

AUDIT COMMITTEE

26 JUNE 2014

ACCOUNTS PAYABLE

REPORT OF CHIEF FINANCE OFFICER

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RECENT REFERENCES:

NONE

EXECUTIVE SUMMARY:

A recent Internal Audit identified control weaknesses in the Accounts Payable function. The purpose of this report is to advise Audit Committee members of the actions taken to address the audit findings.

RECOMMENDATION:

That the Audit Committee notes the actions taken and takes the opportunity to discuss any concerns with the Chief Internal Auditor and the Chief Finance Officer.

AUDIT COMMITTEE26 JUNE 2014ACCOUNTS PAYABLEREPORT OF THE CHIEF FINANCE OFFICER1. Introduction

- 1.1. The purpose of this report is to advise the Audit Committee of the actions taken to address the control weaknesses identified in the recent internal audit of the Accounts Payable procedures.

2. Context

- 2.1. In 2013/14 Accounts Payable made over 16,000 payments totalling nearly £45 million. A recent internal audit identified control weaknesses in the payment of invoices in both the Accounts Payable function and the departmental approval practices. A number of duplicate payments were identified.

3. Actions taken

## 3.1. Immediate action was taken:

- Senior Management Team were advised of the issues and an article was included in Core Brief on 1 April reminding managers of the proper procedures in relation to receipt of invoices, raising Purchase Orders, separation of duties in relation to the authorisation of orders and invoices, and effective review of budget monitoring reports.
- Accounts Payable procedures have been reviewed, re-written and relevant staff have been re-trained. The procedures have been enhanced, particularly in relation to scanning accurately, and specific controls to prevent duplication.
- Internal Audit provided details of potential duplicate payments in the year 2013/14 identified from using their data matching software. The potential duplicates for the year identified by matching the creditor name, invoice number and invoice amount have been investigated and repayment sought where overpayment had been made. A total of 36 duplicate payments for £25k (0.1%) have been identified; 22 overpayments totalling £12k have been recovered and 14 overpayments totalling £13k remains outstanding.
- A discrete inbox has been set up for the receipt of electronic invoices directly from suppliers.
- Suppliers are being notified that a Purchase Order number should be quoted on all invoices.

3.2. Further actions are planned:

- Internal Audit will review the potential duplicate payments file and actions taken to provide assurance that the expenditure for the year is not overstated.
- Feedback will be provided to every manager that authorised a duplicate payment.
- Managers will be reminded of the need to raise Purchase Orders.
- Monitoring reports will be provided to Performance Management Team.
- Anti-fraud training for the Financial Services team, to raise awareness of the need for effective controls, will be provided by the Southern Internal Audit Partnership.
- A further Internal Audit is planned later in the year to review the effectiveness of the actions taken.

OTHER CONSIDERATIONS:

4. COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 4.1. The accurate payment of accounts supports the efficient and effective activity of the Council.

5. RESOURCE IMPLICATIONS:

- 5.1. These are covered within the report.

6. BACKGROUND DOCUMENTS:

Southern Internal Audit Partnership Internal Audit report - exempt