

Report to the Overview and Scrutiny Committee



Date of meeting: 15 April 2010

Subject: Financial Regulations - Acceptance of E-Invoices

Report of: Constitution and Member Services SSP

Responsible Officer: B Bassington (01992 4446)

Democratic Services Officer: Mark Jenkins (01992 564607)

Recommendations:

(1) To defer the proposal to amend Financial Regulation 3.24 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";

(2) To authorise the Director of Finance and ICT to run a pilot scheme of six months' duration to assess the implications of an e-invoices system; and

(3) That, if a pilot is not considered to a practical proposition, the matter be reviewed again in 2011/12.

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. Currently 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 would remain as outlined in Paragraph 4, whether they are received through the post or in electronic form.

6. In addition specific e-mail accounts would be set up which is accessible by Finance and ICT staff via the creditors system. 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 would print the e-mails, 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 would be required to ensure that the e-invoice is recorded on the Marketplace system and that any previous invoice has not been paid. The creditors system currently identifies duplicate invoices and regular duplicate payment checks will be run.

8. We had reservations about this proposal particularly because the internet and e-mail cannot be regarded as a medium from which all risk can be eliminated. Furthermore, we take the view that if suppliers wish to charge for a written invoice they should do so through their scheme of charges. Equally we would like more reassurance about security around the invoicing arrangements of the Council's contractors.

9. Having said this, we do not rule out this possibility for the future and recommend that the Director of Finance and ICT should run a pilot to really test security arrangements around e-invoicing. If this is not a practical proposition, we review the issue as part of next year's review of Financial Regulations.

10. We recommend as set out at the commencement of this report.