



CHIEF FINANCE OFFICER

**PAYMENT FOR WORKS,
GOODS AND SERVICES**

FINANCIAL PROCEDURE 11

OWNER: HEAD OF FINANCIAL CONTROL

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FINANCIAL PROCEDURE

PAYING FOR WORKS, GOODS AND SERVICES

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You should read this Financial Procedures in conjunction with the

- Guidance Notes for the Prompt Payment of Invoices
- Financial Procedure10 – Ordering and Receipting of Works, Goods and Services

FINANCIAL PROCEDURES

PAYING FOR WORKS, GOODS AND SERVICES

1. INTRODUCTION

The Council needs to ensure that its expenditure is legal and that it has in place proper financial administration of its activity.

The way that Works, Goods and Services are paid for by the Council is part of its financial activity, and involves many officers. It is essential to ensure that the relevant responsibilities of these officers are set out clearly. Further, the work of these officers must be coordinated to ensure a control framework which is efficient and effective in preventing fraud and error.

This code is not intended to be a definitive guide on all aspects of Paying for Works, Goods and Services. It is intended to highlight the main principles to be applied in ordering and making payments. It does not replace the specific responsibilities of officers which are set out in Schools' Bank Account Schemes, Budget Management Financial Procedure 6, the Council's Contract Standing Orders and Financial Regulations. Officers should also be aware of the Council's Guidance Notes for Prompt Payment.

The majority of the Council's payments are initiated by the receipt of an invoice from the supplier. However, there may be occasions when an invoice is not appropriate, in which case the use of a SAP 22 Payment Voucher Form may be appropriate.

2. METHODS OF INVOICE PROCESSING

The Council operates several different methods of processing Invoices, dependent on the type of Purchase Order raised or the Service procuring the Works, Goods or Service,. The methods of processing are:

- 2.1 **Standard Purchase Order** – for the procurement of most Works, Goods and Services. The Purchase Order is raised at the point of requesting the Works, Goods or Service from the Supplier. Suppliers are required to quote the Purchase Order Number on the Invoice, which should be sent directly to the Financial Transactions Team in Finance at Priory House On receipt of the goods or service a Goods Receipt Note is entered into SRM/SAP by the Requisitioner. The invoice is entered on to SAP by the Financial Transactions Team against the Purchase Order. Provided that the Purchase Order, Goods Receipt Note and Invoice match, payment will be released to meet the agreed payment terms.
- 2.2 **Limit/Framework Purchase Order** – mainly for commitments relating to utility supplies e.g. water, gas, electricity, telephones. An estimated figure for the year is entered as a commitment against the order. Authorised invoices are processed against this commitment. Goods Receipt Notes are **not** required against Limit/Framework Orders. Invoices relating to Limit/Framework Orders are sent directly to the service by the suppliers, as Invoices relating to these Orders require authorisation before payment can be made. A new Limit/Framework PO is required for each new financial year.
- 2.3 **Limit/Framework Orders with Invoice Plan** – for regular fixed weekly/monthly payments, where an Invoice is not necessarily received e.g.

payment of rent. The Invoice Plan is set to automatically release pre-determined payments as appropriate.

2.4 Housing Repair Invoices – The Housing Repairs Team use the QL system to raise Purchase Orders for repairs rather than SRM/SAP.

Payment will only be made against a formal Invoice. Invoices should be sent by the supplier to the Housing Repairs Team.

The invoice should be checked against the QL system to ensure that it is appropriate and that the charges are correct. Once agreed, the cost centre and general ledger code should be written on the invoice which should then be authorised by the Cost Centre Manager, or an Officer with delegated authority. Once authorised the invoice should be sent to the Financial Transactions Team at Priory House.

On receipt the invoice will be input on to SAP against the appropriate vendor account and payment will be made within the agreed payment terms.

2.5 Imprest Bank Accounts – This option exists in a similar way to a cash imprest but has the facility to enable cheques to be issued locally and reimbursement achieved through a Bank Account. The method allows individual payments by cheque to a limit agreed by the Chief Finance Officer, currently £250 with a single signature and £750 with two designated signatories.

2.6 SAP 22 Payment Voucher - To ensure that the maximum benefit is gained from the facilities available within SAP, every effort should be made to process as many transactions as possible through the Standard Purchase Order/invoicing procedures. However, where this is not appropriate a SAP22 may be used to initiate payment. Examples of such circumstances are: -

- a) Insurance settlements to members of the public
- b) fees/subscriptions/room bookings payable in advance, where no invoice is issued
- c) Payment of grants to charities and voluntary bodies.
- d) Reimbursement to staff m. In the normal course of business Purchase Cards or the relevant Petty Cash Account (if less than £25) should be used for low value items
- e)
- f) Where it will not be possible to obtain a supplier's invoice, or make payment via other methods e.g. Purchase Card or Petty Cash Imprest Account, a SAP 22 should be completed.

It should be noted that the SAP 22 is not specifically a **cheque** request form. Where a vendor is set up on SAP to be paid by BACS, a SAP 22 will generate a BACS payment.

3. PROCESSING INVOICES

To ensure that the Council achieves its targets for prompt payment all invoices received must be dealt with promptly on receipt.

Payment will only be made against a formal Invoice and where Value Added Tax (VAT) has been charged it is essential that the Invoice contains certain specified information. Details of these requirements can be obtained from the Financial Control team

An invoice will not process to payment until: -

- a) It has been authorised in accordance to the Financial Scheme of Management either by the Purchase Order process or by authorisation of the invoice itself. the system has checked that it has not been previously paid
- b) the arithmetic is correct
- c) tax has been accounted for correctly
- d) discounts have been taken where available

3.1 Standard Purchase Order Invoices

Invoices should be sent from the supplier directly to Financial Transactions Team at Priory House , quoting the SAP/SRM Purchase Order number. Invoices which do not quote a valid Purchase Order number will be returned to the Supplier.

The Financial Transactions Team at Priory House will input the Invoice on to SAP against the Purchase Order commitment. Where the Invoice matches the commitment and the Goods Receipt Note has been entered, the Invoice will be free to pay in accordance with the Council's payment terms.

A payment remittance advice will be sent to the supplier either electronically or by post . All invoices are retained by the Financial Transactions Team at Priory House .

Where the Invoice does not match the commitment and/or the goods receipt note the invoice will be blocked for payment and a workflow message will be sent to the Requisitioner notifying them of the action required to release the block. (see Section 4)

Where it is not possible for the Financial Transactions Team to input the invoice e.g. where the Purchase Order has been locked or has not been released, the Financial Transactions Team will send a workflow to the Requisitioner to request appropriate action.

3.2 Limit/Framework Order Invoices

Payment will only be made against a formal Invoice. Invoices should be sent by the supplier to the service.

The invoice should be checked to ensure that it is appropriate and that the charges are correct. Charge periods should be recorded locally to avoid duplication. Once agreed, the invoice should be authorised by the authorised officer in accordance with the Council's Financial Scheme of Management.

The authorised invoice should be sent promptly to Financial Transactions Team at Priory House , clearly showing the limit/framework purchase order number.

The Financial Transactions Team will sample check the authorising officer's signature against the authorisation listing schedule for appropriateness. Invoices not authorised by a listed officer will be returned to the service. The invoice will be processed against the purchase order commitment. Provided that the charges fall within the commitment, the invoice will be free to pay in accordance with the Council's payment terms.

A Remittance Advice will be sent to supplier either electronically or by post. All invoices are retained centrally within Financial Transactions Team at Priory House .

Where the invoice does not fall within the commitment on the Purchase Order the Invoice will be blocked for payment and a workflow message will be sent to the Requisitioner notifying them of the action required to release the block. (See Section 4).

Where it is not possible for Financial Transactions Team to key the Invoice e.g. where the Purchase Order has been locked or has not been released a workflow message will be sent to the Requisitioner to request appropriate action.

4. BLOCKED INVOICES)

Budget Managers are responsible for ensuring that the Blocked Invoice Report on SAP (ZMM01) is run on a regular basis (at least twice a week) and that appropriate action is taken to release the Invoice(s) for payment. This may be by changing the commitment, entering a goods receipt note, obtaining a credit note from the Supplier (if the charges are not appropriate) or e-mailing the Financial Transactions Team where a keying error is identified.

5. COPY INVOICES

Where an Invoice has been lost in transit, a duplicate from the Supplier must be requested. Payment may then be made but only after extensive checking that the original has not in fact been paid.

Where the Financial Transactions Team are used to effect payment, there are system checks in place to alert users to the possibility of effecting a duplicate payment. However, these system checks may only be regarded as an aid and the responsibility for avoiding duplicate payments rests with the authorising officer concerned.

6. DISPUTED INVOICES

Where the payment of an Invoice could be/has been delayed due to a dispute with the supplier in relation to the quality, delivery or charges for the works, goods or service provided, it is essential that the Financial Transactions Team is notified. This should be by workflow on the invoice cockpit or in the form of an e-mail (to Central Payments Team). For Housing Repairs Invoices or those relating to a Limit/FrameworkOrders the Invoice should be clearly

marked as 'DISPUTED'. This action will ensure that the Invoice is discounted when calculating the Council's prompt payment performance.

More detailed information in relation to 'Disputed Invoices' can be obtained from the Financial Transactions Manager.

7. METHODS OF PAYMENT

7.1 BACS

The policy of the Council is to wherever possible make payments using Bankers Automated Clearing Services (BACS). Where bank details cannot be obtained payment is made by crossed cheque.

7.2 Other Methods

In a small number of special cases, open cheques are issued and payment using bank transfer is also sometimes used. These processes require special authorisation and details are available from the Financial Transactions Team..

8. TIMING OF PAYMENTS

8.1 The Council's policy for the timing of payment of Invoices is 30 days from the date of Invoice. This is in line with public sector best practice and should not be varied by any officer without the approval of the Financial Transactions Manager.

8.2 Where discounts are available for payment in less than 30 days earlier payments may be effected.

9. CONCLUSION

9.1 This Financial Procedure has been issued as a guide to best practice for Paying for Works, Goods and Services.

9.2 Any variation from this Financial Procedure must be approved in writing by the Chief Finance Officer prior to starting any such variation.