

APPENDIX 1

Agresso Controls

Accounts Payable

1.1 Supplier Setups

New suppliers are sent the Supplier Information Form by the requisitioner. Once completed, the supplier sends the form to Accounts Payable (AP) to be checked and set up on the system.

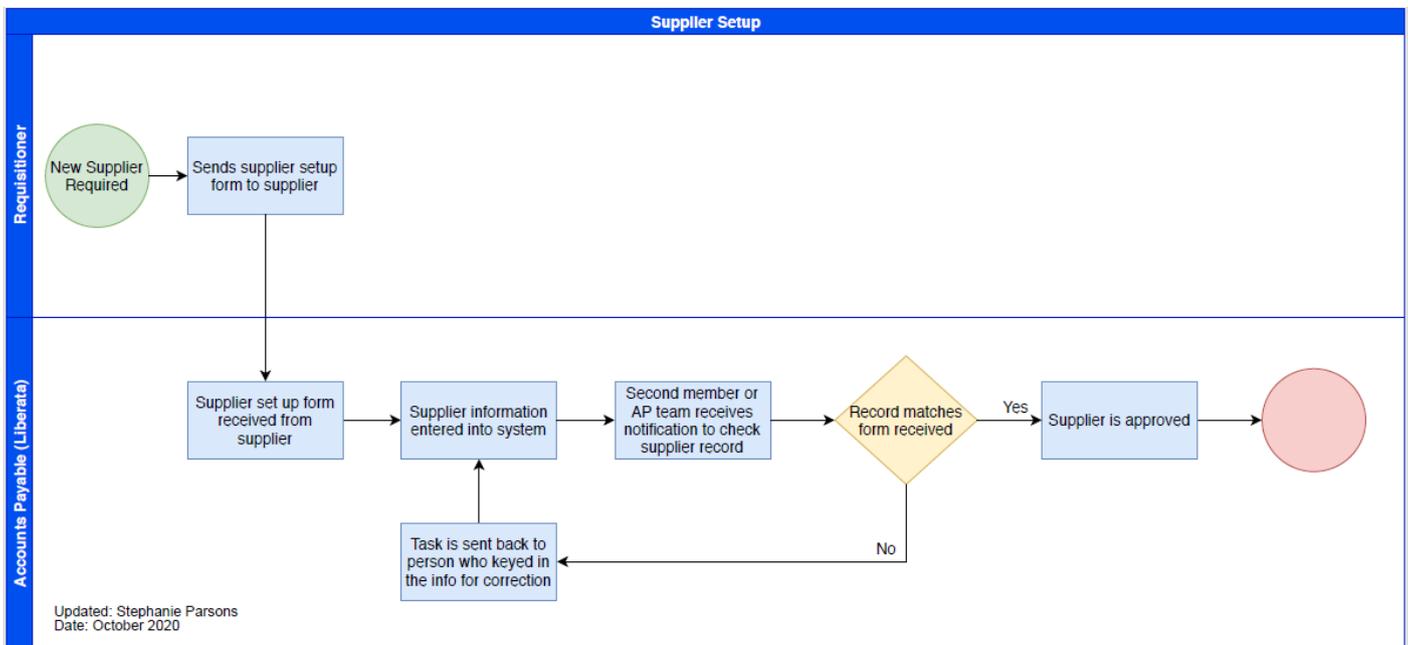
AP complete several checks on the form before they process the setup, these include;

- If the form has been fully completed - CIS suppliers are required to complete a second page with their UTR information.
- Whether the supplier is already on the system.
- That the bank details are correct and haven't been tampered with.

AP calls the supplier, using a phone number found on the suppliers' website, to confirm the bank details provided. If there are any inconsistencies/errors on the form, it is returned to the supplier and they are asked to resubmit after making the corrections.

One member of AP will enter the supplier information into Agresso and create a new supplier record. The Supplier Information Form is imported into the document archive which is accessible to all staff and is used as backing for the record.

Another member of the AP team is responsible for checking the supplier record to ensure that the details entered match the form provided. If there are differences, the supplier is rejected with a comment explaining the error, this will be resubmitted. If the information matches, the supplier can be approved.



The supplier is only visible for requisitions/invoices once the approval has been completed.

1.2 Supplier Amendments

Requests for changes to supplier information and records are sent directly to AP. There is a requirement for this information to be provided on letter-headed paper - preferably in PDF format.

AP is responsible for checking all supplier record amendment requests with the supplier, using contact details from the approved supplier record. If the update is incorrect/fraudulent, the supplier is asked to send their correct information on letter-headed paper to confirm. The initial update request is discarded, Finance and the remainder of AP are notified, and further action is taken if required.

If correct, AP will enter the changes on the system. Major changes, such as those to the trading name or bank details, are required to go for approval from another member of the team to ensure the accuracy of the record. This is checked against the amendment request.

Once approved, the supplier is available for staff to raise requisitions and process invoices against.

1.3 Purchase Orders

WECA operates a No Purchase Order (PO), No Pay policy which was implemented in April 2020. This approach has been taken to minimise the risk of duplicate/incorrect/fraudulent payments. All suppliers, other than those listed on the agreed PO exemption list are required to quote a PO number on their invoices. Those without are returned to the supplier with an explanation of the policy asking them to quote a valid PO, which should be obtained from the requisitioner.

Requisitioners input the purchase information into Agresso, this includes the product information and the coding in the general ledger - the coding used will determine the approval process.

There is a two-step approval process, which requires approval from both the budget holder and the financial approver (Financial approvers are those who have delegated authority by Committee). These levels are:

- Head of Services - up to £25,000
- Directors - up to £100,000
- CEO - over £100,000

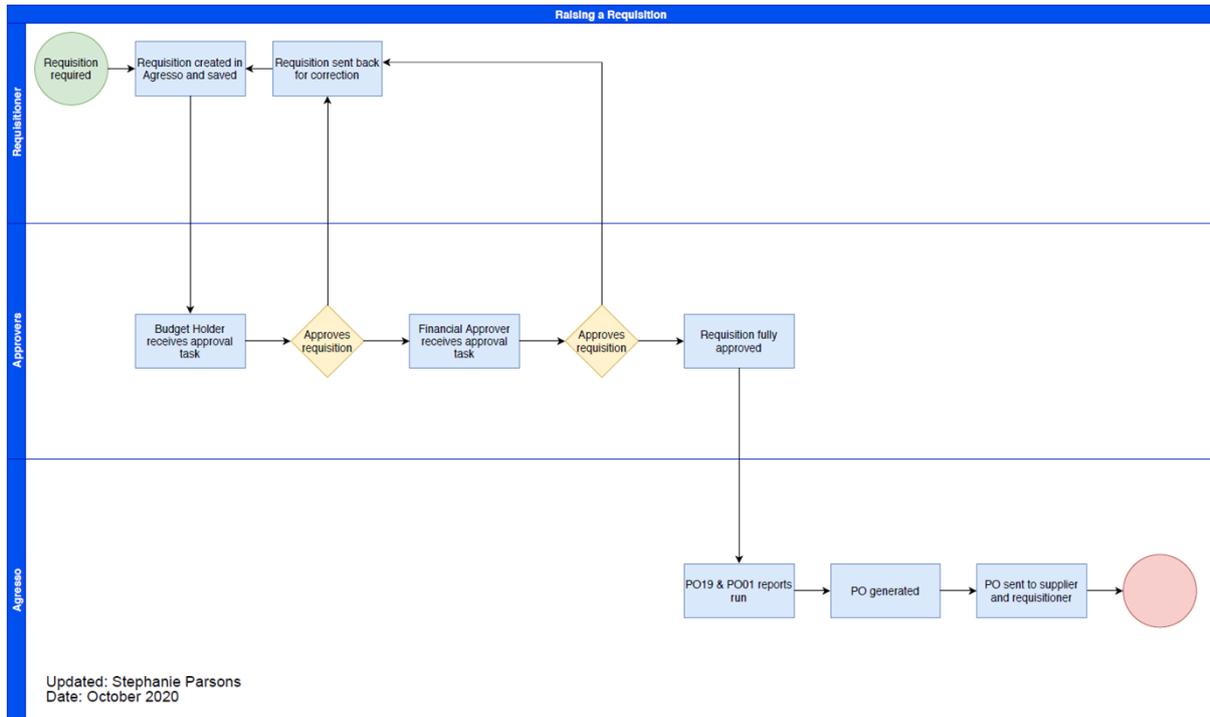
There are some areas of the business where specific delegated authority has been granted. These are:

- Head of Grant Management and Assurance - up to £2,000,000 (specific to Investment Fund; Local Growth Fund; Transforming Cities Fund; Regional Infrastructure Fund; Various other approved grants).
- Director of Business and Skills - up to £700,000 (specific to budgeted payments to approved AEB providers).
- Head of Strategic Transport - up to £2,000,000 (specific to operational transport functions within approved levels).

Each approver has the option to reject the requisition - sending it back to the requisitioner with their comments of the changes/corrections required - or approving it.

Approvers are responsible for checking the full detail of the requisition - including the product information, the coding information, and ensuring that the contract standing orders have been followed where appropriate).

After approval, the requisition is picked up in the PO19 and PO01 reports which run once an hour. These reports generate the PO and send a copy to both the supplier and the requisitioner.



1.4 Invoice Payments

Invoices are submitted directly to AP for works completed - WECA's financial regulations prevent us from paying invoices for works/services not yet received, excluding things such as venue hire where a down payment is mandatory to secure the booking.

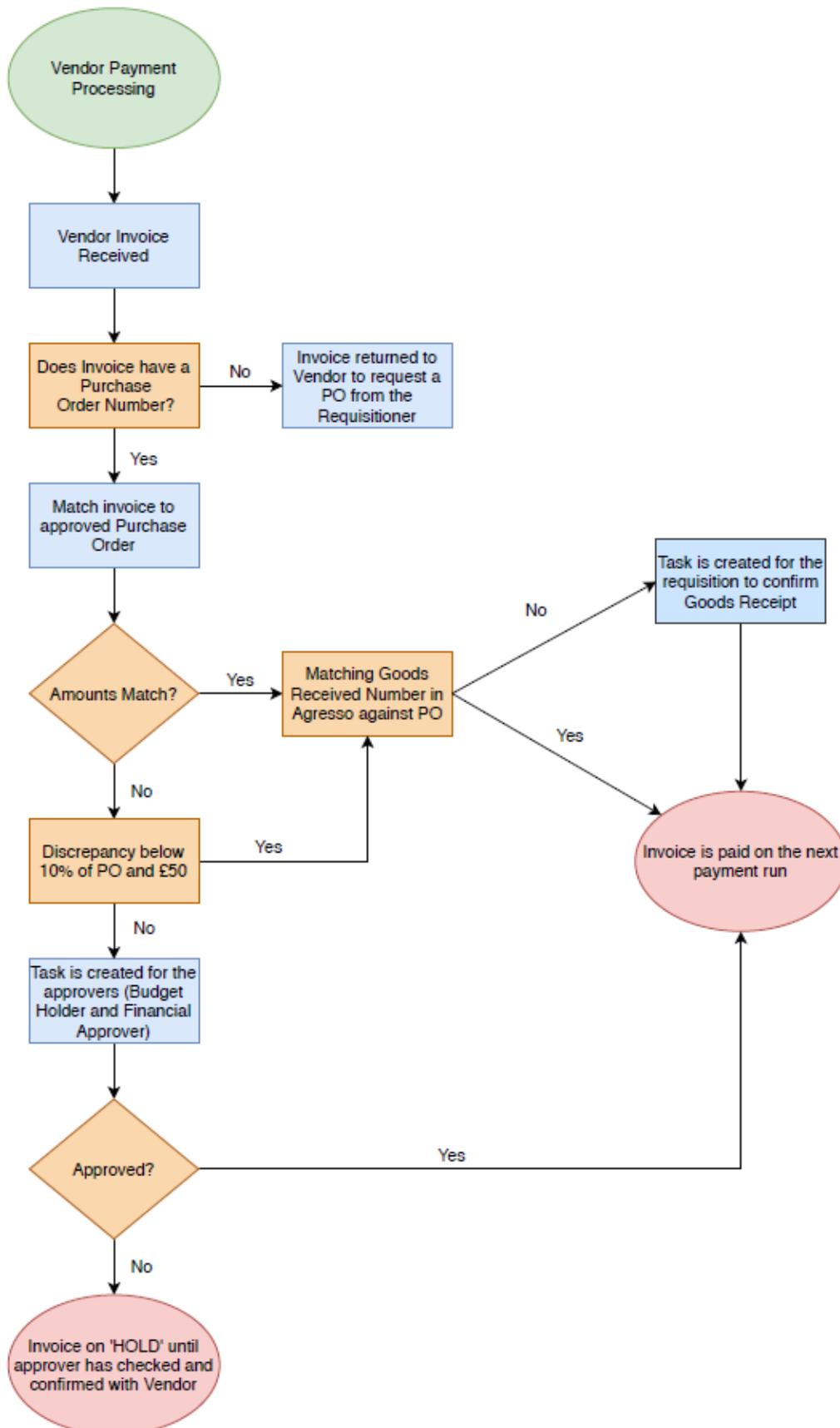
AP checks all invoices received to ensure that all required information is quoted, the bank details match the supplier record, and that the PO number has been quoted. If any information is missing or incorrect, the invoice is returned to the supplier with a brief explanation and they are requested to submit a new/amended invoice for payment to be made.

Correct invoices are input on Agresso and matched against the PO. There is a three-way matching process between the invoice, PO, and Goods Receipt Number (GRN). The system checks whether all three things match and if so, the invoice is paid on the next payment run.

If these three things do not match, a task is created to move the invoice along. The most common task is a Missing GRN - this informs the requisitioner that the invoice has been received and that they need to process the GRN for it to be paid. If there is a dispute on the invoice, the requisitioner is required to notify AP so they can enter the dispute code on the system.

Once GRN has been processed, the system will then check the invoice against the PO to see if there is a discrepancy. There is an allowance of £50 or 10% of the PO (whichever is

lowest) which will still go through for payment. Anything above this value will need to be approved by the budget holder and the financial approver before payment can be made.



1.5 Grants/Non-Invoice Payments

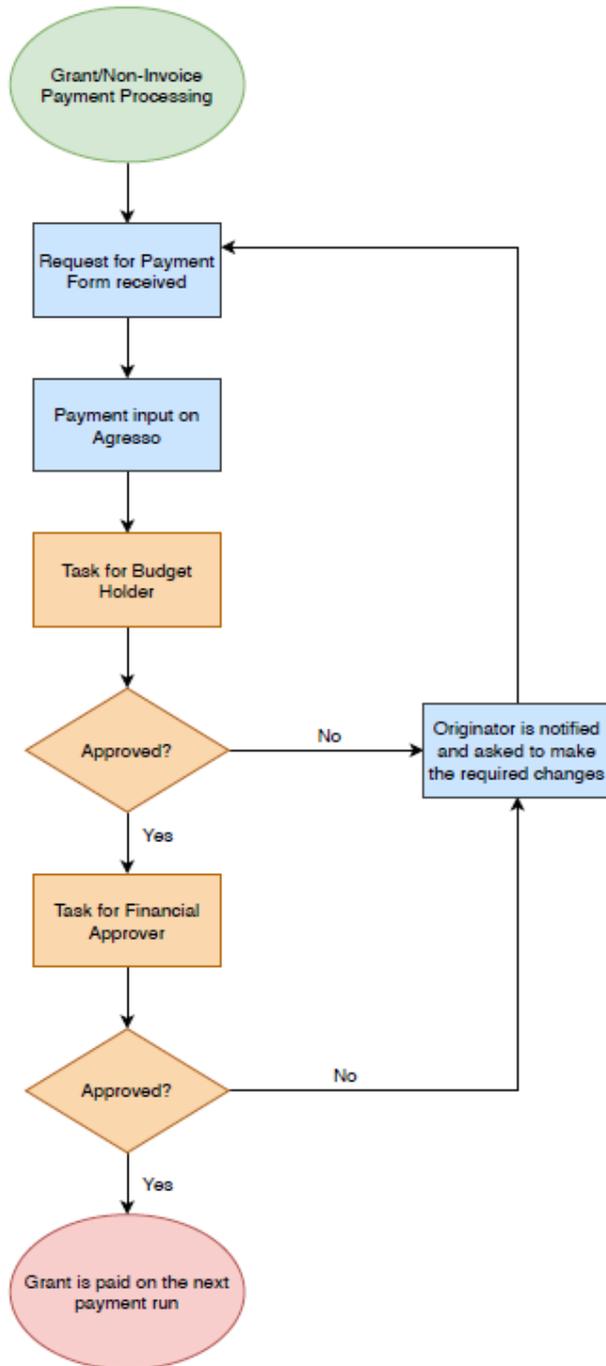
All teams running grant programmes are responsible for checking the claims received. This ensures that only eligible expenses are included in grant claims so that we are compliant with the grant conditions. In some cases, evidence is required to fulfil the criteria - this can be in the form of audit reports or invoices.

When this is complete, the request for payment form is sent to AP for processing.

Accounts Payable register the payment onto the system, attaching the request for payment form as backing. The payment will be sent as a task for approval, most of which will go through the specific service delegations:

- Head of Grant Management & Assurance – up to £2,000,000 (specific to Investment Fund; Local Growth Fund; Transforming Cities Fund, Regional Infrastructure Fund; Various other approved grants).
- Head of Business & Skills – up to £700,000 (specific to budgeted payments to approved AEB providers)
- Head of Integrated Transport – up to £2,000,000 (specific to operational transport functions within approved budget levels).

The approvers have the option to approve or reject the repayment – a comment on what is needed to be changed is mandatory so that the corrections can be made. Once approved, the payment will be made on the next payment run.



Accounts Receivable

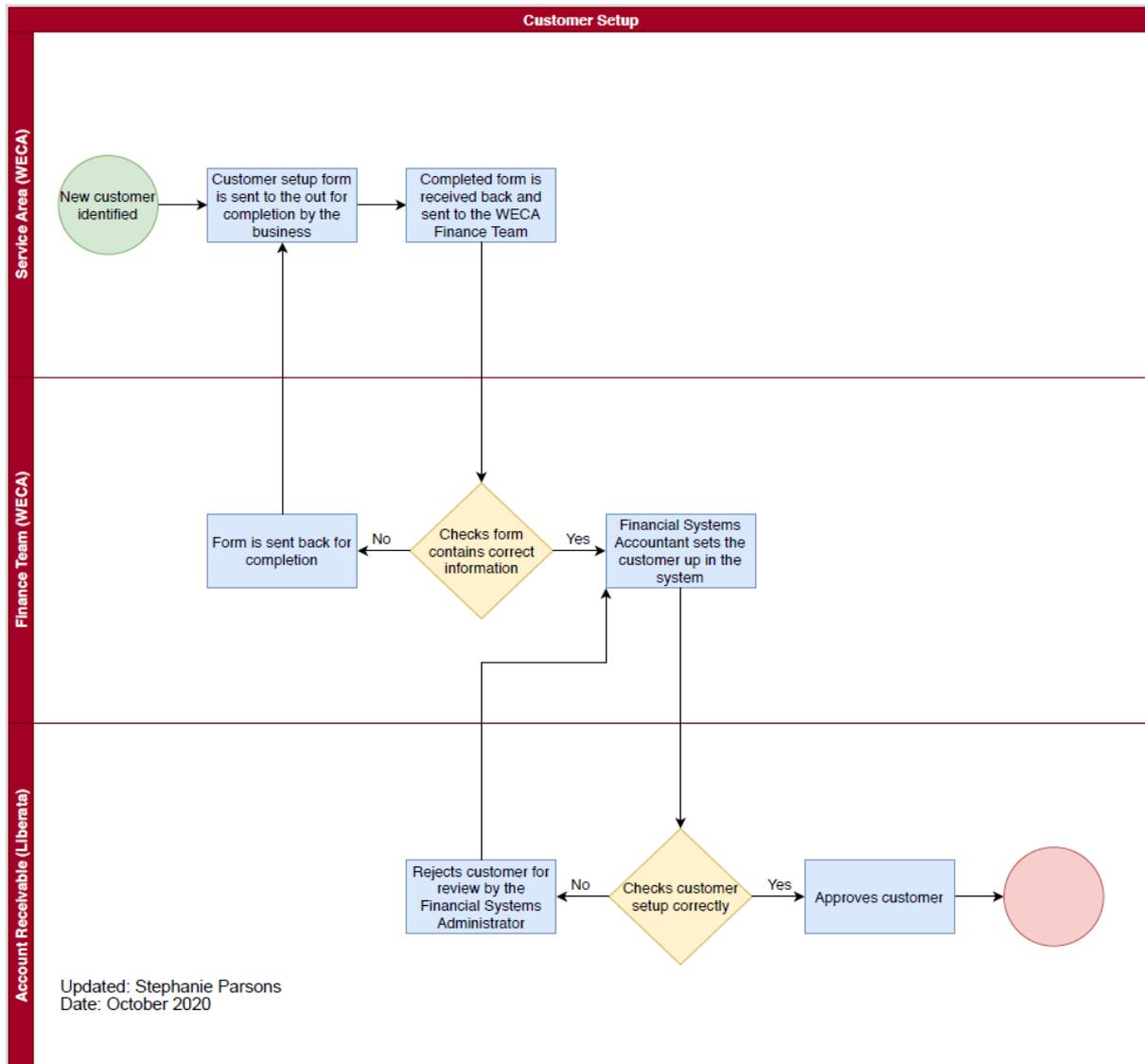
2.1 Customer Setup

The new customer is sent the Debtor Setup Form which they are required to complete and send back to the Finance team.

The Financial Systems Administrator checks the form to ensure that the information provided is correct and complete. If any errors/missing information is detected, the customer is notified and asked to resubmit a corrected version. The customer is then set up in the system.

Before the customer can be used for invoices, the Accounts Receivable team receives a task to review the customer. This check is in place to ensure the customer has been set up correctly and to ensure that there has been no duplicate, if there is an issue with this record, Accounts Receivable will reject the customer giving a reason for the rejection. This can then either be closed from the system or corrected and resubmitted.

After the customer is approved, they are assigned a customer ID code which is used to raise any invoices/credit notes. There is a report in Agresso which allows all staff to see the list of customers available for use.



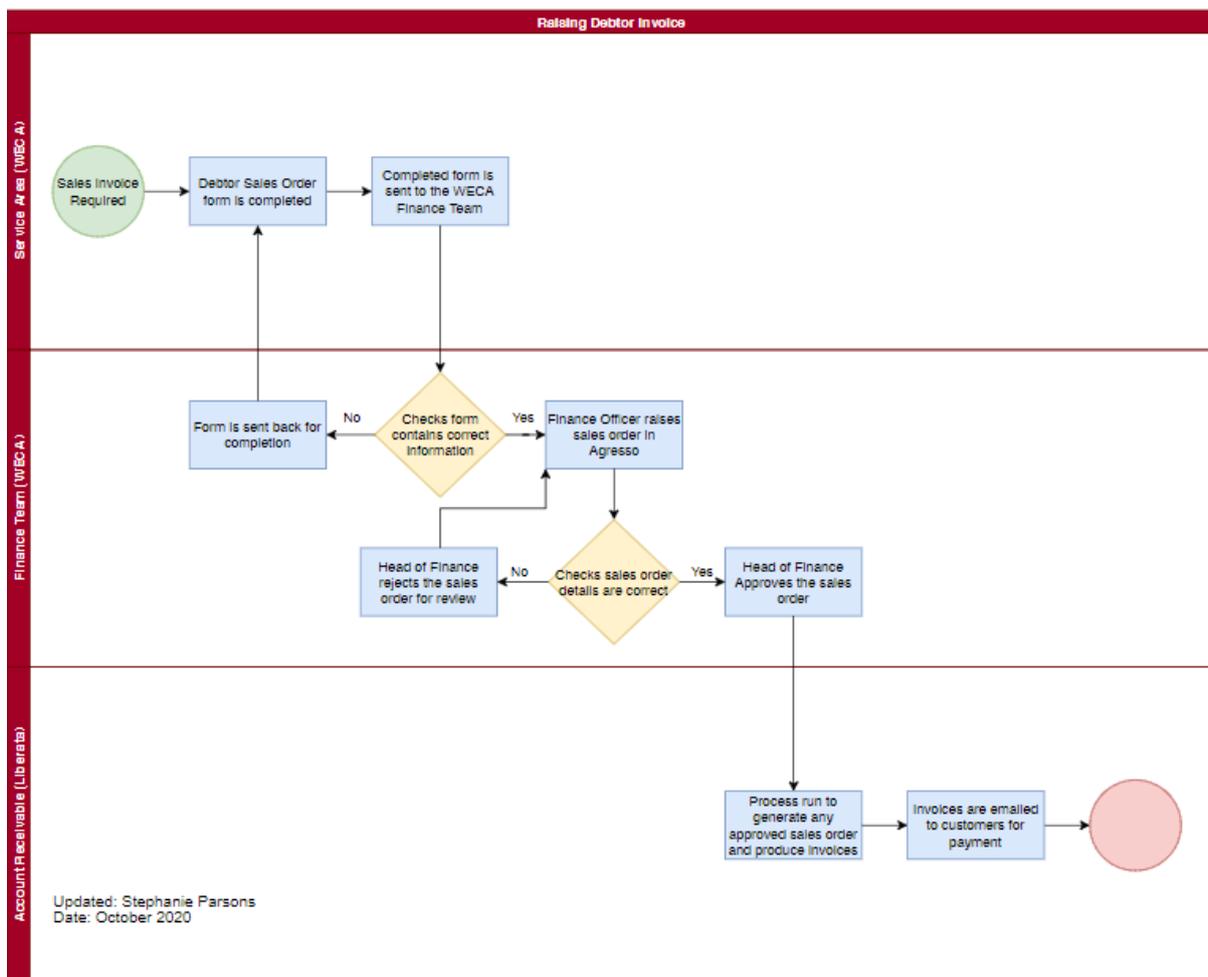
2.2 Customer Invoices

The debtor sales invoice form is completed by the salesperson and sent to the Finance team for review and input.

The form is checked to ensure it is fully completed (with a valid PO number and coding). If this is correct, the sales invoice details are input in Agresso and sent for approval. If there are any errors the form is returned to the salesperson who is asked to correct and resubmit their form. It is required that the budget holder either signs or email approves the sales invoice form.

After the sales invoice has been submitted, a task is created for the Head of Finance and Procurement to review and approve it. This is to confirm that the tax treatment is correct and that it is consistent with other invoices raised for the same purpose. Where there are queries over this, the issue is raised with the Financial Accountant to advise or raise with PS Tax (tax specialists) to confirm.

Accounts Receivable run a weekly process to generate the invoices. Once approved, the invoice will be picked up on this process and then sent out to the customer requesting payment (a copy is saved in the Agresso document archive for reference).



2.3 Raising Credit Notes

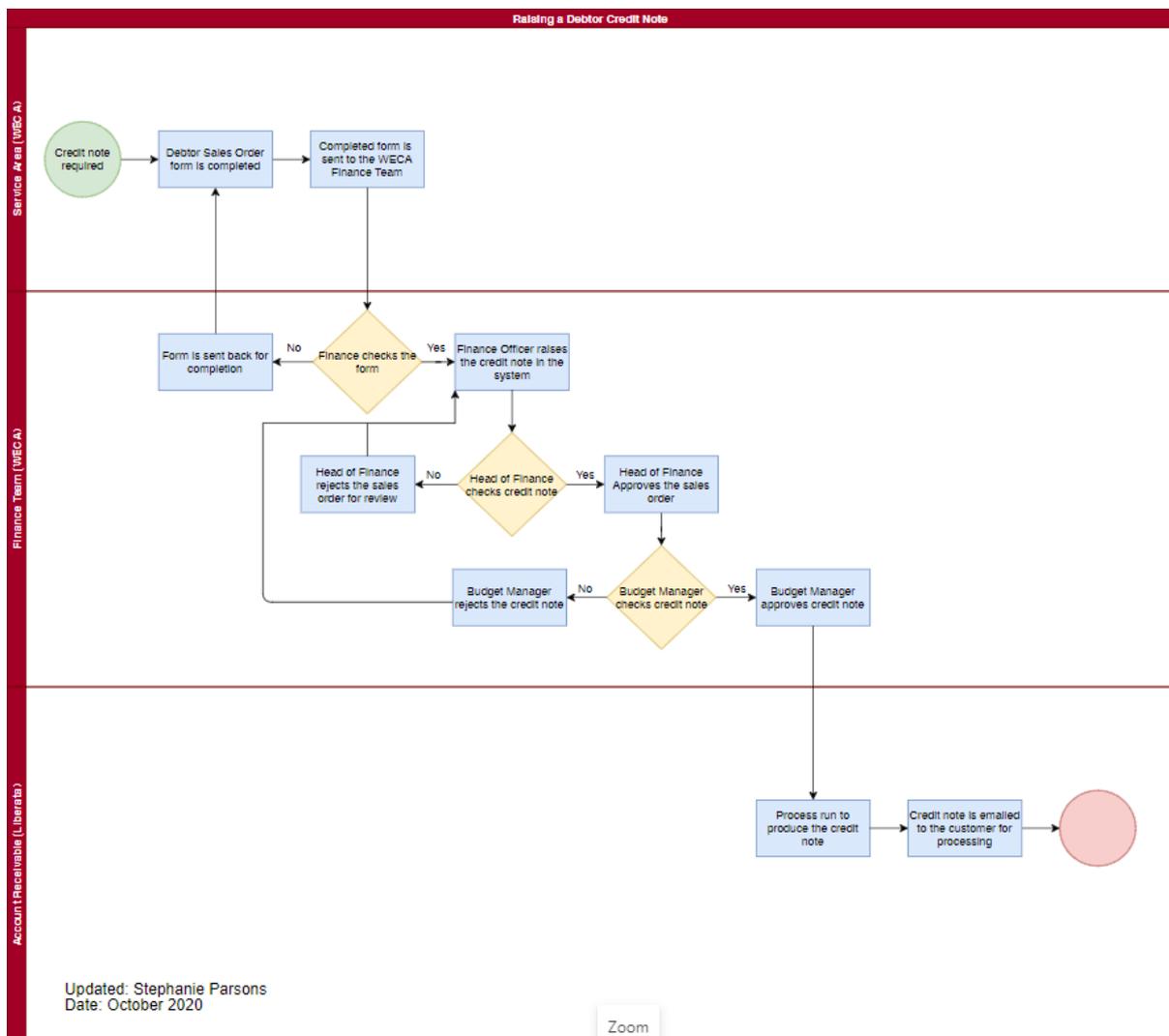
If a credit note is required, the salesperson completes the sales invoice form (noting the reason for the credit note being required). This is sent to the Finance team to check and review.

If this form is fully complete and correct, the credit note is entered into Agresso (matching the original invoice number to the credit note so the invoice no longer shows as outstanding). This is saved and starts the workflow.

The budget manager of the cost centre receives a task for approval – they are responsible for confirming that the credit note is required and that the coding/description is accurate. Once processed, the Head of Finance and Procurement to approve (to confirm that the credit note matches the invoice completely and is correct).

If either approver has an issue with the credit note (wrong code/amount/supplier) they reject the credit note with a brief description of the error. This is sent back to Finance to check with the salesperson and resubmit a correct version.

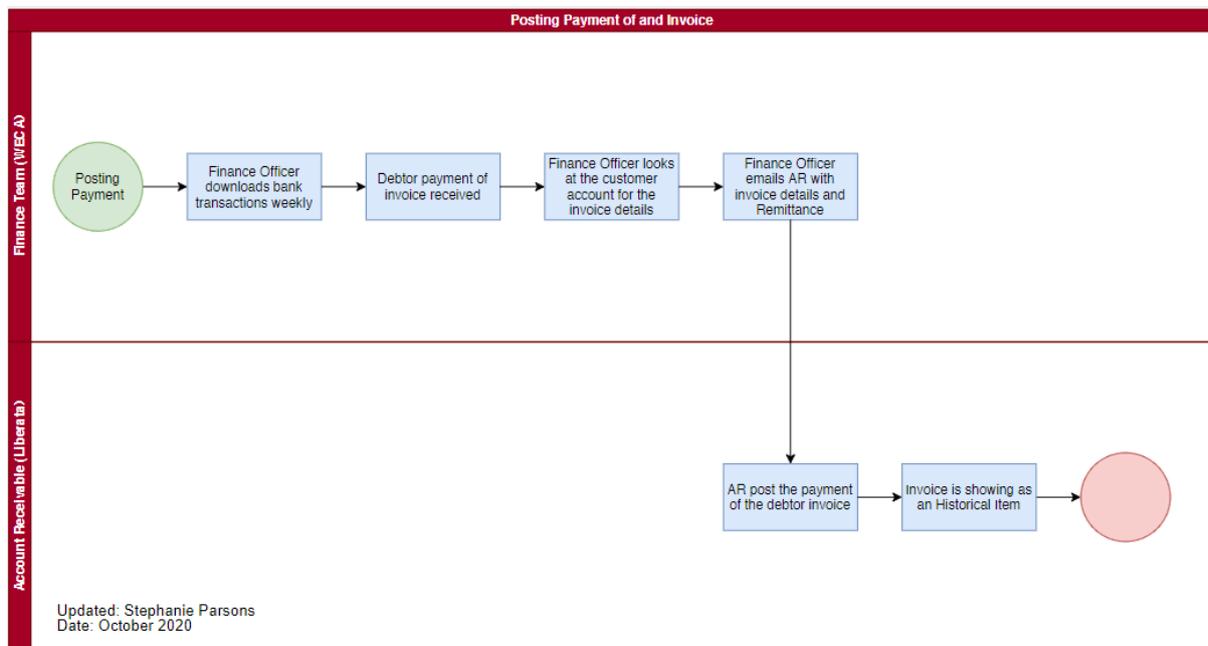
Once fully approved, the credit note is processed and generated. The credit note is sent to the customer and a copy is saved in the Agresso document archive for reference.



3.3 Debtor Payments

The Finance Officer is responsible for maintaining the bank reconciliation and posting the transactions weekly. When a debtor payment is received, the Finance Officer send the details of the payment to Accounts Receivable (including amount, customer ID, invoice number) or the remittance is received.

The Accounts Receivable team posts the transaction between the bank and the debtor control account.



When a customer doesn't pay their invoice within the 30-day payment terms, the first reminder letter is generated and sent out. This letter notifies them that the payment run has passed and asks them to make payment within 14 days. A copy of this is saved in the document archive for reference.

If the customer has not made payment after the 14 days, the second reminder letter is generated and sent out to the customer. This letter notifies them that the 14 days has passed and requests that they pay within 7 days.

Throughout this process, the Finance team will reach out to the customer to let them know that we can send them a copy of the invoice and to ask for an update on the payment status.

If payment has still not been received, the Director of Corporate Services and Head of Finance and Procurement will make the decision on whether to start formal recovery/legal action. All invoices have been paid before this stage in the recovery process, so we have not yet had to start a formal recovery process.

System Administration

3.1 Supplier Amendments

One recommendation from Internal Audit was to regularly complete a check of supplier changes/amendments. We have decided to complete this check monthly.

A report is run at the beginning of every month containing all information where a change/amendment has been made to a supplier record - this includes new supplier records and supplier records that have been closed/terminated.

Any supplier record where a 'major' change has been made - changes that will affect the payment of an invoice such as bank details or trading name - are compiled in a list and a sample of 10% is taken. These are checked to ensure that the backing for change is saved against the supplier in the document archive and that the change matches the request submitted.

The suppliers sampled are listed on the front of the report and the result of the sample is recorded - whether the evidence was saved and correct.

The report is signed off by either the Head of Finance and Procurement or the Financial Accountant.

If one of the suppliers sampled with no backing saved or incorrect updated details, the issue would be raised with Accounts Payable as a matter of urgency. All changes to the supplier's name/bank details would then be checked to ensure that this was not a recurring issue.

3.2 Customer Amendments

Another Internal Audit recommendation was to perform a regular check of changes/amendments to customer records. We have decided to complete this check monthly.

A report is run at the beginning of every month to show all customers where a change/amendment has been made to their record - this includes new customer records and customer records that have been closed/terminated.

Any customer records where a 'major' change has been made - changes that will affect the ability of WECA to receive prompt payment such as changes to trading name or payment terms - are compiled in a list as a sample of 10% is taken. These are checked against to ensure that the backing for changes is saved against the customer in the document archive and that the change matches the request submitted.

The customers sampled are listed on the front of the report and the result of the sample is recorded - whether the evidence was saved and correct. There are currently no changes to customers other than new records in the system.

The report is signed off by the Head of Finance and Procurement or by the Financial Accountant.

If there was a customer sampled with no backing or incorrect updated details, the issue would be raised with the Head of Finance and Procurement or the Financial Accountant as a matter of urgency. All changes to the customer's name/payment terms would then be checked to ensure that this is not a recurring issue.

3.3 User Access Review

One of the recommendations from Internal Audit was to complete a User Audit on at least an annual basis to ensure that only current staff have Agresso accounts. We have chosen to do this monthly so we can also monitor the roles/data controls in place.

A report is run at the beginning of every month to show all new/amended/closed user records. Amendments will relate to both changes to the user record information - email address, phone number, address - and changes to the access/role information - data control rules, new roles.

Account code data control rules have been implemented to limit access to the payroll information in the system. This has allowed reports to be rolled out to staff that they can run themselves, but still ensure that only authorised members of staff can see sensitive information. These users are:

- Heads of Service
- Directors
- CEO
- Relevant members of Finance

All users are checked against the access levels they should have and the menus available to them. Any changes to the structure since the previous month are made.

The report is signed off by the Head of Finance and Procurement or the Financial Accountant.

3.4 Invoice to PO Matching

WECA operates a No PO, No Pay policy. This policy was implemented with the new system to help tackle the threat of fraud/overpayments/duplicate payments/incorrect invoices.

To ensure compliance with this policy, there is a monthly report run from Agresso which pulls off all supplier payments made during the month to check if any invoice payments have been made without a purchase order being in place.

The report is checked, and all grant payments are excluded as these are processed via a Request for Payment Form. The remaining payments are invoice payments, and they are filtered to show any invoices that have been processed without a purchase order.

The invoices without purchase orders are then checked against the PO exemption list and any that are not on that list are followed up. Reminders are sent to staff to remind them of the process and ask if they need a refresher.

There are very few instances where an invoice has been processed without a PO or being on the PO exemption list, these invoices were all brought to the attention of the Finance team and it was agreed that the best course of action was to process them without the PO. These invoices are from the beginning of the Financial year where we did experience some VPN connection issues and people were unable to access the system.

This report is signed off by either the Head of Finance and Procurement or the Financial Accountant.

3.5 Attribute Amendment

There is a monthly report run from Agresso which pulls off all attributes where there has been a change made. This can include the setup/amendment/close.

The report is checked by the Financial System Administrator and is used to ensure that only required attributes have been created, those no longer needed have been closed, amendments have been made correctly and to ensure that access to changing this data is restricted to the approved group.

Any amendments required to the data required are recorded on the report and the changes are made.

Any instances where an unauthorised member of staff amends the attributes will be recorded and data control measures will be checked and implemented if required.

The report is checked by either the Head of Finance and Procurement or the Financial Accountant.

3.6 Duplicate Payments

There is a quarterly report run from Agresso which pulls off all payment information of invoices and grants made.

The report is used to check for any duplicate payments made. This is done by checking the invoice number, purchase order number, amount, and description against each supplier id. Where one or more of these are the same, the invoices are checked to that they are correct and unique payments.

Any duplicate payments found will be recorded and the Financial Accountant and the Head of Finance and Procurement will be notified. The supplier will be notified of the issue and a refund request will be sent out requesting the money of the duplicate payment is returned. This will be monitored until the funds are received.

The report is checked by either the Head of Finance and Procurement or the Financial Accountant.