

Report to: **Audit Committee**

Date of Meeting: **12 January 2023**

Report Title: **Chief Auditor's Summary Audit and Risk Report**

Report By: **Tom Davies**
 Chief Auditor

Purpose of Report

To inform the Audit Committee of the key findings from the recent audit of Creditors.

Recommendation(s)

1. That the Audit Committee accepts the report..

Reasons for Recommendations

To monitor levels of control within the organisation.

Summary Report to Audit Committee

Creditors

Background Information

This review was undertaken as part of the 2022/2023 agreed audit plan.

During the year 1st April 2021 to 31st March 2022, the Creditors service processed more than 11,000 payments with a cumulative value amounting to £32.5 million.

It is therefore imperative that the service is carried out effectively and efficiently in order to ensure creditor payments are made accurately and promptly.

This aspect of the Council's activities was last audited in 2018. The Service was then graded as **A: Good** and a number of minor improvement recommendations were made.

Overall Audit Assessment: B – Satisfactory

Most controls are in place and working effectively, although some improvements are recommended to reduce the potential for fraud and error and also ensure best practice and efficiency.

Key Findings

- For the year 1 April 2021 to 31 March 2022, 11,262 creditor payments were made with a cumulative value amounting to £32.5 million. At the time of the previous audit report 14,957 creditor payments were made, totalling £26.8 million for the financial year 2017/18.
- The Medium-Term Financial Position update (presented to Cabinet in September 2022) reported an adverse outturn for the purchase of supplies and services, with actual spending (£20.1 million) exceeding the original budget by £7.2 million during the period 2021-22. However, it should be noted that some of the costs for supplies and services are often met by grants and other income. Nevertheless, the adverse variance is indicative of increased spending on supplies and services when compared to the original budgeted expenditure.
- In order to ensure that the Creditors payment process remains robust, this audit has made recommendations that will further strengthen the controls for requisitioning and approving the purchase of goods / services.

- Audit have also conducted testing, on all supplier payments over £500 for the period 01/04/22 to 30/09/22, in order to highlight any potential duplicates. In total, six duplicate payments were identified.
- The cumulative value of all duplicate payments amounted to £7,901 but this figure contained four duplicate payments amounting to £6,490, which were sent to the same supplier. To date, the four duplicate payments made to the same supplier have already been recovered and the Creditors team have contacted the remaining suppliers to request a refund.
- Audit have therefore made a recommendation to reissue a briefing to all staff, regarding the importance of ensuring purchase orders are raised correctly and that invoices are checked thoroughly prior to referral for payment.
- Additionally, a “Potential Duplicate Payment” report was developed during the course of this audit. The report can be generated to highlight instances where an identical payment value is recorded for the same supplier. The report also displays the invoice date and reference number, so that the Creditors team can check for any potential duplicate payments to the same supplier prior to each payment run.
- Overall, Audit are satisfied that the Creditors system is administered effectively and efficiently. Whilst further recommendations have been made to ensure that duplicate payments are minimised as much as possible, Audit are encouraged by the introduction of an additional reporting tool to highlight potential errors.

Management Response

We accept the report and will be implementing its recommendations.

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## Timetable of Next Steps

1. Please include a list of key actions and the scheduled dates for these:

| Action | Key milestone | Due date<br>(provisional) | Responsible |
|--------|---------------|---------------------------|-------------|
| -      | -             | -                         | -           |

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### Wards Affected

None.

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### Implications

Please identify if this report contains any implications for the following:

|                                       |     |
|---------------------------------------|-----|
| Equalities and Community Cohesiveness | No  |
| Crime and Fear of Crime (Section 17)  | No  |
| Risk Management                       | Yes |
| Environmental Issues                  | No  |
| Economic/Financial Implications       | Yes |
| Human Rights Act                      | No  |
| Organisational Consequences           | No  |
| Local People's Views                  | No  |
| Anti-Poverty                          | No  |
| Climate Change                        | No  |

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### Additional Information

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### Officer to Contact

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