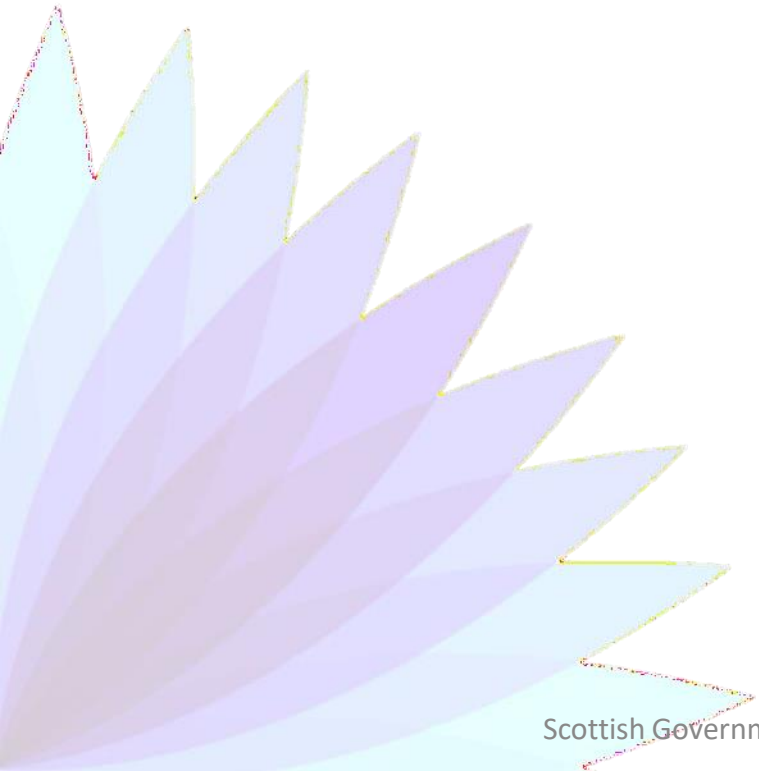
Embedded ePC Merchants by Expenditure Value

[REDACTED]



Top Business Areas by Embedded ePC Expenditure Value

[REDACTED]



Good practice

Social Security Scotland ePC Guidance for Cardholders

- Whilst Social Security Scotland follows the Scottish Government ePC Policy, a Social Security Scotland ePC guidance booklet has been developed, providing additional information on frequent queries and to highlight relevant stakeholders involved in the Social Security Scotland ePC process.
- We are satisfied that the ePC booklet provides clear and accurate guidance to users whilst aligning with the Scottish Government ePC Policy. In addition, we also found information to sufficiently align with the ePC Policy and associated guidance.

MI and Reporting

- Sufficient management information (MI) is available to allow for monthly checks of ePC spend. Furthermore, available MI allows Social Security Scotland to check for non-compliant spend and report such information to card controllers and senior management within and between Finance and Procurement Teams.
- Satisfactory reporting lines within and between the Corporate Finance and Procurement Teams are in place and provide senior management within both teams of an overview of monthly spend and compliance in relation to ePC transactions.

Monthly Reviews and Approvals of ePC Transactions

- We found monthly checks taking place on ePC transactions by both the Corporate Finance Team, who approve all ePC transactions within [REDACTED], and the Procurement Team, who perform monthly review of ePC spend over £500 to assess for compliance with procurement rules. We found these checks to be sufficient in identifying individual instances of non-compliant ePC spend within a given month. We were satisfied that checks ensured budget holder approval had been sought prior to spend along with invoices within ePC timeframes where possible. The appropriateness of spend was also considered as part of these checks and we were able to evidence action being taken to investigate if spend was truly compliant. Additionally, where non-compliant spend had been identified or procedures in place had not been followed as expected by cardholders, we found examples of both the Corporate Finance and Procurement Teams contacting individuals to reiterate guidance/procedures that should be followed as part of the ePC and procurement processes.

Good practice

Communication Lines between Social Security Scotland and the SG ePC Team

- Communications from the SG ePC team are primarily facilitated through Finance Business Partners within the Corporate Finance Team. Information received is then cascaded further to relevant ePC stakeholders. The SG ePC team highlight any changes to policies, procedures and guidance via email.
- Prompt action is taken by the Finance Team in relation to ePC and changes to card holders, with routes for following up on any delayed action from the ePC Team and escalation occurring internally if required.
- All staff are able to directly contact the SG ePC Team via iFix.

Training Arrangements

- Training arrangements for ePC cardholders are sufficient and provide both new and current cardholders with a satisfactory level of support to ensure understanding of the current ePC process and to how to appropriately administer ePC payments.
- The Internal Fraud Team have also provided awareness sessions highlighting risks and the importance of controls within ePC procedures which we note as a best practice measure when ensuring compliant ePC spend within Social Security Scotland.

Escalation Routes and Support Structures for Staff with ePC Responsibilities

- We found sufficient support structures in place for cardholders and approvers and those overseeing the ePC process within Social Security Scotland. Advice is available to cardholders/approvers via the Corporate Finance Team and the Core SG ePC Team which is sign-posted within available guidance.
- Those reviewing ePC transactions for the organisation can contact the SG ePC Team when required and are supported in reviewing and escalating non-compliant spend through management lines within the Corporate Finance and Procurement Team.

Improvement Opportunities

Gaps and Improvements to Social Security Scotland's ePC Guidance

- Whilst we were satisfied the Social Security Scotland ePC booklet is a useful and accurate guidance tool for cardholders, we identified areas upon which improvements could be made. The booklet could highlight to users relevant Social Security Scotland and Scottish Government Policies that may be applicable when purchasing particular items using ePCs. [Recommendation One.](#)
- Our review found a lack of guidance in relation to security and storage arrangements in for ePC's. We note the Scottish Government ePC Policy does not provide detailed arrangements for the storage of ePC's and places onus on cardholders to protect their cards, however, Social Security Scotland should consider if it would be beneficial to provide additional information within guidance as a best practice measure. [Recommendation One.](#)
- It would also be best practice for Social Security Scotland to include a document control section to evidence approval/sign-off of guidance and procedures within the ePC booklet, including the most recent review date and version history for audit purposes and so users know they are accessing the most up to date version.

[Recommendation One.](#)

Software Application Purchases

- We performed sample testing and found 23 items had been purchased throughout 2023-24 that were either software applications or interacted/relied on IT systems. These transactions were reviewed by Social Security Scotland Data Protection and Cyber Security colleagues who were not aware of all purchases, with some presenting as potential breaches to Cyber Security/Data Protection policies.

Therefore, management should consider highlighting to ePC cardholders other relevant Social Security Scotland/Scottish Government policies that could be applicable when purchasing items. Furthermore, arrangements should be put in place to allow other business areas (e.g. those responsible for enforcing Data Protection / Cyber Security / Gifts and Hospitality policies) to periodically review ePC transactions for non-compliant spend in relation to policies within their business area. [Recommendation Two.](#)

Improvement Opportunities

Aggregate Spend Analysis and Strengthening Existing Checks

- Data analysis found examples of aggregate spend with particular suppliers that occurred across several card users ([see slide seventeen](#)) that would not be possible to identify through the current arrangements of reviewing spend on a monthly basis. Management should consider strengthening Procurement checks to include periodic assessments of aggregate spend with suppliers. Ideally this period would cover no less than 6 months to be able to identify noncompliant aggregate spend with a particular supplier that may breach procurement thresholds.

Recommendation Three.

- We found a number of purchases over £1,000 where three competitive quotes had not been obtained. Whilst the majority of the transactions we reviewed occurred before November 2023, when the Scottish Government ePC Team updated the policy, we did evidence an example within 2024. Management should consider including a check of purchases of over £1,000 to ensure competitive quotes have been obtained. Where it has not been possible or appropriate to obtain competitive quotes (e.g. only one supplier of required product/service) a suitable justification should be approved by appropriate personnel and retained for audit purposes. Additionally, our review found instances of transactions with no expense description (2.05% of total physical ePC transactions) and transactions without retained invoices. It is essential that Social Security Scotland continue to remind card holders of the need to complete all details accurately including the description, and to retain and store the evidence appropriately.

Recommendation Three.

Improvement Opportunities

Budget Holder Approval

- We found incidences of budget holder approval being dated from beyond the last 12 months. This was observed in relation to subscription services only, however, risks a lapse in awareness of spend from budgets. Management should consider limiting the validity of budget holder approval to a defined period to ensure approval is current and up-to-date. [Recommendation Four.](#)

Records of Previous and Current Cardholders

- An ePC hierarchy for Social Security Scotland is updated and maintained centrally by the Scottish Government's ePC Team. Through sample testing we found 12 cardholders who occurred against ePC transactions but were not present on the current ePC hierarchy. We were unable to reconcile this discrepancy with Social Security Scotland as ePC termination requests are submitted directly to the ePC Team. It therefore would be beneficial, for audit trail purposes, for Social Security Scotland to maintain a local register of current and previous card holders, approvers and controllers for use in performing checks and maintaining a local record with evidence of ePC termination. [Recommendation Five.](#)