

## FINANCIAL CODE 6

# ORDERING AND PAYING FOR WORKS, GOODS AND SERVICES

### 1. General Principles

1.1 This Code applies to the purchase of goods, services or works. The Head of Finance & Procurement is responsible for making payment of all authorised invoices and monies due by the Council.

1.2 The normal method of payment of money due from the Council will be by Bankers Automated Clearing System (BACS) or (by exception) by cheque. The Head of Finance & Procurement has the authority to arrange for payments to be made direct from the Council's bank account by BACS, direct debit, standing order or other means. It is Council practice to try and reduce the number of cheques produced, in favour of making payment by BACS where possible.

1.3 Directors are responsible for ensuring that their staff examine, check, verify and certify all orders, receipts, invoices and payment vouchers in accordance with instructions issued by the Head of Finance & Procurement. Invoices shall only be released for payment when all system based electronic authorisations or equivalent have been completed.

1.4 The following requirements apply to all ordering and paying for works, goods and services on behalf of the Council: -

**Procurement Principles** - Purchasing must be carried out in accordance with the Council's Procurement Standing Orders, which explain the rules and thresholds for sourcing and ordering goods, services and works.

**Budgetary Control** - No order shall be issued for works, goods and services unless financial provision for the expenditure can be met within the approved budget.

**No Personal Gain** - Employees should not achieve any personal gain when making a purchase for the Council. Orders may only be placed for Council supplies and must not be used for personal purchases under any circumstances.

**Separation of Duties** - There should be a least 2 council officers, other than RSS Ordering staff or Purchase Ledger Team, involved at some point in the chain of ordering, receipt of goods and payment of invoices.

**Authorising Officers** - Orders and invoice payments can only be authorised by council officers approved to do so in accordance with the Council's Budget Management Structure Chart agreed by the Finance, Procurement & Transformation Committee and maintained by the Head of Finance & Procurement. The names of officers, together with specimen signatures and initials where appropriate, authorised to certify such payments must be sent to the Head of Finance & Procurement by Chief Officers, and this list must be amended on the occasion of any change and reviewed for accuracy at least annually.

1.5 **Payment in advance** - It is not permissible to make a payment in advance of the delivery of works, goods or services, or to vary the Council's standard settlement terms, other than with the prior approval of the Head of Finance & Procurement and the Procurement and Commissioning Manager.

1.6 **Direct Debits** - The use of direct debits to make payments will require the prior agreement of the Head of Finance & Procurement. Due to the heavy administrative costs associated with the Council administering direct debit payments, these will only be allowed where the annual value paid by direct debit exceeds £500,000.

1.7 **Authorisation at PO Stage** - A dispensation is made in respect of the authorisation of invoices, where a purchase order has been raised on the Integra RSS system or Mosaic system. The approval of this purchase order can be taken as authority for paying the resultant invoice, subject to the goods/services/works having been receipted on the system, and the resultant invoice matching the purchase order in terms of value and quantity of goods.

## 2. Ordering & Payment System

2.1 The Council currently uses three systems for raising purchase orders and/or processing invoices –

- Integra RSS (Requisitioning & Supply System),
- Integra Purchase Ledger (by exception),
- Mosaic for Social Work-related invoices.

2.2 It should be noted that all invoices and payments made by the Council are ultimately processed through the Integra Purchase Ledger for payment, and automatically recorded against the nominated ledger codes used to process the invoice in the Integra Nominal Ledger. The Integra RSS system is dynamically linked to the Integra Purchase Ledger system, so any invoices requiring to be processed for payment are automatically transferred to the Integra Purchase Ledger system. An interface is used to transfer any Mosaic invoices requiring payment to the Integra Purchase Ledger.

2.3 **Integra RSS** - RSS PO Invoices require a 3-way match where the total of the invoice has to match the (previously approved) purchase order; the receipt of the good/service; and the invoice total. If all three totals match, then the invoice is automatically paid (i.e. does not require further authorisation). If it does not match, then the original authoriser of the purchase order is contacted electronically by workflow and is asked to accept or reject the invoice.

2.4 **Integra Purchase Ledger** – This approach is only used by exception for “non-PO invoices” processed direct into the Integra Purchase Ledger whereby the invoice is sent electronically by workflow e-mail to a “pre-approver” role, to manually check that the invoice is legitimate; that the goods/services match a PO; and that the goods/services have been received. If these conditions are matched then the pre-approver codes the invoice, and the invoice is sent electronically by e-mail workflow to an authorising officer for approval. Once the approval has taken place then the invoice is processed in the Purchase Ledger for payment.

2.5 **Mosaic** - The Mosaic System processes Social Work invoices and requires matching of the invoice with the order to pay the invoice. If the invoice is a mismatch, then the user needs to determine what the issue is and attempt to resolve it. Once the matching has taken place then the invoice is placed in the next payment cycle, and the Mosaic to Purchase Ledger interface file is authorised by the manager and sent to Purchase Ledger for payment.

### 3. Orders

3.1 **No PO No Pay Policy** - The Council has a No PO No Pay Policy. This means an official Purchase Order must be raised through one of the Council's electronic ordering systems where goods, services or works are being procured, prior to delivery and prior to the invoice being submitted. Similarly, suppliers and contractors must quote a valid Purchase Order number on invoices for goods, services or works in order to receive payment.

3.2 **Timing of Order** - Purchase Orders for all works, goods and services must be raised at the time the supply/service/works is requested, and prior to the goods being received.

3.3 **Retrospective Orders** - Services should not raise retrospective orders to pay invoices other than by exception. As above, all orders should be raised in advance of works, goods and services and in advance of invoices. Exceptions to this rule must be approved by the Head of Finance & Procurement.

3.4 **Information Contained on Orders** - Purchase Orders must indicate the nature, period of supply, and/or quantity of the work, goods or services required and the agreed value of these. In normal circumstances, prices should be pre-agreed, "fixed and firm" including delivery charges excluding VAT.

3.5 **Verbal Orders** - In "exceptional circumstances" urgent orders may be placed verbally, by an officer authorised to incur expenditure. The supplier should be advised that the order is subject to the Council's standard terms and conditions of purchase. Such orders shall be confirmed within 3 working days by an official purchase order detailing the purchase and indicating that the supplier must provide the goods or service in line with instructions previously issued.

3.6 **Exemptions from raising orders** - Raising orders may not be appropriate for all circumstances, and a list of agreed exceptions will be maintained by Finance & Procurement.

### 4. Receipt of Goods and Services

4.1 **Receipting principles** - Goods should be checked against the delivery note immediately after delivery, and any discrepancies or damage noted. Any complaints regarding the goods received must be taken up with the suppliers or carriers without delay, and in the time period specified by them.

Goods and services must be receipted promptly on the Integra RSS system, once the following checks have been satisfied:

- That all the required goods or services on the purchase order have been received or that the work carried out is satisfactory,
- There have been no additional goods or services provided outside of the original purchase order,
- Appropriate entries have been made in stores inventory or other records, if appropriate.

**4.2 Disputes and Credit Notes** - For any orders where problems have been found with the works, goods and services, these should be *suspended* to ensure that the invoice payment is withheld until the dispute is resolved. In this circumstance an appropriate officer from the service making the purchase should: -

- Raise the matter promptly with the supplier and keep a record of all ensuing negotiations,
- Request a credit note or replacement goods for goods returned or incomplete deliveries (Integra RSS allows the user to partially receipt goods).

**4.3 Integra Purchase Ledger** - For any goods/services/works where the invoice will be processed through Integra Purchase Ledger then the above receipting principles must be adhered to.

**4.4 Integra RSS** - In Integra RSS the “Suspended” function allows the user to record that they have received an item/service, but allows the user to indicate that there is an issue with the item/service (i.e. the item has broken or the service was not delivered to an acceptable standard), which prevents invoices from being matched to those lines. This allows the user the facility to prevent payment until all issues have been resolved.

**4.5 Mosaic** - The Mosaic system does not have a receipting function primarily as “care” is an intangible service that is being procured.

## 5. Processing of Invoices

**5.1 Integra RSS** - Invoices on the Integra RSS system will be paid after a 3-way match where the total value of the invoice has to match the (previously approved) purchase order; and the receipt of the good/service. If all three totals match, then the invoice is automatically paid. Please note the “authorisation” is made at the “front-end” when the purchase order is approved by a relevant officer; If there is a mismatch between values of the 3-way match, then the RSS system allows the authoriser to approve variances between the invoice and the order.

**5.2 Integra Purchase Ledger** - Invoices processed on the Integra Purchase Ledger system require the invoice to be authorised before it is processed for payment. Before authorising an invoice the certifying officer must be satisfied that: -

- An official order has been properly raised and authorised for the works, goods or services,
- The works, goods or services to which the invoice relates, are the same as that ordered, has been received, carried out, examined and approved,
- The prices, credit (if appropriate) and VAT treatment are correct,
- The expenditure associated with the invoice will be properly incurred and can be met from relevant budget provision,
- Appropriate entries have been made in asset registers, inventories, stores records, or stock systems as required,

- The invoice has not been previously passed for payment and is a proper liability of the Council; and,
- The appropriate ledger code and other relevant information have been properly entered on the invoice against orders raised.

5.3 **Mosaic** - The invoice has to be paired with the commitment detailed on Mosaic for the service provided based on the corresponding purchase order value. If there is a match then the invoice is paid. If the invoice is a mismatch, then the user needs to determine what the issue is and attempt to resolve it.

5.4 **Invoice Delivery** - All invoices (apart from Mosaic invoices) must be sent in the first instance to the Purchase Ledger Section. In accordance with the guidance specified on the official orders, the supplier must quote the official order number, details of the goods or services supplied and the place where the work was done or goods delivered. Mosaic invoices are sent to the Billing, Ordering & Payments Mosaic e-mail box.

5.5 **Accruals** - Each Director must as soon as possible after 31 March and not later than a date to be intimated by the Head of Finance & Procurement notify expenditure on outstanding invoices relating to the previous financial year (i.e. accruals).

5.6 **Credit Notes** - Services should ensure that appropriate credit notes are obtained for short or damaged deliveries, returns and invoicing errors. Any credit notes resulting from the Integra RSS system, must be processed through the Integra Purchase Ledger.

It is advisable not to pay an incorrect invoice until the appropriate credit note has been received and checked. Credit notes should be processed without delay. If the supplier will not be used again or the value owed is significant, then a refund should be requested rather than a credit note.

## 6. Urgent Payment Requisitions

6.1 The purpose of Urgent Payment Requisitions is to provide a means of making a 'one-off' payment at short notice where an invoice cannot be provided. **E-form Urgent Payment Requisitions** should be raised on the Integra Centros system.

6.2 Where possible all urgent payments should be made by BACS (payments by cheque by exception). Third party confirmation of bank details signed by the individual and/or company authorised signature must be attached to the payment request.

6.3 The Urgent Payment Requisition procedure must not be used to request imprest/petty cash, employee wages, employee travelling/training expenses etc. as other procedures are already in place to deal with these claims. It is imperative that services carefully consider the appropriateness of submitting an Urgent Payment Requisition, rather than a more mainstream invoice based payment method; and if in doubt consult with the Purchase Ledger Team, Billing, Ordering & Payments.

## 7. Purchase Cards and Credit Cards

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7.1 Purchase and Credit cards are a relevant method of payment for individual purchases where appropriate. This provides an alternative to the use of cash imprests, or the payment of invoices from suppliers for specialist, for one off purchases.

7.2 All Purchase and Credit cards issued to officers remain the property of the Council and must only be used for business purposes. No personal purchases or cash withdrawals are permitted.

7.3 All purchases made with a Council Purchase or Credit card must be supported by a VAT receipt where relevant. If a proper VAT receipt is not available, then VAT must not be claimed.

7.4 The Head of Finance & Procurement is responsible for: -

- The provision of purchase cards to be used for agreed purposes and to be allocated to nominated members of staff,
- Prescribing procedures and guidelines for the use of purchase cards, management review, and accounting arrangements for recording and monitoring expenditure incurred with cards issued.

7.5 Chief Officers are responsible for ensuring the correct use of Purchase Cards in accordance with the procedures and guidelines issued by the Head of Finance & Procurement.

7.6 Purchase Card approvers are required to approve their cardholders' transactions on the RBS SDOL system by the 15<sup>th</sup> of each month. Further information can be found by referring to the *Purchase Card Policy Guidance* documents obtainable from Finance & Procurement.

## **8. Imprest Accounts**

8.1 The Head of Finance & Procurement will provide an Imprest Account for such officers of the Council who may need them for the purposes of defraying petty cash and other small expenses.

8.2 No income received on behalf of the Council may be paid into an Imprest Account but must be banked or paid to the Authority as provided elsewhere in these Regulations. Imprest Accounts must not be increased or topped up from other funds or from personal funds.

8.3 All payments from Imprest Accounts will be limited to minor items of expenditure and must wherever practicable be supported by a receipted voucher.

8.4 The Head of Finance & Procurement will annually request from an Imprest holder or a holder of cash floats, a certificate as to the state of the Imprest Account held by them.

8.5 Claims for reimbursement of Imprest Accounts must be made by the Imprest holder in accordance with procedures and timescales determined by the Head of Finance & Procurement.

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8.6 On leaving the employment of the Council or otherwise ceasing to be entitled to hold an Imprest, an officer will account to the Head of Finance & Procurement for the amount advanced to them.

8.7 Further information can be found by referring to the *Imprest Guidance* documents on Connect.