

BIRMINGHAM CITY COUNCIL**PUBLIC REPORT**

Report to:	AUDIT COMMITTEE
Report of:	Interim Chief Finance Officer
Date of Decision:	20 October 2020
Subject:	RETROSPECTIVE PURCHASE ORDERS
Wards affected: All	
1	Purpose
1.1	Members have asked for a report setting out details in respect of retrospective purchase orders.
2	Decisions recommended:
2.1	Members are asked to note the information provided and the actions being taken to reduce the use of retrospective purchase orders.

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3 Compliance Issues:

- 3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies?:
The Council has set out the procedures to be followed in the procurement of and paying for goods and services to ensure compliance with statutory requirements.
- 3.2 Relevant Ward and other Members/Officers etc. consulted on this matter:
The Chair of the Committee has been consulted.
- 3.3 Relevant legal powers, personnel, equalities and other relevant implications (if any):
Under Section 151 of the Local Government Act 1972, the Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. Within the Council the appointed Section 151 Officer is the Chief Finance Officer.
- 3.4 Will decisions be carried out within existing finances and resources?
Yes
- 3.5 Main Risk Management and Equality Impact Assessment Issues (if any):
The failure to follow the Council's procedures in the procurement of goods and services may lead to additional costs or to legal challenge.

4 Relevant background/chronology of key events:

- 4.1 In the audit of the Council's Financial Statements 2018/19, the external auditor identified, in their testing for the completeness of expenditure, activity that was recorded in the 2019/20 financial statements which should have been accrued in 2018/19. The auditors made a recommendation in their Audit Findings Report that:
- 'The Council should investigate why these invoices were not appropriately accrued and implement additional controls to reduce the risk of such omissions in the future'
- 4.2 In following up the external audit recommendation it was noted that:
- 'The current audit and follow up investigation has identified a number of areas where the Council process for procurement and receipting of goods and services and payment of invoices are not being followed appropriately.'
- 4.3 The process for procurement requires that purchase orders for goods or services, unless they fall in an exempt category, should be raised before delivery. Once the goods or services have been delivered they should be goods receipted and the invoice forwarded by the supplier directly to the Accounts Payable team. Once the items are matched in Voyager then

payment is released to the supplier

- 4.4 Reports are provided to Directorates on a monthly basis on a number of matters regarding procurement processes, which include details on the volume of purchase orders raised retrospectively.
- 4.5 Overall, purchase order compliance for August 2020 was 97%. Within this total there was some 4% of purchase orders, based on total value, that were retrospectively raised. Details of the volume of retrospective orders, by Directorate, are set out in the table below.

Directorate	Number Raised	Value Raised £000
Adult Social Care	13	23.2
Digital & Customer Services	13	206.2
Education & Skills	28	62.0
Finance & Governance	38	160.8
Human Resources	2	50.5
Inclusive Growth	27	212.5
Neighbourhoods	236	1,620.1
Partnerships, Insight & Prevention	1	30.5

- 4.6 The table has been based on those purchase orders raised at least one day after the date of the invoice. Orders raised with the same date as the invoice have been excluded as a number of orders are in respect of same day delivery.
- 4.7 Within the figures for Neighbourhoods some 73%, by value of the retrospective purchase orders, relate to purchase of services for homelessness through a number of different suppliers.
- 4.8 Details on the level of retrospective orders are discussed each month at the Purchasing & Information, Communication and Technology Operation Group (PICTOG). Support and advice is given to service areas to try and reduce the level of retrospective purchase orders.

Signature:

Interim Chief Finance Officer:

Dated: