

**Audit, Risk and Governance Committee**  
Meeting to be held on Monday, 25 April 2022

Electoral Division affected:  
(All Divisions);

**The County Council's Accounts Payable Policy**  
(Appendix 'A' refers)

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**Executive Summary**

Accounts payable represents the council's financial obligation to pay suppliers for goods or services that have been received or will be received in the future. The control of accounts payable processes therefore represents the council's ability to control and manage its purchasing and payment activities.

The council purchases goods and services totalling around £2.2bn per annum. The policy at Appendix 'A' proposes how and under what circumstances the council will purchase and pay for goods and services.

The policy does not affect the council's procurement arrangements, which determine the appropriate framework of suppliers from which purchasing can take place.

**Recommendation**

The committee is asked to approve the council's new accounts payable policy, provided at Appendix 'A'.

**Background and Advice**

The council purchases goods and services totalling around £2.2bn per annum. The volumes and values by department are summarised in the table below, based on transactions in 2021:

	Number of Invoices	£ Invoices Paid
Adult Social Care, Public Health & Wellbeing	85,856	559,124,912
Education and Children's Services	86,023	550,436,545
Growth, Environment & Transport	148,930	675,388,460
Resources & Office of Chief Executive	12,340	346,010,079
Schools	175,848	83,862,069
<b>Grand Total</b>	<b>508,997</b>	<b>2,214,822,065</b>

In 2013, the council transferred its accounts payable function to One Connect Limited. In 2017, the accounts payable teams were returned to the council and formed part of the council's central finance department.

The accounts payable model that currently exists, in the main is that which was implemented by One Connect Limited. Excluding those payments that are made through line of business systems such as LAS (Liquidlogic Adults' Social Care System) and LCS (Liquidlogic Children's Social Care System), goods and services are ordered and paid through what is known as a R2P (requisition to pay) process.

In summary, this involves a service department raising a purchase requisition, this must be authorised by an appropriate level of manager (step 1). Once the goods/services have been received, the requisitioner must record the receipt against the order (step 2). When the invoice for the goods/service is received from the supplier, this is matched against the order and receipt, then the payment of the invoice is made (step 3).

Steps 1 and 2 are carried out in service departments in local administrative teams such as in Highways and Children's Services. Step 3 is carried out in the central finance function.

This R2P process is a standard one and is the basis of how major finance systems operate, including the Oracle system which is used by the council. The introduction of a stated policy is intended to drive compliance with good practice reducing the scope for:

- Suppliers needing to be paid on 'emergency' payment terms
- Suppliers refusing to supply due to consistently late or delayed payment

It was expected that the proposed accounts payable policy would be implemented following the restructure of the accounts payable team in 2019, however the disruption to normal business during the pandemic has delayed this from taking place.

The policy at Appendix 'A' proposes how and under what circumstances the council will purchase and pay for goods and services. The policy does not affect the council's procurement arrangements, which determine the appropriate framework of suppliers from which purchasing can take place. The R2P model that is the basis of the proposed policy has a number of features that support the council's internal control framework in making payments, some of which are highlighted as follows:

- Goods/services can only be ordered if the order is approved by someone who has an appropriate approval limit;
- Payments will only be made if the goods/services have been received;
- Payments will only be made based on the receipt of a valid supplier invoice having been matched to receipted goods and an appropriately authorised purchase order; and

- Reduces the risk of fraud and error through segregation of duties.

Whilst improving internal controls, it is also expected that the proposed policy will improve capacity within the central accounts payable team, through clarifying workflow arrangements for R2P activity across the organisation. This is expected to, in turn, improve communication with suppliers on payment matters.

The policy also sets out the responsibilities for how non-R2P payments can be made and under what circumstances these would be appropriate. This includes the use of credit cards, debit cards, Paypoint and Imprest accounts.

### Change Management team

A training programme will be rolled out across the council and a helpline put in place so that local administrative teams can be supported to make any adaptations needed to meet the requirements of the new policy.

### **Consultations**

N/A

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

The council's internal control processes aim to reduce the risk of fraud and error. Through strengthening internal control, the council may reduce the risk of fraud and error.

### **Local Government (Access to Information) Act 1985 List of Background Papers**

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A