

DUPLICATE PAYMENTS PROGRESS UPDATE

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1. Summary

- 1.1. Members asked for an update in respect of the action taken on the recovery of duplicate payments made. A third party recovery agent was commissioned in March 2013 to undertake this exercise on behalf of the Council and Twice2Much have now completed this activity.
- 1.2. The Council has also purchased a forensic analytics tool which identifies potential duplicate payments prior to payment. This tool is currently being implemented for future use.

2. Recommendations

- 2.1. The Audit Committee are asked to note the progress made to recover duplicate payments and the action taken to prevent future duplicate payments being made.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Failure to take the necessary corrective action in relation to overpayments made by the Council could compromise controls as specified within The Council's Financial Rules and procedures.

4. Financial Implications

- 4.1. Total value of duplicate payments recovered over the last seven years is £276,085. The payments made had already been funded from within existing Council budgets, and so this recovery was an additional one off source of income for the Council.
- 4.2. The new software from Fiscal Technologies has cost the Council £33,500 over a 3 year period (£11,167 p.a.). This has been funded from the recovery of duplicate payments detailed above. The recent recovery activity has

incurred costs of £35,130, plus in-house staff time in supporting the recovery of duplicate payments. In comparison of the two methods of dealing with duplicates, the software investment was considered a more cost effective way to manage the control and prevention of duplicate payments. Also, based on an average duplicate payment level of £39,440 p.a., the software investment will save the Council a net £28,273 p.a.

5. Background

- 5.1. It was agreed in March 2013 to commission Twice2Much to recover duplicate payments that had been made by the Council over the last 7 years as the Council did not have a process in place to do this.
- 5.2 In June 2013, it was reported to Audit Committee that Twice2Much had recovered £250,000 (net payments) of duplicate payments.

6. Recovery to Date

- 6.1. The recovery activity by Twice2Much is now complete and the total value recovered was £276,085.
- 6.2 A summary of the payments recovered indicate recovery of duplicate payments from the following periods:
 - 1% related to payments from 07/08
 - 2% related to payments from 08/09
 - 16% related to payments from 09/10
 - 18% related to payments from 10/11
 - 26% related to payments from 11/12
 - 36% related to payments from 12/13
 - 1% related to payments from 13/14
- 6.3 The recovery of £276,085 is significant however this only represents 0.004% of the total value of transactions that were reviewed by Twice2Much, highlighting that the standard controls within the Finance system prevent the majority of duplicate payments being made. The analysis of the errors identified was as follows:

Error type	Error Code	£
Invoice paid twice to same supplier using same supplier code	Invoice numbers entered have minor differences	49,492
	Invoice numbers entered are completely different	15,882
	Invoice value or invoice date entered differently	484
	Multiple different invoice credentials entered	287
Invoice paid twice to same supplier using different supplier codes	Invoice numbers entered have minor differences	74,921
	Invoice numbers entered are	16,384

Error type	Error Code	£
	completely different	
	Multiple different invoice credentials entered	22,598
Invoice paid to supplier in error	Identical Entries – Same invoice credentials used	42,392
	Invoice numbers entered have minor differences	5,470
	Invoice value or invoice date entered differently	1,590
Invoice entered in error on one supplier account	Invoice entered in error on client ledger	2,974
Outstanding credit note on statement	Statement credit	9,435
Unallocated cash on statement	Statement credit	34,176
Total		276,085

7. Future Action

- 7.1 The Council has purchased a forensic analytics tool from Fiscal Technologies which allows the Council to compare proposed payments against the historical database of transaction before payment is made to prevent further duplicate payments being generated. The tool also provides additional checks around supplier file changes, VAT charged on invoices and undertakes 12 tests on supplier activity to highlight any potential fraudulent activity. Confirmation has been made that the errors identified on the duplicate payments recovered by Twice2Much, would be highlighted by this tool as a potential duplicate.
- 7.2 The software is currently being implemented and it is intended that this will be live and operational from January 2014. The Purchase Ledger team are currently redesigning the payment process to incorporate the forensic check into timescales, without delaying payment of the invoice. The tool should ensure the prevention of any future duplicate payments and mean that the requirement for retrospective recovery is eradicated.

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

Cabinet Member (Portfolio Holder) Keith Barrow (Leader of the Council) and Brian Williams (Chairman of Audit Committee)

Local Member n/a

Appendices