

# **Report to the Constitution and Member Services Standing Scrutiny Panel**

**Date of meeting: 29 March 2010**



**Subject:** Financial Regulations - Acceptance of E-Invoices

**Responsible Officer:** B Bassington (01992 564446)

**Democratic Services Officer:** Mark Jenkins (01992 564607)

## **Recommendations:**

(1) To consider the proposal to amend Financial Regulation 3.24 to read as follows:

"3.24 To ensure that payments are not made on a faxed invoice, statement or other document other than a formal invoice. Formal invoices may include e-invoices received in PDF format via the dedicated e-mail address provided by the Chief Finance Officer in the Finance and ICT Directorate"; and

(2) To note the internal controls which will be put in place to regulate the receipt and processing of e-invoices.

## **Report:**

### **Introduction**

1. Requests have been received from various organisations for the Council to accept electronically-transmitted invoices, either by e-mail or fax. Recent correspondence has indicated that some organisations intend to start charging a fee to cover the cost of paper invoices and relevant postage, if the Council continues to apply Financial Regulation 3.24 which precludes electronic invoices.

2. E-invoicing is accepted by many other local authorities, including Essex County Council, which piloted the process in April 2007. A number of these authorities use a facility on the Marketplace system to enable suppliers to e-invoice. This is not a function available to EFDC but is currently under investigation.

3. Regulation 3.21 requires Chief Officers to ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:

- (a) receipt of goods or services;
- (b) that the invoice has not previously been paid;
- (c) that the invoice has been prepared by the supplier and not by any employee of the Council;
- (d) that expenditure has been properly incurred and is within budget provision;
- (e) that prices are arithmetically correct and accord with quotations, tenders, contracts or catalogue prices;
- (f) correct accounting treatment of tax;

- (g) that the invoice is correctly coded;
- (h) that discounts have been taken where available; and
- (i) that appropriate entries will be made in accounting records.

4. Regulation 3.24 excluded e-invoices to prevent duplicate or fraudulently altered invoices from being processed. However, invoices produced on a colour printer could be indistinguishable from an original and therefore other controls are now necessary.

5. All of the controls applied to the processing of invoices remain as outlined in Paragraph 4, whether they are received through the post or in electronic form.

6. In addition a specific e-mail account will be set up which is accessible by Finance and ICT staff within the creditors section. Suppliers will be informed of the dedicated e-mail account and that PDF format e-invoices only will be accepted when they inquire about e-invoices.

7. Finance staff will print the e-invoices, attach the normal certification slip and forward the e-invoice to the relevant Directorate for the checks detailed in Financial Regulation 3.21 (listed above) to be applied. Certifying staff will be required to ensure that the e-invoice is recorded on the Marketplace system and that a previous invoice has not been paid. The creditors system currently identifies duplicate invoices and regular duplicate payment checks will be run.

8. The change to Financial Regulation 3.24 has been submitted separately from this year's review. This is because the willingness among suppliers to charge for traditional invoices is increasing. The original intention to consider this as part of next year's review now seems inadvisable in that additional costs should now be avoided.