Purchase Orders

North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority

Internal Audit Report 2019/20

Business Unit: Technical Services
Responsible Officer: Head of Estates, Transport, and Logistics
Service Manager: Logistics Manager
Date Issued: 20 February 2020
Status: Final
Reference: 45560/012

	P1	P2	P3
Actions	0	0	2
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

Purchase ordering is the process whereby the Authority orders and makes payment for goods and services. It is important that the process is subject to relevant checks and controls to ensure that orders are properly authorised, are appropriately recorded, and that payments are made correctly. Effective controls in this area should help assure the Authority that their budget is appropriately spent and that their budget monitoring is accurate.

There was no Logistics Manager in post when we began the audit. A new Logistics Manager started in autumn 2019 during the audit testing. The Logistics Manager has a high level of involvement in the interim system for purchase orders.

In the medium term the Fire Service is planning on phasing out purchase order books for purchase orders to move to using the electronic Oracle Purchase to Pay system.

In the interim, the service are using an in-house developed purchase order system which is Microsoft Word and SharePoint based. The current purchase order system has been operating alongside order books for a number of years.

The purpose of the audit was initially to examine the Achieve Forms system which was developed within the IT department at the Authority and was intended for use by the whole Authority. Achieve Forms is currently used for IT and Transport orders and is no longer to be rolled out across the rest of the Authority. It was therefore decided that the interim purchase order system would be the focus of the work. The audit did look at Achieve Forms as part of the examination of Transport orders but it was observed only as a part of the wider interim system.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system ensured that:

- Orders are inputted in an accurate and timely manner
- Processes are performed consistently and efficiently across the service

The audit reviewed orders within Transport and Logistics only.

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Key Findings

Purchase orders had been entered accurately onto the relevant budget monitoring spreadsheets. We saw entries on the record of orders and SharePoint were also correct. Where inaccuracies had initially been present these had then been rectified by the Authority's Central Administration Office (CAO). Issues were able to be rectified because invoices are hyperlinked to SharePoint and checked before being input onto the budgeting spreadsheets. In the sample we reviewed a record of the orders was also created promptly on SharePoint after the order was placed.

The four separate systems used for processing purchase order data do not interact with each other. Purchase order data is required to be manually entered by officers into each system. This increases the likelihood of inaccurate recording of data and will take officers more time. An inputting error on a budgeting spreadsheet may also result in inaccurate forecasting, as the budget monitoring spreadsheets are the main tool for forecasting across the Authority.

Paper invoices are distributed internally on postal runs twice a week. For Transport Orders CAO are required to print off the electronic Achieve Form and attach it to the paper invoice prior to passing it to Finance. For Logistics orders, the Stores Manager is required to complete a goods receipting blue slip and attach it to the paper invoice prior to sending it to Finance for payment. Therefore, there may be a delay in paying invoices. Using paper invoices and authorisation takes more time compared to sending invoices electronically.

Overall Conclusions

The arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

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1 Purchase Order procedures involve multiple systems increasing processing time

Issue/Control Weakness	Risk
The same purchase order data is manually inputted into multiple different systems	Purchase Order information is recorded incorrectly.

Findings

Transport and Logistics purchases are currently being manually recorded on four separate systems. These are SharePoint, the relevant record of orders, the relevant budgeting spreadsheet, and, either on Achieve Forms or on a goods receipting blue slip (depending on whether the order is Transport or Logistics related). The four systems used for processing purchase order information do not interact with one another. As a result every order has to be entered onto each of the four systems independently.

The Central Administration Office (CAO) input the order details onto SharePoint and the relevant record of orders once appropriate authorisation has been received from the budget manager. The relevant budgeting spreadsheet is then updated by CAO with the order details. This part of the process is performed for both Transport and Logistics orders.

For Transport orders CAO complete an Achieve Form when the order is ready for payment. CAO send the form to the Stores Manager who sends it to the relevant budget manager for approval. Once approved the budget manager sends the form back to the Stores Manager who sends it to CAO. CAO print the invoice off and send it to Finance with a copy of the original invoice to be processed for payment.

For Logistics orders, a blue slip is completed by the Stores Manager to confirm goods have been received. The blue slip is attached to the paper invoice and sent directly to Finance. Finance send the invoice and blue slip to CAO. CAO check the accuracy of the order and obtain authorisation from the relevant budget manager. Once authorised, CAO update the relevant budget monitoring spreadsheet to show that the order is being paid and return the invoice to Finance with the completed blue slip attached. Once the invoice with the attached blue slip is received by Finance then payment is made.

These processes increase the time involved in processing and recording purchase orders. They will also increase the likelihood of error (with a number of manual processes inputting data onto multiple systems).

Agreed Action 1.1

An action plan is being developed, with a view to mirroring the ordering system used in Transport. This will involve liaison with ICT and Finance, including checking that any new processes are compliant with Finance's procedures.	Priority	3
	Responsible Officer	Head of Estates, Transport, and

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	Logistics
Timescale	30 September 2020

North Yorkshire Fire & Rescue Service

2 Internal invoice distribution

Issue/Control Weakness	Risk
Paper invoices are distributed internally on payment runs twice a week.	There may be a delay in paying invoices or invoices may be lost in the transfer process.

Findings

Central Administration Officers (CAO) send paper copies of invoices (with attached budget manager authorisation) to Finance for payment of purchase orders. The authorisation process differs depending on whether the order is for Transport or Logistics.

- For Transport orders, an electronic Achieve Form is printed off once appropriate authorisation has been received. The achieve form is attached to a paper copy of the invoice, and sent to Finance for payment.
- For Logistics orders, a paper copy of the invoice is sent to Finance with a goods receipting blue slip completed and attached by the Stores Manager. Finance send the invoice and goods receipting blue slip to CAO. They obtain budget manager authorisation. CAO return the invoice and completed goods receipting blue slip to Finance for payment.

Currently the CAO print the electronic Achieve Form and passing the form to Finance with a paper copy of the invoice for Transport orders. The Stores Manager also sends a paper copy of the invoice with an attached blue slip to Finance from the Transport and Logistics Hub in Thirsk to Fire HQ in Northallerton. The documentation is taken from Thirsk to Northallerton via an internally run postal service twice per week.

The above processes take more time in comparison to performing the processes electronically. The Authority could potentially reduce printing costs and process invoices quicker if Finance received invoices and the authorisation to pay electronically.

Agreed Action 2.1

The action plan will examine the digital distribution of invoices. This will involve liaison with ICT and Finance, including checking that any new processes are compliant with Finance's procedures.	**Priority**	3
	Responsible Officer	Head of Estates, Transport, and Logistics
	Timescale	30 September 2020

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Audit Opinions and Priorities for Actions

Audit Opinions
Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit. Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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