

Slough Borough Council

Report To:	Audit and Corporate Governance Committee
Date:	23 July 2025
Subject:	Retrospective Purchase Orders
Chief Officer:	Annabel Scholes, Executive Director Corporate Resources (s151 Officer)
Contact Officer:	Vicki Palazon – Finance Consultant (FIP and Companies)
Ward(s):	All
Exempt:	NO
Appendices:	None

1. Summary and Recommendations

1.1 This report provides an overview of the previous financial year retrospective purchase orders being raised and actions being undertaken to address this compliance issue. This report is provided at the request of Audit and Corporate Governance Committee's meeting held on 30 April 2025.

Recommendations:

Committee is recommended to:

- Note the contents of this report and current actions underway to address compliance issues with raising purchase orders.

Commissioner Review

This report is outside the scope for pre-publication commissioner review; please check the [Commissioners' instruction 5 to CLT to sign off papers](#) for further details.

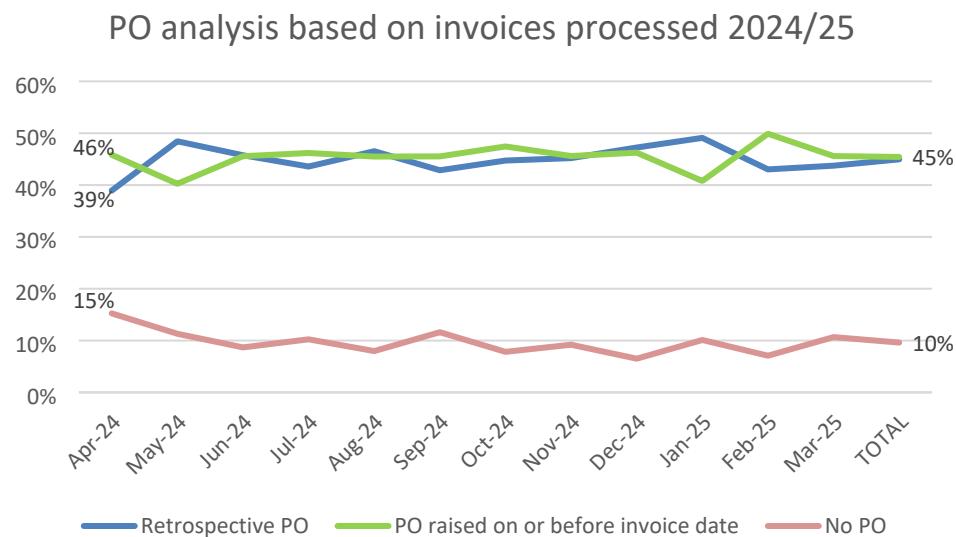
2. Report

Background

2.1 During the Audit and Corporate Governance Committee held on 30 April 2025, the report on treasury and cash flow matters included a discussion on the current issue of non-compliance with raising purchase orders. The Committee asked for a report on performance data and actions being undertaken to address non-compliance.

2.2 A monthly period end dashboard report was developed during Q3 2024/25 on invoice processing statistics and raising of purchase orders. Prior to this first iteration of the report, there was no regular performance reports available. Further development of the report now separates out the adult social care and school payment interfaces through the finance system so that the performance of raising purchase orders can be reported upon. Using the new report for the 2024/25

financial year, 45% of purchase orders are retrospective and only raised after the council has received the invoice as shown in the next graph. In terms of invoices paid against a purchase order £78.9m gross expenditure (29%) is retrospective.



2.3 No PO relates to payments to government (e.g. HMRC payments), one time only supplier payments which includes refunds to sundry debtors and invoices of a low value or those exempt from the process.

2.4 For 2025/26 as at 31 May 2025, retrospective purchase orders has reduced slightly to 41%, however, in terms of invoices paid against a purchase order £19.6m (42%) gross expenditure is retrospective. Significant improvement is required to improve purchase order compliance. Activities taken so far include:

- No PO, no Pay letter issued to all suppliers in January 2025 to remind suppliers that a PO is required for their invoices to be paid and should not undertake works without a valid purchase order. Between March 2025 and May 2025, 26 invoices have been returned to suppliers.
- Development of a system generated report providing data performance metrics. This has now been shared with finance business partners as part of the monthly forecasting meetings with budget holders. Budget holders will also be reminded of the need to comply with contract procurement rules and finance procedure rules;
- Issue of budget monitoring guidance for 2025/26 which includes a reminder of the roles and responsibilities of budget holders and changes to the procurement approval rules to ensure that each cost centre where purchase orders are raised as one budget holder and approval escalations;
- From P1 2025/26, budget holders now receive a budget monitoring report which includes open purchase order commitments

2.5 Q1 2025/26 will inform the baseline to measure the newly implemented controls and also enforce the procedure rules for budget holders.

3. Implications of the Recommendation

3.1 Financial implications

3.1.1 Purchase order compliance is essential as part of an effective internal control framework to comply with the Local Government Finance Act 1972, Section 151 requiring local authorities to make arrangements for the proper administration of their financial affairs. The council has in place the requirements for council officers to adhere to within the council constitution Part 4 – 4.6 Financial Procedure Rules, section 3.8, namely:

- 3.8.1 All contracts are subject to the Contract Procedure Rules and Executive Directors (to include the Chief Executive) must have systems in place to ensure that only authorised officers are allowed to place purchase orders, and that purchase orders are only raised when there is sufficient budget available.
- 3.8.2 Creation of a purchase Order (PO): Once the purchase has been agreed, a purchase order must be raised on the council's accounting system. Payment of an invoice: Authorised officers must ensure that a purchase order has been raised on the accounting system and successfully communicated to the supplier. Invoices in respect to works, supplies and services will be paid by the Central Accounts Payable Team, but only after the authorising officer has, where necessary, first receipted the supply on the accounting system.
- 3.8.3 All invoices must reference a valid purchase order number, otherwise the Central Accounts Payable Team reserves the right to refuse payment of an invoice.

5.11 It is a serious breach of the financial procedure and the CPRS to engage with suppliers and to order the provision of goods, works or services without the appropriate approval to do so. It is mandatory to raise a Purchase Order (PO) on the Corporate Financial System prior to making a commitment to procure goods, works or services. No order must be raised without raising a PO to the value of the purchase. The PO number must be referenced on the invoice by the supplier.

CPRS – Council's Contract Procedure Rules.

3.1.2 On reviewing April 2025 and May 2025, it is evident that further proactive activity is required to increase the raising of purchase orders to full compliance.

3.2 Legal implications

3.2.1 Whilst the Council's internal systems require officers to raise a purchase order before commissioning work and the Council has written to suppliers setting out this requirement, if officers commission work and a third party acts on that order, this is likely to create a liability to pay. Some suppliers have arrangements to charge interest on late payments and therefore delay in making payment due to the lack of

a purchase order number can result in increased costs. A failure to pay can also result in legal proceedings being issued.

3.3 Risk management implications

3.3.1 Risks associated with non compliance and will therefore require mitigation on improving compliance include:

Budget holders committing expenditure that is not within their budget or approved.

3.4 Environmental implications

3.4.1 There are no direct environmental implications from this report.

3.5 Equality implications

3.5.1 There are no direct equality implications arising from this report.

4. **Background Papers**

None