

TITLE	Retrospective Purchase Orders
FOR CONSIDERATION BY	Audit Committee on 23 September 2014
WARD	None Specific
DIRECTOR	Graham Ebers, Director of Finance and Resources

OUTCOME / BENEFITS TO THE COMMUNITY

Offering excellent value for Council Tax payers

RECOMMENDATION

That the Audit Committee notes the update on retrospective purchase orders.

SUMMARY OF REPORT

In September 2013 both the Council's internal and external auditors raised the issue of excessive use of the practice of raising retrospective purchase orders. As a result of the findings the Audit Committee tasked the Head of Finance to further report on the instances of this practice to each Audit Committee.

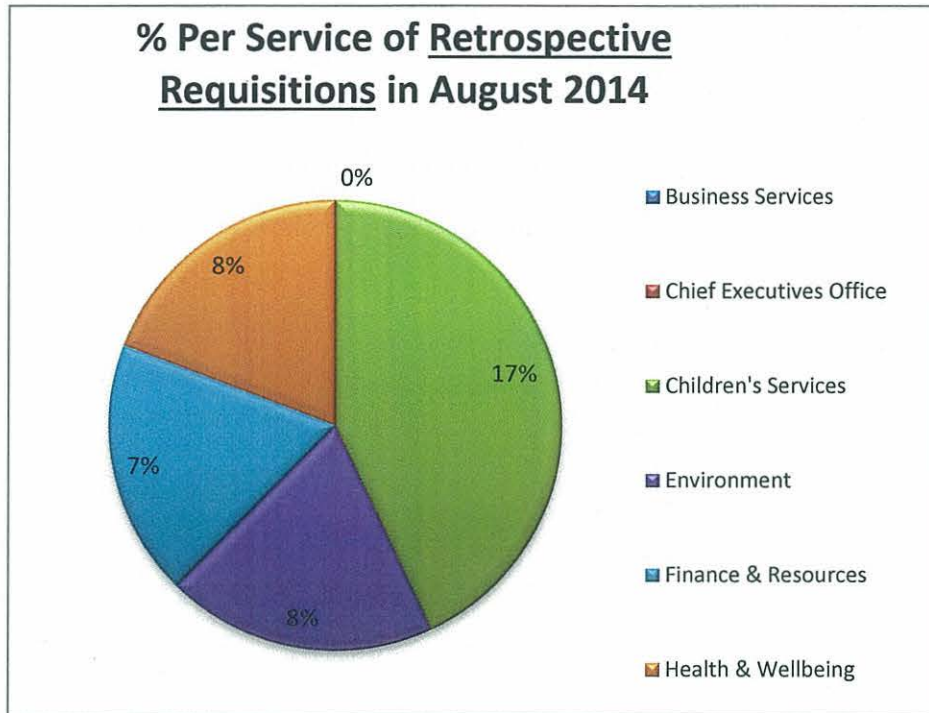
An internal audit report had identified that in a sample of 25, 12 (48%) invoices were being received before any purchase order was raised. If the sample were to be extrapolated this could potentially suggest that of the 14,260 purchase orders raised in 2012/13 6,845 were retrospective, clearly an unacceptable position. However monitoring undertaken since the beginning of the calendar year has shown that the percentage of retrospective purchase orders raised has varied between 8% and 13% monthly. The total number of retrospective purchase orders raised between January 2014 and August 2014 was 826 out of a total of 7,670 (10.7%). Although the practice is to be actively discouraged the Audit Committee should be assured that the initial sample and finding does not truly reflect the position of the Council overall.

The raising of retrospective purchase orders suggests a poor awareness of financial management and of a budget manager's responsibilities. Budget managers that continue this practice put a level of risk around the budgets they manage and therefore the whole of the Council's financial robustness, whilst bringing into question their own skills as budget managers. Some of these budgets are substantial.

The finance business partners have been working with budget managers to try to eliminate this practice, however the practice although reducing is still occurring and applies across the Council and in no one service alone.

Once the new financial system is embedded the Head of Finance will write to all suppliers (subject to an impact assessment) of services to the council to advise them that unless there is an appropriate valid purchase order number on their invoice then this will be returned to them unpaid until a suitable invoice is submitted. This will ensure that the problem is being tackled at both ends of the process.

The tables below shows for the most recent month (August) the level of retrospective purchased orders raised, by department and by value banding.



Count of Po Number	Aug-14			Aug Total
	OK	Retrospective PO	% Retrospective	
Capital Projects	35	3	8%	38
Chief Executives Office	14		0%	14
Children's Services	224	46	17%	270
Environment	144	12	8%	156
Finance & Resources	127	10	7%	137
Health & Wellbeing	97	8	8%	105
Grand Total	641	79	11%	720

services	£0-£500	£501-£1000	£1001+	Grand Total
Aug-14				
Chief Executives Office				0
Children's Services	12	1	33	46
Environment	10	1	1	12
Finance & Resources	2	1	6	9
Health & Wellbeing	2	2	4	8
Grand Total	26	5	44	75

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)	Nil	Nil	
Next Financial Year (Year 2)	Nil	Nil	
Following Financial Year (Year 3)	Nil	Nil	

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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Date 4 September 2014	Version No. 1.0