

# Joint Audit and Governance Committee

Report of Interim Internal Audit Manager

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To: Audit and Governance Committee

DATE: 12 July 2018

## Internal audit activity report quarter one 2018/2019

### Recommendation

That members note the content of the report

### Purpose of Report

1. The purpose of this report is to summarise the outcomes of recent internal audit activity at both councils for the committee to consider. The committee is asked to review the report and the main issues arising, and seek assurance that action will be/has been taken where necessary.
2. The contact officer for this report is Sandy Bayley, Interim Internal Audit Manager for South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC), telephone 01235 422496.

3. Delivery of an effective internal audit function will support the councils in meeting their strategic objectives.

### Background

4. Internal audit is an independent assurance function that primarily provides an objective opinion on the degree to which the internal control environment supports and promotes the achievements of the council's objectives. It assists the councils by evaluating the adequacy of governance, risk management, controls and use of resources through its planned audit work, and recommending improvements where necessary. After each audit assignment, internal audit has a duty to report to management its findings on the control environment and risk exposure, and recommend changes for improvements where applicable. Managers are responsible for considering audit reports and taking the appropriate action to address control weaknesses.

5. Assurance ratings given by internal audit indicate the following:

**Full assurance:** There is a good system of internal control designed to meet the system objectives and the controls are being consistently applied.

**Substantial assurance:** There is a sound system of internal control designed to meet the system objectives and the controls are being applied.

**Satisfactory assurance:** There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

**Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

**Nil assurance:** Control is weak leaving the system open to significant error or abuse and/or there is significant non-compliance with basic controls.

6. Each recommendation is given one of the following risk ratings:

**High Risk:** Fundamental control weakness for senior management action

**Medium Risk:** Other control weakness for local management action

**Low Risk:** Recommended best practice to improve overall control

### 2018/2019 Audit Reports

7. As at 3 July 2018, since the last audit and governance committee meeting the following audits and follow up reviews have been completed:

#### Completed Audits

Full Assurance: 1

Substantial Assurance: 3

Satisfactory Assurance: 5

Limited Assurance: 1

Nil Assurance: 0

	Assurance Rating	No. of Recs	High Risk Recs	No. Agreed	Medium Risk Recs	No. Agreed	Low Risk Recs	No. Agreed
<b>Joint</b>								
Council Tax 17/18	Substantial	2	0	0	1	1	1	1
NNDR 17/18	Satisfactory	3	0	0	2	2	1	1
1. Creditors 17/18	Limited	8	2	2	5	5	1	1
General Ledger 17/18	Satisfactory	5	0	0	2	2	3	3
Petty Cash Spot Checks 17/18	Full	1	0	0	0	0	1	1
Emergency Planning 17/18	Satisfactory	6	0	0	2	2	4	4
Tree Management & Inspections 17/18	Satisfactory	4	0	0	1	1	3	3
Pro-active anti-fraud 1718	Substantial	1	0	0	0	0	1	1
Data Protection 1718	Satisfactory	8	0	0	3	3	5	5
Internal Recharges 1718	Substantial	5	0	0	0	0	5	5
<b>SODC</b>								
None								
<b>VWHDC</b>								
None								

**Follow Up Reviews**

	Initial Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing	No longer applicable
<b>Joint</b>							
Training & Development (Second Report) 16/17	Limited	4	0	0	3	0	1
Property Management 1718	Satisfactory	5	0	0	4	0	1
<b>SODC</b>							
None							
<b>VWHDC</b>							
None							

8. **Appendix 1** of this report sets out the key points and findings relating to agreed actions from audits which have received limited or nil assurance, and satisfactory or full assurance reports which members have asked to be presented to committee
9. Members of the committee are asked to seek assurance from the internal audit reports and/or respective managers that the agreed actions have been or will be undertaken where necessary.
10. A copy of each report has been sent to the appropriate service manager, the section 151 officer and the relevant member portfolio holder. In addition, reports are now published on the councils' intranet and limited assurance reports are reviewed by the strategic management team.
11. Internal audit continues to carry out a six month follow up on all non-financial and non-key financial audits to establish the implementation status of agreed recommendations. All key financial system recommendations are followed up as part of the annual assurance cycle.

### **Overdue Recommendations**

12. Following on from the management restructure, the who's who section of the intranet is not being updated until service teams are in place. This is now expected to be completed by December 2018 and, since the recommendations database relies on the who's who contacts, the update and relaunch of the recommendations database for monitoring and reporting overdue recommendations has been delayed. A revised report will be presented to committee as soon as full functionality is resumed. Auditors continue with formal follow up work but the recommendations database will facilitate a more proactive approach.

### **Financial Implications**

13. There are no financial implications attached to this report.

### **Legal Implications**

14. None.

### **Risks**

15. Identification of risk is an integral part of all audits.

SANDY BAYLEY  
INTERIM AUDIT MANAGER

## 1. Creditors 2017/2018

### 1. INTRODUCTION

- 1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to creditor payments. The audit has been undertaken in accordance with the 2017/2018 audit plan agreed with the audit and governance committee of South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC). The audit has a priority score of 27. The audit approach is provided in the audit framework in Appendix 1.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
- appropriate policies and procedures are in place which are adhered to with roles, responsibilities and authorisers for creditors clearly documented;
  - invoices are promptly processed and supported by appropriate documentation;
  - manual, direct debit and BACS transfer payments are strictly controlled, appropriately authorised and paid correctly;
  - adequate controls are in place to prevent duplicate payments;
  - refunds are appropriately authorised and actioned;
  - VAT is being appropriately allocated for creditor payments.

### 2. BACKGROUND

- 2.1 Creditor payments or accounts payable are payments by the councils to third party suppliers for goods or services purchased. Capita exchequer services provide the system administration for creditor payments through the financial management system, Agresso, as part of the five councils' partnership (5CP).
- 2.2 SODC  
At the time of the audit review (February 2018), there were 5,211 invoices received since April 2017, which totalled £34,881,191.57. Of these, 3,091 were purchase order invoices totalling £15,294,355.69 and 2,120 were non-purchase order invoices totalling £19,586,835.88.
- 2.3 VWHDC  
At the time of the audit review (February 2018), there were 3,891 invoices received since April 2017, which totalled £24,378,179.79. Of these, 1,704 were purchase order invoices totalling £20,674,419.93 and 2,187 were non-purchase order invoices totalling £3,703,759.86.

### 3. PREVIOUS AUDIT REPORTS

- 3.1 Creditor payments was last subject to an internal audit review in March 2017 and ten recommendations were raised. All ten recommendations were agreed and a limited assurance opinion was issued.

- 3.2 Of the ten recommendations, three recommendations were implemented at the time of the 2016/2017 audit review, one recommendation has been implemented, five have not been implemented and one recommendation has been superseded. Five recommendations have been restated as part of this review (Recs 1-5).

#### 4. 2017/2018 AUDIT ASSURANCE

- 4.1 **Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.
- 4.2 Eight recommendations have been raised in this review including one relating to VWHDC only. Two are high risk, five medium risk and one low risk.

#### 5. MAIN FINDINGS

##### 5.1 Policies and procedures

5.1.1 The councils have in place financial procedure rules, which are part of the constitution, and sets out how the councils manage their finances, including creditor payments. Review confirmed that the constitution is up-to-date and was last updated in January 2018. The constitution is available to all officers via the councils' website. It is noted that the updates to the constitution were approved at both SODC and VWHDC full council meetings in December 2017.

5.1.2 Procedures are in place for creditor payments, which clearly defines the roles and responsibilities of both council officers and exchequer services (Capita) staff. The procedures are available to relevant officers via the councils' intranet. It is noted that exchequer services (Capita) also have procedures in place for the processes they undertake as part of creditor payments.

5.1.3 Area assurance: Full  
No recommendations have been made as a result of our work in this area.

##### 5.2 Invoices promptly processed

5.2.1 Capita's Darlington team receive the councils' invoices and Capita exchequer services process them for payment through the Agresso financial system. Invoices are received, scanned and checked, prior to payment being made to the supplier. A target of paying 96.44% of its supplier invoices within five working days, or agreed payment terms, following approval is in place as part of the 5CP contract and usage of purchase orders is encouraged to speed up the payment process. A sample of 50 (25 SODC & 25 VWHDC) invoices were selected and review found that:

- ten (five SODC and five VWHDC) were non-purchase order invoices, of which one was not on the agreed exemption list.
- ten (four SODC and six VWHDC) were paid after 30 days from invoice date, of which:
  - two SODC invoices were not addressed correctly to the Darlington office but were sent to Capita at Shepton Mallet and Cornerstone;
  - five (one SODC & four VWHDC) invoices had a delay with the service areas recording goods received against the purchase order;
  - one VWHDC invoice had a delay in being approved by the service area; and

- two (one SODC & one VWHDC) invoices were delayed in being registered onto the Agresso system, but were paid promptly once registered.
- all invoices were linked to the suppliers' account and transaction, and an audit trail was available in a form of a flowchart and logbook.
- all invoices were approved appropriately and in line with the approved data grid which sets out authorisation levels.

5.2.2 Daily checks are undertaken by Capita of any outstanding invoices and weekly reports are sent to the councils via the 5CP client team on invoices that still require coding and/or approval. Invoices parked are also sent on to the councils on a weekly basis to establish if the invoices can be paid. Review of the latest (8 March 2018) outstanding invoices' reports confirmed that they are reviewed and managed appropriately. It is noted that of 295 invoices outstanding over 30 days, 270 (59 SODC & 214 VWHDC) relating to property services (Arcadis), were not being coded as Arcadis officers did not have access to the Agresso system. However, Arcadis have been given the access and are coding all outstanding invoices on the Agresso system.

5.2.3 Capita's performance against targets is monitored on a monthly basis as part of the 5CP monthly review meetings held by the finance and procurement client team and Capita's accountancy and finance team. Review of the latest (January 2018) performance stats confirmed that exchequer services performance is meeting targets as far as registering invoices and paying within five days of approval.

5.2.4 Area assurance: Satisfactory

One recommendation has been made and one has been restated and updated as a result of our work in this area (Rec 1 and 6).

### 5.3 **Payments**

5.3.1 Manual payments are made for urgent payments, which is separate from the weekly payment runs. These are requested through an urgent payment voucher and dealt with the same way as the normal payment requests within the Agresso system. In 2017/2018 to date (February 2018), nine (six SODC and three VWHDC) manual payments had been made and review confirmed that the payments were correctly approved.

5.3.2 BACS is the default payment with cheque payments used as an exception, and no suppliers are set up for payment by direct debit. It is noted that the procedure notes, accounts payable (non-PO), state that exchequer services (Capita) will only accept changes to supplier details, including bank, if a supplier form is completed and submitted by council officers, which is available on the councils' intranet. Weekly payment runs for both BACS and cheque payments are sent to the councils for authorisation, and review confirmed there is appropriate email authorisation prior to payments being processed. Review of BACS payment rejections established that SODC rejections are not managed appropriately, as the supplier master file is not updated if a rejection is due to the bank account being closed or details being invalid. It is noted that there is a lack of control for VWHDC BACS rejections as the BACS reports are downloaded but not sent to exchequer services (Capita), hence supplier bank details are not updated on the Agresso system.

5.3.3 Area assurance: Substantial

One recommendation has been made and one has been restated as a result of our work in this area (Recs 2 and 7).

## 5.4 Duplicate payments

5.4.1 Within the Agresso system is a built-in control preventing invoices from being registered if any invoices that are scanned have the same supplier name and invoice number as an existing invoice. If duplicates are encountered the invoice is sent to exchequer service (Capita) workflow to review and manage accordingly, such as allocating to the correct supplier manually. An Agresso report of invoices paid since 1 April 2017 to date (February 2018) was received and review established that there were 24 (15 SODC & nine VWHDC) duplicate invoices. Review of the 24 duplicate invoices found that:

- One SODC invoice was processed to both the correct supplier and another supplier. However, the initial requisition was raised incorrectly then another requisition was raised for the correct supplier. Payment was made to both suppliers and a refund was received from the incorrect supplier;
- Ten (six SODC & four VWHDC) invoices were registered and paid;
- Five SODC invoices were registered, but were identified as duplicate before payment was made and journals were done to reverse the transaction;
- Seven (three SODC & four VWHDC) invoices were raised but not paid, however they require reversing;
- One VWHDC invoice was paid to the wrong supplier and a credit note was received from the correct supplier. Although not duplicated, an incorrect payment has been made.

5.4.2 The Agresso system also has a built-in control in place to mitigate the risk of duplicate payment being made, as it will only allow payment to be made against an invoice once. It is noted that there still is potential for duplicate payments if:

- duplicate suppliers are created;
- the sundry supplier account is used when the supplier already has an existing account.

Council officers are expected to check existing suppliers prior to requesting a new addition and Capita exchequer services are expected to review the request before creating the new supplier. An Agresso listing of all open & closed supplier accounts was obtained and review established that there are 3,927 (2,318 SODC and 1,609 VWHDC) open supplier accounts, of which 75 were possible duplicate accounts, with more than two accounts noted for some suppliers. These comprise of 34 SODC accounts for 15 suppliers and 41 VWHDC accounts for 19 suppliers. Review of the 34 (100%) suppliers (15 SODC & 19 VWHDC) found 17 (ten SODC & seven VWHDC) suppliers have duplicate accounts set up on the Agresso system, all of which are active.

5.4.3 Sundry supplier accounts are used as one-off payments to suppliers that have not been set up onto the Agresso system, for example refunds to debtors who have overpaid or where there has been a cancellation of service. Review of the sundry supplier account report for 2017/2018 to February 2018 established that 482 (265 SODC and 217 VWHDC) transactions totalling £172,767.13 (£67,150.42 SODC and £105,616.71 VWHDC) were paid through the account. Review of 50 (25 SODC and 25 VWHDC) sundry account transactions found that:

- for eight (four SODC & four VWHDC) transactions, the suppliers had multiple payments made through the sundry account, hence should have their own individual account;
- for eight (five SODC & three VWHDC) transactions, the suppliers already had an existing supplier account set up on the Agresso system which should have been used;

- for two SODC transactions, an existing supplier account is set up, but with differing bank account details, therefore a new supplier account should be created as there have been multiple payments;
- for one SODC transaction, an existing supplier is account in place, but with a different bank account; however, as this was a one-off payment, using the sundry supplier was correct.

It is noted that the review of the usage of sundry supplier accounts has stopped since the 5CP contract started on 1 August 2016.

**5.4.4 Area assurance: Limited**

One recommendation has been made and five restated as a result of our work in this area (Recs 3-6 and 8).

**5.5 Refunds**

5.5.1 Procedures are in place to cover the management of refunds in the form of credit notes received being offset against invoices. Credits since 1 April 2017 to date (February 2018) were obtained and review of 50 (25 SODC & 25 VWHDC) credit notes confirmed that:

- credit notes are offset against the invoice;
- segregation of duties exists between the officer raising and approving the credit note;
- credit notes were managed and approved appropriately;
- credit notes were linked to the suppliers' account and transaction, and an audit trail was available in a form of a flowchart and logbook.

5.5.2 For suppliers with a debit balance, i.e. the council is owed money, an invoice is not issued to recoup the balance, but the credit is offset against future payments that become due or credit notes received. From review of suppliers with a debit balance as at March 2018, there are 70 (39 SODC & 31 VWHDC) suppliers with a total of £128,824.42 (£77,296.07 SODC & £51,528.35 VWHDC) owed to the council.

5.5.3 Area assurance: Full

No recommendations have been made as a result of our work in this area.

**5.6 VAT**

5.6.1 The VAT part of invoices, which are received from suppliers, are coded to B0901 X002 on the Agresso system. The accountancy team (Capita) has nominated officers in place and both the intranet and the accounts payable procedures advise council officers who to contact if they have any queries regarding VAT. Review of 50 (25 SODC & 25 VWHDC) invoices found that whilst three requisitions raised included VAT, the invoices, which did not contain a VAT registration number or a VAT element, were correctly coded with no VAT.

5.6.2 Area assurance: Full

No recommendations have been made as a result of our work in this area.

**6. ACKNOWLEDGEMENTS**

6.1 Internal audit would like to take this opportunity to thank all staff involved for their assistance with the audit.

## 7. CATEGORISATION OF RECOMMENDATIONS

7.1 To assist management in using our reports, we have categorised our recommendations according to their level of priority as follows:

<b>High risk</b>	Fundamental control weakness for senior management action	<b>Recs 3 and 4</b>
<b>Medium risk</b>	Other control weakness for local management action	<b>Recs 2, 5, 6, 7 and 8</b>
<b>Low risk</b>	Recommended best practice to improve overall control	<b>Rec 1</b>

## OBSERVATIONS AND RECOMMENDATIONS

### PREVIOUS RECOMMENDATIONS RESTATED

#### 1. Invoice payments

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Supplier invoices are processed and paid in a timely manner.</p> <p><u>Findings</u> A sample of 50 (25 SODC &amp; 25 VWHDC) invoices were selected and review found that ten (four SODC &amp; six VWHDC) were paid after 30 days from invoice date, of which:</p> <ul style="list-style-type: none"> <li>two SODC invoices were not addressed correctly to Darlington and were addressed to Shepton Mallet and Cornerstone;</li> <li>five (one SODC &amp; four VWHDC) invoices had a delay with the service areas recording goods received against the purchase order;</li> <li>one VWHDC invoice had a delay in being approved by the service area; and</li> <li>two (one SODC &amp; one VWHDC) invoices were delayed in being registered onto the Agresso system, but were paid promptly once registered.</li> </ul> <p><u>Risk</u> If suppliers are not paid in a timely manner, there is a risk of late payment charges or reputational damage.</p>	<p>A notification should be sent to service areas to ensure that invoices are paid promptly, which states that they:</p> <ul style="list-style-type: none"> <li>remind their suppliers to send all invoices to Darlington;</li> <li>record goods received against the purchase order promptly; and</li> <li>review and approve all invoices efficiently.</li> </ul>	Accounts Payable Manager (Capita)
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b> When Capita receive invoices with the wrong address, it refers the incorrectly addressed invoices back to the supplier for correction and resubmission.</p>		31 May 2018

<p>Capita will draft a notification for dissemination to all service areas to reiterate the correct procedure for timely payment of creditor invoices. This will include a request for service teams to disseminate the correct “Department Codes” to exempted non-PO suppliers.</p> <p>Management response: Accounts Payable Manager (Capita)</p>	
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**2. BACS rejects**

**(Medium Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Amendments are made to the supplier bank details after BACS payments are rejected.</p> <p><u>Findings</u>  SODC Review of BACS payment rejections established that rejections are not managed appropriately, as the supplier master file is not updated if a rejection is due to the bank account being closed or details being invalid. In 2017/2018 to date (March 2018), there were 44 BACS rejects, of which 14 were for suppliers whose BACS was rejected more than once for the same reason.</p> <p>VWHDC BACS reject notifications are downloaded for council tax purposes but the element relating to creditor payments is not circulated. See related recommendation 7.</p> <p><u>Risk</u> If supplier bank details are not updated or deleted after BACS payments are rejected, there is a risk of more payment rejection in the future resulting in late payment charges or reputational damage. Also, BACS can stop the councils from using the system to make payments to suppliers.</p>	<p>After Capita exchequer services obtains notification of BACS payment rejections, checks should be undertaken on the supplier master files and, if bank details are not already updated, they should notify the service area, to obtain the correct bank details from the supplier.</p>	<p>Accounts Payable Manager (Capita)</p>
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b> Once BACS rejection has been confirmed, Capita contacts the council with the supplier details requesting a supplier update to be completed before the next payment run. If not received in time, the default payment method is changed to cheque and the BACS payment is reissued.</p> <p>Management response: Accounts Payable Manager (Capita)</p>		<p>Implemented</p>

**3. Duplicate invoices - received twice**

**(High Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Duplicate invoices are not registered onto the Agresso system and there is a process in place to identify any that are registered prior to payments being made.</p> <p><u>Findings</u></p>	<p>a) A review should be undertaken of duplicate invoices and for any duplicate payments made, in addition to those identified, a refund should be requested to recoup the payment as soon as possible.</p>	<p>Accounts Payable Manager (Capita)/ Finance Officer (5CP Client)</p>

<p>Review of the 24 duplicate invoices found that:</p> <ul style="list-style-type: none"> <li>• One SODC invoice was processed to both the correct supplier and another supplier. However, the initial requisition was raised incorrectly and another requisition was raised for the correct supplier. Payment was made to both suppliers and a refund was received from the wrong supplier.</li> <li>• Ten (six SODC &amp; four VWHDC) invoices were registered and duplicate payments were made;</li> <li>• Seven (three SODC &amp; four VWHDC) invoices were registered but not paid, however they require reversing.</li> <li>• One VWHDC invoice was paid incorrectly to the wrong supplier and a credit note was received to rectify this.</li> </ul> <p><b>Risk</b> If duplicate invoices are not identified prior to registration, there is a risk of duplicate payments being made.</p>	<p>b) Duplicate invoices identified after being registered, prior to payment, should be reversed.</p> <p>c) Regular reviews of duplicate invoices should be undertaken to prevent duplicate payments from occurring.</p>	
<p><b>Management Response</b></p>	<p><b>Implementation Due Date</b></p>	
<p>Recommendation is <b>Agreed</b></p> <p>A review of the creditors ledger has been undertaken, which has looked at all invoices. The councils will look at their service area to mitigate errors in pre-approved transactions and incorrectly set up purchase orders. Capita will review and enhance existing processes, by additional checks on new supplier requests to minimise multiple accounts for the same supplier, the existing invoice duplication check, will be more effective to further minimise the risk of duplicate payments, either through Darlington or Shepton Mallet.</p> <p>If the supplier master file can be streamlined, this could significantly reduce duplicate invoices.</p> <p>Budget holders will be reminded of the importance of ensuring the correct supplier is used when setting up requisitions and coding and approving invoices.</p> <p>Management response: Accounts Payable Manager (Capita)/Finance Officer (5CP Client)</p>	<p>31 May 2018</p>	

**4. Duplicate suppliers**

**(High Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Suppliers only have one open account on the Agresso system, if they have the same address and banking details.</p> <p><u>Findings</u> Review of 34 (100%) (15 SODC &amp; 19 VWHDC) possible duplicate suppliers found that 17 (ten SODC &amp; seven VWHDC) suppliers have a duplicate account set up on the Agresso system, all of which are active. However, for five of the 17 (three SODC &amp; two VWHDC), internal audit could not confirm if the bank account details were the same as one of the supplier's account is</p>	<p>Regular reviews should be undertaken on the supplier master file to ensure that possible duplicate suppliers are reviewed and if necessary, closed on the Agresso system.</p>	<p>Accounts Payable Manager (Capita)</p>

<p>paid via cheque, therefore bank account details were not provided.</p> <p><u>Risk</u> If suppliers have more than one account on the Agresso system, there is a risk of invoices being registered more than once and payments being against the wrong account.</p>		
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b> After an initial review and cleansing of the supplier master file, Capita will enhance their supplier checks by interrogating a greater number of data fields to pick up potential duplicates.</p> <p>Management response: Accounts Payable Manager (Capita)</p>		15 May 2018

### 5. Sundry supplier account usage

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Service areas undertake relevant checks, i.e. establish if an account exists on the Agresso system, prior to using the sundry supplier account to pay a supplier.</p> <p><u>Findings</u> Review of 50 (25 SODC &amp; 25 VWHDC) sundry account transactions found that eight already had an existing supplier account which suggests appropriate checks are not made prior to using the sundry supplier account. A further eight were repeat payments that need their own supplier account.</p> <p><u>Risk</u> If checks are not undertaken prior to the sundry supplier account being used, there is risk of transactions being processed through different accounts resulting to duplicate payments.</p>	<p>Service areas should be reminded to:</p> <ul style="list-style-type: none"> <li>check to confirm if the supplier already exists on the Agresso system, and</li> <li>determine if the supplier will be used again, if so, to complete the new supplier form so they can be set up onto the Agresso system, prior to raising a payment voucher on the sundry suppliers account.</li> </ul>	Accounts Payable Manager (Capita)
<b>Management Response</b>		<b>Implementation Due Date</b>
<p>Recommendation is <b>Agreed</b> Capita will generate a report to highlight misuse of the sundry supplier account for the councils.</p> <p>Management response: Accounts Payable Manager (Capita)</p>		15 June 2018

## INVOICES PROMPTLY PROCESSED

### 6. Property invoice delays

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Supplier invoices are processed and paid in a timely manner.</p>	<p>The property services team should:</p> <ul style="list-style-type: none"> <li>continue to register the backlog of outstanding non-purchase order invoices, so that the</li> </ul>	Head of Development and Regeneration

<p><u>Findings</u> The latest (8 March 2018) outstanding invoices report was obtained for review, which found that there were 295 (81 SODC &amp; 214 VWHDC) non-PO invoices over 30 days. Of the 295 invoices, 270 (59 SODC and 214 VWHDC) invoices related to property services, which is contracted out to Arcadis. Since September 2017, due to Arcadis not having access to the Agresso system, invoices were not registered onto the system for approval and payment. Arcadis obtained access to the Agresso system and are currently registering all outstanding invoices for payment.</p> <p>It is noted that on the 1 April 2018, property services team is coming back in-house to the councils.</p> <p><u>Risk</u> If suppliers are not paid in a timely manner, there is a risk of late payment charges or reputational damage.</p>	<p>invoices can be approved and paid as soon as possible.</p> <ul style="list-style-type: none"> <li>• going forward, have a process in place to ensure that the invoices received are registered as soon as possible, so another backlog of invoices doesn't form and that the invoices are approved and payment can be made efficiently.</li> </ul>	
<p><b>Management Response</b></p>	<p><b>Implementation Due Date</b></p>	
<p>Recommendation is <b>Agreed</b> The property team is now in-house. A process is in place to ensure invoices are processed as soon as received so that they can be approved and paid efficiently.</p> <p>Management response: Head of Development and Regeneration</p>	<p>30 September 2018</p>	

**PAYMENTS**

**7. BACS reject notifications (VWHDC only)**

**(Medium Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> BACS reject reports are downloaded on a weekly basis and sent to the exchequer services (Capita) to deal with.</p> <p><u>Findings</u> On a weekly basis, the council tax manager (Capita) downloads the BACS reports from the online BACS system and saves them onto the council tax electronic directory. The council tax manager does not send the creditors element of the BACS reports to exchequer services (Capita), hence correction of supplier bank details is not being made.</p> <p>It is noted that the process for SODC BACS rejections differs as the accountant (Capita) downloads and sends SODC's BACS reports to exchequer services (Capita) as she has access to SODC's online BACS system. The accountant (Capita) does not have access to VWHDC's online BACS system.</p>	<p>The accountancy team (Capita) should be provided with access to VWHDC's BACS system, so that BACS reject can be dealt with and sent to the relevant Capita teams appropriately and efficiently.</p>	<p>Accounts Payable Manager (Capita)</p>

<p><u>Risk</u> If BACS rejects are not sent to exchequer services (Capita), there is a risk of bank details not being corrected on the system resulting in further payment rejections and possible late payment charges and reputational damage. Also, BACS can stop the councils from using the system to make payments to suppliers.</p>		
<p><b>Management Response</b></p>		<p><b>Implementation Due Date</b></p>
<p>Recommendation is <b>Agreed</b> Capita will investigate the opportunity to replicate the current SODC BACS report for VWHDC and for the accountant (Capita) to access the BACS system, to allow timely dissemination of BACS reports to exchequer services (Capita), as currently provided for SODC.  Management response: Accounts Payable Manager (Capita)</p>		<p>15 June 2018</p>

**DUPLICATE PAYMENTS**

**8. Sundry supplier account review**

**(Medium Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> A mechanism is in place to regularly review the usage of the sundry supplier account.</p> <p><u>Findings</u> Neither SODC or VWHDC review the usage of the sundry supplier accounts. It is noted that prior to the start of the 5CP in August 2016, the council had a resource to review the sundry supplier accounts. This is not a function for the 5CP client team and the council has not retained a resource for this review to continue.</p> <p>Review of 50 (25 SODC &amp; 25 VWHDC) sundry account transactions found that:</p> <ul style="list-style-type: none"> <li>• for eight (four SODC &amp; four VWHDC) transactions, the suppliers had multiple payments made through the sundry account hence should have their own individual supplier account;</li> <li>• for eight (five SODC &amp; three VWHDC) transactions, the suppliers already had an existing supplier account set up on the Agresso system;</li> <li>• two transactions for one SODC supplier had an existing supplier account set up, but with differing bank details. Therefore, requires a new supplier to be set up due to multiple payments.</li> </ul> <p><u>Risk</u> If the sundry supplier account is not being reviewed on a regular basis, there is risk of persistent usage and transactions being processed through different accounts, which could result in duplicate payments.</p>	<p>A mechanism should be agreed for provision of, and regular review of, reports on usage of the sundry supplier account. Reminders should be issued to service teams when the sundry supplier account is used inappropriately.</p>	<p>Accounts Payable Manager (Capita)</p>

<b>Management Response</b>	<b>Implementation Due Date</b>
Recommendation is <b>Agreed</b> Please refer to recommendation five. Capita will generate a report to allow the councils to review usage of the sundry supplier account.  Management response: Accounts Payable Manager (Capita)	15 June 2018