

TITLE	Retrospective Purchase Orders
FOR CONSIDERATION BY	Audit Committee on 4 February 2014
WARD	None Specific
DIRECTOR	Graham Ebers, Director of Finance and Resources

OUTCOME / BENEFITS TO THE COMMUNITY

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

RECOMMENDATION

The Audit Committee is asked to note the information on Retrospective Purchase Orders.

SUMMARY OF REPORT

Internal Audit advised the Audit Committee in November 2013 that the failure to raise purchase orders prior to invoices being received 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.

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 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 (48%).

Financial Regulations 12.1.20.4 states:

All Purchase Orders for work, goods, services or consultancy shall be issued through the

WISE Procurement system (or any replacement system) except:

- a) where services are provided by the public utilities, or are rents or rates;
- b) where the Purchase Order is raised using an alternative system agreed with Strategic Director of Resources (Chief Finance Officer);
- c) where other statutory arrangements apply;
- d) where agreed in consultation with the Strategic Director that purchase is made by

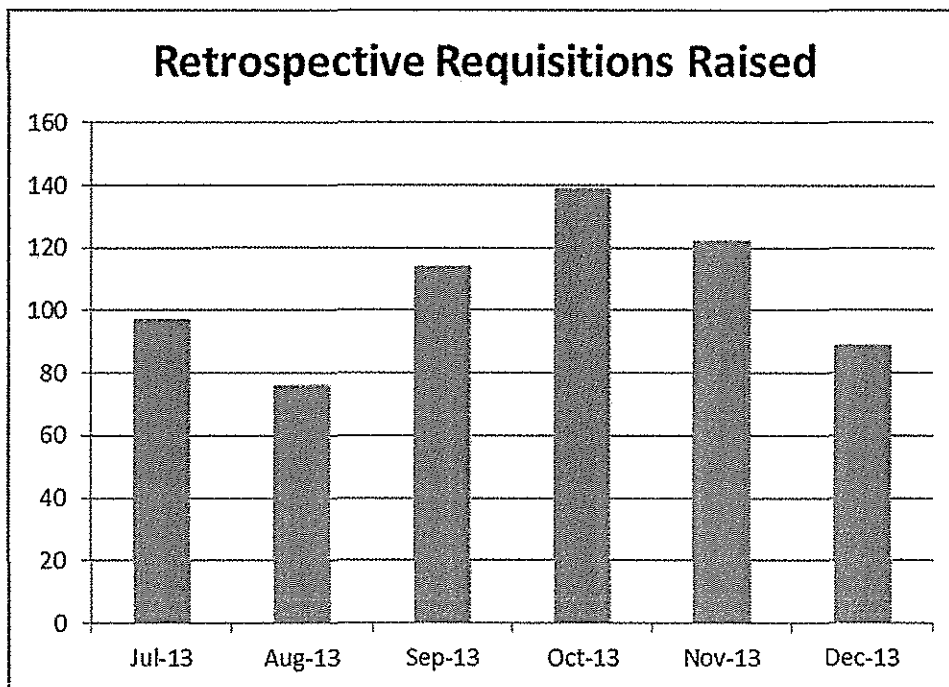
telephone or other direct communication, such as the Internet, however, this must be followed immediately by an authorised Purchase Order. A copy of the order should be sent to the supplier, noting where appropriate if the order is a confirmation of instructions already given;

- e) where the WISE system (or any replacement system) is not available and Strategic Director of Resources (Chief Finance Officer) has determined an emergency procedure; or
- f) where an alternative method of procurement has been identified and implemented by Strategic Director of Resources (Chief Finance Officer).

The Audit Committee will be aware that on occasion and in emergency or urgent situations that it may still be necessary to place a retrospective order.

Analysis of Issues

Finance now monitors closely the practice of retrospective purchase orders and the tables below reflect the monitoring to date.





The Finance team will continue to monitor and raise the importance with budget managers of avoiding where possible the practice of retrospective purchase orders.

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

Not applicable.

Cross-Council Implications

Not applicable.

Reasons for considering the report in Part 2

Not applicable.

List of Background Papers

None.

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