

## **Audit Committee**

**31 May 2012**

### **Update on Duplicate Payments**



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### **Report of Don McLure, Corporate Director Resources**

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#### **Purpose of the Report**

1. To update Members of the actions being taken and further plans to reduce the Authority's risk of making duplicate payments.

#### **Background**

2. As Members are aware, the Council implemented the Oracle financial management system in November 2008. The Oracle Accounts payable module is the corporate system for paying all creditors, however, post vesting day the former District financial systems continued whilst arrangements were made to migrate onto the Council corporate single system.
3. Between August 2010 and August 2011 the Council successfully migrated from the 8 separate payment systems onto the Oracle system.
4. Whilst the 8 systems were operating Internal Audit conducted an assurance review into the number of duplicate payments being processed across the separate systems. Audit Committee have previously reviewed the findings from this review and received an update on action being taken to address the weaknesses that were identified.

#### **Audit Findings**

5. As Members may recall, Internal Audit reported that a large number of 'potential' duplicate payments were processed between 1 November 2008 and 31 March 2011.
6. Members will be pleased to note that this review has been ongoing throughout 2011/12, with the service managers undertaking a quarterly review of all potential duplicate payments as identified by Internal Audit and the outcome of this work being reviewed by the Accounts Payable Team.
7. This report focuses on the current position for Financial Year 2011/12. During this period a number of duplicate payments have continued to be processed due to a number of reasons as follows:
  - Staff within services failing to consistently comply with the corporate Procure to Pay (P2P) policy. This is through a combination of a lack of awareness, inconsistent training and

basic disregard to agreed policies. The P2P policy sets out how to raise a requisition for goods and services, how to proceed to the ordering stage, the requirement to receive goods within Oracle and ultimately how to process the invoice. Duplicate payments had occurred due to non-compliance with the P2P policy as detailed below:

- duplicate purchase orders had been created for the same goods
  - purchase orders had been created following receipt of the invoices
  - purchase orders had not been created for expected supplies and services
  - different order numbers were quoted on copies of the same invoice passed for payment
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- Checks and controls in services were not consistently being performed to the standard expected, as copy invoices as well as the originals had been passed for payment
  - Invoices had been manually input into Oracle incorrectly. Steps were immediately taken by the Accounts Payable (AP) Manager instructing his team on the required format for inputting invoice reference numbers into Oracle
  - Some weaknesses in the Oracle system controls which mean that the system is not capable of detecting all of the types of duplicate payments identified at source.

### **Current Position - Duplicate Payments in 2011/12**

8. Analysing the data and carrying out investigations into the duplicate payments continues to require the commitment of considerable staffing resource.
9. Internal Audit extract schedules of potential duplicate payments on a quarterly basis. These are then examined by the Accounts Payable (AP) Team, with each payment investigated and invalid items removed to leave only true duplicates for further follow up work with the relevant service and action being instigated to recover the overpayment.
10. In the final quarter of 2011/12 to 31 March 2012, a total of 51 invoices were identified as being potentially duplicate, with a total value of £19,018.73.

11. In the period to 31 December 2011 there were 44 invoices identified as duplicates, totalling £68,040.50. Of this £50,498.52 (74.22%) has been fully recovered, with a further £17,541.98 (25.78%) still outstanding.
12. The AP Team is currently making enquires to recover any monies identified a duplicate payments for the final quarter of 2011/12, as well as chasing the 25.78% of unrecovered monies from quarters 1-3 of 2011/12.
13. Accounts Payable staff will continue to examine the invoices identified with values under £1,000 plus any further duplicates as reported.
14. The Procure to Pay (P2P) review will, amongst other things address the weaknesses in the systems of control within the P2P process; this will mitigate the risk of making duplicate payments in future.
15. Resulting from the P2P review thus far, the steps taken to improve controls are as follows:
  - Instructions have been sent to all staff involved in requisitioning process to comply with the corporate policy and procedures
  - A variety of management reports are being produced to identify where process improvements should be targeted
  - Staff are working with suppliers for which a high volume of invoices are currently processed in order to consolidate invoices and streamline the invoicing and payment process
  - Training needs and approval hierarchies within Oracle are being challenged and refreshed / updated
16. Letters will shortly be sent to all suppliers reminding them of the Council's policy to only pay invoices quoting an official purchase order number and instructing them that all invoices must be sent directly to the Accounts Payable team for payment as a number of suppliers have still not update their records and continue to post invoices to a variety of locality offices.
17. Through the use of procurement cards and roll out of initiatives such as i-expenses, plus corporate initiatives such as the introduction of the commensura contract (for paying agency workers) the number of invoices being processed is reducing.
18. The AP Team currently scan c99% of all invoices into Oracle, this has been the case since 23<sup>rd</sup> January 2012. This is an important development as it removes the need for manual input of data and the potential for mis-typing invoice details. It also optimises the use of electronic workflow within Oracle for querying invoices and minimises the handling of paper invoices. It is anticipated by August 2012 all invoices

will be being scanned and indexed within Oracle, in line with the original business case and workflow requirements.

## **Recommendations**

19. Members are recommended to note:

- the level of duplicate payments made in 2011/12 and the progress made to date with regards to recovering these sums.
- the work being undertaken by the Procure to Pay review team to address compliance issues with regards to the corporate policy and system control weaknesses

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