

Cherwell District Council

Accounts, Audit and Risk Committee

22 January 2014

Use of Purchase Orders

Report of Interim Head of Finance and Procurement

This report is public

Purpose of report

The purpose of this report is to provide information to the Accounts, Audit and Risk Committee on the Council's use of Purchase Orders.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of the report on the progress the Council is making to improve the use of purchase orders.

2.0 Introduction

The Annual Governance Statement was presented to Accounts, Audit and Risk Committee on 26 June 2013. This included one high risk issue around the use of purchase orders:

The Council faces an extremely challenging year in 2012-13 as it seeks to manage significant budget reductions, increasing demand for some key services and new ways of working, simultaneously. The following represent the key issue to be addressed in relation to one significant governance issues:

No.	Issue	Action taken
1	Creditors One high risk issue was noted relating to non-purchase orders. PwC audit showed that no purchase order was in place for 77% of invoices received in year. Performance in this area	Whilst progress has been made in this area as a result of it being a significant issue in last year's report – it is still not at a satisfactory level. An action plan has been developed to improve the use of purchase orders and we will

<p>is comparable to prior year (83%). If purchase orders are not raised, there is an increased risk that unauthorised purchases may not be identified until invoices are received. In addition, the Council is not able to fully monitor commitments unless a purchase order is posted to the system. This increases the risk that the budget position is not fully understood.</p>	<p>also implement a no purchase order no payment policy from June 2013.</p> <p>This action plan will be monitored throughout the year.</p>
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3.0 Report Details

3.1 We implemented the “no purchase order no payment policy” in June. This shows an improving trend since the PwC internal audit report at the end of 2012-13. Our purchase order statistics are currently:

Month	Order	Non Order	% Success
April	201	450	31%
May	153	561	21%
June	313	260	55%
July	339	261	57%
August	342	179	66%
September	314	258	55%
October	407	291	58%
November	460	199	70%
December	450	194	70%

In addition, finance staff have reviewed the performance for each Head of Service area to help target training. Environmental Services depot uses the Roadbase system to record all their orders/invoices. However, this is a separate system and the purchase order function is not compatible with the purchase order function of the financial information system (currently Agresso). The need for this interface will be pursued when the financial information system is replaced. Roadbase accounts for 14% of invoices and excluding these orders, gives the following statistics:

	Order	Non Order	% Success
April	201	401	33%
May	153	458	25%
June	313	161	66%
July	339	173	66%
August	342	94	78%
September	314	170	65%
October	407	197	67%
November	460	116	80%
December	450	97	82%

4.0 Conclusion and Reasons for Recommendations

- 4.1 The Accounts, Audit and Risk Committee is recommended to note the contents of the report on the progress the Council is making to improve the use of purchase orders.

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: Not applicable as this report is for information.

7.0 Implications

Financial and Resource Implications

- 7.1 There are no financial implications arising directly from any outcome of this report.

Comments checked by: Nicola Jackson, Corporate Finance Manager
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Legal Implications

- 7.2 There are no legal implications arising directly from any outcome of this report.

Comments checked by: Kevin Lane, Head of Law & Governance 0300 0030107
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Risk Management Implications

- 7.3 There are no risk implications arising directly from any outcome of this report.

Comments checked by: Nicola Jackson, Corporate Finance Manager
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8.0 Decision Information

Wards Affected

Not applicable

Links to Corporate Plan and Policy Framework

Not applicable

Lead Councillor

Councillor Ken Atack
Lead Member for Financial Management

Document Information

Appendix No	Title
None	
None	
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