

Meeting:	Audit & Governance
Meeting date:	27/11/2024
Report of:	Debbie Mitchell, Director of Finance
Portfolio of:	Cllr Lomas, Executive Member for Finance, Performance & Major Projects

Audit and Governance Committee Report: Update on Purchasing Compliance & No Purchase Order No Pay

Subject of Report

1. The report provides an update to members of Audit & Governance Committee about the ongoing review of No Purchase Order No Pay (NPONP) processes. It details the progress made since the report to members in February 2024.
2. Progress continues to be made in ensuring adherence to the NPONP policy as well as an expansion of the actions to cover purchasing compliance in general.

Policy Basis

3. The report and the recommendation support the Financial Strategy of the Council, by providing assurance to Members that financial regulations are followed, orders are raised with the proper authorisation and budgetary control is adequate.

Recommendation and Reasons

4. Audit & Governance are asked to note and comment on the progress to date.

Reason: to gain assurance that the Council is taking proper action to respond to the agreed audit actions and improvements to purchasing processes are being made where necessary.

Background

5. A report on the compliance with the NPONP policy and continuing retrospective ordering was brought to this committee in November 2023. At which point an action plan was agreed for improving both these areas of concern.
6. This committee also received an update on the action plan in February 2024 which showed early signs of improvement.

Progress Update

7. A thorough review of Purchasing is being undertaken with a much wider scope than just issues relating to No Purchase Order No Pay. We are making good progress with our review, but due to limited resources and extended scope of the review, this is taking longer than originally planned.
8. The update that follows covers in turn the areas from the original action plan shared with A&G in November last year. The action plan is included for reference at Annex A.

Policy & Processes

9. The policy remains under review by Finance, Business Support and Procurement. The benefits of the policy still apply today, however adherence to the policy remains inconsistent. We have changed tack and rather than consulting with officers who raise requisitions, we have agreement from CMT who have all supported the need for changes to working practices and we are now consulting top-down through Directors, Assistant Directors and Heads of Service.
10. Consulting with services is very time-consuming and this process is taking longer than originally planned as both the scope of discussions has increased and there have been significant resource challenges within the team (a reduction from 4 to 2 FTEs for most of 2024).
11. Retrospective ordering is still a key issue across departments. It should be noted that we define retrospective orders as where the purchase order date comes after the invoice date. There are situations where an invoice arrives that exceeds the remaining

value on a purchase order. We cannot extend the value on a purchase order and so a new order will be raised, and this will count as a retrospective order.

12. For orders that are processed through Business Support, we have put in place a new procedure where any request by an officer to raise a purchase order retrospectively is sent to the Systems Accountant for investigation. We are taking every opportunity to educate officers and improve compliance with the policy. The data that follows shows a significant reduction in retrospective purchase orders since this procedure was put in place.
13. We have simplified the process for all purchasing users to set up call-off orders, the primary purpose of this action was to solve other issues within purchasing, but the beneficial outcome for this report is that officers can now raise purchase orders in advance where either the value or quantity ordered is unknown. This was often used as an excuse for why a purchase order could not be raised in advance.
14. Exemptions remain an option and are assessed on a case-by-case basis in consultation with Procurement. There has been a recent case where a particular type of expenditure that had an exemption to the policy has seen purchase orders reintroduced resulting in an operational efficiency.
15. The data from the last round of monitoring shows that there have been reductions in the number of retrospective orders across the council.

Department	Total Invoiced Orders YTD	Retrospective Orders YTD	% YTD 24/25	% February 2024 report
Transport, Environment & Planning	726	2,420	30%	54%
Business Support	672	3,029	22%	43%
Housing & Building Services	648	1,480	44%	70%
Other Services	770	3,069	25%	38%

16. A communication has been issued to all current purchasing suppliers, reminding them of their responsibilities when working with the Council. A copy of the communication is included at Annex B.

Training Provision

17. It had been hoped that a new training programme could have been drawn up to commence in the Summer, however this has not yet been possible. The more discussions that have taken place with services and individuals, the more training needs have been identified.
18. Following an Internal Audit report into Budget Management in July, further training needs were identified relating to the purchasing system – to avoid duplication of work and training overload, it is prudent to widen the scope of training from just that related to No Purchase Order No Pay.
19. As a temporary measure we have changed the communication that goes to new purchasing users where they are directed to the existing video training resource rather than to a local trainer. The view count of these videos is tracked, and the uptake of this existing resource is poor.
20. As recommended previously, new training will be created, and this will be a mandatory requirement for all new users of the purchasing module. This will be created with the support of the Workforce Development Unit.
21. For existing users, a refresher training module has been planned for inclusion on the Council's online training system (MYLO) and subject to CMT approval, there will be a requirement to complete this on an annual basis.

Conclusion

22. We are continuing to work through the action plan and raise awareness of the correct procedures for purchasing at CYC and improvements are being seen, as shown by the data shared.
23. The support from CMT will be invaluable in helping to drive forward the changes in individual departments working practices in the coming months.

Consultation Analysis

24. Consultation has taken place with the Systems Finance team, Business Support (responsible for the Creditors function) and Corporate Procurement. As these sections all have a role to play in the purchasing process.
25. Consultation about the changes being made will be shared with these teams and Corporate Management Team to ensure support for the changes.

Risks and Mitigations

26. If the purchasing processes and No PO No Pay policy are not followed correctly, the main risk is to proper budgetary control. In the current economic climate, it is essential that all commitments are forecast as far as is possible and suppliers understand the terms of payment offered by the Council.

Contact details

For further information please contact the authors of this Report.

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Background papers

- A&G Report, Update on No PO No Pay processes, 8 November 2023
- A&G Report, Update on Action Plan - No PO No Pay, 28 February 2024
- City of York Council Creditors internal audit report, issued 13/03/2023
- City of York Council Financial Regulations
- NPONP Exemptions Policy and List

Annexes

- Annex A: Action Plan
- Annex B: Supplier Communication, November 2024.