

CASTLEREAGH BOROUGH COUNCIL

COMMITMENT AT INVOICE STAGE AND SUBSIDIARY BANK ACCOUNT CHEQUES AND REQUEST PROCEDURES

The Council in March 2003 agreed that the Council move from the current POP (Purchase order processing) to commitment at invoice register stage. This means that we return to manual order books and it is only when the invoice is received that we enter the details on to the computer and are able to receive committed reports.

Detailed below are summary notes for the new system and personnel involved

1. COMPLETION OF MANUAL ORDER BY BUYER

- The buyer should be at supervisor level
 - The order book will be three part, numerically numbered and bound
 - The buyer needs to adhere to current tender and quotation procedures (see point 5) **before** the official order is completed
 - The buyer will arrange for the completion of the manual order detailing supplier, service/goods to be ordered, cost code, date
 - The buyer will sign the order to request the goods/services
 - The Director/Manager will sign the order to give their authorisation
 - Orders over the value of £3,000 will require prior approval of the **Director**
- **Purchase order forms are to be reviewed with an additional section included to read:**
 - **“Buyer to confirm the following:-**
 - **1) Necessary Quotations received Yes/No**
 - **2) Buyer to confirm that budget checks have been made and sufficient resources are available – Yes/No.**
 - **3) Sign and Date**

2. COPIES OF ORDER

- Top copy (WHITE) is forwarded to the supplier, if the order is phoned to the supplier the order number must be quoted
- Second copy (PINK) will be forward to the INPUT CLERK for filing in the unpaid invoice file
- Third copy (GREEN) will remain in the bound order book

3. INVOICE

- The supplier will forward the invoice to the Section ordering the goods
- INPUT CLERK should enter the invoice on to the computer (ensure prefix entered)
- Each invoice should be entered separately

- An Invoice Clearance Slip is stapled to the invoice
- The Invoice Clearance Slip is part completed by the INPUT CLERK and forwarded to the BUYER for signing
- The BUYER signs the Invoice Clearance Slip to certify that all the goods/service have been received and are of the required standard
- Invoice is forwarded to the DIRECTOR/MANAGER for authorisation
- The DIRECTOR/MANAGER are signing the slip to confirm that the Council's rules and regulations relating to tenders and quotations have been complied with and they authorise payment of the invoice
- The invoice is forwarded to Finance, within 15 working days of receipt into the department, where it is cleared through the system for payment
- INPUT CLERK should then move the PINK copy of the order into the paid file and date stamp it accordingly
- If the invoice is only for part of an order then the PINK copy will remain in the unpaid file but there will be a note put on the order detailing part payment information
- It should be noted that invoices should be the original document

4. CANCELLATION OF INVOICES

Invoices may have to be cancelled for a variety of reasons, eg:

- Goods/services are inferior or unsuitable and are returned
- Invoice is paid via sub account after committed – this would only be exceptional
- Director/designated officer or buyer does not agree with the invoice

Failure to remove spurious invoices from the system will result in a gradual build-up of corrupt records in the ledger and undermine the credibility of the budget reports.

5. TENDERS AND QUOTATIONS

Nothing in these procedures precludes observance of the Council's standing regulations regarding the need to obtain quotations or tenders. The current regulations are as set out below:

Spending Limit (excluding VAT)	Action Necessary
Up to £800	Buyer approval (supervisor level)
£801 - £2,000	Two quotations
£2,001 - £5,000	Three quotations
£3,001	Prior approval of Director
> £5,001	Go to relevant Committee for approval before order placed
£5,001 - £12,000	Four written quotations
> £12,000	Tenders invited by public advertisement

Please ensure you have a copy on file of minutes, quotations, tenders etc as the Local Government Auditor will be inspecting **YOUR** files

6. SUPPLIES EXCLUDED FROM THE ABOVE PROCEDURES

- Suppliers who are paid via direct debit ie electricity, coca cola
- Rates and telephone invoices will continue to be forwarded directly to Finance as the turnaround time is low if we wish to secure discounts
- Water invoices go direct to Rick Tracey
- Purchases to be charged against a capital budget
- Payments made through the sub account
- Petty Cash payments

7. INVOICE PAYMENT

- The invoices will be forwarded to Finance for processing from the individual sections
- Creditor Clerks will check that the Invoice Clearance slip has two appropriate signatures
- Creditor Clerks will check that the Gross and Vat amount detailed on the Invoice Clearance slip agrees with the invoice
- If the invoice is for under £5,001 Creditors Clerk will initial the Invoice Clearance Slip and process the payment
- If the invoice is between £5,001 and £12,000 the Finance Manager will initial the Clearance Slip
- If the invoice is for more then £12,000 the Finance Director will initial the Clearance Slip
- The invoice will then be processed for payment if the computer entry agrees with the original document. If this is not the case the invoice will be returned to the appropriate Section.

8. AUDIT

- Both the Internal and External Auditor will carryout ad hoc inspections of the files to ensure that the Departments are adhering to the above procedures
- If the invoice is more than £3,000 only a Director can authorise the payment
- It should also be noted that the Invoice Clearance slip requires two signatures so if the Manager is the buyer then only the Director can authorise the payment even if it is less than £3,001.

9. ORDER BOOKS

All order books will be kept in the Finance Department and records kept of order books issued (book reference, section, person who received the book).

This information will be kept on a spreadsheet which will be accessible by reception to enable them to relate invoices received to relevant departments/sections.

Revised Subsidiary Bank Account Cheques and Request Procedures

1. There are currently six signatories on the subsidiary bank account. These are the Chief Executive, the four Directors and the Finance Manager. The Finance Manager can sign cheques up to £3,000. If a cheque is in excess of £20,000 then the Chief Executive or Duty Director **MUST** be a signatory to the payment. If the Duty Director has requested the cheque then another Director must sign it.
2. A copy of this procedure will be filed in the "financial procedures" pack which will be compiled and issued to each Council Department by the end of the 07/08 financial year. Each issue will have a control number. It will also record the signatories of the staff whom it has been issued to.
3. This procedure will be subject to periodic training by the Finance Department.
4. A valid explanation must be given for requesting a sub account cheque. If the signatory is not satisfied with the explanation given then he/she can request the relevant Director/Manager to provide further detail/background information. If the signatory is still not satisfied with the explanation given then he/she can take up the matter with the Council's Chief Executive.
5. Before a sub account cheque can be raised, a sub account cheque request form must be completed (copy attached). This form **MUST** be completely filled in, if not, it will be returned immediately to the relevant Department. Forms not properly completed will be logged in the Finance Department for audit purposes. A relevant buyer must sign the "requested by" and the "authorised by" must be a relevant Manager/Director.
6. Additional lines will be inserted to record
 - a. relevant purchase order number, if applicable
 - b. requesting department
 - c. Confirmation that the account has not already been processed through the Invoice Register.
7. All sub account requests must have the relevant Council/Committee minute/quotations attached.
8. Sub account cheques will not normally be paid on copy invoice to prevent duplicate payments. Only exception being when it is authorised by the

relevant Director or Chief Executive and that confirmation is given to the Finance Department that the account has not already been paid.

9. To ensure that payees are not deducted income tax on sub account cheques made payable to individuals for a service provided to the Council, there should be in place a signed declaration of self employment. Failure to provide this documentation will result in the Council having to deduct basic rate income tax from the payment. It is the responsibility of the "buyer" in each department to ensure that the relevant self-employment form has been obtained and brought to the attention of the relevant Manager/Director. A copy of the certificate is attached.
10. Where it can be demonstrated that the Council or a member of staff is at fault in delaying a payment, then this request will be processed for payment. However, all efforts must be made to minimise this type of payment.
11. Each Council Department must make a concerted effort to reduce the number of sub account cheques being processed. In order to act as a discipline the number of sub account cheques will be reported on a monthly basis to the Management Team. This report will also analyse the payments requested by each Department.
12. The Management Team when signing off a sub account cheque, so as to ensure that the system is practical, will always exercise discretion. However, I would **STRESS** the importance of points 4 and 11 in this regard.
13. The responsibilities attached to signing off the request form and associated cheque are the same as the normal monthly accounts. For clarity I set out below the responsibilities as attached to each signature:-
 - 13.1 "Requested by" – this person will have to be a buyer on the purchasing system and it is their responsibility to ensure that the request is in accordance with the Council's purchasing policy and that budget checks have been made to ensure sufficient funds are available.
 - 13.2 "Authorised by" – this person will have to be a Manager/Director and it is their responsibility to ensure that the buyer has followed the correct purchasing procedure. Failure by either or both personnel to adhere to the Council's purchasing procedure will result in disciplinary action.

14. A signatory to a sub account cheque must be convinced that there is adequate documentation supporting the request. If he/she feels that there is insufficient documentation then further details/information can be requested. All supporting documents must be attached.
15. It will be the decision of the Management Team as to when this reviewed procedure is to be effected.
16. Sub account cheques will be raised on a weekly basis ie. every Wednesday afternoon with requests to the Finance Section before mid-day on the Wednesday . Exceptions will be made but only if absolutely necessary.
17. On limited occasions you may receive a communication from the Finance Department saying that no sub account cheques will be raised on a certain day due to illness, leave etc. These will, however, be kept to an absolute minimum.
18. Subject to which cheque signatories are present at any given time, it is best practice to ensure that a Director/Manager signing the sub account request form does not sign the respective cheque.
19. Sub Account cheques should, when possible, be signed same day as presented.
20. The Director of Finance and the Finance Manager should **NOT** jointly sign sub account cheques.