

DEPARTMENT	AUDIT REVIEW	FINAL REPORT ISSUED
<b>Corporate Services</b>	<b>Creditor Payments (2022/23 Review)</b>	<b>26<sup>th</sup> October 2023</b>

**BACKGROUND**

The Creditor Payments system is incorporated within the Authority’s Financial Management System Unit4 ERP. The Accounts Payable module is controlled centrally by the Payments Section based at St David’s Park, Carmarthen. Payments are also processed on-line by staff based within their respective departments for which the Systems & Accounts Payable Manager provides guidance.

The value of payments processed through the Creditor system in 2021/2022 was approximately £1,355million with the number of invoices processed being 421,793.

**SCOPE**

The purpose of the Audit was to assess the extent to which there are adequate procedures and controls in place for the Creditor Payments function, in particular:

- Recommendations in previous Internal Audit reports have been actioned;
- Adequate documented policies / procedures exist;
- There are effective controls over controlled stationary;
- Adequate controls exist over the processing and authorisation of creditor payments;
- Input controls are adequate;
- Adequate controls exist over the creation & amendments to supplier accounts;
- Periodic payments are adequately controlled;
- Payments by Direct Debit are controlled appropriately;
- Payments by BACS are controlled appropriately;
- There are effective controls over urgent payment runs;
- There are adequate controls in place in respect of invoices which are put on hold;
- Systems are in place to ensure credit notes / balances are controlled and actioned appropriately;
- Agreed performance indicators are being fully complied with;
- The risk of fraud is considered, with adequate controls in place to mitigate this.

**SUMMARY OF RECOMMENDATIONS**

The audit findings and recommendations are detailed in the attached Action Plan. A summary of these recommendations by priority is outlined below:

Priority	3*	2*	1*	Total
<b>Number of Recommendations</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>8</b>

**ASSURANCE RATING**

The post review assurance level for systems relating to Creditor Payments is categorised as: **ACCEPTABLE.**

## Internal Audit review – Creditor Payments 2022/23

## Action Plan

Ref	Summary of Issue Identified	Recommendation	Priority Level	Planned Action Responsible Officer(s)   Target Date	Updated Position
1	<p><b>Policies and Procedures</b></p> <p>During 2020, as a result of the Covid-19 pandemic, a number of approved temporary amendments to policies and procedures were put in place to facilitate business continuity; these temporary amendments continue to operate.</p> <p>In addition, existing documented procedures continue to reference the old system name of Unit 4 Business World On! and an old Carmarthenshire County Council (CCC) logo.</p>	<p>A review should be undertaken to assess whether the temporary measures implemented during the Covid-19 pandemic continue to be appropriate.</p> <p>Subsequently, the temporary amendments to policies and procedures should either cease, or be incorporated into the relevant documented policies and procedures, as appropriate.</p> <p>All documents should be reviewed to ensure they are up to date, and amendments made where appropriate, to include the current system reference and CCC logo, in order that it is clear to all users that these are the most up to date documents for reference and compliance purposes.</p>	*	<p>Temporary measures – the recommendation is agreed and permanent changes will be incorporated in the next update of FPRs taken to Governance and Audit Committee (date tbc).</p> <p>All documents will be reviewed to ensure consistency with latest system name and logo where applicable.</p> <p>Joanne Phillips, Senior Purchase to Pay Officer &amp; Jessica Howells, Senior Accounts Payable Officer 31 March 2023</p>	<p>The team is currently working on a new document to cover the various ways invoices are accepted for processing e.g. Share Point/Mailboxes etc. It will include relevant batch headers, invoice compliance instructions and petty cash completion instructions in addition to other guidance.</p> <p>P2P document being reviewed for up-to-date logos etc</p>
2	<p><b>Creations and Amendments</b></p> <p>Whilst the documented procedure for the setting up, editing and re-opening of suppliers has been updated since the previous Internal Audit review, it is not always consistent with current working practices.</p>	<p>The documented procedures for the creation and amendment of suppliers should be reviewed and updated to ensure they are appropriate and consistent with current working practice.</p> <p>Subsequently, the documented procedures for the creation and</p>	*	<p>Agreed. Procedures will be updated to include this method of setup.</p> <p>The 3 supplier records not supported by documents were created as a result of a P2P invoice and, therefore, authorised</p>	<p>In progress – target date not yet reached</p>

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	<p>Testing of a sample of 10 requests to create a new supplier and 10 requests to change a supplier's details identified that, whilst improvements have been made, the formal process is still not being fully complied with.</p>	<p>amendment of suppliers' details should be fully complied with.</p> <p>Appropriate checks and authorisation should be undertaken, and evidence maintained, to support all creations and amendments to supplier records.</p>		<p>that way. Appropriate checks and authorisation are always undertaken.</p> <p>Email addresses are only used for dispatch of remittance advice. They are not used as acceptance from a verified source. Any instructions received are always independently verified via a separate means. A note has been added to the small amendments sheet.</p> <p>Joanne Phillips, Senior Purchase to Pay Officer 31 December 2023</p>	
3	<p><b>Urgent Payments</b></p> <p>Testing of a sample of 10 urgent payment runs identified the following:</p> <ul style="list-style-type: none"> <li>- One instance where the sections on the Urgent Payment Form in relation to the BACS file being 'created by' and 'produced by' were user references rather than actual signatures;</li> <li>- Whilst all urgent payment runs had been appropriately approved by the Systems &amp; Accounts Payable Manager, testing identified 6 instances where it was not possible to provide an assurance that all urgent payment runs were made in accordance with the specified criteria, as the</li> </ul>	<p>The documented procedure for urgent payments should be fully complied with.</p> <p>All documentation should be completed appropriately and retained consistently.</p> <p>Urgent payment requests should only be actioned for transactions that are consistent with the set criteria.</p> <p>A review of the documented procedure for urgent payments should be undertaken to ascertain whether the set criteria continues to be appropriate, and whether provision for</p>	**	<p>Consideration to be given to appropriate escalation route, as it is acknowledged that additional runs have an impact on team capacity. The 'produced by' reference on the run sheet is always the user reference, since it is produced on the Unit4 ERP system, and this is the reference link to the user. The created by should always be the person's name as this takes place off the system. Training has now been undertaken regarding urgent classifications.</p> <p>All documentation relating to urgent payment runs is to be kept in the urgent</p>	Action complete

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	<p>transactions for which the urgent payment run was made were not consistent with the description of the specified criteria;</p> <ul style="list-style-type: none"> <li>- In addition, it was found that the retention of documentation to support urgent payment runs was not always consistent, with some documentation being retained with the main BACS run documentation.</li> </ul>	<p>deviations from the criteria needs to be included.</p> <p>Where a deviation from the set criteria is approved, an adequate explanation should be documented.</p> <p>Consideration should be given to the inclusion of an escalation process to be utilised, where appropriate.</p>		<p>payment runs folder, separate from the main payment run documentation.</p> <p>Jessica Howell, Senior Accounts Payable Officer 30 September 2023</p>	
4	<p><b>Performance Indicator</b></p> <p>The Authority has a target Performance Indicator of 95% for the payment of undisputed invoices within 30days. A review of this PI has found that the set target was being achieved when looking at the overall average at the time of the Internal Audit review. Testing, however, has once again identified that whilst some individual cost centres / departments are achieving the set PI, there are a number that are under-performing.</p> <p>It is acknowledged that regular reports are circulated, and emails have been issued to relevant staff reminding them of their responsibilities in relation to invoice processing and the requirement to achieve the performance indicator target.</p>	<p>All officers responsible for the payment of invoices should be reminded of the requirement for the target of 95% for the payment of undisputed invoices within 30days to be achieved by all cost centres / departments, in order to comply with the Late Payment of Commercial Debts (Interest) Act 1998 and the requirements of the Authority's Financial Procedure Rules.</p> <p>Consideration should be given to possible escalation routes where persistent non-compliance is identified.</p>	*	<p>Whilst the corporate target is met, it is recognised that it would be beneficial to highlight areas for further improvement. Key Performance Indicator (KPI) and Purchase Order (PO) compliance reports are sent to all BSU managers on a quarterly basis. The BSU managers review and advise whether they require detailed reports on any individuals not meeting set targets. Reminders are sent out biannually to those with invoice responsibilities which highlight the importance of date stamping invoices. This message will be reinforced with the further roll out of Achieving Purchase Order Compliance.</p> <p>Joanne Phillips, Senior Purchase to Pay Officer 31 March 2024</p>	<p>This action is being progressed - the next reports will be distributed at the end of Quarter 3. All budget managers failing to reach the target are highlighted for BSU Managers to address. Invoice Responsibilities document scheduled to be sent January 2024.</p>

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5	<p><b>BACS including exception reports</b></p> <p>Testing of a sample of 10 BACS payment runs identified the following:</p> <ul style="list-style-type: none"> <li>- An adequate separation in duties was not evident during 3 BACS runs.</li> <li>- 1 instance where it was not possible to place an assurance that the BACS run had been 'produced by' or 'created by' appropriate officers as only typed user details had been completed on the 'Accounts Payable Payment Run' form;</li> <li>- 2 instances were identified where the '1st payee on BACS file' check had not been completed;</li> <li>- 3 instances were identified where the checks in relation to payments greater than £20k had been undertaken in the days following the payment run. Internal Audit has been advised that these checks are completed as quickly as possible;</li> <li>- 8 instances were identified where not all transactions over £20k, on the BACS exception report, had been coded in accordance with the specified 'key' in order to demonstrate that the individual transactions had been reviewed for appropriateness of payee, value and authorisation;</li> <li>- There was no evidence of a second signature, as required, in</li> </ul>	<p>The 'Accounts Payable Payment Run' form should be completed fully in order to demonstrate that the required checks and procedures, in relation to BACS payment runs, have been undertaken as required.</p> <p>An adequate separation in duties should exist during the BACS payment run process.</p> <p>The required checks on the 'Accounts Payable Payment Run' form, in relation to payments greater than £20k, should always be completed prior to the payment run being processed. Each transaction greater than £20k should be coded in accordance with the specified 'key'.</p> <p>A second signature should always be obtained where the payments to contractors are in excess of £100k, in order to demonstrate these payments are bona fide.</p> <p>In consultation with Senior Management, consideration should be given as to what the appropriate value should be to initiate checks on payments, in order to ensure the threshold value is reasonable, whilst also ensuring checks are able to be undertaken on a timely basis.</p>	**	<p>Whilst we aim to check the transactions over £20k on the same day as the payment run, this isn't always possible and is done as soon as possible after the payment run.</p> <p>We are dependent on receipt of the invoices from departments and schools. This has always been the case, but all invoices have previously been checked and authorised by authorised signatories. Coding is simply used as an extra measure to ensure no documentation is missed, while the coding was missed on occasions – the correct documentation was still provided.</p> <p>Whilst the team approach is to re-check payments over £100K, there is no explicit requirement in the FPR to do so. Checks to ensure that all payments are bona fide have already been done by the authorised signatory. The second signature on the over £100K is voluntarily performed by the Systems &amp; Accounts Payable Manager as an extra review of the remittance report, after the payment run.</p> <p>On occasions where it isn't possible to have a separate individual to send the bacs, signature is required from the Systems and Accounts Payable Manager.</p>	Action complete.

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	two instances where the payments to the contractors were in excess of £100k. Currently, this process is not documented.			<p>'1st payee on bacs file' section has since been removed as it is unnecessary. Coding is simply used as an extra measure to ensure no documentation is missed, while the coding was missed on occasions – the correct documentation was still provided.</p> <p>Karen Mansel, Systems &amp; Accounts Payable Manager &amp; Jessica Howells, Senior Accounts Payable Officer 31 March 2024</p>	
6	<p><b>Controlled Stationery</b> Testing of controlled stationery identified that the control of the next available order book being initialled prior to issue has lapsed.</p>	The officer responsible for the issue of each order book should evidence the record maintained at the time of issue.	*	<p>The issue of order books was a human error, a staff member initialled the column before actually sending the book out.</p> <p>Joanne Phillips, Senior Purchase to Pay Officer 30 September 2023</p>	Staff have been reminded of the process to follow; action complete.
7	<p><b>Direct Debits</b> Whilst a reconciliation is undertaken to ensure appropriately authorised mandates exist for all active direct debits in the Authority's bank account, it has been identified that the departments, which the direct debits</p>	A formal procedure should be documented in relation to direct debits, in order that all relevant staff are clearly aware of the process to be adopted, including responsibilities,	**	<p>Accepted.</p> <p>Randal Hemingway, Head of Financial Services</p>	In progress – target date not yet reached

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	<p>relate to, have not been contacted to ascertain whether the direct debits being paid are still relevant, and represent value for money. It is, therefore, difficult to ensure that all direct debits continue to be appropriate.</p>	<p>and consultation with relevant departments during the annual review.</p> <p>The annual review should include work to ensure that all direct debits continue to be appropriate, and adequate supporting documentation is retained, as required by Financial Procedure Rules.</p>		<p>31 March 2024</p>	
<p><b>8</b></p>	<p><b>Expenditure Transactions</b></p> <p>Testing of a sample of 20 expenditure transactions spread across all departments of the Authority, including discussion with the relevant departments, has identified that the requirements of Financial Procedure Rules are not always being fully complied with. In particular:</p> <ul style="list-style-type: none"> <li>- 5 instances where a purchase order had not been raised when it would have been appropriate to do so.</li> <li>- 1 instance where the order was raised retrospectively, after the date of the invoice.</li> <li>- 1 instance where the invoice was not paid within 30days.</li> <li>- 6 instances where the invoice had not been date stamped.</li> </ul>	<p>Staff should be reminded of the importance of raising purchase orders and ensuring full compliance with the Authority's Financial Procedure Rules, the 'Achieving Purchase Order Compliance' Policy and late payment of commercial debt legislation.</p>	<p>**</p>	<p>Accepted.</p> <p>It is noted that the samples were PDFs. Acceptance of Adobe Stamp instructions will be incorporated into the Invoice Responsibilities document which is sent out.</p> <p>Any without a stamp would use the invoice date.</p> <p>Joanne Phillips, Senior Purchase to Pay Officer 31 March 2024</p>	<p>In progress – target date not yet reached.</p> <p>Adobe stamp instructions have now been incorporated in the Invoice Responsibilities document, which is scheduled to be sent January 2024.</p>