

Glasgow City Council Internal Audit Section Committee Summary

Item 2(f)

26th March 2025

Financial Services – Accounts Payable – Non-Purchase Order Process

1 Introduction

- 1.1 As part of the agreed Internal Audit plan, we have carried out a review of the Non-Purchase Order payment process within the council.
- 1.2 Financial Services' Customer and Business Services (FS/CBS) process the payment of invoices on behalf of other Council services. There are different payment types in place, including Non-Purchase Order (Non-PO). These are used when there is no Purchase Order in place, or when the payment is re-occurring. The Non-PO payment method requires additional controls, and an increased level of manual intervention as opposed to other payment methods.
- 1.3 Services submit Non-PO invoices to the FS/CBS Accounts Payable (AP) section for payment. Service management is responsible for identifying those officers who are authorised to approve payment of invoices for inclusion on an authorised signatory list. AP staff should check the authorised signatory list to confirm that the officer approving the payment of the invoice is authorised to do so by their Service before making payment
- 1.4 The objective of the audit was to gain assurance that there are appropriate controls in place covering the Non-PO payment process and that the authorised signatory list is up-

to-date, reflective of current working practices and appropriately maintained. The audit included a review of the key controls in the following areas:

- Documented policies and procedures, roles and responsibilities.
- A sample of Non-PO payment requests.
- A sample of Authorised Officers for each service.
- Arrangements for updating systems and documentation in respect of any change to the Authorised Signatory List.
- The arrangements in place for monitoring the Non-PO payment process.
- Approval Processes.
- Record keeping arrangements.

2 Audit Opinion

- 2.1 Based on the work carried out a reasonable level of assurance can be placed upon the control environment. The audit has identified some scope for improvement in the existing arrangements and two recommendations and one opportunity for improvement which management should address.

3 Main Findings

- 3.1 Key controls are in place and generally operating effectively. Documented procedures for the Non-PO process are in place and reflect the current working practices, including approval processes. Roles and responsibilities associated with these procedures are understood by the relevant officers and management. Additionally, we noted that there are adequate system controls in place to detect and prevent duplicate invoices on the Councils' financial system.
- 3.2 We selected a sample of 30 Non-PO payment invoices for further review, to ensure that all had been handled in line with documented procedures. We found that in all instances the process had been appropriately followed, with evidence supplied to demonstrate compliance.
- 3.3 Furthermore, we noted that there are adequate monitoring arrangements covering the Non-PO process, which includes day-to-day management of staff to ensure targets are met, and that management information is sent out to all services and ALEOs. Adequate record keeping arrangements are in place and supporting documentation was observed as being appropriately recorded on the financial systems used in the process (where applicable).
- 3.4 However, we found some areas where improvements should be made. The authorisation lists held for the Non-PO payment process ensures invoices are properly approved by verifying the individual and their authorisation limit. The FS/CBS AP team maintain and update their own signatory list for most services. Neighbourhood Regeneration & Sustainability (NRS) and Social Work Services (SWS) maintain and update their own separate lists and provide access to FS/CBS to carry out the Non-PO Payment process. We observed that NRS do not maintain an adequate audit trail of their authorised signatories. Since financial year 2021/22, the list held is manually overwritten each year, for example, removing leavers and adding new starts. In addition, there is no annual re-verification process conducted.
- 3.5 Until September 2024 the SWS authorisation list was managed by staff based within FS/CBS. However, from this date the staff are now based within SWS. As a result, the authorisation list is now managed internally, with Non-PO

requests sent to FS/CBS for payment. We observed that the SWS authorisation list does not include the authorisation limits for the named authorised signatories. Although there are authorisation limits listed on the SWS Scheme of Delegation, FS/CBS do not check against this when processing a Non-PO invoice for payment. We also noted that there are no authorisation limit checks conducted by SWS staff before sending the invoice.

- 3.6 During the audit fieldwork, we noted that the volume of work involved each year for FS/CBS in relation to authorisation lists and re-verification process is significant. In addition, we noted that officers submit invoices in various different means, for example, via email and printed with 'wet signature'. There is no consistent approach being adopted and officers are not always aware of the correct method to take when sending an invoice for payment.
- 3.7 An action plan is provided at section four outlining our observations, risks, and recommendations. We have made two recommendations and one opportunity for improvement. The priority of each recommendation is:

| Priority | Definition | Total |
|---------------------|--|-------|
| High | Key controls absent, not being operated as designed or could be improved. Urgent attention required. | 0 |
| Medium | Less critically important controls absent, not being operated as designed or could be improved. | 2 |
| Low | Lower-level controls absent, not being operated as designed or could be improved. | 0 |
| Service Improvement | Opportunities for business improvement and/or efficiencies have been identified. | 1 |

- 3.8 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.
- 3.9 We would like to thank officers involved in this audit for their cooperation and assistance.
- 3.10 It is recommended that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the attached Action Plan.

4 Action Plan

| No. | Observation and Risk | Recommendation | Priority | Management Response |
|---|--|---|----------|--|
| Key Control: There are adequate arrangements in place for updating systems and documentation in respect of the Non-PO payment process. | | | | |
| 1 | <p>The authorisation lists held for the Non-PO payment process ensures invoices are properly approved by verifying the officer and their authorisation limit.</p> <p>The FS/CBS AP team maintain and update their own signatory list for most services, although NRS and SWS maintain and update their own separate lists and provide access to FS/CBS to carry out the Non-PO Payment process.</p> <p>We observed that NRS do not maintain an adequate audit trail of their authorised signatories. Since financial year 2021/22, the list held is manually overwritten each year, for example, removing leavers and adding new starts. In addition, there is no annual re-verification process conducted.</p> <p>The current arrangements increase the risk of unauthorised signatories being included on the list, which could lead to unauthorised transaction. It also increases the risk that should a previous year's invoice payment be queried, there may be no audit trail to support that an appropriate approval was made.</p> | <p>FS/CBS AP Management in conjunction with NRS should review the current arrangements in place in respect of the NRS authorisation list to ensure that it is fit-for-purpose.</p> <p>Thereafter, NRS management should ensure that each year a re-verification process is undertaken and that an adequate audit trail of signatories is maintained for previous years.</p> | Medium | <p>Response:</p> <p>FS - Heads of Service will on an annual basis be sent an authorisation signatory list and requested to confirm no amendments required.</p> <p>Previous years signatories list will be maintained</p> <p>Officer Responsible for Implementation:</p> <p>Finance Manager – Corporate Finance - NRS</p> <p>Timescales for Implementation:</p> <p>30 April 2025</p> |

| No. | Observation and Risk | Recommendation | Priority | Management Response |
|-----|--|--|----------|---|
| 2 | <p>Until September 2024 the SWS authorisation list was managed by staff based within FS/CBS. However, from this date the staff are now based within SWS. As a result, the authorisation list is now managed internally, with Non-PO requests sent to FS/CBS for payment.</p> <p>We observed that the SWS authorisation list does not include the authorisation limits for the named authorised signatories.</p> <p>Although there are authorisation limits listed on the SWS Scheme of Delegation, FS/CBS do not check against this when processing a Non-PO invoice for payment. We also noted that there are no authorisation limit checks conducted by SWS staff before sending the invoice.</p> <p>The current arrangements increase the risk of errors being made. It also increases the risk that authorised signatories are operating outwith their authorisation limits.</p> | <p>FS/CBS management in conjunction with SWS should review the current Non-PO payment and authorisation process and ensure that these are updated to include authorisation limits for named authorised signatories.</p> <p>Thereafter, management should remind of staff of the importance of adhering to these requirements and that authorisation limits must be checked as part of the process.</p> | Medium | <p>Response:</p> <p>SWS - Accepted. SWS will work with FS/CBS to review and update the Non-PO payment authorisation process across the service.</p> <p>Officer Responsible for Implementation:</p> <p>Principal Officer – Financial Compliance Team</p> <p>Timescales for Implementation:</p> <p>31 October 2025</p> |

| No. | Observation and Findings | Service Improvement | Management Response |
|-----|--|--|---|
| 3 | <p>During the audit fieldwork, we noted that the volume of work involved each year for FS/CBS in relation to authorisation lists and re-verification process is significant. In addition, we noted that officers submit invoices using various different means, for example, via email and printed with 'wet signature' There is no consistent approach being adopted.</p> <p>We were also advised that there have been recent occasions where service staff have contacted the FS/CBS AP team to clarify what authorisation process they should be adopting when sending a Non-PO invoice for payment as they were unsure of what the correct process was.</p> <p>A lack of consistency over the arrangements could lead to confusion and potential errors being made. Additionally, reducing the volume of manual intervention needed by staff will streamline the arrangements and prevent the need for 'wet signatures'.</p> | <p>FS/CBS management should consider reviewing the current Non-PO payment arrangements to explore the feasibility of making the authorisation process electronic only, reducing the need for manual intervention and volume of work required when conducting the yearly re-verification process.</p> <p>Management should also consider, in line with good practice if all services should adopt a consistent approach when completing the yearly re-verification documentation.</p> | <p>Response:</p> <p>FS/CBS – Accepted. CBS Accounts Payable will review the current process for Non-PO invoices passed for processing.</p> <p>To ensure there is a consistent approach across all services, CBS Accounts Payable will issue a communication/procedure note to advise all services of the new procedure.</p> <p>Officer Responsible for Implementation:</p> <p>Operations Manager - CSB Accounts Payable</p> <p>Timescales for Implementation:</p> <p>30 April 2025</p> |