

GOVERNANCE COMMITTEE**28TH SEPTEMBER 2015****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 18th November 2014 requested an update 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 18th November 2014 members received a report around performance and compliance against the councils specified ordering process following a previous report from External Audit on their review of the creditor's function which identified some concerns around performance of raising orders correctly.
- 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. 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 March 2015 data and shows out of a total of 698 invoices (excluding cheque requests) 388 had an official purchase order raised which equates to 56%. This is a 6% increase on the previous reporting period and shows a positive trend. Out of the remaining 310 invoices which didn't have an official order 207 were classed as exempt leaving a remaining 103 which didn't follow the correct process (14%).
- 3.6 Appendix A provides a breakdown of the 103 non-compliant invoices by service area for those areas with the highest levels of non-compliance. Overall there have been some services which have shown continuous improvement over the analysis periods, however, there are some services areas which haven't improved with the number of non-compliant invoices increasing or where any improvement has not been sustained.
- 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 meetings of the internal Corporate Governance Group held in July and August 2015 to discuss performance issues. This again highlighted the importance senior officers' place on the need to raise orders. The meetings also highlighted some discrete areas where further clarity and guidance would be helpful.
- 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.
- 3.9. In addition to the above the finance team have undertaken other actions in order to pro-actively support budget holders in following the correct procedures which included:
- Providing additional guidance around order raising and receipting of orders to ensure this is undertaken in the most efficient manner to support the purchase to pay process.
 - Clarifying confusion over how annual orders could be raised for recurring services which could then be drawn down on and staff were given guidance on the need to use these and how that could work
 - Reminding officers that all agency staff requests requires orders to be raised for these services as this was a recurring theme which needs to be addressed.
 - Reiterating how to raise orders and process receipts for interim payments
 - Reminders were issued of the need to raise orders for emergency works as soon as possible after the commitment is made.
 - Reviewing and Updating the Financial Procedural Guidance Manual following the financial system upgrade to support officers in understanding and training.

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: 10th August 2015

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\201516\28Sept2015