



FINANCIAL CONTROL PROCEDURE:

CREDITOR PAYMENTS

Initiated by: Director of Finance and Procurement

Approved by: Audit and Risk Committee

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Clinical Service Group Directorate

Managers

Heads of Department

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1.0 SCOPE AND PRINCIPLES

- 1.1 This procedure details the principles underlying the [University Health Board's \(UHB\)](#) system for paying creditors and the regulations required to operate these principles.
- 1.2 The objective of this procedure is to set out a control framework to ensure that payments to suppliers are made correctly and on a timely basis. Payments are required to be made within 30 days of the later of:
 - receiving a valid invoice; or
 - receiving the goods/service

In order to comply with the Public Sector Payment Policy.

95% of invoices must be paid within 30 days to comply with the target set by Welsh Government.

- 1.3 This procedure should be read in conjunction with the [University Health Board's](#) Standing Orders, Standing Financial Instructions and other relevant financial procedures - in particular, the procedure on Requisitioning of Goods and Services and the Scheme of Delegation.
- 1.4 The Director of Finance [and Procurement](#) shall be responsible for ensuring proper financial controls and segregation of duties exists in the processing of creditor payments.
- 1.5 The Director of Finance [and Procurement](#) shall ensure that control mechanisms are in place to identify any breaches and to take appropriate action. This shall include the use of internal and external auditors.
- 1.6 The Accounts Payable (AP) module of the [University Health Board's](#) financial management system (Oracle) will record and process amounts payable by the [University Health Board](#).
- 1.7 Payments to creditors are undertaken by the NHS Wales Shared Services Partnership (NWSSP) on behalf of the [University Health Board](#). All payments made by NWSSP shall be supported by an invoice, which matches the order and the goods/services receipted in terms of both price and quantity.

- 1.8 Where the term University Health Board is used this applies equally, unless otherwise specified, to WHSSC and EASC.
- 1.9 The standard process for the payment of invoices is as follows (See also **Appendix 1**):

| Steps | Individual Involved |
|--|---|
| 1. Requisition Raised on Oracle system | Requisitioner (UHB) |
| 2. Requisition Authorised on Oracle system | Budget Holder/Approver (UHB) |
| 3. If catalogue items, order created automatically and issued to supplier | (Automatic via Oracle workflow) |
| 4. For Non-Catalogue items prices and suppliers checked and Purchase Order (PO) created on Oracle system | Procurement Team (NWSSP) |
| 5. PO sent to Supplier | Procurement Team (NWSSP) |
| 6. Supplier delivers goods and/or services | Supplier |
| 7. Goods and Services booked (receipted) into Oracle to confirm that goods/services have been received | Departmental staff or staff in Receipt and Distribution centres (R&D) (UHB/NWSSP) |
| 8. Invoice Received | Accounts Payable (NWSSP) |
| 9. Invoice matched to PO on system | Accounts Payable (NWSSP) |
| 10. Invoice Paid | System/Accounts Payable (NWSSP) |

2.0 PROCESSING OF INVOICES

- 2.1 Goods/services should be receipted onto the Oracle system **within two working days** upon satisfactory receipt of the goods or services. Responsibilities for receipting of goods and services normally rest with individual departments. Where goods are received at a central R&D (Receipt & Distribution) point, the receipting responsibilities lie with NWSSP staff working in those areas.
- 2.2 All invoices received in NWSSP for the University Health Board shall be entered into the Oracle system by the ~~third~~ fourth day after receipt of the invoice.
- 2.3 All invoices must be matched appropriately to the purchase order quoted on the invoice. Once the matching exercise is complete the invoice can be approved for payment, or placed on hold where appropriate.
- 2.4 Any invoices received without a PO that are not on a pre-defined exception list must be referred to the budget holder, requesting that an order is raised in order to enable payment of the invoice.
- 2.5 Invoices received shall be batched and archived by scanning or other appropriate means, on a regular basis. Invoices "on hold" and being queried shall be detailed on an electronic report and reviewed by NWSSP Payments and Procurement staff.
- 2.6 Invoices where the goods are not yet receipted in Oracle shall be recorded automatically on the "on hold" report.
- 2.7 The "on hold" report will record all invoices which could not be passed for payment for reasons such as price, distribution or other variances beyond the agreed tolerance levels.
- 2.8 Invoices on the "on hold" report will be reviewed at regular intervals by NWSSP who are responsible for resolving queries and clear invoices for payment. The Payments Officer will enter notes explaining the action taken in the invoice history field on Oracle. Directorate based "on hold" reports shall be sent to Clinical Service Group Directorate Managers (or equivalent) each month for review and action.

- 2.9 Any disputes lodged with the Supplier that results in an invoice not being able to be paid must be reported to the Accounts Payable team immediately to ensure that the invoice is marked as "Disputed", therefore ensuring that the late or non payment of the invoice will not have an adverse affect on the Public Sector Payment Policy (PSPP) target.
- 2.10 The majority of invoices are received electronically by NWSSP. When manual invoices are processed a Batch Header is added which includes the batch number and total value of the invoices in the batch. Invoices shall be stamped and annotated with the batch number after processing. The invoice stamp shall also indicate whether Value Added Tax has been recovered.
- 2.11 Invoices shall not be part-paid in respect of part delivery. Payment shall be made only when all items have been received.
- 2.12 The standard settlement term will be 30 days. The Head of Procurement (HOP) may agree reduced terms where appropriate.
- 2.13 Price tolerances shall be set in Oracle at 10% of the price with an upper limit of £5. Prices charged in excess of this level shall be entered onto and the 'on hold' report and referred to the Procurement department. Changes to tolerance levels can only be authorised by the Director of Finance and Procurement.

Capital Invoices

- 2.14 Capital invoices shall be processed through the system in the same way as all other invoices and will be subject to the same checking and control procedures.
- 2.15 However, capital invoices subject to interim and final certificates shall be checked by the Capital Analyst Services Administrator and entered onto contractors' records. Checks shall be made to ensure that details on the current certificate agree with previous records. The Capital Services Administrator will notify the Senior Finance Officer (Capital) where Retentions are withheld as indicated on the certificate and they will ensure they are appropriately accrued within the ledger. VAT shall not be paid unless an authenticated receipt or a VAT invoice is present.

Pharmacy Invoices

- 2.16 Weekly information on goods and services received in the Pharmacy department will be sent to the Accounts Payable department together with the supporting invoices and authority to pay form. The file information will be uploaded, via the FTP server, to Oracle by the Accounts Payable Officer.
- 2.17 Once uploaded the Accounts Payable Officer shall select the file and process the invoices ensuring agreement with the payments list and invoices/goods received notes.

No PO, No Pay

- 2.18 The UHB adopts the principle of a 'No PO, no Pay' approach, i.e. if no Purchase Order (PO) has been raised, a dispute will be raised with the supplier and no payment will be made for goods and services received until such time the PO is raised.
- 2.19 The Head of Procurement will be responsible for monitoring any non-compliance through retrospective raising of orders. Any department/s and or directorate/s who continually breach the process will be reported to the Director of Finance and Procurement and, where appropriate, to the Audit and Risk Committee

Payments to staff

- 2.20 Payments directly to employed staff are **specifically prohibited** from the creditors system. All such payments must be paid and recorded via the UHB's payroll system.

3.0 PAYMENT OF INVOICES

BACS Payments

- 3.1 All suppliers will be encouraged to accept the BACS method of payment. Accounts Payable Officers will request bank details and other necessary details from all new suppliers.
- 3.2 The payment of invoices by BACS shall be made in line with the agreed timetable unless otherwise directed by the Treasury Accountant. A minimum of two payment runs per week shall normally be processed, with additional payment runs if required.
- 3.3 A payment run report shall be generated two days prior to the payment date within NWSSP. The report will include all invoices

passed and due for payment up until the cut off date. ~~This date is normally a month in advance.~~ The pay through date will be the date of the next payment run

- 3.4 The Accounts Payable Team Leader shall liaise with the Treasury Accountant to ensure that sufficient cash will be available to make payment on the due date.
- 3.5 Any amendments requested shall be undertaken prior to payment run committal.
- 3.6 Remittance advice notes will be issued through email where possible and if not, by post.

Cheque Payments

- 3.7 A run of payable order payments will be produced in NWSSP, (as and when appropriate). These are payments made via the Government Banking Service using the Royal Bank of Scotland. This method is used only when the supplier is unable to accept payments via BACS, for urgent payments and losses and compensation payments.
- 3.8 Review and checking procedures will be the same as for the BACS payments procedure (3.1 – 3.5 above).
- 3.9 All payable order payments will be made in accordance with the cash and banking procedure.

4.0 SUPPLIER MAINTENANCE

- 4.1 All Supplier creation and amendment, including changes to supplier bank account details in Oracle is managed by the Supplier Maintenance Team at NWSSP. Oracle access to supplier maintenance functions of the system is therefore restricted to this group of staff.
- 4.2 All requests for changes must be supported by official documentation from the supplier. Any bank account changes must include the original details as well as the new details.

5.0 CREDIT NOTES

- 5.1 Credit notes will be matched appropriately against the order / invoice according to the nature of the credit.

- 5.2 The Accounts Payable Officers shall request a refund from suppliers in respect of outstanding negative balances. The Accounts Payable Officers will monitor the status of credit notes regularly and ensure payment is requested from suppliers who have credit notes outstanding for significant periods (at least six months old).

6.0 MONITORING CONTROLS

- 6.1 The Accounts Payable Officers shall ensure that creditors' correspondence and queries are responded to in an accurate and timely manner.
- 6.2 The Accounts Payable Officers shall check all supplier statements for dated and erroneous entries and take appropriate action.

7.0 VALUE ADDED TAX

- 7.1 ~~The Accounts Payable Officers shall be responsible for advising on the correct application of VAT legislation in the payments process. Due to the volume of electronic invoices it is expected that the correct VAT code is applied when raising the PO wherever possible.~~
- 7.2 VAT shall be reclaimed on contracted out services in accordance with the relevant Treasury Direction.
- 7.3 VAT costs in respect of wholly trading services shall be posted to an input tax account.
- 7.4 Invoices shall be checked to ensure that VAT is only charged where a taxable supply has occurred.
- 7.5 VAT shall only be paid on receipt of a VAT invoice.

8.0 MONTH END PROCEDURES

- 8.1 The Accounts Payable Team Leader shall be responsible for the Payables Accounting Process and closure of the AP module of Oracle at the end of each period.

- 8.2 The Accounts Payable Team Leader will close the Inventory module of Oracle. Once closed, the Accounts Payable Team Leader will run the "Unaccounted Transactions Report" for the last and current period.
- 8.3 This report will be checked to ensure only those invoices with distribution variances are included. Any other entries shall be corrected and the report will be re-run.
- 8.4 The Accounts Payable Team Leader will then open the next period within the AP module and close the current period in the AP module. All unaccounted transactions will be transferred across to the new period.
- 8.5 The Accounts Payable Team Leader shall confirm the month-end closures with the Oracle Systems Team, which will enable them to generate the Procurement accrual report. The Accounts Payable Team Leader can then open the next Inventory module of Oracle.
- 8.6 The Accounts Payable Team shall reconcile payables by comparing the balances on the following reports:
- Posted Invoices
 - Posted Payments
 - Trial Balance for the previous period.

All balances will be agreed to the appropriate Balance Sheet codes.

- 8.7 The Systems Administration team will subsequently upload the accrual file into the General Ledger.

9.0 YEAR END PROCEDURES

- 9.1 ~~Finance staff are~~The Accounts Payable Team Leader is responsible for the compilation of year-end manual creditors and accruals.~~reserved creditors.~~
- 9.2 Following the final creditors input, all goods received before the year-end not invoiced shall be reserved, together with invoices held in respect of old year deliveries.
- 9.3 Any remaining invoices or credit notes held on the AP system should also be reserved.

- 9.4 Following the year-end the reserved creditors balance shall be monitored as part of the month end procedures.

10.0 FINANCIAL CONTROL WEAKNESSES OR SUSPECTED FRAUD

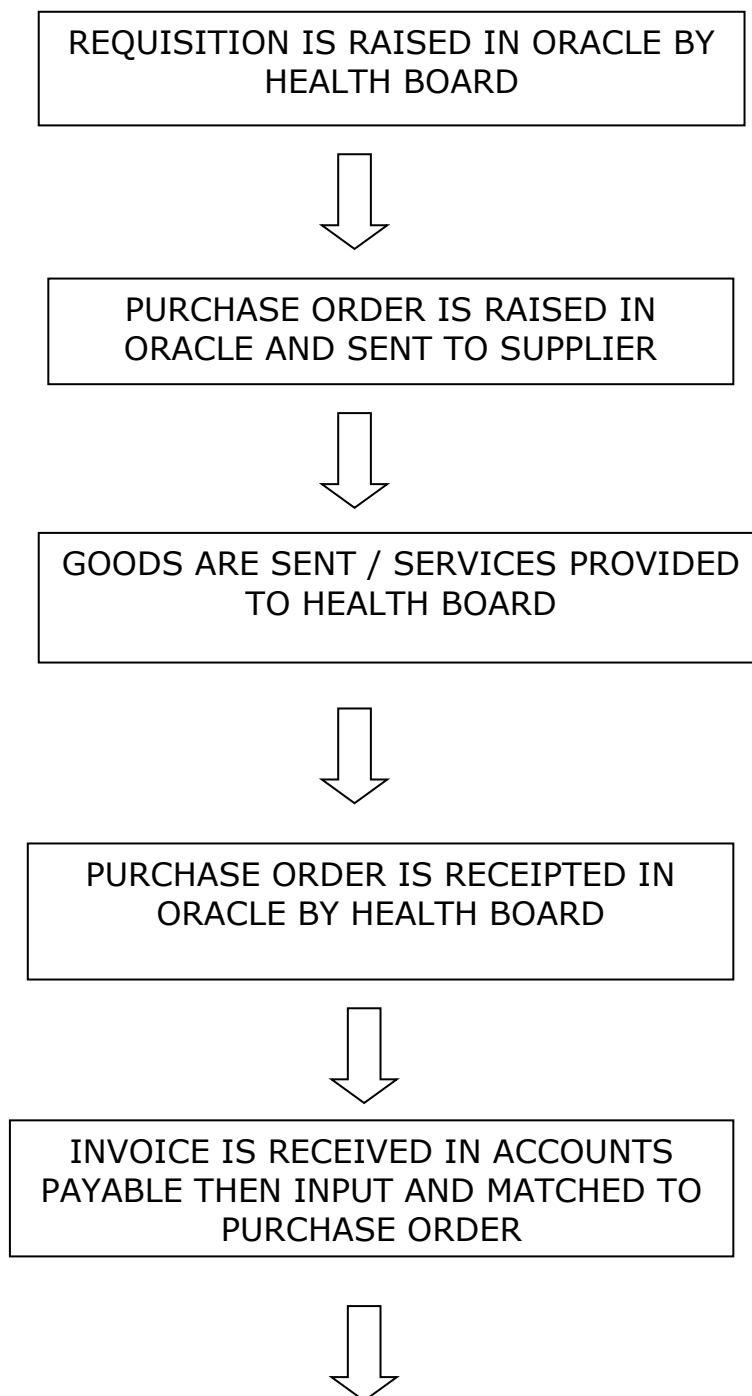
- 10.1 The Accounts Payable Manager will notify the Head of Finance and Procurement immediately of any concerns arising in relation to any breaches of, or apparent weaknesses in financial controls or governance. The Local Counter Fraud Specialist must be notified immediately of any concerns about fraud or suspected fraud.

11.0 EQUALITY IMPACT ASSESSMENT

- 11.1 Following assessment, this policy is not felt to be discriminatory or detrimental in any way with regard to the following equality strands: Gender; Race; Disability; Age; Sexual Orientation; Religion or Belief; Welsh Language or Human Rights.

APPENDIX 1

ACCOUNTS PAYABLE PROCESS



PAYMENT IS MADE TO SUPPLIER BY
ACCOUNTS PAYABLE