



Procure to Pay (P2P) Good Practice Guide

OEUK Supply Chain Principles

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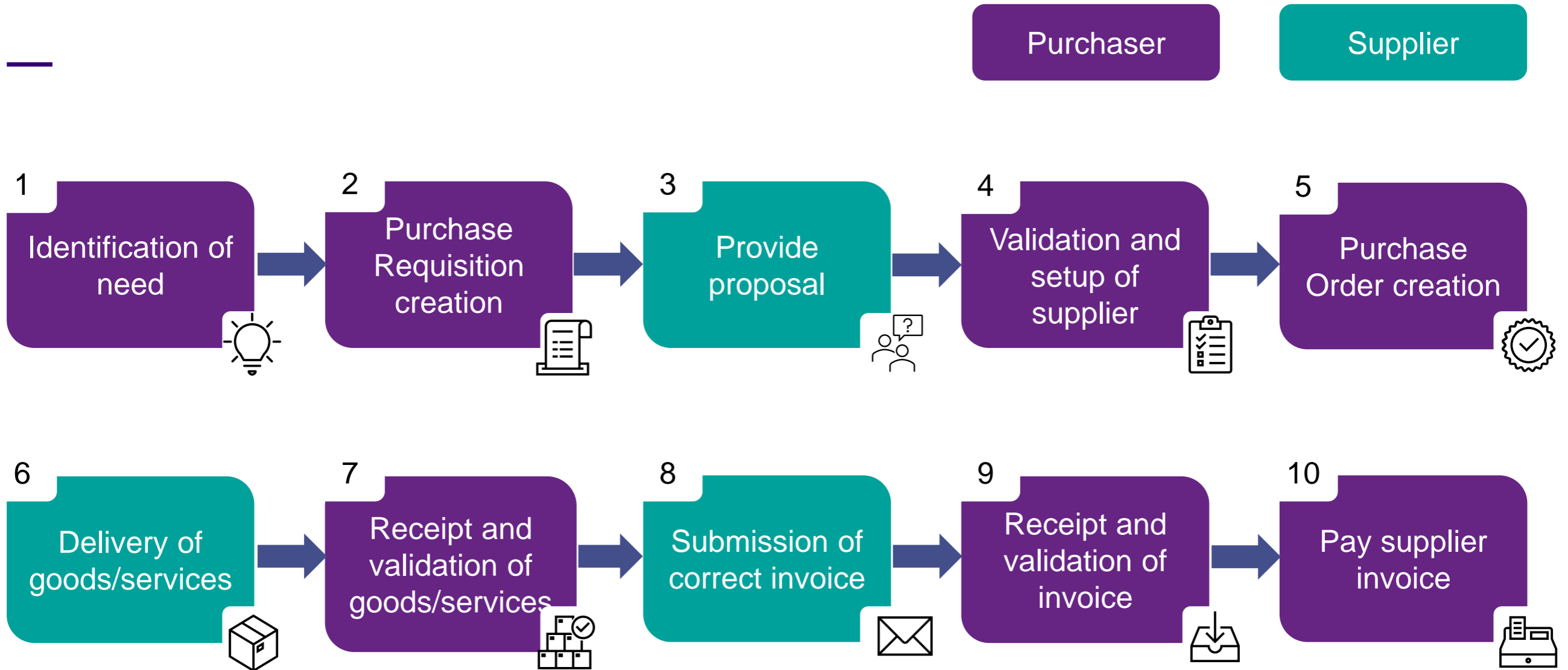
Introduction | Procure to Pay (P2P) Good Practice Guide

OEUK's [Supply Chain Principles](#) were written by industry for industry and describe what good procurement practice looks like. To encourage adherence to the principles, a working group has been established focused on improving payment performance with the aim of identifying and publishing good practice for the benefit of the energy industry.

The objective of this document is to support the effective management of procurement activity, ensuring consistency in managing the Procure to Pay (P2P) process and on-time payment to suppliers.

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Procure to Pay (P2P) Cycle



Goods Receipt (GR) is crucial to the P2P Process

Ensure your suppliers understand the GR process and why it is crucial for payment of invoices

Any goods delivered should be checked to ensure compliance with the Purchase Order.

Further inspection may be required of the supplied certification or physical check of the goods themselves.

All purchases require a three-way match. A three-way match is the process of matching the invoice, purchase order, and goods receipt to validate the details of a purchase before making a payment.

Goods receipt must be issued when materials are delivered at requested location and prior to invoice being received.

The purpose of this process is to reduce the risk of fraud and financial loss by preventing the reimbursement of unauthorised purchases.

Service Entry (SE) is crucial to the P2P Process

Ensure your suppliers understand the SE process and why it is crucial for payment of invoices

All services should be confirmed and verified as having been performed in compliance with the Purchase Order.

Rates, days, times and quality of service will be reviewed and approved before an invoice can be paid to the supplier, ensure all adequate back up to verify the service is provided.

The purpose of this process is to reduce the risk of fraud and financial loss, by preventing the reimbursement of unauthorised purchases.

Good practice considerations for purchaser

- **Engage regularly** with suppliers on payment performance.
- **Inform suppliers of the invoicing process, key contacts and escalation paths.** Provide a dedicated mailbox for invoice status queries.
- **Display the Procure to Pay (P2P) process**, including invoicing, on your webpage **and send the instructions** when onboarding the supplier potentially including payment run dates.
- **Monthly reporting** at senior management level on payment performance identifying reasons for late payment and non-compliance so that bottlenecks can be highlighted and addressed. **Identify and address** the root cause of **issues** out-with Supply Chain Management.
- Ensure the business understands the importance of the P2P process and **provide training** for all new starts and refreshers on a frequent and regular basis.
- **Ensure out of office DOA** (delegate of authority) process for approving PRs, POs, invoices and payment **is well established** across the internal business.
- **Agree on the application of VAT** on invoices with the supplier prior to P2P commencement, ensuring compliance with HMRC regulations
- **Issue PO in advance of the product or service delivery. Uplift PO for job 'over runs'** as early as possible to ensure the PO covers the full value of the invoice.
- Ensure goods or services are **checked against the order and receipted in a timely manner**
- **Aim to return incorrect invoices within 10 working days** to support prompt payment. The purchaser should identify and **explain clearly why the invoice was rejected** to the supplier.
- **Always pay** suppliers within the **agreed contract terms** upon receipt of a correct invoice.
- **Strive towards supporting the [Government Prompt Payment Code](#) and 30-day payment.**

Good practice considerations for supplier

- **Engage regularly** with purchasers on payment performance.
- **Know** who the purchaser's relevant **contact(s)** are.
- **Issue accurate, timely invoices including all necessary information.** Information includes the following, but not limited to: invoice date, invoice number, correct legal entity, PO number, bank details, address, VAT number and contact information, the date of the invoice and the date the goods/service were provided.
- Ensure purchaser is **informed of all supplier detail changes** providing sufficient notice (company address, name, bank details etc.)
- **Agree on the application of VAT** on invoices with the purchaser prior to P2P commencement, ensuring compliance with HMRC regulations
- **Only one PO covered by invoice** – do not invoice multiple POs on one invoice unless agreed with the purchaser.
- **Communicate possible job 'over runs'** as early as possible with purchaser and proactively administer the process for uplifting the PO.
- **Comply with the agreed contract terms**
- **Provide a dedicated mailbox** for Purchase Orders to be issued to.
- Provide purchaser with an **acknowledgment of a PO.**
- **Provide supporting documentation** which confirm the successful delivery of goods or services to the purchaser.

Glossary

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- 1 Purchase Requisition (PR) A formal internal request for the purchase of goods or services.
 - 2 Purchase Order (PO) A formal request for the purchase of goods or services from a supplier.
 - 3 Goods Receipt (GR) Formal acknowledgment of receipt of material items listed on a purchase order.
 - 4 Service Entry (SE) Formal acknowledgment of receipt of service items listed on a purchase order.
 - 5 Invoice A document that a supplier creates to charge a customer for goods or services that the supplier has provided.



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