

Report to Council

Agenda
Item:

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Meeting Date: 3 March 2015
Portfolio: Finance, Governance and Resources
Key Decision: Not applicable
Within Policy and Budget Framework YES
Public / Private Public

Title: REVIEW OF FINANCIAL PROCEDURE RULES – CREDITOR PAYMENTS
Report of: Director of Resources
Report Number: RD51/14

Purpose / Summary:

This report provides Members with details of proposed changes to the Authority's Financial Procedure Rules in respect of payments made through the Creditors system.

Recommendations:

The Council is asked to approve the proposed change to Financial Procedure Rule D76, as recommended by the Audit Committee on 13th January 2015.

Tracking

Audit Committee:	13 January 2015
Overview and Scrutiny:	Not applicable
Council:	3 March 2015

Report to Audit Committee

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Members are requested to approve the proposed changes for recommendation to Council on 3rd March 2015.

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Audit Committee:	13 January 2015
Overview and Scrutiny:	Not applicable
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1. BACKGROUND

- 1.1 As defined by the Audit Committee's Rules of Governance, Members of this Committee have the responsibility to maintain an overview of the Council's Constitution in respect of Financial Procedure Rules (FPR's).
- 1.2 The FPRs are reviewed on a regular basis, in order that they reflect changes in legislation, Government and Council Policy, changes in the Council's financial practices and any changes to the organisation structure.

2. PROPOSED CHANGES TO THE FINANCIAL PROCEDURE RULES

- 2.1 The proposed changes are detailed below and are in relation to the Council's policy on payments made through the Creditors system in situations where an official supplier invoice is not required.
- 2.2 Although formal supplier invoices should be received for all goods and services supplied to the authority, there are many situations which render the receipt of an official invoice inappropriate, which could include, but are not limited to:
 - refunds;
 - returned deposits;
 - salary deductions paid over to e.g. HMRC/Pension Administrators etc;
 - precepts, grants and sponsorship;
 - reimbursements
- 2.3 Furthermore, as a means of making savings on printing costs, many suppliers are now issuing their invoices by email. Until e-purchasing is rolled out within the Authority, the invoice continues to be printed out and should be annotated that it is an emailed copy.
- 2.4 In order to permit payments in respect of the above issues it is prudent to include a caveat to this effect within the Constitution as proposed below. The suggested changes have been included **in bold** below.

Revised wording (FPR D76):

*To ensure that payments **to suppliers of goods and/or services** are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Where, in very exceptional circumstances, it is considered necessary to make payments against documents other than official invoices, it is essential that Directorates ensure that no payment has already been made **and annotate the invoice as such**. This check will also be carried out by the Director of Resources, but the onus nevertheless remains with Directorates to ensure that*

*there is no possibility of duplicate payment. **Payments, other than those made to suppliers of goods and/or services, should be paid on stationery as supplied by the Director of Resources with supporting evidence provided.***

- 2.5 The Purchase Ledger Procedures will be updated to reflect this change and will provide more detailed guidance on the use and controls over payments made through the Creditors system.

3. CONCLUSIONS AND REASONS FOR RECOMMENDATIONS

- 3.1 Members are requested to approve the proposed changes for recommendation to Council on 3rd March 2015.

4. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 4.1 To ensure that the Council has sound systems of internal control and that the governance arrangements in place comply with statutory requirements.

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**Appendices
attached to report: None**

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – not applicable

Deputy Chief Executive's - not applicable

Economic Development – not applicable

Governance – Contained within the Report.

Local Environment – not applicable

Resources – included in the main body of the report

EXCERPT FROM THE MINUTES OF THE AUDIT COMMITTEE HELD ON 13 JANUARY 2015

AUC.12/15 REVIEW OF FINANCIAL PROCEDURE RULES – CREDITOR PAYMENTS

The Financial Services and HR Manager submitted report RD.51/14 setting out details of proposed changes to the authority's Financial Procedure Rules in respect of payments made through the Creditors system.

She explained that the proposed changes, detailed below, were in relation to the Council's policy on payments made through the Creditors system in situations where an official supplier invoice was not required.

Although formal supplier invoices should be received for all goods and services supplied to the authority, there were many situations which rendered the receipt of an official invoice inappropriate, which could include, but are not limited to:

- refunds;
- returned deposits;
- salary deductions paid over to e.g. HMRC/Pension Administrators etc;
- precepts, grants and sponsorship;
- reimbursements

Furthermore, as a means of making savings on printing costs, many suppliers were now issuing their invoices by email. Until e-purchasing was rolled out within the authority, the invoice continued to be printed out and should be annotated that it was an emailed copy.

In order to permit payments in respect of the above issues it was prudent to include a caveat to that effect within the Constitution as proposed below. The suggested changes had been included in bold below:

Revised wording (FPR D76):

*To ensure that payments **to suppliers of goods and/or services** are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Where, in very exceptional circumstances, it is considered necessary to make payments against documents other than official invoices, it is essential that Directorates ensure that no payment has already been made **and annotate the invoice as such**. This check will also be carried out by the Director of Resources, but the onus nevertheless remains with Directorates to ensure that there is no possibility of duplicate payment. **Payments, other than those made to suppliers of goods and/or services,***

should be paid on stationery as supplied by the Director of Resources with supporting evidence provided.

The Financial Services and HR Manager added that the Purchase Ledger Procedures would be updated to reflect the change and would provide more detailed guidance on the use and controls over payments made through the Creditors system.

In response to a Member's questions, the Financial Services and HR Manager stated that:

- Minute AUC.61/14
Audit of Income Management 2013/14 – Recommendation R2 (the Debtors invoice had been amended but was waiting for approval from the Council's bank before being implemented) – confirmation had been received that HSBC were content.
- Minute RO SP.64/14
The monitoring of the Carlisle Leisure Contract was the responsibility of the Audit Committee.

RESOLVED – That the Audit Committee approved the proposed changes to the authority's Financial Procedure Rules in respect of payments made through the Creditors system for recommendation to Council on 3 March 2015.