



# Newborough and Borough Fen Parish Council

## Purchase Ordering and Payment for Goods and Services Policy

## **1.0 Scope of Policy**

**1.1** This policy sets out the Council's arrangements for ordering, receiving, authorising and subsequently paying for the supply of goods, materials, services and works to the Council. The Policy sets out the detailed rules and procedures around the Council's purchase ordering system and payment of creditors.

**1.2** The policy encompasses the following areas:-

- Raising of purchase orders for goods or services or works;
- Receiving and checking of goods and services upon delivery;
- Certification of orders and authorisation of expenditure;
- Accounting for payments for goods and services;
- Regular payments such as utilities costs and direct debits;
- Use of the Council debit cards;
- Petty cash arrangements

**1.3** This policy provides the detail behind the overall financial framework as set out in the Council's approved Financial Regulations, particularly under the 'Payments for Goods and Services' section, and in the Standing Orders for Contracts and Procurement which set out the framework for the procurement of all works, goods, materials and services and the Council's tendering and contract procedures.

**1.4** The Clerk/Responsible Financial Officer (RFO) is ultimately responsible for all systems and procedures in relation to the ordering and payment for goods, services and works provided to the Council.

## **2.0 Aims of the Policy**

**2.1** The aims of the policy are to supplement the Financial Regulations and Standing Orders for Contracts and Procurement by setting out detailed procedures and controls for the ordering and the authorisation of expenditure on the supply of goods, services and works to the Council.

**2.2** In particular the Policy aims to ensure that:-

- Purchase orders are raised only by authorised staff;
- Orders are placed only when sufficient budget provision exists;
- Appropriate checks are made upon delivery of goods and services to enable the effective future authorisation of the expenditure;
- Invoices received from creditors are properly checked e.g. prices, arithmetic, VAT etc. prior to release for payment;
- Invoices are certified for payment only by the RFO;
- Systems are place for the effective checking and authorisation of regular payments and direct debits;

- Robust procedures are in place for the use of the Council debit card & petty cash;
- Creditors are paid on time, within the relevant payment terms;
- All expenditure is properly and accurately accounted for;

**2.3** The policy is intended for use by all staff of the Council with responsibility for ordering goods, services and works.

### **3.0 Purchase Order Responsibilities**

**3.1** The key principle of separation of duties must be observed, as far as is practicable within the staffing resources available, in connection with the following areas of ordering and purchasing:-

- The duty of ordering of goods, services and works.
- The duty of receiving those goods and services.
- The duty of checking invoices received for payment and authorising expenditure.
- The duty of payment of invoices.
- The duty of recording and reconciling expenditure in the Council's financial management system.

**3.2** Responsibility for raising orders for goods and services, receiving those goods and services and checking invoices received from suppliers for payment in respect those goods and services lies with the senior staff member within the appropriate service areas.

**3.3** It is important to note that in the application of the following procedures

for purchase ordering, and in particular the requirement for separation of duties as set out above, there is an acceptance that due to the small size of the Council, the importance of operational requirements, and the limitations of the staffing structure, that full adherence to this procedure may not always be possible. This fact will be taken into account during the audit of ordering procedures in each service area by the Council's Internal Auditor. However, all managers must ensure as far as possible that one staff member does not take part in all aspects of ordering, receiving and certifying purchases.

**3.4** Responsibility for the payment of all invoices for goods, services and works supplied to the Council and for recording and reconciling expenditure in the Council's financial management system lies with the Clerk/RFO. All invoices received from suppliers will in the first instance be received and checked by the RFO.

**3.5** The Clerk/RFO is responsible for the following procedures:-

- Setting up new suppliers as required on the Council banking system
- Checking the calculation and arithmetic of amounts due;
- Ensuring the correct VAT treatment and calculation;
- Ensuring the correct coding of the expenditure;
- Ensuring payment of creditors within the payment terms;
- Reconciliation of expenditure through the cash books and bank statements;

## **4.0 Ordering Goods and Services**

**4.1** An official purchase order must be raised by an authorised staff member for every supply of all goods, services or works to the Council, with the exception of the following:-

- Regular payments such as utility costs, telephones etc;
- Regular payments made by direct debit or standing order;
- Goods and services of an emergency nature;
- Services for which a formal contract is to be prepared;

**4.2** In addition to 4.1 goods, services & works which may be ordered between Council meetings without referral (provided it is within the maximum delegated spend limit & budget as approved at full council) in order to keep the council and its services operational are:

- Office supplies
- Grounds/building maintenance goods
- Play area on-going safety maintenance
- Required training

**4.3** Completed purchase orders must include enough detail using the description field on the order to enable proper checking of the subsequent invoice. If multiple orders are being placed, each individual item or set of items must be shown on a separate line on the order.

**4.4** Verbal orders must not be placed except in an emergency. Suppliers must be provided with the relevant purchase order number and a copy of the order forwarded if required. The supplier should be requested to quote the Council's official order number on all future correspondence relating to the order e.g. invoices, delivery notes etc.

**4.5** Staff involved in the ordering process are responsible for ensuring value for money at all times. Any PC staff member issuing an official order is to ensure as far as reasonable and practicable that the best available terms are obtained in respect of all purchase orders.

**4.7** As per the Council's approved Standing Orders for Contracts and Procurement, any procurement over the value of £3,000, must be subject the obtaining of three competitive quotes, unless an

exemption from the Standing Orders applies. For further information, please refer to the Standing Orders or contact the Clerk/RFO.

## **5.0 Receiving Goods and Services**

**5.1** In order to comply with the minimum expected level of internal control and ensure value for money, the duties of ordering, receiving and certifying goods and services must be separated as far as possible, within the constraints of a small organisation, very limited staffing structure and the need to meet day to day operational requirements.

**5.2** The easiest way to achieve this is to ensure that the duty of raising a purchase order is separated from the duty of receiving and checking the goods and services.

**5.3** Where the goods are to be delivered to Council premises, the receiving staff member (Clerk) or Councillor (if delivered to an alternative address) should examine the goods at the point of delivery, check all items against the delivery note or original order, and then sign, whether this is manually or electronically, only for those items present. They must then ensure that the goods are stored in a secure area until otherwise necessary.

**5.4** Signed delivery notes or goods received notes should be forwarded to the Clerk/RFO promptly, in order to enable the proper certification of purchase orders when the invoice is subsequently received.

## **6.0 Certification of Purchase Orders**

**6.1** The duty of certifying purchase orders and therefore authorising expenditure will normally be undertaken by the authorised staff member (the Clerk) who originally raised the purchase order. As such, it is important that this duty is, as far as practicable, separated from the duty of receiving and checking the goods and services as per Section 5.

**6.2** Wherever possible, certification of purchase orders should be made by reference to the signed delivery note, or other proof that the works, goods or services have been received, delivered in the correct quantity and to an acceptable quality and standard. It is acknowledged that in a minority of cases, this proof may be based on the knowledge of the certifying staff member or Councillor, rather than physical verification.

**6.3** Purchase orders should be part certified if only part of the works, goods or services have been received or if the Council has only been part invoiced for the goods or services.

**6.4** Certification of a purchase order by an authorised staff member, provides the confirmation from that officer that the goods or services have been received as per the original order and to an acceptable standard and quality and that responsibility is taken for the subsequent expenditure.

**6.5** The Parish Clerk is the final certifying person when the invoice is authorised for payment.

## **7.0 Invoice Processing and Authorisation**

**7.1** The Clerk/RFO will check/verify / process payment for all invoices received from suppliers, service providers and contractors and account for the subsequent expenditure.

**7.2** Any invoices in dispute should be notified to the Clerk/RFO.

## **8.0 Payment of Invoices and Accounting for Expenditure**

**8.1** The process of payment of invoices and the subsequent accounting for the expenditure for all creditors is the responsibility of the Clerk/RFO.

**8.2** Once the invoices have been received the Clerk/RFO will undertake a number of final checks on the invoices including checking of price, arithmetical accuracy, and the calculation of any VAT.

**8.3** The invoices will then be filed on an 'invoices awaiting payment' file and will be paid in the appropriate payment run, in accordance with the relevant payment terms for each supplier.

**8.4** The Clerk/RFO will take all possible steps to settle all invoices which are in order and on which there is no dispute, within the supplier's relevant payment terms.

**8.5** Payments to creditors are made by cheque or BAC's transfer and the Clerk/RFO actively encourages suppliers to accept payment by BAC's transfer as this is a quicker and cheaper method of payment.

**8.6** All payment runs and suppliers accounts are reconciled on a monthly basis and all expenditure is also checked and verified independently to supplier statements and via the cash book and bank reconciliations.

## **9.0 Accounting for Petty Cash**

**9.1** The Council does not hold any petty cash.