

GOVERNANCE COMMITTEE

18TH NOVEMBER 2014

REPORT OF HEAD OF CENTRAL SERVICES

PERFORMANCE ON RAISING ORDERS

1.0 PURPOSE OF REPORT

- 1.1 Members of the committee at their meeting on the 22nd September requested a report on the performance of raising orders across the council be presented to this meeting of the committee.

2.0 RECOMMENDATIONS

- 2.1 **That the report be noted.**
- 2.2 **Officers continue to monitor the performance and any required scrutiny is undertaken by the Internal Corporate Governance Group.**

3.0 KEY ISSUES

- 3.1 At the meeting of the Governance Committee on the 22nd September 2014 members received a report from External Audit on their review of the creditor's function which identified some concerns around performance of raising orders and ensuring the correct process is being followed. As a result of this members of the committee requested information be provided around performance and compliance against the councils specified ordering process.
- 3.2 The issue of performance was also raised in an Internal Audit report which was commissioned by the Chief Executive following concerns of budget holders not placing official purchase orders as required as part of the Councils Financial Procedure Rules.
- 3.3 Section 2.22 of the Councils Financial Procedure Rules clearly define that official orders must be in the form approved by the Head of Central Services and must be issued for all work, goods or services to be supplied to the authority with the exception of certain expenditure which is specified by the Head of Central Services such as utility supplies.
- 3.4 The agreed procedure has been communicated to all relevant budget holders whereby an electronic order needs to be raised via the Councils Oracle finance system to ensure appropriate commitment accounting and budget checks have been undertaken. This has been reinforced on a number of occasions by the Head of Central Services in her role as Chief Finance Officer of the Council and also supported by the Internal Corporate Governance Group. As part of an Internal Audit review it was found that the Head of Central Services and her team have done all that is practical to provide external support and guidance to budget holders on the corporate ordering process.

- 3.5 Performance monitoring is carried out at least twice a year by the finance team who undertake an analysis of a month's data to identify invoices where an order should have been raised and the service this applies to. Given the focus of this area the team have also undertaken analysis quarterly in June 2014. This has enabled those services with the highest incidence of non-compliance to be identified along with the trend in performance over time. The most recent analysis has been undertaken with regard to September 2014 data and shows out of a total of 528 invoices (excluding cheque requests) 266 had an official purchase order raised which equates to 50%. Out of the remaining 262 invoices which didn't have an official order 188 were classed as exempt leaving a remaining 74 which didn't follow the correct process (14%).
- 3.6 Appendix A provides a breakdown of the 74 non-compliant invoices by service area for those areas with the highest levels of non-compliance and shows there have been some general improvements since the previous analysis undertaken with the overall number of non-purchase order invoices reducing from 128 in June 2014 to 74 in September 2014. This is an overall reduction of 2.1% between the two analysis periods. However, there are some services areas which haven't improved with the number of non-compliant invoices increasing.
- 3.7 There continues to be considerable focus internally on the need to improve performance with regard to ensuring orders are raised in a timely manner for invoices received. The relevant officers from the services highlighted in Appendix A above were called to a meeting of the internal Corporate Governance Group held on 10th November 2014 to discuss performance issues.
- 3.8 Further analysis will continue to be undertaken by the finance team and supplied to the Corporate Governance Group to ensure continued focus and scrutiny on this area.

4.0 POLICY AND CORPORATE IMPLICATIONS

- 4.1 The Financial Procedures Rules outline the process officers need to take when committing the council to expenditure through raising official purchase orders.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

- 5.1 There are no specific financial implications arising from this report however there is a potential risk that if budget holders are not following the correct ordering process this isn't supporting commitment accounting and effective budget management which could potentially result in an overspend position.
- 5.2 Failure to raise orders does not leave an audit trail to follow when invoices are subsequently received. There is no record of the price or quantity of the goods/services commissioned and it is not easy to identify the service or individual that has undertaken the procurement. This can lead to resources being wasted in verifying the validity and detail of invoices received and can also cause delay in payment particularly if the officer who originally commissioned the goods/services is no longer available.

6.0 **LEGAL IMPLICATIONS/POWERS**

6.1 Failure to comply with the Councils Financial Procedure Rules

7.0 **COMMUNITY SAFETY**

7.1 There are no particular implications arising from this report.

8.0 **EQUALITIES**

8.1 There are no particular equalities issues arising as a result of this report.

9.0 **RISKS**

9.1 There are all dealt with within the report.

10.0 **CLIMATE CHANGE**

10.1 There are no particular implications arising from this report.

11.0 **CONSULTATION**

11.1 The Internal Corporate Governance Officers group have been involved in the performance monitoring issues of raising orders.

12.0 **WARDS AFFECTED**

12.1 All

Contact Officer David Scott
Date: 24 October 2014

Appendices : A – Creditors Performance Analysis
Background Papers: Analysis of invoices and supporting papers from the Oracle Financial System.

Reference : X:\Cttee, Council & Sub Cttees\Governance\201415\18Nov2014