

MEETING:	AUDIT & CORPORATE GOVERNANCE COMMITTEE
DATE:	20 NOVEMBER 2009
TITLE OF REPORT:	CREDITOR PAYMENT AUTHORISATION
HEAD OF BENEFIT AND EXCHEQUER SERVICES	MIKE TONEY

Wards Affected

None

Purpose

1. To report on the process for ensuring Creditor Payment Authorisations are managed in accordance with the Council's Constitution.

Recommendation

THAT the Audit and Corporate Governance Committee notes the actions being taken to ensure compliance

Introduction and Background

2. The Financial Procedure Rules, which are included in the Council's Constitution, set out the requirements for authorising payments. The key elements of this are:
 - a. Authorisation limits are set for individual staff within the following thresholds:

Directors - all payments exceeding £250,000

Heads of Service – payments up to £250,000

Managers reporting to Heads of Service – payments up to £100,000

Other officers as authorised by the Director of Resources – up to £5,000
 - b. The list of authorised signatories with their individual financial limits is agreed and maintained by Financial Services on behalf of the Director of Resources. Following a review of the Constitution in March 2008, all authorisations have been reviewed and updated.

- c. A significant exercise collecting signatories from across the whole Council (including schools) was undertaken in early 2008 to give a "base" position.
- d. Directors are required to ensure that the list of signatories is reviewed at intervals and any changes to the list are reported promptly.
- e. The Benefit & Exchequer Service has responsibility for processing payment requests, which includes ensuring that payments vouchers are correctly completed and properly authorised.

Key Considerations

- 3. Payments staff are responsible for processing payment requests and where vouchers are not completed correctly they are returned to the originator for correction. The main reasons identified for vouchers being returned are:
 - a) They have not been fully completed, for example cost codes are incorrect or missing.
 - b) The latest version of the payment voucher has not been used.
 - c) The person signing them does not have the necessary level of authorisation.
- 4. The Council has set a target for making payments and this is 20 days from the date the invoice is received. However, there is a requirement that we reduce our average payment time below this level. Central Government has pressed for the adoption of a 10 day timescale to support business cash flow during the recession. Current performance up to the end of October is 79.9% of invoices paid within 20 days of receipt and an average payment time of 15.34 days, with 48.4% of these being paid within 10 days.
- 5. For the 2008/9 financial year, 1,230 vouchers were returned for correction from a total of 112,258 transactions. This represents 1.1% of transactions. In the first six months of the current financial year, a total of 744 payment requests have been returned.
- 6. A reminder of the requirement for vouchers to be properly completed and authorised was sent to Directors and Heads of Service in April 2009.
- 7. The payment voucher document was updated in August with the aim of reducing the number of rejected payment requests and to improve data quality. As part of this process, a guide entitled 'Completion of Invoice Vouchers' has been provided and can be accessed on the intranet.
- 8. All Key Managers were reminded on 18 August of the need to ensure that vouchers are completed correctly and this information was also included on a general communication to all staff.
- 9. Of all the vouchers that were incorrectly completed, none were found to relate to payments which were not due to be made, hence no fraud or irregularity was discovered.
- 10. The key reason for rejecting vouchers included non-authorised signatories and no evidence of independent checks of documentation.

Community Impact

None

Financial Implications

None

Legal Implications

None

Risk Management

11. Failure to complete payment vouchers correctly can affect the speed with which payment is made and will have an impact upon both the creditor and our performance, as well as the level of resources needed for the payment process.

In addition to the regular monitoring, Creditors is a fundamental system and is therefore subject to an annual audit which provides an independent check on risk compliance.

Appendices

12. None

Background Papers

13. Financial Procedure Rules