

Assurance Review: MPs' use of their IPSA payment card

Analysis of expenditure and compliance





Independent Parliamentary Standards Authority

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Introduction

1. This report sets out the findings of the assurance review into MPs' use of the payment card provided to them by IPSA to assist in the funding of their business costs.
2. IPSA provides a government procurement card, known as a payment card, to MPs to support the funding of their business costs. By providing payment cards that are akin to credit cards, IPSA supports MPs in carrying out their parliamentary functions by reducing the cash flow problems caused by waiting for reimbursement. As of January 2019, the card had a monthly credit limit of £4,000 and each individual transaction is limited to £2,000 although IPSA can increase the limit for specific purchases if appropriate.
3. We wished to determine whether MPs used the payment card for costs that did not relate to their parliamentary work. As such an assurance review was conducted in 2019-20 for the financial year ending in March 2019.
4. IPSA's current processes do not include preventative controls to stop MPs from using the payment card for ineligible costs. So, we rely on enforcement processes – including recovery of sums owed – where misuse is identified after the payments have been made. However, IPSA expects MPs to adhere to the principles of the Scheme so that only eligible costs are purchased using the payment card. Where misuse is identified, IPSA can withdraw the card and recover non-compliant costs from the MP concerned.

Current rules and processes

5. MPs can use the payment card to pay for any eligible costs incurred in relation to their parliamentary work. However, the Scheme of MPs' Business Costs and Expenses prohibits the use of the payment card for any non-parliamentary or personal costs. Where an MP uses the payment card for ineligible costs, even if they repay the sums subsequently, they benefit from what is in effect an interest-free loan. When MPs take ownership of a payment card, they must sign a form to indicate they are aware that use of the card must be in line with the Scheme.
6. So that we do not incur interest charges, IPSA pays the full balance on each MP's card on a monthly basis. IPSA provides MPs with a list of all transactions on their payment card in the previous month. MPs are then required to account for that expenditure using IPSA's online system and provide us with supporting evidence within 30 days. This process is known as 'reconciling' their payment card.
7. If an MP fails to reconcile the charges on their payment card within 30 days, IPSA can suspend their use of the card until it is reconciled. If MPs are unable to account for certain items of expenditure, or if IPSA determines that a purchase is ineligible under the Scheme, they must repay those amounts to IPSA.
8. Although the Scheme states that the card may only be used for costs that are eligible under the Scheme, MPs are advised to mark any costs they do not wish to claim or have placed on the card inadvertently as "not claimed", and repay those amounts. MPs sometimes incur costs which are claimable under the Scheme, but decide that they do not wish to claim for them. There are also reasonable circumstances in which an MP may pay for items outside of the Scheme on the payment card; for example, an MP might incur charges at a hotel they are staying at whilst on

parliamentary business that are not allowable under the Scheme. In these cases, it is often more practical to use one method of payment, and MPs can mark these costs as “not claimed” and repay them at a later date.

9. Where a transaction has been marked as “not claimed”, MPs have 30 days from the date of reconciliation to repay IPSA the amount. After that time, the outstanding amount is treated as monies owed or debt and recovered from the MP concerned.
10. At the time of the review, MPs were notified regularly through a financial statement¹ of any outstanding amounts owed to IPSA. Where an MP owes amounts to IPSA, this can be recovered in the following ways:
 - The MP makes a repayment via BACS payment or cheque along with a completed repayment form;
 - The MP is placed in a process called ‘offsetting’, meaning that any claims submitted to IPSA for reimbursement will be offset against the debt amount until the outstanding balance is repaid; at the same time, direct payments (payments made directly to a supplier by IPSA on an MP’s behalf) and access to the payment card may be suspended; or
 - The MP is placed in salary deductions, where an amount agreed with the MP is deducted from their net pay over a fixed period of time until the debt is repaid.

Dealing with misuse of the payment card

11. IPSA operational policy at the time of the review defined misuse of the payment card as “use of the card for ineligible items” and “where repayments have not been made within 30 days”. The policy stated that the following steps are taken when misuse of the payment card is identified.
 - When an MP is identified as having misused the payment card, IPSA contacts the MP to ask that misuse of the payment card stops. IPSA recovers any monies owing.
 - If further misuse of the payment card is identified, the MP will be contacted to inform them that continued misuse of the payment card will result in the card being withdrawn.
 - If misuse persists, the payment card is withdrawn.

Methodology and scope

12. For the purposes of analysis, all transaction data from May 2010 to January 2019 was examined. Where cases of misuse were identified, data from February and March 2019 were also included to ensure outstanding monies owed were accurately reported.
13. All transactions marked as “not claimed” were analysed. “Not claimed” transactions fall into two categories. Where costs have been incurred, using the payment card, which are not eligible under IPSA rules, the MP selects the expense type “expense outside the Scheme” when

¹ This was the process in place at the time the review was carried out. Following the launch of IPSA Online, a new ERP system in April 2019, MPs are able to view the amounts due for repayment themselves via the online system.

reconciling the card. All transactions marked as such were defined as personal costs for the purposes of this review. MPs also have the option to mark a cost as “not claimed” but indicate that it falls under an expense type claimable through the Scheme, by selecting the expense type under which it would normally be claimable. These transactions have not been defined as personal in this review.

14. Analysis of the retailers listed in the transaction data was also carried out to assist in understanding any spending patterns.
15. The review does not include any analysis of IPSA’s response to unreconciled payment cards. In November 2018, in response to an FOI request, IPSA released details of all MPs who had their payment cards suspended since the 2015 General Election. Further details can be found on [IPSA’s website](#).
16. Occasions when IPSA contacted an MP for any reason other than misuse of the payment card have also not been included in our analysis.

Key Findings

17. Between May 2010 and January 2019, a total of £37.9 million of spending was placed on payment cards. Over £37.4 million of this expenditure was claimable under the Scheme as a legitimate business cost, indicating high overall compliance. Around £473,000 (1.25%) of transactions since 2010 were marked as “not claimed”. Approximately £198,000 of “Not claimed” lines were expenses outside the Scheme; this equates to 0.5% of overall expenditure on the payment card.
18. The majority of MPs are compliant with IPSA’s rules regarding payment cards; 23% of MPs have never used the payment card for personal costs. Most of the remainder only do so occasionally and reimburse IPSA promptly. A small number of MPs use the card for personal items repeatedly. For 14 MPs, more than 15% of their payment card transactions were for personal items.
19. IPSA manages payment cards effectively, turning off cards as necessary in order to encourage reconciliation and recover funds. This happened 1,111 times between May 2015 and November 2018. IPSA’s operational policy for dealing with misuse of the payment card has been implemented less effectively. Only five MPs have been contacted regarding repeated misuse of the card, and no payment cards have been permanently withdrawn.

Recommendations

20. Based on the findings in this document, we have made a number of recommendations.

Number	Recommendation
1	IPSA should ensure that details of debts not repaid within 30 days are published in line with its publication policy.
2	IPSA should clearly communicate its payment card policy to MPs with details of the circumstances under which a card will be withdrawn.
3	IPSA should put processes in place to enforce its policy effectively so that cards are withdrawn when repeated misuse is identified.
4	IPSA should review all historical repayments made by MPs for “not claimed” transactions to ensure the correct amounts have been repaid.
5	IPSA should review the payment card policy and procedures in order to assess whether the same support could be achieved with less administrative burden on MPs.

Detailed findings

Personal use of the payment card

21. MP’s use of the payment card for personal costs is rare. But a few MPs repeatedly use the payment card for personal costs.
22. Since 2010, 100 MPs have made more than three “not claimed” transactions on the payment card that were marked as an expense outside the Scheme. There are 14 MPs whose transactions on costs outside the Scheme make up more than 15% of their payment card transactions.

Enforcing operational policy

23. The operational policy states that IPSA will remove the payment card when MPs repeatedly misuse it. This review found that such enforcement action is not often taken. There are only five documented instances of communication with MPs regarding their misuse of the payment card, although there may have been other verbal advice or written communication to MPs which was not recorded. Under the policy, all MPs who had used the payment card for ineligible costs should have been contacted particularly for repeated misuse.
24. Of the five MPs who had been contacted regarding misuse, four used the payment card for ineligible costs on at least one occasion afterwards.

Discrepancies in debt recording

25. The review found minor discrepancies between the amounts marked as “not claimed” from the payment card and the total value in IPSA’s system of repayments from the relevant MPs. This was caused by two administrative errors by IPSA.
26. In the first instance, a total of four forms with “not claimed” transactions totalling £180 were not added to IPSA’s internal debt information, so the MP was never asked for a repayment through

the standard debt recovery process. In the second instance, the value of one repayment was overstated by £1,800. As a result of this review, the MPs concerned were contacted to arrange repayments of the total amounts outstanding.

27. No other cases of administrative discrepancies were identified through the review. A recommendation has been made that IPSA should review historical repayments and reconcile these against payment card data.

Conclusion

28. There is little misuse of the payment cards by MPs. Charges marked as “not claimed” amount to only 1.25% of the value of overall transactions; and less than half of this could be considered expenditure on personal costs. A very small number of MPs have used their payment card multiple times for personal expenditure, with 14 MPs identified as having used their payment cards for personal expenditure in over 15% of their transactions.
29. IPSA regularly turns off MPs’ payment cards when they fail to provide evidence on time or when they fail to reconcile their card on time. However, the few cases of repeated misuse by MPs were not addressed promptly. As a result, a personal benefit may have been given to the few MPs who used the card for personal costs, in the form of an interest-free period before the costs were recovered.
30. As the number of cases of potential misuse of the card is small, amounting to around 0.5% of overall expenditure, the risk to the taxpayer is low. IPSA actively recoups all funds owed through payment card misuse, so the taxpayer is not ultimately out of pocket.

Actions taken

31. Based on the findings of the review, IPSA contacted a small number of MPs to warn them that further misuse of the payment card would result in the card being withdrawn.
32. In addition, following the December 2019 election IPSA launched a new comprehensive payment card policy. This policy is designed to ensure high compliance with the rules by setting stricter deadlines for MPs to reconcile their cards and extending the length of time cards may be switched off for, in cases of unreconciled charges. Under the new policy, if any debt owed by an MP is not repaid within 30 days, the MP’s card will be suspended until the debt is recovered or a repayment plan is in place. The new policy also includes more effective processes for dealing with misuse of the payment card; serious or persistent breaches of the conditions will result in the card being suspended for up to six months or withdrawn completely.