THE CHIEF CONSTABLE OF NORTH YORKSHIRE

Key Financial Controls: Procurement

FINAL

Internal audit report 4.20/21

4 December 2020

RSM

CONTENTS

Debrief held	11 November 2020	**Internal audit team**	Daniel Harris, Head of Internal Audit
Draft report issued	13 November 2020		Angela Ward, Senior Manager
Revised draft report issued	26 November 2020 1 December 2020		Philip Church, Client Manager
			Robert Knowles, Senior Auditor
Responses received	4 December 2020		
Final report issued	4 December 2020		
		Client sponsor	Managing Director
			Chief Finance Officer
			Senior Category Manager
		Distribution	Managing Director
			Chief Finance Officer
			Senior Category Manager

1   EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, remote working has meant that we have been able to complete our audit / assignment and provide you with the assurances you require. It is these exceptional circumstances which mean that 100 per cent of our audit has been conducted remotely. Based on the information provided by you, we have been able to sample test the control framework.

1.1 Background

Procurement processes at North Yorkshire Police (NYP) are outlined in the Force's Devolved Resource Management (DRM) Manual, included in which are the thresholds of delegated authority, namely that the procurement of contracts below £50,000 (aggregated spend over four years) are managed in-house; procurement of those over £50,000 are led by the Regional Procurement Team. The current Senior Category Officer who leads responsibility for procurement at NYP joined the Force at the end of 2019. The Senior Category Officer is supported by two Senior Procurement Officers who have been with the Force for several years along with three procurement apprentices (the latter however, still work as Purchasing Officers and have little involvement or experience in procurement).

The Force previously had in place a Strategic Commercial Board (SCB), which was established in April 2019 to review all procurement activity over £10,000, and to provide advice on the most appropriate route to market. The opportunity was set out by PwC as part of the Force's Transform 2020 Strategy that identified by having a Procurement Board in place a 'better value for outcome' would be achieved, with forecasted savings of between 5-8%. The Board has not met for several months due to the forecast savings not being delivered as well as the forum not providing the strategic overview of the procurement activity within NYP as hoped.

Our review has also included the use of the IDEA data analytics software to conduct testing of procurement data. Details of the tests conducted, and management's response can be found under Appendix C of this report.

1.2 Conclusion

Our review noted that since the start of year several controls have been implemented within the Force's Procurement Team such as the Contracts Register, workplan, and changes to the procurement processes to expedite approval of PRFs (procurement request forms), while our testing found that in practice procurement activities were being carried out in compliance with the DRM Manual.

While there were documented procedures in place overseeing procurement processes, these had not been updated in the DRM Manual. Similarly, certain processes relating to procurement, in particular the governance arrangements, have not been formally documented.

Other findings relate to a lack of internal governance oversight of procurement activity as well as regular reporting on procurement activity and performance, both financial and qualitative; however, we note that there are plans in place to re-establish or introduce controls which would address these findings. We have agreed **three medium** and **two low** priority management actions shown immediately below in the key findings.

Internal audit opinion:

Taking account of the issues identified, the Chief Constable of North Yorkshire can take **reasonable assurance** that the controls in place to manage this risk are suitably designed and consistently applied.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified area.
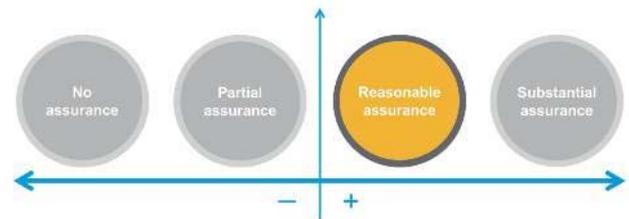
1.3 Key findings

We noted the following areas for improvement:

- We were provided with a copy of the most recent Devolved Resource Management (DRM) Manual, which was last updated in its entirety, and issued, in July 2016, which is over four years from the date of this review. We noted in discussion with the Senior Procurement Officer that chapter 10, Procurement Processes, of the Force's DRM Manual had been revised more recently than the date of December 2015 as stated at the top of the chapter.

  The 'Procurement Process' guidance document issued to staff in January 2020 was agreed at the 21 November 2019 meeting of the SCB; however, it did not include document controls (date reviewed, date of next review, version). Rather the DRM manual should have been updated initially and the communication sent to staff afterwards. Issuing of guidance with updates to processes which is not on a formal Force pro forma could result in conflicting practices among staff. **(Medium)**

- The SCB, which was established to have oversight of NYP procurement activity, has not met in several months, during which time there has been little governance oversight of procurement activity. The Board is to be re-established awaiting finalisation of revised terms of reference. There is a risk that oversight of related procurement activities is insufficient, could be presented at the wrong forum to allow for it to effect meaningful change, or is not occurring in practice. This could all impact value for money. **(Medium)**

- We could only evidence one report into procurement activity since the start of the calendar year 2020. As aforementioned, the forum at which procurement activity would be reported, the SCB, has not met for several months. There is a risk should procurement activity not be reported at an appropriate governance forum that there is little oversight of procurement activity, in particular activity which falls outside of the agreed processes, overspend, or supplier underperformance, is not challenged and addressed. **(Medium)**

We agreed a further two low priority management actions which are detailed in section two of this report.

We have identified the following controls that were well-designed and consistently applied.

- There is a procurement process map which was last revised and issued on 6 December 2019 in which the responsibilities and thresholds for authorisation are documented in line with those in the DRM Manual.

- The responsibilities of employees within each of the procurement procedures (or 'routes') are clearly outlined in the DRM Manual, including: responsibility for obtaining quotations; when involvement of the Regional Procurement Team is mandatory; and the thresholds for approval and the applicable person responsible (i.e. contracts up to £50,000 can be signed by the budget holder).

- The aforementioned procedures were reiterated to staff in the Procurement Process guidance document issued in January 2020.

- We reviewed a sample of procurements, taken from the Force's current workplan (as at mid-October 2020), all of values less than £50,000 (values over this amount were out of scope for this audit), to ensure the appropriate procurement processes had been adhered to.

  Our sample was taken from those procurements completed post January 2020 to ensure that only the current procurement processes were considered. Our results confirmed that all had been conducted in line with the Force's DRM Manual

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non-Compliance with controls*		Agreed actions		
					Low	Medium	High
Procurement	2	(7)	1***	(7)	2	3	0
Total					**2**	**3**	**0**

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

** More than one management action has been raised against one control.

*** IDEA testing has not been recorded as a control or design weakness.

2   DETAILED FINDINGS

Categorisation of internal audit findings	
Priority	**Definition**
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management
1	Procurement Processes is chapter 10 of the Force's Devolved Resource Management Manual (DRM) Manual. A Procurement Processes guidance document was issued to staff in January 2020 due to amendment to the procurement processes, namely removal of the requirement of	Yes	No	We were provided with a copy of the most recent Force's DRM Manual, which was last updated in its entirety, and issued, in July 2016. We noted in discussion with the Senior Procurement Officer that chapter 10, Procurement Processes, of the manual had been revised more recently than the date shown of December 2015. A lack of version control could lead to conflicting guidance across policy and procedural documentation as well as Force processes not adhering with changes to legislation, guidance or good practice. We confirmed that a Procurement Processes guidance document had been published to staff on the Force's intranet, Source, on 9 January 2020 along with an article which explained the changes to the 'process for requesting procurement via the SCB'. Of particular note was the removal of the requirement of approval from the SCB for procurements. The document was agreed at the 21 November 2019 meeting of the SCB and was signed off by the CC CFO; however, no document controls were included on the document (date reviewed, date of next review, version). We confirmed with the Senior Category Manager	Medium	We will update the DRM Manual to reflect the changes to processes as documented in the Procurement Processes guidance document. We will review the DRM Manual to ensure all chapters are up-to-date, and evidence this review, and further reviews and revisions, in a version/document control box.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management
	approval from the Strategic Commercial Board (SCB).			that the DRM manual should have been updated initially and the communication sent to staff afterwards. There is also a Procurement Process Map which was last revised and issued on 06 December 2019 which has been updated to reflect the aforementioned changes to the procurement process.		Once reviewed and revised the manual will be approved and re-issued to staff. **Implementation date** 31 March 2021 **Responsible owners** Senior Category Manager Chief Finance Officers

Risk exposure	Root cause
Policies / procedures are not in line with current legislation, guidance or best practice.	Policies / procedures are not reviewed and revised on a regular basis.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management
2	**Partially missing control** The forum to which procurement activities should be reported, the SCB, has not met in recent months. The Senior Category Manager prepared a one-off report on procurement activities for the Police, Fire and Crime Commissioner's Chief Finance Officer and the Chief Constable's Chief Finance Officer.	No	-	In mid-2020, the Senior Category Manager prepared a one-off report on procurement activities for the Police, Fire and Crime Commissioner's Chief Finance Officer (CFO) and the Chief Constable's CFO which noted the changes to the procurement processes which were the result of comments from stakeholders on the pausing of the SCB, namely the introduction of a new PRF and devolution of responsibility of the signing of the budget to the budget holder in place of the previous process whereby procurements had to be signed off by the SCB, which resulted in the Board losing its strategic overview of procurement activity. The report also provided the number of PRFs from the Current Workplan either completed by NYP, referred to the Regional Procurement team (i.e. those over £50,000), or in progress, as well as the number of PRFs by function/service area. The report also discussed the development of the Contracts Register and a Savings Register, as well as a piece of work undertaken looking at spend under £50,000, in particular where spend (excluding £50,000+ Regional Procurement spend) becomes expenditure over £50,000 when aggregated over four years with the same supplier; this was found to equate to £3.4m expenditure with 152	Medium	We will re-establish the Strategic Commercial Board, ensuring first that the terms of reference have been authorised and a pro forma meeting agenda agreed, to include analysis of supplier performance. **Implementation date** 31 March 2021 **Responsible Officers** Chief Finance Officers and Senior Category Manager

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management
				suppliers. The report ended with a list of proposed savings opportunities, namely postage, medical evidence, clothing, and vehicle transport services.	Medium	We will also implement dashboard reporting of procurement activities to include:

suppliers. The report ended with a list of proposed savings opportunities, namely postage, medical evidence, clothing, and vehicle transport services.

We were advised by the Senior Category Officer that the SCB, which was initially established in April 2019 to review all procurement activity over £10,000, and to provide advice on the most appropriate route to market, is to be re-established after a period of inactivity pending revision of its terms of reference by the CFOs. Also noted in our discussions were the plans to implement 'dashboard reporting' covering procurement activities, including the number of PRFs ongoing and completed, contracts soon to expire or renewed, spend outside of contract/policy, spend with suppliers (i.e. top ten suppliers).

There is a risk should procurement activity not be reported at an appropriate governance forum that there is little oversight of this activity, in particular activity which falls outside of the agreed processes, overspend, or supplier underperformance, is not challenged and addressed.

Risk exposure	Root cause
A lack of governance oversight of procurement activity potentially resulting in overspend, poor supplier performance etc. going unchallenged.	Governance arrangements/fora are not in place. Reporting of procurement activity is not regular or does not cover applicable activity (i.e. supplier performance).

Priority: Medium

Action for management:

We will also implement dashboard reporting of procurement activities to include:

- Identification of key supplier dependencies; and

- Expenditure outside of policy.

Updates will be presented at each meeting of the SCB.

Implementation date

31 March 2021

Responsible Officers

Senior Category Manager

Management response: *The delay is due to a new Head of Finance coming into the role in March 2020; however the SCB met on 20th November, with revised TOR, oversight of procurement activity is provided by a*

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management
						procurement current workplan dashboard.
3	**Partially missing control** Governance arrangements with regard to procurement activities are not currently documented (in either the DRM Manual or the Procurement Processes guidance document respectively).	No	-	As discussed, the SCB at which procurement activity would be reported and discussed has not met for several months and revision of its terms of reference at the time of the audit was ongoing pending approval prior to re-establishment of the Board. The internal governance arrangement(s) for the reporting and monitoring of procurement activity, including supplier performance, is not currently documented in the DRM Manual; however, it is noted in the Procurement Processes guidance document, issued January 2020, that procurement activity will be logged on a procurement pipeline (called a 'workplan' in practice). This will include: Activity; Outcome; Review dates for contracts; and Estimated start date for next procurement round for this contract/STA. 'Performance statistics' will be reported to the SCB. As discussed in the previous control findings, reporting to the SCB is pending re-establishment of the Board. There is a risk should governance arrangements not be formally documented that oversight of related activities, in this case procurement, is insufficient, is presented at the wrong forum to allow for it to effect meaningful change, or is not occurring in practice.	Low	We will formally document the internal governance arrangements in a revision to the Procurement Processes chapter (10) of the DRM manual. **Implementation date** 31 March 2021 **Responsible Officers** Chief Finance Officers and Senior Category Manager

Risk exposure	Root cause
Procurement activity is not monitored throughout the NYP governance structure at suitable fora, potentially resulting in lack of or insufficient appropriate management oversight and challenge.	Governance arrangements regarding procurement not been documented.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management
4	IDEA data analytics testing was undertaken to:	-	-	The results of the IDEA data analytics testing can be found under Appendix B of this report. These results were provided to the Procurement Team for further comment, which can also be found under Appendix B.	Low	The Procurement Team will follow up on the discrepancies noted in the data analytics testing

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management
	• Identify duplicate purchase orders; • Identify duplicate invoices paid to the same supplier; • Identify paid invoices where there is no corresponding purchase order number; • Identify paid invoices that are over the value of £50,000, to confirm that they have had the involvement of the Regional Procurement Team; • Identify the level of purchases per supplier to help determine value for money has been achieved; • Identify if duplicate suppliers exist within the finance system; and			Those tests which found exceptions were as follows: Identify paid invoices where there is no corresponding purchase order number. Testing identified that there were **3,068**/9650 records where there was no corresponding purchase order number against the invoice that had been paid. There is a risk of non-compliance with internal policies leading to unauthorised purchases. Identify paid invoices that are over the value of £50,000, to confirm that they have had the involvement of the Regional Procurement Team. Testing identified that there were **570**/9560 records where the invoice value was over £50,000, where the Regional Procurement Team have not been involved in the procurement process there is a risk of breaching internal policies as well as not achieving value for money. Identify the level of purchases per supplier to help determine value for money has been achieved. Testing identified that there were **78** suppliers where the sum of the purchases were between £10,000 and £50,000, there were **39** suppliers where the sum of the purchase were over £50,000 leading to the risk that value for money may not be achieved. Identify the number of days taken to pay an invoice during the period of 1st April 2020 to 30 June 2020. Testing identified that there were **3994** / 9560 records identified on the paid invoice report, that were paid after 30 days.		and action as appropriate. **Implementation date** 31 December 2021 **Responsible Officers** Senior Procurement Officer

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management
	• Identify the number of days taken to pay an invoice during the period of 1st April 2020 to 30 June 2020.					

APPENDIX A: SCOPE

The scope below is a copy of the original document issued.

Objective relevant to the scope of the review

The internal audit assignment has been scoped to provide assurance on how the Chief Constable of North Yorkshire manages the following area.

Objective of the area under review
To ensure that value for money is achieved through the robust procurement of goods and services and in accordance with the Force's Devolved Resource Management Manual.

Scope of the review

Our review will focus on the following areas:

- A procurement policy has been regularly reviewed and approved.

- Responsibilities and accountabilities for procurement activities are clear and communicated to all relevant staff.

- Procurement activities are being conducted in compliance with the Force's Devolved Resource Management Manual.

- Review of contract extensions and the approval process in place. We will consider increase spend or contract scope expansion and how these impact on the Force.

- Reporting of procurement activities is sufficient to enable:

  - The identification and management of key supplier dependencies (e.g. single suppliers for business-critical goods or services).

  - Analysis of supplier performance, including feedback to inform supplier decisions and supplier management.

  - Expenditure outside of policy.

- Governance arrangements, internally and externally (i.e. with suppliers), are sufficient.

- A register of supplier contracts is maintained

- Our work will incorporate the use of Computer Assisted Audit Techniques (CAATs) using the IDEA software package in order to:

  - Analyse expenditure with suppliers to inform the selection of samples to check compliance with the Force's policy, where appropriate.

  - Identify individual expenditure elements at or around policy and delegated authority thresholds.

  - Identify duplicate entries such as suppliers, bank accounts or invoices.

The following limitations apply to the scope of our work:

- The scope of the work is limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out for this review.

- We will not consider expenditure above £50,000.

- Conclusions are based on our assessments made through discussions with management, assessment of the current framework of controls and review of relevant documentation made available.

- Our work will not consider which supplier has been chosen for a particular expenditure stream, only whether the correct process has been used to evaluate and select that supplier.

- We will not re-perform tender evaluation or value for money decisions.

- Our work will not cover day to day processing activities (i.e. orders, goods received, payments or credit notes).

- Our review will not include expenditure via credit cards or employee expenses.

- We will not review business continuity plans in relation to supplier monitoring and performance.

- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

APPENDIX B: FURTHER INFORMATION

Persons interviewed during the audit:

- Senior Category Manager
- Senior Procurement Officer

Documentation reviewed during the audit:

- Devolved Resource Management Manual, July 2016
- 'Procurement Processes' guidance document, January 2020
- Procurement Process Map
- Procurement Report
- Contracts Register
- Current Workplan
- RFQ Toolkit

APPENDIX C: DATA ANALYTICS

The following is a summary of findings from our analytical work which we have discussed with management.

Analytics Findings:

The following is a summary of findings from our data analytics work which we have discussed with management. This has involved us sharing the data analytics spread sheets which detail the findings for further consideration and checking.

For the purpose of our findings, we have used a '*pause*' and '*tick*' approach to highlight at a glance which areas require further investigation following our findings.

Area: Duplicate Purchase Orders	
Criteria:	Identifying duplicate purchase orders
Source Data/Reports:	Paid invoice report
Period Covered:	1st April 2020 to 30 June 2020
Testing Undertaken:	We obtained a list of purchase orders processed via the finance system in order to identify duplicate purchase orders with duplicate purchase order amounts, suppliers and item description.
Issues identified:	Testing identified that there were **no** duplicate records with the same purchase order number, supplier, amount and item description.
Overall Conclusion:	No further action required

Area: Duplicate Paid Invoices	
Criteria:	Identifying duplicate invoices paid to the same supplier.
Source Data/Reports:	Paid invoice report
Period Covered:	1st April 2020 to 30 June 2020
Testing Undertaken:	We obtain a list of the purchase invoices paid between the period of 1st April 2020 to 30 June 2020 in order to identify any duplicate invoice payments.
Issues identified:	Testing identified that there were **no** records where the invoice number, invoice amounts for the same supplier had been paid.
Overall Conclusion:	No further action required ✓
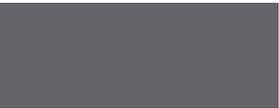
Area: Paid Invoices with no Purchase Order	
Criteria:	Identifying paid invoices where there is no corresponding purchase order number.
Source Data/Reports:	Paid invoice report
Period Covered:	1st April 2020 to 30 June 2020
Testing Undertaken:	We obtain a list of the paid invoices paid between the period of 1st April 2020 to 30 June 2020 in order to identify invoices that had been paid but had no corresponding purchase order.
Issues identified:	Testing identified that there were **3,068** records out of 9,560 where there was no corresponding purchase order number against the invoice that had been paid. There is a risk of non-compliance with internal policies leading to unauthorised purchases.
Overall Conclusion:	Management will implement a 'No Po, No Pay' policy, effective January 2021.
Comments from management:	NYP Procurement staff reviewed the data following the audit and provided explanations for the 3,068 records identified above. The majority of records related to payments where a PO was not required, for example: fuel card expenditure, data which is imported into Oracle (751 records); transport services and consumables processed by NYP Transport staff, data which is imported into Oracle (1398 records); payments made on purchases cards, the individuals responsible for which are required to submit supporting evidence to Finance on a monthly basis (111 records). The number of records where a PO should have been raised but had not was deemed by management to be minimal (less than 10); however it was confirmed with management that they were implementing a 'No PO, No Pay' policy to capture those requests for payment for which a corresponding PO had not been raised.

Area: Paid Invoices over the Value of £50,000	
Criteria:	Identifying paid invoices that are over the value of £50,000, to confirm that they have had the involvement of the Regional Procurement Team.
Source Data/Reports:	Paid invoice report
Period Covered:	1st April 2020 to 30 June 2020
Testing Undertaken:	We obtain a list of the paid invoices between the period of 1st April 2020 to 30 June 2020 in order to identify invoices that are over the value of £50,000, to confirm that they have had the involvement of the Regional Procurement Team.
Issues identified:	Testing identified that there were **570** records out of 9,560 where the invoice value was over £50,000, where the Regional Procurement Team have not been involved in the procurement process there is a risk of breaching internal policies as well as not achieving value for money.
Overall Conclusion:	No further action required
Comments from management:	A column has been added to the sample (Column C) which shows the procurement route to market. As with the other data, there are several entries for the same contract due to the way the data was split on the Invoice file. Where it states BLPD and a number that is referring to a contract on the BlueLight Procurement Database. This can be accessed via https://www.blpd.gov.uk/foi/foi.aspx and then entering the 5 digit number. All the BLPD contracts in the sample have been arranged by Regional Procurement. For those classified as "Outside Scope" then the entries refer to work that could not be competed; this normally happens when the supplier is another Government organisation, police force etc.

Area: Summary of Transactions	
Criteria:	Identifying the level of purchases per supplier to help determine value for money has been achieved.
Source Data/Reports:	Paid invoice report
Period Covered:	1st April 2020 to 30 June 2020
Testing Undertaken:	We obtain a list of the purchase invoices paid between the period 1st April 2020 to 30 June 2020 in order to identify the number of transactions and level of expenditure per supplier.
Issues identified:	Testing identified that there were **78** suppliers where there were the sum of the purchases were between £10,000 and £50,000, there were **39** suppliers where the sum of the purchases were over £50,000 leading to the risk that value for money may not be achieved.
Overall Conclusion:	No further action required
Comments from management:	NYP Procurement staff reviewed the data following the audit and provided explanations for the 117 suppliers identified above. The majority of cases related to contra entries for accounting, credits received, balance sheet entries, other payments not processed via purchase order (eg council tax, non-domestic rates, bid levy, agreed mutual aid payments etc). There are on occasion entries relating to contracts and this information was provided. The remainder of the "blank" entries are from various data that is imported into the Oracle Finance system eg from TRANMAN, Capita and Vehicle Fuel card transactions. The Capita and Vehicle Fuel Card transactions are covered by contract and TRANMAN has already been identified, both pre-audit and during the audit, as an area to review.

Area: Duplicate Suppliers Exist within the Finance System	
Criteria:	Identifying if duplicate suppliers exist within the finance system
Source Data/Reports:	List of suppliers downloaded from the finance system
Period Covered:	Suppliers as of September 2020
Testing Undertaken:	We obtained a list of the supplier details recorded on the finance system and checked suppliers against each other in terms of duplication.
Issues identified:	Testing identified that there were **no** duplicate suppliers recorded on the finance system.
Overall Conclusion:	No further action is required.

Area: Time Taken to Pay Invoices	
Criteria:	Identifying the number of days taken to pay an invoice during the period of 1st April 2020 to 30 June 2020
Source Data/Reports:	Paid invoice report
Period Covered:	1st April 2020 to 30 June 2020
Testing Undertaken:	We obtained a copy of the paid invoice report in order to determine the number of days taken to pay an invoice from the invoice date.
Issues identified:	Testing identified that there were **3,994** records out of 9,560 records identified on the paid invoice report, that were paid after 30 days.
Overall Conclusion:	No further action is required.
Comments from management:	The report used lists each distribution line per invoice and therefore requires summarising to invoice level before analysing. This results in there being 3,111 invoices in scope of the review. We have then further split this down to look at payment from two angles, being payment aligned to invoice date and payment aligned to the date the invoice was first input into Oracle. Although I appreciate the former is part of the scope of the audit the two are linked when explaining the reasons which would have caused it late payment.

90% of invoices were paid within 30 days of input and I am content that this is acceptable. However this reduces to 70% when compared to the actual invoice date.

272 of the 3,111 invoices related to direct debits and therefore the payment date (date processed in Oracle) is not relevant as the money will have been taken from our account on the agreed contractual date. This date is the date that we matched in Oracle and as this does not affect the supplier then we do not prioritise these internally.

This leaves 2,839 invoices aged as per the below.

- 0-30   1,946   69%
- 31-60   556   20%
- 61-90   215   8%
- 91-180   72   3%
- 181+   50   2%

Of the 2,839 invoices, approximately 920 of them relate to the Transport Department. In spite of some being old the input date evidences that this was the first time we had received these invoices. Due to utilising a fleet management system (ordering goods and pricing jobs on vehicles repairs within workshops) the Transport Department are the only function in the organisation who receive invoices directly. Due to staffing issues it became apparent that many invoices had not been recorded correctly on their system and therefore had not been passed to P2P for payment. Of the 920 invoices
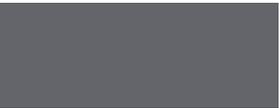
Area: Time Taken to Pay Invoices

402 of them were overdue. These 402 contribute by nearly 45% to all of the invoices over 31 days past due. This issue, once we were sighted, was highlighted to Transport Senior Management and additional scrutiny has been incorporated to their part of the process.

Whilst it is not feasible to explain a reason for every invoice we have analysed those invoices over 180 days and rationale given.

Currently the Force does not have a formal "No PO no Pay" policy however that is something the Senior Category Manager and I (Finance Manager), since taking on responsibility for the P2P/Procurement functions, have obtained Head of Function support to proceed with. This will be implemented in the forthcoming months once appropriate communications have been made with existing suppliers and internal stakeholders. It is envisaged that this will have a material impact on compliance with 30 day payment terms.

FOR FURTHER INFORMATION CONTACT

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