

AUDIT COMMITTEE – 29/10/2021

OVERVIEW OF WORKFLOW APPROVAL WITHIN THE COUNCIL

1. Recommendations

1.1 That the Audit Committee note the contents of this report.

2. Purpose of the report

2.1 This report gives the Audit Committee members an overview of the workflow processes and approval limits that are built into the Council's Finance System.

3. Workflow Processes and Approval Limits

3.1 The term 'workflow' describes the journey a requisition, purchase order (the ordering of works / goods / services) or an invoice takes to ensure it is approved at the appropriate level, by the appropriate officer before orders are confirmed, or payments are made.

3.2 In the financial year covering 2020/21, the Council incurred third party spend in the region of £25M categorised as goods / works / services. The Council uses the following coding structure when incurring expenditure;

Cost Centre

Expenditure at a service level or to represent an individual building. Examples of cost centre include;

- Appletree Court
- Community Alarms
- Ringwood Health and Leisure Centre
- Legal

Every Cost Centre will have a defined BROAdmin*, BRO*, Service Manager* and Executive Head set up against it within the finance system (*see detail in para 2.3).

Account Code

A cost centre will have several account codes set up against it. Examples of account codes include;

- Electricity
- Annual Service Contracts
- Planned Maintenance
- Stationery

Certain account codes have a defined BROAdmin, BRO and Service Manager. For those that do, this is because the expenditure is 'specialist' and so goes to a named officer, who may be a different officer to the defined approver under the cost centre. For example, all electricity invoices, regardless of the cost centre go to the Council's Energy Monitoring Officer for recording and approval.

Workorder

A single cost centre and account code may have several sub-details that sit below it. For example, the Asset Maintenance programme at Appletree Court will all sit under the Appletree Court cost centre, and all under the Planned Maintenance account code, but there may be 4 or 5 specific projects that are monitored at an individual level on a workorder.

A workflow for the purposes of requisition and invoice approval can also sit on a workorder when the approval routing needs to be different to the cost centre that the workorder sits beneath and writes back to. This means a specific officer can be the BROAdmin / BRO / Service Manager for a specific project. For example, a designated Building Surveyor may be the BRO for a planned maintenance project taking place at Appletree Court, but isn't the BRO for the overall Appletree Court cost centre.

- 3.3 Within the financial system, there are 6 approval levels. These approval levels are assigned to every cost centre, to specific account codes and to specific workorders, as outlined in 2.2;

Purchase Coordinator

- There are c80 across the authority
- Typically admin officers supporting several cost centres
- Deal with low level purchasing on their Government Procurement Cards
- Responsible for ensuring appropriate invoices/receipts are received
- Will also raise requisitions through the system for larger value items that then feed through the workflow process

BROAdmin (where BRO = Budget Responsible Officer)

- There are 22 across the authority
- Typically non-managerial officers
- Will raise requisitions through the system that then feed through the workflow process
- Have a designated approval limit of up to and including £10,000 for an individual order / payment

BRO

- There are 35 across the authority
- Typically managers or senior officers
- Have a designated approval limit of up to and including £50,000 for an individual order / payment

Service Manager

- There are 19 across the authority
- Have a designated approval limit of up to and including £240,000 for an individual order / payment

Executive Head

- There are 4 within the authority
- Any order exceeding £240k gets pushed to the relevant executive head
- Have a designated approval limit of up to and including £1m for an individual order / payment

Chief Executive

- The Chief Executive has an unlimited approval limit
- In the absence of the Chief Executive, the Section 151 Officer takes on approvals above £1m

3.4 When officers included in workflows are absent from work due to leave or sickness, substitute approvers are nominated by the absentee (or in the instance by sickness, nominated by the relevant Service Manager).

4. Safeguards built into the Workflow Process

4.1 The procure-to-pay (P2P) workflow process works on the basis of a “three-way match”, whereby 1) an approved Purchase Order with 2) confirmation of goods or service delivery, matches 3) a correctly submitted Invoice quoting the relevant Purchase Order number. Each of these stages requires input from a different person in the organisation. This is to ensure that no single officer can instigate, approve and sign off a single order and payment, without another officer being involved at a particular stage in the process.

4.2 The workflow process will not allow a Purchase Coordinator to authorise their own requisition (>£500) and will instead escalate it to their manager.

4.2 All requests to add a new supplier to the system must have Service Manager approval and be subject to a check by the Procurement team before being set up.

4.3 Officers who are ‘Budget Responsible’ have this written into their Job Descriptions, and it is the responsibility of the relevant Service Manager to ensure that they are aware of their responsibility to ensure value for money is achieved in every purchase, and to protect the public purse against fraud or misuse.

4.4 Internal Audit have a standing ‘Accounts Payable’ item included within the annual audit plan and cover workflow testing as part of their annual coverage. The last review was completed in May 2021 (pending final report) and a ‘reasonable’ level of assurance was given.

- 4.5 All officers who are budget responsible must also work within the Council's standing orders. This document sets out the various procurement thresholds that must be adhered to. Compliance is monitored by the Council's centre-led Procurement Team. Procurement Contract Standing Orders were last reviewed in April 2018 and were recommended for approval by this committee to run until March 2022. The Audit Committee receives an annual report on CSO waivers.

5. Exceptions to the Workflow Process

- 5.1 In some instances, invoices are received, or payments are necessary without the complete electronic P2P process having been followed. Examples commonly include utility bills and faster payments for emergency accommodation needs.
- 5.2 In the instances of Faster Payment requests, there is a separate process which includes an independent verification of the request and a secondary approver, as equivalent to the necessary level as per the cost centre being used for the payment coding.
- 5.3 Following the instigation of the new finance system and a period of 'bedding down' of new processes, a new policy has been instigated recently whereby Accounts Payable will only register an invoice for payment if it is supported with a Purchase Order number (subject to a few exceptions such as utility bills, insurance matters and transactional banking charges). This ensures the 3-way matching principal as outlined at 3.1 is always followed.

6. Crime & Disorder / Equality & Diversity / Environmental Implications

- 6.1 Workflow rules must strike an appropriate balance between the Council being able to fulfil its daily functions, and assist in the prevention and detection of fraudulent activities.
- 6.2 There are no equality & diversity or environmental implications associated with this report.

Alan Bethune

Executive Head of Financial (s151) & Corporate Services

Tel: 023 8028 5001

Email: Alan.Bethune@nfdc.gov.uk