

Achieving Purchase Order Compliance (APOC)

Version 3.0

2024

carmarthenshire.gov.wales

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What is an APOC policy?

An Achieving Purchase Order Compliance (APOC) policy is an efficient, high compliance purchase order process. It is the basic foundation for efficient ordering, receipt and payment of goods and services. It comprises of a number of stages that describe the end-to-end process; from the ordering of a product or service from a supplier, through to making the subsequent payment. The main stages of this process are requisition, budget authorisation, product ordering, receipting of delivery and invoice processing. (Many organisations refer to this type of policy as No PO No Pay).

We need to implement this type of approach to drive radically higher take-up of the Purchase Order process (which is already our stated policy).

The process starts with a department establishing a need for goods or services. The department will then raise a requisition on the Financial Management System (FMS) for the goods/service. This requisition then needs approval from an authorised signatory, after which a uniquely numbered Purchase Order (PO) is produced and the commitment to the expenditure is created against the budget. The PO is then sent to the supplier, they will fulfil the order and deliver the goods or services required.

The department records successful delivery of the order (goods receipts) on the FMS. Simultaneously the supplier raises an invoice quoting the PO number issued previously. On receipt of the invoice, a three-way match is validated, payment is issued to the supplier, the order is decommitted and the expenditure is recorded.

The concept is simple: if an invoice is received from a supplier without a valid PO number it doesn't get paid until it gets one. However, in reality there will always be exceptions which will be defined in advance.

This policy is not a quick fix for an inefficient procurement process. To see the benefits of the tool we must gradually work the ideology into CCC's ethos. We must explain the importance of the policy to our staff and convey the importance and widespread benefits of the policy on a regular basis. It is essential for all departments to recognise the new policy as a benefit that facilitates business and not as a hinderance.

The benefits need to be promoted as a discipline NOT an option. This first step is critical to its successful introduction.

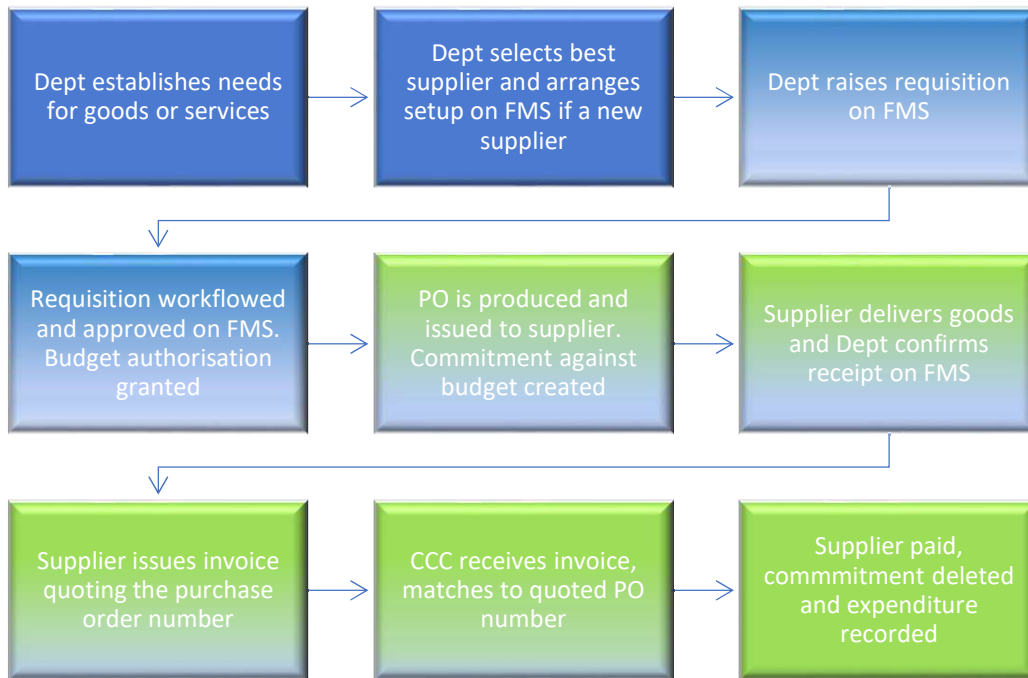
Note: Whilst this document is primarily concerned with invoices that are processed through Unit4 ERP, the same principles should be applied to other systems such as Total and Care First. However, it does not replace those local system procedures.

What are the benefits of PO compliance?

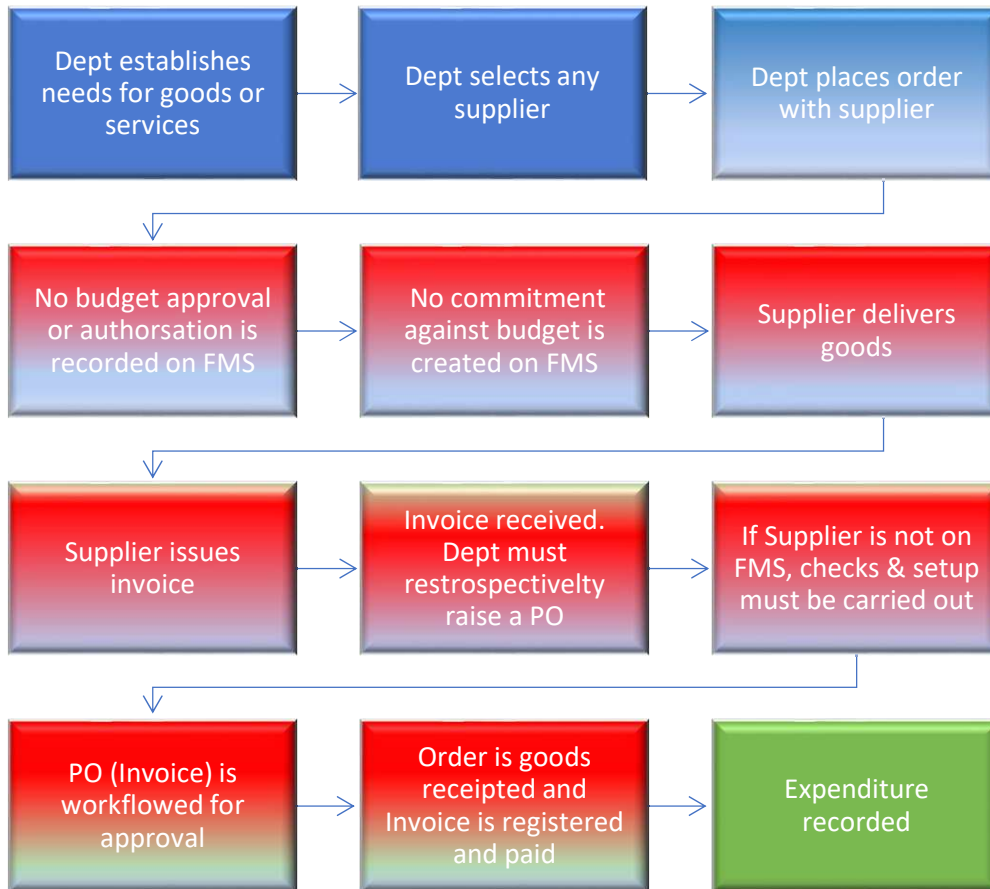
The benefits of Purchase Order compliance are felt throughout the organisation:

1. Efficient payment - Suppliers do not experience uncertainty/delays in payment. Less manual involvement in payment process.
2. Improved Supplier relationships. Encourages supplier engagement. Minimises potential to affect meeting of payment terms, resulting in late payment penalties, damaged relationships and potential disruption of supply.
3. PO compliance is an essential stepping-stone to paperless invoices.
4. Expenditure commitments are recorded on the Financial Management System thus ensuring financial transparency and both easier and better financial/budget management which in turn facilitates planning.
5. Financial procedures are followed. Vulnerabilities are contained with improved control. Maverick spending by unauthorised officers is prevented. The right people authorise, in advance of expenditure being incurred not after goods are received.
6. Risk is mitigated. 3-way match and pay contributes to safeguarding, helps to avoid fraudulent invoices and paying an incorrect amount. The AP team checks the following documents for a three-way match:
 - Purchase order raised
 - The goods receipt note
 - Supplier Invoice
7. Suppliers are set up in advance. Supplier checks & details confirmed in advance, reducing delays in payment. Suppliers informed of how they will be paid. Employment status (tax) compliance.
8. Can encourage increased use of existing preferred suppliers and contracts.
9. Improved information on expenditure has the potential to lead to improved future procurement.
10. The following graphics show the processes with and without utilising APOC.

APOC compliance chart



APOC Non-Compliance chart



Current use of purchase orders in CCC

We already have the following statement on our official purchase orders but it is not actively enforced:

‘The Council reserves the right to pay only those invoices quoting a valid purchase order number.’

AP (non-order)/OP (order) payments 2023/24 (exc. Schools and sundry payments)

AP/OP 54,780 Payments total value £134,680,097

27,654 OP Payments value £49,198,473

27,126 AP Payments value £85,481,624

The AP figure represents potential commitment either missing from the system or requiring manual input.

Implementing the APOC policy

Phase 1

1. Conveying the importance of the APOC policy within CCC on a regular basis is a critical first step. Promote the benefits. It is essential for all departments to recognise the policy as a benefit and not as a hinderance
2. Top-down backing and support is crucial
3. CCC Website notice – Create Supplier area – give advance notice of the policy (see other Authorities)
4. Contact Suppliers – focus on how the policy will benefit them
5. Procurement to include in contracts
6. Exception procedure – identify and capture exceptions
7. Emergency procedure – define
8. Use pilot department(s)
9. Establish the timescale. For the policy to work, everyone needs to be on board. Cannot rush the process to attain the benefits
10. Monitoring and reporting user and supplier compliance
11. Deal with Non-compliance

Issues that may be encountered

Potential issue	Mitigation
Not all PO Suppliers quote valid PO numbers on invoices	See pages 8 & 14
Difficulty enforcing in-house compliance	See pages 7,8 & 15
Staff need to goods receipt promptly and properly	Phase 1 staff communication
Emergency exceptions are abused	Review regularly
Attempting to use value-based products where inappropriate	Review regularly

Emergency Procedures

It is often the case that staff will cite delays in gaining the PO number as a reason not to comply with the policy. In many cases, simply better planning can ensure that requisitions are raised and authorised in good time.

However, there is a case for genuine emergencies, where staff are required to place orders verbally at very short notice. These can be split into two scenarios: those where the order must be placed immediately and there is no access to the ordering system and those where the system is accessible but perhaps the authoriser is currently unavailable and/or they cannot wait the maximum time of 1 hour for the order jobs to run. In the latter case it is possible to raise a requisition and be allocated an order number prior to authorisation on the system. This facility should be strictly monitored and controlled and only available to certain individuals identified as likely to find themselves in these situations.

In the case of the former, where the system is unavailable, a system of retrospective order raising has been defined.

Dealing with Non-compliance

All suppliers will be notified by CCC as part of the implementation of the APOC Policy that they should not accept any verbal or written order from CCC staff unless a valid PO number is given or there is an agreed exception as set out in Appendix 3.

However, refusing to pay suppliers on the grounds that they have not quoted a PO is only reasonable if our own purchase to pay house is in good order. **We will not blame suppliers for poor compliance within our own organisation** and there will always be circumstances where it is not practical to supply a PO e.g. out of hours emergencies; suppliers should feel able to respond to such situations without the threat of non-payment.

In general, invoices received that do not quote a valid PO number will be subject to a non-compliance retrospective order procedure (see Appendix 4) which includes notifications to the supplier of a missing PO on the invoice, notifications to staff responsible of a missing PO on the invoice and management reporting of non-compliance as part of KPIs and remedial action.

Supplier Communications

Phase	Response	Action
Phase 1	Communication to Suppliers of CCC policy	Supplier notification (see p. 9) plus web page
Phase 2	First reminders to non-compliant suppliers – Appendix 1	Appendix 1 letter – payment NOT made until a valid purchase order number is quoted

CCC staff notifications

Phase	Response	Action
Phase 1	Communication to CCC staff of CCC policy	CCC standard communication letter/email/web page
Phase 2	Communication to non-compliant CCC staff	Appendix 2 letter emergency PO procedure & PI report
Phase 3	Communication with individual / line manager	CCC to assess if further training etc is required. Option is available to remove ordering responsibility.

Phase 1 Initial notification to suppliers

The notice to suppliers to inform them about the PO compliance policy is on the Council Website:

We are making some changes to how we handle our invoices by introducing a compulsory purchase order (PO) policy which will help to speed up the processing of invoices and is a key financial control measure for the council. This will further ensure that the council only pays for goods, services and works received, after they have been properly authorised in accordance with the council's financial governance framework.

To avoid any unnecessary delay to your payment, you should only supply goods/services to the council once you are in receipt of a valid PO number. The PO number must be quoted on the invoice before being submitted to the council.

Invoices received without a quoted valid PO number may be returned to the council staff who placed the order so that they can obtain a valid PO number. They may then need to contact you to request you re-issue the invoice quoting the PO number, thereby incurring unnecessary delay to your payment.

The PO number is numerical and follows the format of 1nnnnnnn. You should not accept any verbal or written order from a council officer unless a valid PO number is given, or it is classified as an exception as set out in the FAQs or it is an emergency order. The person placing the order will advise you if an exception applies.

If your goods/services have already been provided to the council and you have not received a PO number, you should contact the member of council staff who gave the original instruction to supply the goods/services and ask them to provide a valid PO number.

If you are a regular supplier of goods/services to the council and you have any questions, or to confirm your status, you may wish to get in touch with your usual order contact.

The council standard payment terms are 30 days from receipt of a valid invoice.

It is your responsibility to inform the council of any changes to your business information including bank account, VAT and Companies House details.

A set of frequently asked questions and exceptions is available on our website.

APOC FAQs

1. What do you mean by Achieving Purchase Order Compliance (APOC)?

The APOC policy ensures that the Council only pays for goods, services and works which have been properly ordered and authorised in accordance with the Authority's Financial Contract Procedure Rules (FPRs) **BEFORE** making any commitment to spend Council funds and receiving an invoice. It also ensures invoices received by the Accounts Payable team can be processed efficiently to minimise delay to suppliers and contractors. Invoices received by the Accounts Payable Team without a valid purchase order (PO) number may significantly delay payment and may ultimately be returned to you.

2. All invoices must arise from a valid PO and quote a valid PO number. What is a valid PO?

A PO that has been raised and authorised on the Authority's official purchase order module on the CCC financial management system (Unit4 ERP).

3. What is a valid PO number?

A valid PO number is an 8-digit Purchase Order number issued by the CCC financial management system.

4. Why do suppliers need a PO number?

A PO number is proof that an official order has been raised and authorised. Any invoice received that does not quote a valid PO number may not be processed and may be returned to the supplier, unless it is covered by an exception (exceptions to be agreed by cross-departmental working group) as process is developed. Suppliers must not, under any circumstances, accept any verbal or written order from a Council officer unless a valid Purchase Order (PO) number is received, or it is an exception as set out in the Exceptions section or it is an emergency order.

5. What if the supplier doesn't have a PO Number?

They should contact the council officer who placed the order and ask them to supply an order number. If goods/services have already been provided to the Council, and you have not received a Purchase Order they can contact the member of Council staff who gave the original instruction to supply the goods/services and ask them to provide a valid Order number. They should contact the supplier in any event.

6. What's in it for the supplier?

Prompt payment. Provided a supplier has quoted a valid Purchase Order number which has been obtained in advance of supply, CCC commits to paying invoices in line with the Public Sector Payment Policy i.e. within 30 days of receipt (not the invoice date) of a valid invoice, or receipt of the goods or service, whichever is later.

Payment is usually much faster (the vast majority of order number invoices are paid within 10 days). Invoices without an order number will require further action and will therefore take longer.

7. When does the APOC policy come into effect?

The APOC policy applies immediately.

8. In the past invoices without a PO number have been paid by CCC, will this still happen?

Once the policy is fully implemented, unless covered by an exception CCC will not recognise invoices without a valid PO number and may be returned to the supplier. You would then need to speak to your order contact who will seek an order number so that the invoice can be paid.

9. Are there any exceptions?

Yes. These are typically recurring expenses that are essential for the day-to-day operations of the organisation. Examples include utility bills, telecommunication bills, and building rents. There is a list of currently defined exceptions at Appendix 3. There will also be occasions when an order will be impractical, these are covered in the emergency procedures section.

10. What if a supplier only supplies schools?

Schools are not currently included in this policy; however, it is also best practice to ensure suppliers have a PO number before they commit to any work with schools. There is no change to the ordering or payment processes for invoices received for schools for the time being.

11. I raise my job orders on Total and Care First, do I need to raise orders on the Unit4 ERP as well?

At the moment, if you raise job orders on a source system such as Total you would not be expected to raise an order on the Unit4 system as well. You should not raise other types of orders such as stationery on the source systems.

12. Further queries?

Please enquire with your order contact or BSU if you have any further questions about the policy.

Supplier Page on CCC Website

<https://www.carmarthenshire.gov.wales/home/business/supplier-information-ordering-and-payments/>

Case Studies

Many local authorities and public sector organisations have introduced a No PO No Pay type policy and still more are aiming to do it:

Blaenau Gwent <https://www.blaenau-gwent.gov.uk/en/business/business-support-growth/contracts-opportunities/no-po-no-pay-policy/>

Caerphilly County Council

https://www.caerphilly.gov.uk/CaerphillyDocs/Procurement/selling_to_the_council.aspx

Cardiff County Council <https://www.cardiff.gov.uk/ENG/Business/Tenders-commissioning-and-procurement/Supplying-Cardiff-Council/no-po-no-pay-policy/Pages/default.aspx>

Ceredigion County Council <https://www.ceredigion.gov.uk/media/2065/selling-to-ceredigion-county-council.pdf>

Denbighshire County Council

<https://www.denbighshire.gov.uk/en/documents/business/selling-to-the-council/selling-to-the-council-a-guide-for-suppliers-and-contractors.pdf>

Flintshire County Council <https://www.flintshire.gov.uk/en/PDFFiles/Selling-to-the-council/No-PO-No-Pay-Suppliers-Guide.pdf>

NHS Wales nwssp.nhs.wales/ourservices/accounts-payable/accounts-payable-documents/nhs-wales-no-purchase-order-no-payment-policy-2024/

Powys <https://en.powys.gov.uk/article/5008/Ask-about-an-invoice>

Swansea County Council <https://www.swansea.gov.uk/supplierinformation>

Swansea University <https://www.swansea.ac.uk/finance-swansea-university/payments/> https://www.swansea.ac.uk/media/Swansea-Uni-No-PO-no-pay-letter-updated_2.pdf

Appendix 1 – Non-compliance supplier letter

No PO Letter to Supplier template

Dear Supplier

Re: Invoice No: xxxxxxx

In accordance with Carmarthenshire County Council's Achieving Purchase Order Compliance Policy and as part of ongoing efforts to improve efficiency, we are monitoring where purchasing is taking place outside of the Authority's official Purchase Order system process.

You have recently submitted the above invoice to us but a valid Purchase Order (PO) number was not quoted. Please be advised that the use of valid PO numbers is mandatory.

On this occasion the invoice will be passed for retrospective authorisation and your buying contact will contact you to explain the next steps. Please note however that this process is discretionary and due to the extra time involved in seeking authorisation, release of your payment may be delayed as a result. We are still committed to our standard terms of payment within 30 days.

In future, could we ask you not to accept orders from CCC without first receiving a valid PO number, which must be quoted on your invoice. This will ensure that your payment is not delayed.

Detailed information for Suppliers can be found on our website <https://www.carmarthenshire.gov.wales/home/business/supplier-information-ordering-and-payments/>

Appendix 2 – Staff letter

No PO email to CCC staff

Dear Colleague

Non-compliance with CCC Achieving Purchase Order Compliance (APOC) Policy

In accordance with the Authority's Achieving Purchase Order Compliance Policy and as part of ongoing efforts to improve efficiency, any purchasing taking place outside the Unit4 ERP financial management system (FMS) is being monitored.

The following invoice has been received but a Purchase Order (PO) Number has not been quoted. Your name has been stated by the Supplier as the ordering point of contact:

Name: Click or tap here to enter text.

Department: Click or tap here to enter text.

Supplier Name: Click or tap here to enter text.

Invoice No: Click or tap here to enter text.

Invoice Value: Click or tap here to enter text.

Description from invoice: Click or tap here to enter text.

Please be advised that in accordance with the above Policy, use of Unit4 ERP PO numbers is mandatory.

If you raised a PO on Unit4 ERP, please contact the Supplier and advise them to re-issue the invoice quoting the PO Number.

If you did **not** make this purchase through Unit4 ERP, in order to proceed with the payment of this invoice you are required to retrospectively raise an emergency PO on the Unit4 ERP system (contact central creditors section for the emergency procedure, do not use the normal PO procedure). Once approved, you must goods receipt the emergency order and then ask the supplier to reissue the invoice quoting the PO number. The supplier has been advised that you will contact them.

Please ensure that all future orders of this type are only ordered through the financial system. Failure to do this is a contravention of CCC's Financial Procedure Regulations, circumvents controls, results in delays in the invoice payment process and risks interrupting supplies.

You should also be aware that non-compliance is regularly reported to the Director of Corporate Services and could impact your ability to raise orders in future.

For further information please see contact your BSU.

Thank you for your cooperation

Appendix 3 - Exceptions

Exceptions

1. Utility bills
2. Postal services
3. Photocopying services
4. Payment to individuals e.g. Foster Payments, Volunteers, Expenses, Prizes, etc)
5. Rents
6. Occupational Health medical reports
7. Subscriptions to societies
8. Grants & Payments on behalf of public bodies
9. TV Licences
10. General Provisions (Food and Drinks) - Catering only
11. Certain emergency payments

Whilst this document is primarily concerned with invoices that are processed through Unit4 ERP, the same principles should be applied to other systems such as Total and Care First. However, it does not replace those local system procedures.

Appendix 4 – Non-compliance retrospective order procedure

Where a retrospective order is required because of non-compliance, the following procedure should be followed:

1. Raise a requisition using the **retrospective** requisition department for your department e.g. E CHIEF. **Do not** use the normal requisition department as this will be reported as an illegal retrospective order.
2. After authorisation, goods receipt on the system and forward the PO to the supplier stating clearly that this is the PO for the invoice already received and not an additional order for goods/services.
3. Ask the supplier to resubmit the invoice marked as a Copy invoice quoting the PO number supplied.
4. Promptly forward the invoice for processing and it will be paid without further authorisation and delay.