

**Report to the Constitution &
Members Services Scrutiny Standing
Panel**

Date of meeting: 16 December 2010

Portfolio: Finance and Economic Development

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

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Committee Secretary: I Willett (01992 564243).



Recommendations/Decisions Required:

- 1. The Panel is requested to note the following findings and to adopt the principle of the acceptance of e-invoices.**
- 2. To approve the amendment to Financial Regulations to enable the acceptance of E-Invoices.**

Report:

Introduction

Following the decision of the Constitution & Members Services Scrutiny Standing Panel on the 29th March 2010 and the Overview and Scrutiny Committee on 15th April 2010 on the subject of E-Invoicing, a pilot scheme was set in progress with a number of ICT providers. Invoices were received into a secure internal mailbox and over the course of this pilot no duplicate invoices were received and no negating issues were identified.

The process was exactly as with the receipt of paper invoices with the exception the invoices were received in PDF format and were printed out in house as opposed to the receipt of paper invoices by post, from which point all existing controls were applied.

E-invoicing is already accepted by many other local authorities within their e-procurement systems, inclusive of Essex County Council. A number of these authorities use a facility on the Marketplace system to enable suppliers to e-invoice through the Marketplace which ties to the orders. This function would be available in the future if the Council were to aim to further develop the e-invoicing avenue.

Reservations in the adoption of e-invoicing, had been raised by Members in regard to security risk and the practicality of this implementation. Audit has taken the opportunity to review this pilot scheme as part of the planned creditors audit within the 2010/11 Audit Plan, through in depth discussion with key figures in the process and evaluation of the benefits to the authority.

Benefit to Authority

E-Invoicing would streamline and improve the efficiency of the creditor process and assist in meeting key requirement of the creditor's policy to ensure invoices are paid to terms. By removing the time lost by the mail process, aside from this benefit, it will be more viable for the authority to take advantage of any discounts offered on prompt payment.

Also any costs added on to invoices by suppliers for printing and posting costs will be nullified. Currently 16,700 invoices have been processed since April 2010. One supplier has adopted a charge in the region of £1.30 per invoice. If this was adopted by all suppliers the hypothetical cost implication would be:

No. of Invoices	Sample Period	Multiplier	Indicative charge	Indicative Cost
16,700	7 months	12	£1.30	£37,217

In addition to this, with the invoices in PDF format data can be shared easily, internally for such purposes as budget management and monitoring of utilities invoices.

Benefit to Local Suppliers

With the authority keen to support its local and small businesses, by moving to e-invoicing, the Council will be eradicating some of the suppliers expenditure by removing the printing and mailing costs involved in the paper invoicing process. Also with the process more time efficient at our end, payments will be swifter, helping the cash flow of local business, especially important to the smaller companies.

Security

Security and fraud are high on the list when it comes to risk to local authorities. The move to e-invoicing, potentially viewed as more corruptible, is, in reality a much safer method of receiving invoices. In the context of paper invoicing it is very easy to intercept an invoice and alter for a fraudulent purpose. With e-invoicing the skill level required is much greater. It firstly is a complex and intricate process to intercept an email and secondly it is very difficult to alter an invoice in PDF format, with the requirement of specialist software, being obtained, to be able to do so.

Conclusion

With security fears addressed, Audit gives assurance in the move to e-invoicing, with respect to the receipt of invoices in PDF format into a secure internal mailbox. No negating issues were highlighted and only benefits to both the authority and suppliers was identified. The process will need to be phased in to ensure workload is manageable and the process is correctly adopted.

New process

The process will involve one central inbox being set up, with access restricted to two members of the creditors team, whom will clearly define their split in responsibilities. An initial mail shot will be sent to the suppliers selected for the first phase of the change and this will fully explain the requirements of the process. It will also offer guidance on the adoption of e-invoicing and offer education on the process inclusive of the free of charge acquirement and use of Adobe, the package on which PDF invoices are created. If this initial phase is successful and confidence in the process remains, a full phasing in of the change will commence.

Audit's Role

Audit will be involved and on hand for consultation throughout the move to e-invoicing and will evaluate, as required, the ongoing assurance in the new process, as well as including e-invoicing in each annual systems audit. It is planned that audit carry out regular data matching exercises to ensure that no duplicate invoices are processed.

Reason for decision:

Report on pilot study as requested by the Constitution & Members Services Scrutiny Standing Panel.

Options considered and rejected:

No other options.

Consultation undertaken:

Officers involved in the processing of invoices.

Resource implications:

Within the report