

## Audit Committee

04 April 2013

### Exemptions to the P2P Process



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**Don McLure, Corporate Director Resources**

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#### *Purpose of the Report*

- 1 To present an overview of the approved exemptions to the standard Procure to Pay (P2P) Process.

#### *Background*

- 2 The standard process for paying suppliers is to match invoices received to approved Purchase Orders (PO'S) raised. This ensures that commitments are held against budgets when the order is raised and, providing goods are received / receipted as received, speeds up invoice payments.
- 3 There are however, agreed exemptions to this process for commodity areas which it is deemed impractical to follow the standard process (e.g. utility and telephone bills where the cost/usage is not known until after the billing period).
- 4 Guidance was issued in 2010 on the procedures to be followed when processing invoices without a requisition and Purchase Order having been raised on Oracle in advance (See Appendix 2 attached)

#### **Current Position**

- 5 Appendix 1 provides a breakdown of the agreed categories of spend which have been approved as exemptions to the standard P2P process.
- 6 Based on February 2013 figures approximately 14% (volume) of all invoices paid were classed as an exemption. This equated to approximately 23% (value) of invoices paid.
- 7 Based on the value of exemptions invoices paid 69% were either Payroll and Pension Payments (40%), Utility Payments (19%) or Transport and Concessionary Fares (10%)
- 8 Accounts Payable (AP) currently pay approximately 29,000 invoices per month, of which 17,000 are electronically interfaced with the remaining 12,000 either Standard Invoices (PO's) or Exemption Invoices (Manually Authorised)
- 9 In November 2012 a reminder was sent to all Oracle Users (via email) reminding all staff involved in the Procure to Pay (P2P) Process of their responsibility to ensure PO's are provided to suppliers prior to ordering any good/works/services, excluding the agreed exemptions.

- 10 Work continues between AP Staff, Financial Systems Staff, Oracle Service User Reps and Budget Managers to ensure the agreed P2P Processes, Policies and Procedures are adhered to within each service.
- 11 Members can be assured that any additions to the exemptions list require a Business Case to be approved by the P2P Board and that any requests are subject to substantial challenge.
- 12 February performance statistics show that 81% of exemption invoices were paid within 30 days, from date of invoice. Overall performance for the Council was 91%.
- 13 Current checks carried out by AP staff prior to payment include checking coding grids are completed correctly in terms of monetary value and appropriately certified and verified.
- 14 Coding Grids and Payment Vouchers have recently been amended to include the Printed Name and Contact Details of the certifier and validator.
- 15 AP Supervisors are now carrying out a random check of a sample of manually coded invoices. Randomly selected invoices on a daily basis are checked for input error and authorisation anomalies.

### **Future Actions**

- 16 AP Staff, Financial Systems Staff, Oracle Service User Reps and Budget Managers, will continue to work with Oracle Users to reduce the volume of standard invoices that are received with no PO's quoted. These are invoices where a PO ought to have been used.
- 17 Alternative methods of payment, including Procurement Card and iExpenses, are being considered to reduce the number of manual exemption invoices which are being received.
- 18 There are currently 2 lists (hardcopy of approved signatories and electronic oracle approval list) of staff who have authorisation to approve expenditure. Centrally maintaining up to date lists of approved signatories (including sample signatures) can be problematic, so the P2P Board are currently discussing whether the electronic lists within Oracle should be the master schedule, with directorates responsible for maintaining signatures within their service. (As per Financial Management Standard 24, Paragraph 38).
- 19 The P2P Board are reviewing and challenging the current exemptions list to determine whether the categories of spend are still valid exemptions.

### **Conclusion**

- 20 The Council has an agreed business process for ensuring non-electronic invoices are paid via the standard process of being matched to an approved PO where possible, however there are instances where this is not practical and an alternative process for approving exemption invoices is required. Work is ongoing to challenge and review payments falling within the exemption

category and to ensure compliance with the standard P2P processes continues to increase.

- 21 Members are advised that a P2P Audit Review is currently in progress and this will include a review of Non Purchase Order Payments, recommendations arising will be address accordingly.

### **Recommendations**

- 22 Members are asked to note the Council process for payment of invoices from commodity areas covered via the list of agreed exemptions.

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**Contact: Paul Darby**

**Tel: 03000 261930**

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**APPENDIX 1 –  
Exceptions to the ‘No PO, No Pay’ Policy – Revised February 2012**

<b>Exception Area</b>	<b>Reason</b>
Building Project Payments (contractor certificates & payment requests)	Project Reclaims
Civil Engineering Project Payments (contractor certificates & payment Requests)	Project Reclaims
Clergy Fees	Payment Vouchers
CRB Checks	Unknown Usage and Consolidated Invoice
Emergency Payments (Young People / Boarding Out / Fostering Allowances) * * Other emergency payments should have a purchase order (see the emergency purchase order guidance)	SSID – Electronic Interface
Energy / Utilities	Utilities – unknown usage
Estate Management Fees	Unknown usage
Ex-gratia Payments	Payment Vouchers
Extra Care & Shared Living Voids	Payment Vouchers
Fleet and Plant Hire	Fleet – Electronic Interface
Food	Unknown Usage
Foreign Currency Payments	Only pay GBP in Oracle
Gratuity Payments	Payment Vouchers
Independent Child Placements	SSID – Electronic Interface
Independent Special School Fees	School Electronic Interface
Interview Expenses	Claim / Payment Vouchers
Kennel Fees (including stray dogs & emergency accommodation)	Unknown Emergency Usage
Land Compensation Claims (Including Agents Fees)	Payment Vouchers
Library Books	Ordered via Halcyon
Members Initiatives	Payment Vouchers
Newspapers	Unknown Usage
Parish Council Precepts	Payment Vouchers
Pathology Services	Unknown Usage
Payroll / Pension and Redundancy Payments	Payment Vouchers
Recharges for Staff Employed by Other Agencies	Payment Vouchers
Refunds (Including Care Fees, Overpayments)	Payment Vouchers
Rents	Payment Vouchers
Respite Care Retainers	SSID – Electronic Interface
Road Stone (suppliers: Tarmac Ltd, Sherburn Stone, Aggregate Industries UK Ltd)	Unknown Usage, Price Variations
Sanitary Bins	Unknown Usage, Price Variations
School Funding Payments	School Electronic Interface
Subscriptions	Unknown Volumes
Telephone Bills	Unknown Usage
Transport / Concessionary Fares Payments	Managed via ITU
TV Licences	Unknown Usage / Fees
Volunteer Drivers	Payment Vouchers

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## APPENDIX 2 – Non-Purchase Order Invoice Checks

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### PROCEDURES TO BE FOLLOWED WHEN PROCESSING INVOICES WITHOUT A REQUISITION AND PURCHASE ORDER HAVING BEEN RAISED ON ORACLE IN ADVANCE

#### Introduction

1. These guidelines have been written to support services in the processing of invoices in those **exceptional circumstances** when payment is required without an official purchase order having been raised in advance on Oracle.

#### ACTION REQUIRED WITHIN SERVICES

##### Receipt

2. Upon Receipt within the County Council, all invoices must be date stamped.

##### Certification

3. All invoices submitted for payment must be certified as correct.
4. Certification means that the invoice has been checked to ensure that it is complete and accurate.
5. The invoice should be checked to ensure that :
  - a) It is an original invoice not a copy.
  - b) The invoice is addressed to DCC
  - c) The invoice clearly states what the payment is for and when the goods / services were received;
  - d) Details of goods or services and the amounts charged can be substantiated from supporting documentation. Where possible the receipt of goods should be evidenced from goods receipt notes or other written confirmation. Any discrepancy should be raised with the supplier immediately and if necessary an amended invoice or credit note obtained.
  - e) The invoice is arithmetically correct and the amount demanded is as expected;
  - f) A VAT number is recorded and the VAT elements of the invoice should be checked to ensure that the correct rates have been applied
  - g) The correct cost centre and detail account code can be established
6. In addition to the above checks, where the original invoice has not been received and there is no alternative but to make payment using a copy invoice, the copy invoice must be clearly marked 'Not previously passed for payment' and be signed and dated by the officer undertaking the certification checks set out in 5 above
7. Each invoice should have a duly completed coding grid attached i.e. coded to the correct expenditure codes, VAT and totals shown correctly. The allocation of the expenditure code is confirmation that the expenditure can be charged to an approved budget.
8. The supporting documents should be marked to show that the goods / services have been received, have been agreed to the invoice and the date passed for payment.
9. The invoice should then be marked, "OK to Pay" and be signed and dated by the officer undertaking the certification checks set out in 5 above.

10. If for any reason there has been a substantial delay between the date the invoice was first received and the date the invoice was certified for payment a note should be made on the invoice as to the reason e.g. disputed payment.
11. Invoices offering discount for prompt payment should be processed within the time limit.

### **Authorisation**

12. All invoices certified for payment must also be authorised by an appropriate officer.
13. Each service should have a scheme of delegation which specifies which officers have authority to approve invoices for payment, and invoices can only be approved by an authorised officer.
14. A list of employees authorised to approve invoices for payment should be maintained by each Service and, where applicable, each establishment. Copies of these must be supplied to the central Accounts Payable Section.
15. Given the degree of staff changes the authorised signatory lists should be reviewed regularly.
16. If in any doubt, consult your line manager or head of service to confirm who has this delegated authority.
17. Authorised officers should check that invoices have been properly certified and then sign and date as evidence of approval.
18. Details of the invoice number, total amount and date the invoice was passed for payment should be noted on supporting documentation.

### **Payment**

19. Authorised invoices should be submitted to Accounts Payable Section in batches.
20. A batch total should be established for each batch
21. Each batch of invoices sent from an establishment should have a batch header attached which shows the number and total value of the invoices and the date submitted.
22. A batch control record detailing all batches passed to the Accounts Payable Section for payment should be maintained by the Service.

### **Accounts Payable Section**

23. Copies of the authorised signatory lists maintained by the Services, showing the employees authorised to certify invoices, should be held in Accounts Payable Section.
24. A batch control record showing details of all batches of invoices received for payment should be maintained by the Accounts Payable Section.
25. Only invoices that have been authorised properly should be processed i.e. checked to the authorised signatory lists. Where applicable invoices should be returned to the Service concerned for re-authorisation.

26. Invoices that appear to have been changed / altered should be examined/ queried carefully.
27. Batch totals should be checked to ensure that the correct number and total value of the invoices has been received.
28. When a batch is processed it should be recorded in the batch control book.
29. Invoices should be stored securely and filed in batch and date order.