



Committee and date

Audit Committee

18 June 2010

10.00 am

Item No

**7**

Public

## ACCOUNTS PAYABLE DATA ANALYSIS

**Responsible Officer** Claire Green

Email: [claire.green@shropshire.gov.uk](mailto:claire.green@shropshire.gov.uk)

Telephone: 01743 252079

---

### Summary

The Council engaged Deloitte's to conduct a review of data around the purchase ledger (accounts payable). The review provided assurance on the robustness of the accounts payable controls at the time of the Council's transition to unitary status.

The exercise also provided assurance on the adequacy of the work that Internal Audit normally deliver to identify duplicate payments. It confirmed that the existing Internal Audit approach is a sound basis for future duplicate payment work.

### Recommendations

Members are asked to note the results of the accounts payable data analysis.

## Report

### Background

1. Deloitte's were engaged to review the Council's accounts payable transactional and master file data to identify ways of reducing costs, enhance compliance and inform management on the risk of exposure to:
  - inaccurate or poor quality transactional and master data that could impact on management information.
  - invalid or duplicate payments made due to poor quality supplier data or validation of purchase ledger information.
  - inadequacy or override of system controls, and
  - use of the systems for inappropriate or inefficient transactions, such as low value, high volume.

2. Deloitte's analysed three sets of data:

- Shropshire County Council transaction data from SAMIS (12 months to 1 April 2009)
- Shropshire Council transaction data from SAMIS (1 April 2009 to 30 September 2009) and
- Shrewsbury and Atcham Borough Council transaction data from CIVICA (18 months to 30 September 2009)

3. Deloitte's worked with Council officers to further refine initial tests before producing their report.

4. **Findings**

A review of test results for the following areas indicated minimal concerns with the integrity of source accounts payable data:

- Duplicate supplier references.
- Suppliers with a blank first line of address.
- Negative invoice values.
- Zero invoice values.
- Invoices where the net value of the invoice added to VAT does not equal the total value of the invoices.
- Invoices posted for suppliers not on the master file.
- Invoices posted for suppliers prior to the supplier creation date.
- Accounts payable key performance indicators.
- Invoice reference formats.
- Suppliers with unusual addresses.

5. The following tests indicated potential concerns with the accounts payable data, or areas for process improvement. The priority with which each area will be investigated is indicated in brackets following each test description. These have been defined by Accounts Payable staff based on the detailed results of the exercise. Members should note, that in all cases numbers of potential exceptions identified are likely to reduce as they are further investigated. The number of initial issues identified were also relatively low compared to the number of transactions examined. The areas for investigation are:

- Potential duplicate invoices within SAMIS (high).
- Potential duplicate invoices between SAMIS and SABC Civica (high).
- Potentially redundant suppliers (medium).
- Use of sundry vendor accounts (medium).
- Invoices with unusual dates (medium).
- Analysis of users making purchase ledger postings (medium).
- Analysis of users making changes to supplier master data (medium).
- Suppliers with high activity and no bank details recorded (medium).
- Duplicate supplier records (low).
- Multiple low value invoices (low).
- Inconsistent VAT treatment per supplier (low).

The full Accounts Payable action plan appears as **Appendix A**.

6. In addition to the independent assurance provided, Internal Audit have reviewed and compared their normal duplicate payment testing exercise with that completed by Deloitte's and refined and improved their test parameters for the future. Overall the Deloitte's work provided assurance that our existing system and methodology for identifying duplicate payments is sound and robust.

### **Summary**

6. Whilst the exercise has identified a number of areas for further investigation and improvement; overall the numbers involved are relatively small and therefore reasonable assurance can be given on the robustness of the accounts payable controls at the time of the Council's transition to unitary status.
7. The exercise also provided assurance in the work that Internal Audit annually delivers to identify duplicate payments as sound and reliable.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

None

**Human Rights Act Appraisal**

The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998

**Environmental Appraisal**

N/A

**Risk Management Appraisal**

This report provides assurance as to accounts payable internal controls.

**Community / Consultations Appraisal**

N/A

**Cabinet Member**

Keith Barrow, Leader of the Council and Brian Williams, Chairman of Audit Committee

**Local Member**

N/A

**Appendices**

Appendix A – Action Plan following Deloitte’s Data Insight into Accounts Payable Report March 2010