

Review of Invoices Processed

SUMMARY

- 1.1 The Council procured Moore Stephens Limited to conduct a review of purchase ledger transactions and to identify process efficiency opportunities within the invoice processing team (Accounts Payable) This reports sets out the positive outcomes from that.

RECOMMENDATION

- 2.1 To note the findings from the review of the Accounts Payable transactions and payment recoveries of £72,904.21

REASONS FOR RECOMMENDATION

- 3.1 Transaction analysis allows for the proactive performance management of the accounts payable function and the review highlighted opportunities for improvement whilst confirming that the efficiency of the team is extremely good.

SUPPORTING INFORMATION

- 4.1 The recovery audit concentrated on payments made by Derby City Council (DCC) to third parties (excluding payroll and school payments) from 1st April 2010 to 30th September 2013. During this period the Accounts Payable team had processed 692,056 invoices at a value of £780 million.
- 4.2 The review involved investigating the Oracle system to extract transaction and payment details and verify potential duplications. The ledgers were investigated further to ensure no reversals, refund payments or adjustments had been subsequently posted in relation to the duplication or error. Third party suppliers were contacted when an overpayment was indicated and the monies were recovered and credited back to the Council. In cases where future payments were due to be made to a supplier, the overpayment was offset against those future payments.

- 4.3 The review concluded that the Council's Accounts Payable team make relatively few errors and most errors that do occur are recognised and corrected. Long term stable staffing and efficient management help in this regard. Of the £780m paid to suppliers the review identified £124,342.84 total duplicate payments – just 0.016%. Of this £24,336.74 had already been identified by DCC and recovered leaving £100,006.10. The review identified three types of error;
- The same invoice being entered twice against different suppliers, usually with similar names
 - The same invoice entered twice against the same supplier but against a different supplier site
 - The same invoice is paid twice as the invoice number is entered differently.
- 4.4 A total of £72,904.21 (72.9%) has been recovered with the remaining not being recovered by Moore Stephens for the following reasons:
- Suppliers who have ceased trading or gone into administration - £2,657.50
 - Original payment not being received by supplier - £817.74
 - Further investigation confirmed duplicate payment already refunded - £23,626.65
- 4.5 The recommendations to address the errors and continuously improve invoice processing to maximise income are detailed in appendix 2. These will be built into the team's 2015/16 business plan.
- 4.6 This is the second time a recovery audit has been undertaken. The first review took place in 2011 and looked at invoices processed for the period 1.4.2007 – 31.3.2010. That audit was a big success delivering the following positive actions:
- Recovery of duplicate payments totalling £133,690;
 - Proving recommendations to minimise duplicate payments going forwards;
 - Confirmation that the Council's Accounts Payable team are efficient and have a very low error rate.

As a result it was agreed that future periodic reviews should be undertaken.

OTHER OPTIONS CONSIDERED

- 5.1 The Council considered carrying out an internal review but this was not considered to be the best value for money option.
- 5.2 Not reviewing the payment transactions was also considered however as the Council had recently centralised the accounts payable function and employees the review offered an opportunity to build in performance improvements into the team's operational business processes.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Olu Idowu – Head of Legal Services Mark Nash – Group Accountant Diane Sturdy – Acting Head of Human Resources Kath Gruber – Director of Customer Management and Business Support Lynda Innocent – Head of Business Systems Richard Boneham – Head of Governance and Risk
For more information contact: Background papers: List of appendices:	John Massey 01332 643774 john.massey@derby.gcsx.gov.uk None Appendix 1 – Implications Appendix 2 – Recommendations from the review.

IMPLICATIONS

Financial and Value for Money

- 1.1 Moore Stephens received £3,645.21 net of VAT, for the review. Moore Stephens received 5% of any recoveries made and payment was only made to Moore Stephens when cleared funds were in the Council's bank account or, in the case of an offset against a future payment, that payment had been made.

Legal

- 2.1 None.

Personnel

- 3.1 Budget managers will need to be reminded of their responsibilities for ensuring control of financial matters..

IT

- 4.1 None.

Equalities Impact

- 5.1 None.

Health and Safety

- 6.1 None.

Environmental Sustainability

- 7.1 None.

Property and Asset Management

- 8.1 None.

Risk Management

- 9.1 As a result of this exercise a new process has been developed meaning that the Accounts Payable management will receive a monthly report highlighting potential duplicate payments. This extra control will further minimise any duplicate payments.

Corporate objectives and priorities for change

10.1 Good quality services that meets local needs.

Appendix 2

Recommendations from the review

The table below highlights the recommendations made by Moore Stephens to minimise duplicate payments going forwards and the actions taken by the Accounts Payable team.

Recommendation	Action Taken
We recommend that, for invoices over a certain value threshold, e.g. £1,000, additional checks are added	This is already built into current process and is being done
The person entering the invoice details should be asked to confirm that they are content that the invoice number (i.e. spacing and symbols the same), supplier and supplier address are all exactly as per the invoice.	This is already built in to current process and is being done. Further invoice automation should reduce keying in work and so further reduce this risk.
When the budget holder authorises the invoice for payment, they should be asked to check against the entry in accounts payable (either online or a print-out) to confirm that they are content with the entry and for payment to be made.	This action rests with the departments. However an email will be sent to relevant people reminding them of this requirement.

As a further control action, the systems team that support our Oracle system now run a report at the end of each accounting period highlighting potential duplicate payments. This is reviewed by Accounts Payable management and action is taken where necessary.