

TITLE	Retrospective Purchase Orders
FOR CONSIDERATION BY	Audit Committee on 27 November 2013
WARD	None Specific
STRATEGIC DIRECTOR	Julie Holland, Interim Head of Business Assurance & Democratic Services

OUTCOME / BENEFITS TO THE COMMUNITY

Assurance over the effectiveness of control of the council's budget.

RECOMMENDATION

That the Audit Committee note the information on Retrospective Purchase Orders.

SUMMARY OF REPORT

Internal audit made a medium priority recommendation that "Guidance should be issued to management highlighting the importance of raising Purchase Orders before any acquisitions are made." The management response was that the Finance Business Partnering Manager would ensure that "Business Partners to ensure this is communicated to the budget managers." Action on monitoring the number of retrospective purchase orders is part of the procurement project Mastering Procurement. The results of this work have been fed into process changes that will be implemented once WISER goes live. This is planned to significantly strengthen the controls around Purchase Orders with challenge provided by Procurement on non-compliance on an individual basis.

Internal audit have performed an indicative high level analytical review to assist management and the committee to ascertain whether there are any particular areas of the council where there is poor performance. The results indicate that this is a systemic issue with no areas of the council being significantly better or worse than other. For example the range between the worst and the average is only 13%. This should be treated with caution as circa 7000 cases have not been individually verified and there could be legitimate reasons explaining these results.

Background

The 2012/13 Creditors Internal audit report highlighted a large number of retrospective Purchase Orders raised during sample testing. Internal audit work is routinely shared with external audit and they place reliance on the work of internal audit. This particular issue was highlighted to the Audit Committee via the Ernst and Young Audit Results Report 31 March 2013 which was presented to the Committee on the 25 September 2013.

The Creditors report was issued on the 9 August 2013. The Creditors report received a good overall opinion so the findings outlined here in relation to purchase orders should

be seen in that context. The findings identified that there were 12 instances where purchase orders were raised retrospectively from a sample of 25. Internal Audit has also raised concerns with the volume of Non-Purchase Orders.

Analysis of Issues

The failure to raise purchase orders prior to invoices being receipted and the current number of ad hoc Non-Purchase Orders may impact accurate financial planning and budgetary control. It should be noted that all retrospective purchase orders have been approved and sample testing verified that this was the case.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	Yes	N/A
Next Financial Year (Year 2)	N/A	Yes	N/A
Following Financial Year (Year 3)	N/A	Yes	N/A

Other financial information relevant to the Recommendation/Decision

N/A

Cross-Council Implications

N/A

Reasons for considering the report in Part 2

N/A

List of Background Papers

N/A

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