



Seaford Town Council

Purchase Ordering and Payment for Goods and Services Policy

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1. Introduction

- 1.1 This policy sets out the Council's arrangements for ordering, receiving, authorising and subsequently paying for the supply of goods, materials, services and works to the Council. The policy sets out the detailed rules and procedures around the Council's purchase ordering system and payments.
- 1.2 The policy encompasses the following areas:
- Raising of purchase orders for goods or services or works.
 - Receiving and checking of goods and services upon delivery.
 - Certification of orders and authorisation of expenditure.
 - Accounting for payments for goods and services.
 - Direct debit payments.
 - Use of the Council debit cards.
 - Petty cash arrangements.
- 1.3 This policy provides the detail behind the overall financial framework as set out in the Council's approved Financial Regulations, particularly under the 'Payments for Goods and Services' section and in the Standing Orders for Financial Control and Procurement which set out the framework for the procurement of all works, goods, materials and services and the Council's tendering and contract procedures.
- 1.4 The Finance Manager is ultimately responsible for all systems and procedures in relation to the ordering and payment for goods, services and works provided to the Council.

2. Links to Strategic Objectives

- 2.1 This policy contributes to the strategic objective '*to practice good governance and fiscal responsibility*'.

3. Aims of the Policy

- 3.1 The aims of the policy are to supplement the Financial Regulations and Standing Orders for Financial Controls and Procurements by setting out detailed procedures and controls for the ordering and the authorisation of expenditure on the supply of goods, services and works to the Council.
- 3.2 In particular the Policy aims to ensure that;
- Purchase orders are raised only by authorised officers.
 - Orders are placed only when sufficient budget provision exists.
 - Appropriate checks are made upon delivery of goods and services to enable the effective future authorisation of the expenditure.
 - Invoices received from creditors are properly checked for cost, arithmetic, VAT etc prior to release for payment.

- Invoices are certified for payment only by an authorised officer.
- Systems are in place for the effective checking and authorisation of regular payments and direct debits.
- Robust procedures are in place for the use of petty cash.
- Robust systems are in place for the use of the Council's debit cards.
- Creditors are paid on time, within the relevant payment terms.
- All expenditure is properly and accurately accounted for.

3.3 The policy is intended for use by all officers of the Council with responsibility for ordering goods, services and works, and subsequently verifying and authorising that expenditure as well as the staff of the Finance Section in managing the purchase ordering system and checking, paying and accounting for all expenditure.

4. Purchase Order Responsibilities

4.1 The key principle of separation of duties must be observed, as far as is practicable within the staffing resources available, in connection with the following areas of ordering and purchasing:

- a) The duty of ordering the goods, services and works.
- b) The duty of receiving those goods and services.
- c) The duty of checking invoices received for payment and authorising expenditure.
- d) The duty of payment of invoices.
- e) The duty of recording and reconciling expenditure in the Council's financial management system.

4.2 Responsibility for raising orders for goods and services, receiving those goods and services and checking invoices received from suppliers for payment in respect of those goods and services lies with the senior officers within the departments.

4.3 It is important to note that in the application of the following procedures for purchase ordering, and in particular the requirement for separation of duties as set out above, there is an acceptance that due to the small size of the Council, the importance of operation requirements, and the limitations of the staffing structure, that full adherence to this procedure may not always be possible. This fact will be taken into account during the audit of procedures in each department by the Council's Internal Auditor. However, all managers must ensure as far as possible that one officer does not take part in all aspects of ordering, receiving and certifying purchases.

4.4 Responsibility for the payment of all invoices for goods, services and works supplied to the Council and for recording and reconciling expenditure in the

Council's financial management system lies with the Finance Department. All invoices received from suppliers will in the first instance be received and checked by the Finance Department.

4.5 The Finance Department is responsible for the following procedures:

- Setting up new suppliers on the computerised RBS Omega Accounts Package.
- Entering all purchase invoices onto the purchase ledger.
- Checking the calculation and arithmetic of amounts due.
- Ensuring the correct VAT treatment and calculation.
- Ensuring the correct coding of the expenditure.
- Ensuring payment of creditors within the payment terms.
- Reconciliation of expenditure through the purchase ledger, cash books and bank statements.

5. Ordering Goods and Services

5.1 An official purchase order must be raised by an authorised officer for every supply of all goods, services and works to the Council with the exception of the following:

- Regular payments such as utilities costs, telephones etc.
- Payments made by direct debit and standing order.
- Goods and services of an emergency nature.
- One off purchases made using a debit card.
- Services for which a formal contract has been entered into.
- Petty cash purchases.
- Kitchen Food (only) for The View

5.2 The approved authorised officers with responsibility for raising and certifying purchase orders are as follows:

- Town Clerk
- Projects and Facilities Manager
- Executive Support Officer
- General Manager, The View
- Golf Professional
- Head Greenkeeper

5.3 Completed purchase orders must include enough detail using the description field on the order to enable proper checking of the subsequent invoice. If multiple orders are being placed, each individual item or set of items must be shown on a separate line on the order.

5.4 Purchase Orders must be coded to the correct account code and cost centre using the Council's Budget Book approved coding list. These codes determine which Budget the expenditure is to be charged against and authorised officers should ensure that only codes relating to their own

responsible budget area are used unless with the knowledge and acceptance from other budget managers.

- 5.5 Suppliers must be supplied with the relevant purchase order number and a copy of the order forwarded if required. The supplier should be requested to quote the Council's official order number on the invoice relating to the order placed. The carbon pink copy of the purchase order should then be forwarded to the Finance Department and placed in the Live File.
- 5.6 In accordance with the Financial Regulations, Regulation 10.3 (Orders for Work, Goods and Services); all officers involved in the ordering process are responsible for obtaining value for money at all times. An officer issuing an official order shall ensure as far as reasonable and practicable that the best available terms are obtained in respect of all purchase orders.
- 5.7 In accordance with the Financial Regulations, Regulation 11.1 (h), (Contracts); When the Council enters into a contract of less than £20,000 in value for the supply of goods or materials or for the execution of works or specialist services the Clerk or RFO should check that 3 quotations have been obtained; where the value is below £7,000 and above £3,000 the Clerk or RFO should check that 3 estimates are obtained.
- 5.8 Where an Authorised Officer proposes to enter into a contract of more than £20,000 a project plan and financial plan will be brought to the Central Management Team for consideration before seeking tenders. Thereafter the performance of the contract will be reported to the CMT throughout its progress until the contract is complete.

6. Receiving Goods and Services

- 6.1 In order to comply with the minimum expected level of internal control and ensure value for money, the duties of ordering, receiving and certifying goods and services must be separated as far as possible, within the constraints of a small organisation, limited staffing structure and the need to meet day to day operational requirements.
- 6.2 The easiest way to achieve this is to ensure that the duty of raising a purchase order is separated from the duty of receiving and checking the goods and services.
- 6.3 Where the goods are to be delivered to the Council premises, the receiving officer should examine the goods at the point of delivery, check all items against the delivery notes or original order and then sign, whether this is manually or electronically, only for those items present. The officer must then ensure that the goods are stored in a secure area.
- 6.4 Signed delivery notes or goods received notes should be forwarded to the appropriate authorising officer to enable the proper certification of purchase orders when the invoice is subsequently received.

6.5 When food orders are delivered to The View, the delivery note is also the invoice. This is checked against the order and signed and dated by the Head Chef as confirmation that this can be paid.

7. Certification of Purchase Orders

7.1 The duty of certifying purchase orders and therefore authorising expenditure will normally be undertaken by the authorised officer who originally raised the purchase order. As such, it is important that this duty is, as far as practicable, separated from the duty of receiving and checking the goods and services as per Section 6.

7.2 Wherever possible, certification of purchase orders should be made by reference to the signed delivery note, or other proof that the works, goods or services have been received, delivered in the correct quantity and to an acceptable quality and standard. It is acknowledged that in a minority of cases, this proof may be based on the knowledge of the certifying officer, rather than physical verification.

7.3 Purchase orders should be part certified if only part of the works, goods or services have been received or if the Council has only been part invoiced for the goods or services.

7.4 Certification of a purchase order by an authorised officer, provides the confirmation from that officer that the goods or services have been received as per the original order and to an acceptable standard and quality and that responsibility is taken for the subsequent expenditure.

7.5 There should be no instances where an officer would need to be the only officer involved in all three stages of the ordering process as detailed in Sections 5, 6 & 7 above. If circumstances are such, then it should be ensured that another senior officer e.g. the Town Clerk or RFO is the final certifying officer when the invoice is authorised for payment.

8. Invoice Processing and Authorisation

8.1 The process for receiving, checking and processing for payment all invoices received from suppliers, service providers and contractors and accounting for the subsequent expenditure is split between the Finance Department and the authorised officer within the relevant department.

8.2 Invoices are initially received by the Administration Section, Facilities and Projects Department, Seaford Head Golf Club and The View and are then forwarded to the Finance Department.

8.3 The Finance Assistant will first separate invoices between those for which a purchase order has been raised and those which relate to direct debit payments. The procedures in respect of direct debits are set out in Section 11 of this Policy.

- 8.4 Invoices for which a purchase order has already been raised are then matched with the purchase order and forwarded to the relevant authorised officer with a copy of the purchase order and an authorisation slip attached.
- 8.5 The authorised officer should first check back to the purchase order and delivery note. If the cost of the invoice varies from that of the purchase order, the authorising officer will either investigate and put the invoice on hold or amend and counter sign the purchase order if the variation is correct. The authorisation slip on the invoice should then be completed. This records the purchase order number, whether the goods or services were received and is signed by the officer certifying the purchase order.
- 8.6 If the Purchase Order has been raised and receipted by the same Officer, then the authorisation of the invoice for payment should be undertaken by another authorised officer e.g. the Town Clerk or the RFO.
- 8.7 Once the authorisation slip has been completed and duly signed certifying the purchase order and invoice, the invoice should then be returned to the Finance Assistant for processing.
- 8.8 Any invoices in dispute should be notified to the Finance Department and held back by the relevant authorising officer.

9. Payment of Invoices and Accounting for Expenditure

- 9.1 The process of payment of invoices and the subsequent accounting for the expenditure for all creditors is the responsibility of the Finance Section and is therefore separated completely from the purchase order process.
- 9.2 Once the invoices have been received back from the authorising officers, the Finance Assistant will undertake a number of final checks on the invoices including checking of cost, arithmetical accuracy, coding of the expenditure and the calculation of any VAT. The Finance Manager will then sign as being ready for payment.
- 9.3 The Finance Assistant will process the invoices on the RBS Omega Accounts System.
- 9.3 The invoices will then be filed in an 'invoices awaiting payment' file and will be paid in the next weekly payment run in and in accordance with the relevant payment terms for each supplier.
- 9.4 Payments to creditors are made by BAC's transfer which the Finance Department actively encourages suppliers to accept rather than by cheque as this method is quicker and cheaper. Cheque payments are only made however if the supplier so requests.
- 9.5 All payment runs, and suppliers accounts are reconciled on a monthly basis and all expenditure is also checked and verified independently to supplier

statements and via the cash book and bank reconciliations. Internal Audit checks are also undertaken regularly on the purchase order system and creditors payments.

10. BAC's and Cheque Payment Authorisation

- 10.1 The Finance Assistant will process all invoices on the RBS Omega Accounts System.
- 10.2 Each week, prior to the creditors payment run, the Finance Assistant will provide the Finance Manager with a copy of the 'Proposed Payment of Invoices' list produced from the RBS Omega Accounts System. Copies of all source documents such as supplier invoices and other similar requests making up the payment run will be attached.
- 10.3 The Finance Manager is responsible for undertaking a final check of the invoices due for payment, including querying any invoices or payments which look unusual.
- 10.4 The 'Proposed Payment of Invoices' list including all source documents will be presented to the Town Clerk and two Councillors for approval. Each will check and sign the Authorisation Sheet attached to the report. In the Town Clerk's absence, the RFO or Finance Manager will sign.
- 10.5 The Finance Assistant will process the approved payments from the Council's Co-operative Bank Account by using the Financial Director (FD) Online banking system and entering them as payment requests.
- 10.6 The RFO or the Finance Manager will then make a final check that the payment requests have been entered correctly and continue to approve. Following this approval, the suppliers will be paid by immediate payment (or by 'future dated payment' if necessary).
- 10.7 The Approved Authorised Users with access to the online bank account, Financial Director (FD) Online are as follows:
 - Responsible Finance Officer
 - Finance Manager
 - Finance Assistant
- 10.8 In the interest of security, it should be noted that whilst the Finance Assistant has access to the Council's online banking system, his function only allows the creation of payments and is physically unable to authorise any payments. Whilst the RFO and Finance Manager can create and authorise payments, their function only allows the authorisation of a payment created by a separate user. No single user can create and authorise any payment and there will always be the need for at least two users to complete a payment transaction

- 10.9 A token is required each time the online banking system is accessed. Each user has their own token with their own unique log on and passcode. These are held by each individual in a secure place.
- 10.10 Any changes to the operators must be approved by the Town Clerk.
- 10.11 Where a small number of payments are required by cheque, an Authorisation Sheet is attached to the source documentation such as an invoice or similar along with a hand-written cheque from the current cheque book.
- 10.12 This is presented to the Town Clerk and two Councillors who are current signatories in accordance with the council's bank mandate for signature. The cheque will be signed by the two councillors who will also initial the cheque stubb.
- 10.13 In the interest of security, the cheque books are kept with the Finance Manager in a locked drawer.
- 10.14 All payments made by the Council will be made available to the internal auditor for validation during internal audits.

11. Direct Debit Payments

- 11.1 Regular payment invoices relate to those payments which are received on a regular basis throughout the year e.g. monthly, quarterly, annually and for which a 'purchase order' is not therefore raised. In most of these cases the payment to suppliers will be set up on a direct debit from the Council's current account, in line with supplier requirements or to avoid paper billing charges. Examples of direct debit payments include gas, electricity and water bills, business rates, rental charges, service agreements, telephone bills, payroll and pension costs, banking charges, loan repayments and subscriptions.
- 11.4 In order to set up a new direct debit with a supplier, a direct debit mandate will need to be signed by two councillors who are signatories in accordance with the Council's bank mandate and the instructions reported to the Finance and General Purposes Committee.
- 11.3 As set out in Section 8 of the policy, direct debit invoices are separately identified by the Finance Section and checked and authorised in a slightly different way.
- 11.4 The invoices will be forwarded to the relevant authorised officer with a Authorisation Slip attached.
- 11.5 The invoice should be checked, the authorisation slip be completed and returned to the Finance Assistant for processing.
- 11.6 Any invoices in dispute should be notified to the Finance Department and held back by the relevant authorising officer.

- 11.7 The Finance Assistant will undertake a number of final checks on the invoices including checking of cost, arithmetical accuracy, coding of the expenditure and the calculation of any VAT. The Finance Manager will then sign as payment being verified.
- 11.8 The Finance Assistant will process the invoices on the RBS Omega Accounts system.
- 11.9 Direct debit invoices will be filed on the direct debit file and reconciled to the bank account when the payment is taken, via the cash book and bank reconciliation.
- 11.10 A monthly list of direct debits with the invoices attached will be presented to the Town Clerk and two councillors for verification.
- 11.11 As per the Financial Regulation 6.4, the approval of the use of direct debit shall be renewed by resolution of the Council at least every two years.

12. Use of Council Debit Cards

- 12.1 On occasions, Department Managers may need to purchase goods or services of an urgent nature or for which a purchase order will not be accepted, or for which there will be a significant saving with an online purchase.
- 12.2 In view of the above, Seaford Town Council may authorise the issue of debit cards to managers for business use.
- 12.3 The issue of a Council debit card to a manager must be authorised by the Finance and General Purposes Committee and be issued to a named employee for their use only, no other individual may use the debit card.
- 12.4 The financial limit of each issued debit card shall not exceed £1,000. Upon being issued a debit card, the manager shall be advised of their individual limit.
- 12.5 Each manager issued with a debit card is solely responsible for its safe keeping and usage and for ensuring that the card is not used by others. In particular, PIN numbers will only be issued to the cardholder and must be kept confidential, as must the (CSC/CVN) number.
- 12.6 Lost or stolen cards must be reported to the issuing bank immediately upon discovery that the card is missing via the Finance Manager or in their absence directly by the named cardholder themselves. The RFO must also be informed.
- 12.7 In the event of the named cardholder's termination of employment, the debit card must be returned to the Finance Manager for the card to be destroyed.

The issuing bank will be advised to cancel the debit card to prevent any unauthorised usage.

- 12.8 Cash withdrawals are only permitted when being made to top-up of petty cash and shall not be used for any other purpose. Cash withdrawals cannot exceed the financial limit of the petty cash float itself and must be authorised by the Finance Manager or RFO. When making a cash withdrawal to top-up the Petty Cash accounts, the cash withdrawal must be reconciled with the monthly Petty Cash statement.
- 12.9 A debit card issued to an employee shall be used for business purposes only and in conjunction with the employee's job role. It shall not be used for any non-business transactions nor for any personal purchases.
- 12.10 Every debit card transaction must be entered by the cardholder on to their Debit Card Monthly Transaction spreadsheet. Receipts for all purchases must be submitted with the spreadsheet to the Finance Department on the 1st working day of each month. The spreadsheet and accompanying receipts are checked by the Finance Manager and are subsequently reviewed by the Town Clerk and two councillors.
- 12.11 The transaction receipts shall be reconciled monthly with the bank statements. In the event of any discrepancy, the RFO and Chair of the Finance & General Purposes Committee must be notified, and an investigation initiated.
- 12.10 The cardholder is responsible for obtaining and submitting receipts for all transactions. The cardholder may become liable for any payments that cannot be supported by a valid receipt.
- 12.11 If the cardholder misuses the debit card or fraudulently uses the card, this will result in disciplinary action being taken against them.

13. Accounting for Petty Cash

- 13.1 Petty Cash Floats allow responsible officers to purchase small sundry or one-off items that may be required immediately to meet operational needs, with the need to raise a purchase order.
- 13.2 Petty Cash Floats are currently issued to the following departments:
- Council Offices £250
 - The View £250
- 13.3 The following general rules apply to the use of Petty Cash Floats:
- (a) There is a Petty Cash Float limit of £250

- (b) Receipts must be retained for payments made from petty cash to substantiate the payment. VAT receipts should be requested for all purchases to which VAT applies.
- (c) Any income (cash) received by the department must not be paid into the Petty Cash Float but must be separately banked.
- (d) A Petty Cash Voucher should be completed in order to make a claim for reimbursement of payments made from Petty Cash Floats.
- (e) Petty Cash Vouchers and accompanying receipts are passed to the Finance Manager for approval and entered onto the relevant Cash Book on the RBS Omega Accounts System.
- (f) Payments to reimburse Petty Cash Floats will be made by the Finance Manager by making a debit card cash withdrawal via the Post Office only.