

Internal Audit Report

Accounts Payable 2023/24

Draft report: 21 March 2024

Final report: 26 March 2024

Last audited: May 2023 (Satisfactory assurance opinion)

Audit Objective

To ensure that the accounts payable process is in line with councils' policy and procedures, and robust controls are in place for prompt payments of invoices and prevention of duplicate payments.

Assurance Opinion

Assurance Opinion	Description	Number of Actions				Reference
		Priority	Joint	South	Vale	
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Priority 1	-	-	-	-
		Priority 2	1	-	-	1
		Priority 3	-	-	-	-
		Total	1	-	-	Appendix 1

Key Risks Reviewed

- Lack of formal guidance for officers, resulting in inconsistencies, errors, and lack of accountability.
- Lack of controls resulting in duplicate or irregular payments to suppliers with potential financial loss.
- Invoices and payment vouchers are not paid and processed promptly, resulting in impaired relationships with suppliers.
- Lack of adequate segregation of duties resulting in the potential for fraudulent activity.

Open actions (from previous audits)

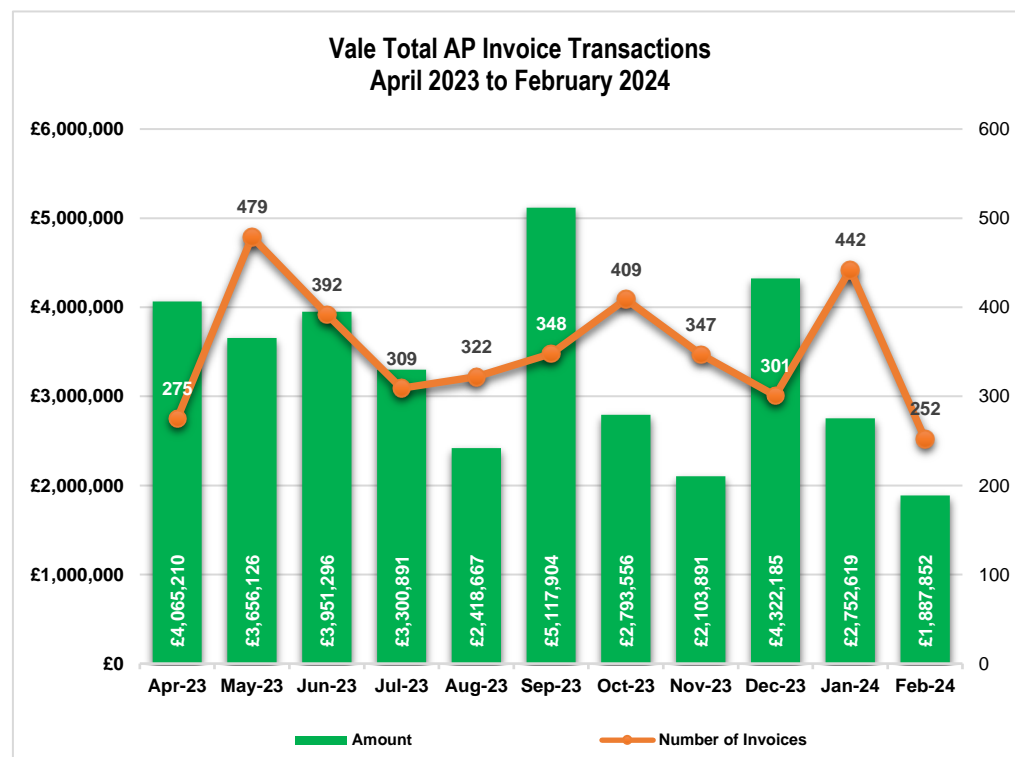
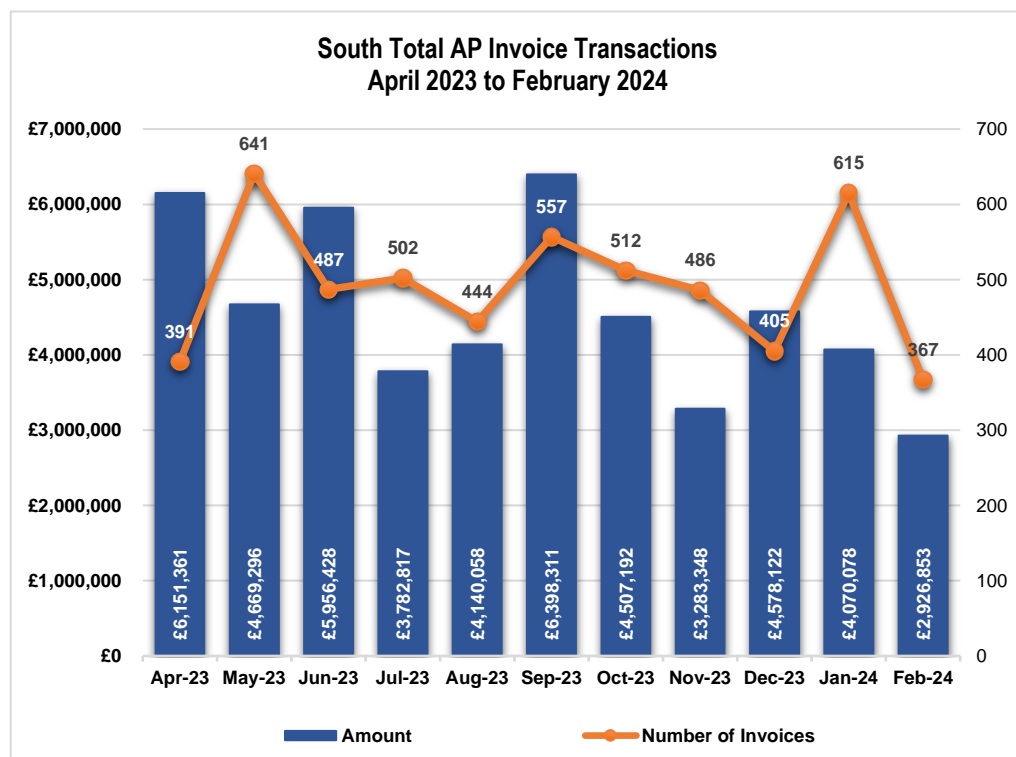
The accounts payable 2022/23 audit recommended eight management actions. Since the audit, seven actions have been implemented and one action in relation to Unit4 cost centres has not been implemented and remains open. Open actions are monitored and reported to the Joint Audit and Governance Committee (JAGC) quarterly.

The audit scope included:

Objective	Audit Scope	
1 Policies and procedures	<ul style="list-style-type: none"> • Policies and procedures are in place which are adhered to with roles, responsibilities, and authorisers for accounts payable clearly documented. 	
2 Invoice processing	<ul style="list-style-type: none"> • Invoices are promptly processed and supported by appropriate documentation. • Invoices put on hold are promptly reviewed and paid. 	
3 Payments	<ul style="list-style-type: none"> • Manual, direct debit and BACS transfer payments are strictly controlled, appropriately authorised, and correctly paid. 	
4 Duplicate payments	<ul style="list-style-type: none"> • Appropriate controls are in place preventing duplicate invoices. • Adequate controls are in place to prevent duplicate payments. • Usage of the sundry supplier account is limited. 	
Page 54	Credit notes	<ul style="list-style-type: none"> • Credit notes are appropriately authorised and actioned.
	VAT	<ul style="list-style-type: none"> • VAT is appropriately allocated for invoice payments.

Executive Summary

The exchequer services team process and maintain the accounts payable (AP) function via the financial management system (Unit4). In 2023/24 to February 2024, analysis of AP invoice transactions identified a total of 9,283 (5,407 South and 3,876 Vale) invoices totalling £86,834,063 (£50,463,865 South and £36,370,198 Vale) have been paid to supplier. Below is a breakdown of AP invoice transactions in periods (see charts) and purchase order (PO), non-PO and sundry invoices (see table).



April 2023 to February 2024	PO Invoices		Non-PO Invoices		Sundry Invoices	
	Total Number	Total Amount	Total Number	Total Amount	Total Number	Total Amount
South	2,821	£18,882,429	2,396	£31,410,620	190	£170,816
Vale	2,153	£22,071,055	1,612	£14,143,683	111	£155,460
Total	4,974	£40,953,484	4,008	£45,554,303	301	£326,276

Key Findings		
Objective	Audit Scope	
1	Policies and procedures	<ul style="list-style-type: none"> The financial procedures rules are part of the councils' Constitution (last updated Feb 2024) and includes officers who are approved to authorise financial documents within the accounts payable process. Officer guidance, procedures, and templates are available on Jarvis, which include officer roles and responsibilities in the accounts payable process. The exchequer team have their own set of working procedures which are up-to-date and regularly reviewed. In July 2023, the payment voucher process was amended to ensure that bank details are obtained and recorded on an official document. We confirmed that the updated payment voucher template is now fully operational.
2	Invoice processing	<ul style="list-style-type: none"> We undertook data analysis to confirm that AP invoices are paid within the agreed 30 days (98% for South and 95% for Vale). Our sample testing validated that requisitions and invoices are appropriately approved, and goods received in Unit4. We reviewed non-PO invoices and verified that only suppliers on the non-PO exception list are approved and paid. Controls and mechanisms are in place to ensure that invoices are parked or put on hold by service areas for a limited and reasonable period.
3	Payments	<ul style="list-style-type: none"> Within the payment run process, pre-payment checks and payment approvals are undertaken appropriately. The payment run report reconciled to the PTX BACs submission.
4	Duplicate payments	<ul style="list-style-type: none"> We undertook a data analysis of the supplier details report and from the analysis we found ten (four South and six Vale) possible duplicate suppliers were set up. From review of the ten possible duplicate suppliers, we established that six (one South and five Vale) suppliers had duplicate accounts set up on the Unit4 system. We analysed payments made in 2023/24 to February 2024 and identified 182 (104 South and 78 Vale) possible duplicate payments. However, we are satisfied that these payments were not made and instead actions were taken to cancel or reverse the transactions. We reviewed ten (five South and five Vale) sundry invoices and confirmed that the 99999 account code was only used for one-off payments to the suppliers and the suppliers had not previously been set up on Unit4.
5	Credit notes	<ul style="list-style-type: none"> We selected a sample of ten (five South and five Vale) credit note transactions and from review, we are satisfied that adequate segregation of duties exists between raising and approving; managed appropriately; linked to the appropriate suppliers account and invoice; and an audit trail was available via the flowchart.
6	VAT	<ul style="list-style-type: none"> Guidance for the management of VAT is available to officers on Jarvis. From our review of invoice transactions, we are satisfied that the VAT element was correctly coded.