

Accounts Payable Audit
Vale of White Horse and South Oxfordshire
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1 Document Objective

The main objective of this document is to provide the findings from the review of the current procedures, controls and processes in place within the Shepton Mallet Shared Service Centre Accounts Payable function including the external scanning completed by the Darlington Team. This review has focussed in full on the Vale of the White Horse and South Oxfordshire Councils.

The review will cover:

- Scanning Process by the Digital Mailroom at Darlington
- Registration Process
- Controls
- Reporting

2 Introduction

Introduction

An internal review of the current process, procedures and controls was initiated to identify any areas where improvements could be made or additional controls could be implemented to reduce the risk of potential errors in Accounts Payable.

It has been identified previously that errors in the process could arise because:

- Invoices are received multiple times by the remote scanning service as they either e-mail and post their invoices directly to the service or a copy of their invoice is sent to the Council who subsequently post this to the scanning service.
- Purchase orders are raised to the incorrect supplier, meaning an incorrect supplier payment may be issued if not identified during the payment process.
- Manual vouchers for non invoice payments are duplicated and the invoice detail is not reflected as a duplicate and then the approver doesn't pick up on the duplicate.

Objective

By the end of this review we will have:

- Completed a review of processes
- Taken a sample of all transactions and checked for scanning accuracy by the remote scanning mailroom service
- Taken a sample of potential duplicate transactions and checked and reviewed a percentage of these
- Reported our finding
- Produced a list of recommendations

2.1 Background

The accounts payable process 15,335 of invoices per year (7,185 for Vale of White Horse and 8,150 for South Oxfordshire).

There is currently a perception that the quality of the service being delivered by the Accounts Payable team in Shepton Mallet deteriorated twelve months ago following an abnormal increase in staff turnover. There has been improvement and the service has stabilised over the course of the year however it is felt that the error rate is still too high.

A number of examples had been provided by the council where they felt there were weaknesses in the processes and this was causing additional work for all parties involved..

3 Main Findings

3.1 Processes

3.1.1 Scanning

To identify the accuracy of the information being captured by the Darlington scanning team, a full extract of the last years worth of invoices processed by the Accounts Payable service was taken and a sample of twelve invoices per authority were reviewed.

Of the 15,335 invoices processed, a sample of 24 invoices was chosen to ensure their accuracy at the point of data capture by the scanning solution or when manually input by the accounts payable team. Of the sample chosen, this indicates an average accuracy rate of 83.3%.

Of the 16.7% of invoices where the data was captured incorrectly, this is predominantly where the invoice number had been inaccurately captured, for example mistaking an 'l' as a '1', or 'S' as a '5'. As these invoices were not duplicate invoice numbers against the supplier account these will have been processed automatically by the Accounts Payable system.

None of the invoices were rejected by the coder or authoriser within the council stating the information had been captured and entered incorrectly. As part of the authorisers role they are responsible for checking the accuracy of the data captured and this has been reiterated through recent refresh training provided by the Council. The invoices have been paid to the supplier quoting the incorrect reference. In the examples chosen, none of the invoices were subsequently paid under the correct invoice reference and therefore no duplicate payment has been made.

The below table shows the number a summary of the findings

Summary	Number of Transactions	Sample Size	Value correct	% Accuracy
Vale of White Horse	7,185	12	9	75%
South Oxfordshire	8,150	12	11	92%

3.2 Duplicates

A full extract of the last years worth of accounts payable invoices (15,335) was taken and analysis undertaken to capture those invoices where they had the same amount and invoice date but a different invoice number or supplier name. This subset identified where the likelihood of a duplicate payment being made was significantly high. Of the 15,335 invoices processed 583 (3.8%) fell into this classification.

A number of the entries identified within the subset could automatically be discounted as the invoices in question were paid to different suppliers. For example an invoice was received with the same invoice value and invoice date however both the invoice number and supplier were different. To ensure the accuracy of this test supporting documentation of a number of records was also checked.

From the already reduced data set a sample of 40 invoices were selected where the invoice date and invoice value were the same but the supplier name was the same. Of this smaller dataset 16 invoices were identified as non duplicates and therefore 60% were identified as duplicates.

In the majority of cases payment was not actually issued to the supplier as the duplicate was identified before the payment run by either Accounts Payable staff or the Council. In a number of cases the financial controls within the system identified to staff the potential risk of a duplicate payment and therefore in line with the control the invoice was blocked for payment within the system. This is a legitimate control with the system. Of the duplicates that have been paid refunds or credits have been sought or received in line with agreed processes in place by the Accounts Payable team.

The main reasons for these duplicates are listed below:

- Incorrect capture of invoice number and the invoice had been submitted multiple times to the scanning service, either once from the service and one from the supplier, or the supplier both e-mailing and posting their invoice.
- PO raised incorrectly by the business, quoting the incorrect supplier/payee or there being multiple supplier records.
- Authorisers not reviewing the document they are approving and identifying the invoice has already been processed.

Assuming an extrapolation of the error rate identified the number of duplicate invoices potentially at risk of duplicate payment within the 15,335 is likely to be in the region of 1.52% which is a worst case position. This would equate to 233 invoices across the two Councils.

Summary	Number of Transactions	Forecast Transactions at Risk of a Duplicate Payment
Vale of White Horse	7,185	109
South Oxfordshire	8,150	124

4 Observations and Recommendations

	Concern	Recommendation	Responsibility
1	Accuracy Rate by Scanning Software	Additional quality checks need to be implemented by the team in Darlington to ensure the information being captured by the scanning software is accurate, in particular the invoice number and supplier as this will aid in reducing the duplicates	Capita
2	Checking process for coders and approvers	All coders and approvers need to be reminded that when coding and approving it is vital that they check all the information that has been captured to ensure this matches the invoice image. It is vital that they are checking this to ensure payments are being made correctly	Council
3	Order accuracy	When purchase orders are being raised and approved it should be ensured that the correct supplier is being used and suppliers are being told to submit their invoice directly to Darlington, inline with the purchase order requirement, so duplicate invoices are not received	Council
4	Supplier Cleanse	There are a number of duplicate suppliers that have been created; a complete review of the supplier master file should be carried out. Initially any supplier that has not been used within the last 18 months should be closed with agreement, once this exercise is complete, the remaining suppliers should be reviewed to identify any	Capita

		duplicate suppliers.	
5	Ongoing Review	The review undertaken by the service should be an ongoing exercise or a duplicate software package purchased	Capita