LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

QON No.25

STANDING COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM
JEREMY HANSON MLA (CHAIR), MICHAEL PETTERSSON MLA (DEPUTY CHAIR), MARK PARTON MLA, SUZANNE ORR MLA

Inquiry into referred 2016–17 Annual and Financial Reports
ANSWER TO QUESTION ON NOTICE

Asked by MR COE MLA:

Chief Minister, Treasury and Economic Development Directorate 2016/17 Annual Report, Procurement and Capital Works, Output 8.1

In relation to Invoice Register and Contract Details – Processes:

1. Please explain the current processes followed when the ACT Government receives and pays an invoice.

2. Please outline the risk management procedures that are in place for invoice payments, in particular where there are manual or hard copy processes involved.

3. Please provide the breakdown of the total number of (i) incorrect payments and (ii) fraudulent payments identified during:
   a. 2014-15;
   b. 2015-16;
   c. 2016-17;
   d. 2017-18 to date.

4. Please outline what checks are conducted on the payment of invoices to ensure that they are above board and accurately captured.

Mr BARR MLA: The answer to the Member's question is as follows:–

1. Invoices processed and paid on behalf of directorates by Shared Services into Oracle E-Business Suite (EBS), can be captured via an interface, hard copy or work flowed through the recently implemented Automated Payables Invoice Solution (APIAS). Invoices processed through APIAS are electronically work flowed to the goods receiver within the directorate who acknowledges goods received and codes the invoice then the invoice is electronically work flowed to their delegate to authorise payment.

   Some business units within directorates process their own invoices directly into Oracle EBS or through an interface. Not all ACT Government invoices are captured in Oracle EBS as some business units use their own financial information management systems. For invoices not work flowed through APIAS the supplier sends the invoice to the goods receiving officer within the directorate who acknowledges the receipt of goods and code the invoice. The invoice is then passed onto their delegate to authorise payment.

Where hard copy and scanned invoices are manually processed by Shared Services, checks are carried out to ensure the invoice is correctly rendered, coded and authorised for payment. Once an invoice has been entered into Oracle EBS the invoice is independently verified prior to payment. Invoice payment runs are generated by Shared Services for most directorates each Tuesday and Thursday and more frequently for specific or urgent payments. The majority of payments are made via Electronic Funds Transfer with a very small number paid by cheque.

2. Risk management procedures in place for invoice payments are as follows:

   - All invoices are approved for payment by an authorised delegate within the directorate;
   - Segregation of duty responsibilities within Oracle EBS;
   - System controls within Oracle EBS to prevent the processing of duplicate invoices;
   - Restricted access for the generation of invoice payment files and to the cheque printer;
   - Output of the electronic payment file sent to the bank is secured and unable to be edited;
   - System controls when creating new suppliers and making amendments to supplier details; and
   - Quarterly reviews of payments by a software data analytics tool, GST One Source utilising data from Oracle EBS. This tool reviews all payments by a number of controls including a supplier's GST registration, identification of possible incorrect and duplicate payments.

3. A breakdown of the total number of incorrect payments and fraudulent payments which have been identified from analysis of Oracle data are as follows:

   a. 2014-15: 58 incorrect payments were identified with no fraudulent payments;
   b. 2015-16: 32 incorrect payments were identified with no fraudulent payments;
   c. 2016-17: Shared Services are currently undertaking an audit of the financial year's incorrect payments. One fraudulent payment was identified in the 2016-17 financial year. A supplier's email account had been 'hacked' and a fraudulent invoice was sent to a directorate. The funds for this fraudulent payment have been fully recovered; and
   d. 2017-18 to date: Shared Services are currently undertaking an audit of this financial year's incorrect payments. No fraudulent payments have been identified.

4. The following checks are conducted on the payment of invoices to ensure they are above board and accurately captured:

   - Shared Services ensures invoices received for manual processing are signed off by the goods receiving officer within the directorate and authorised for payment by the directorate delegate;
   - Invoice data entered into Oracle is checked by a second officer within Shared Services prior to validating the invoice for payment;

- There are internal system controls when creating new suppliers or making amendments to current supplier details. Controls include one officer within Shared Services creating or amending supplier details and an independent officer within Shared Services verifying the changes;
- Supplier information captured during invoice data entry is matched to the master vendor file in Oracle EBS ensuring the correct supplier is paid; and
- Quarterly reviews of payments by a software data analytics tool, GST One Source utilising data from Oracle EBS. This tool reviews all payments by a number of controls including a supplier's GST registration, identification of possible incorrect and duplicate payments.
- The recently adopted APIAS technology, will assist in processing invoices electronically, reducing the risk of manual process errors.

Approved for circulation to the Standing Committee on Economic Development and Tourism

Signature: Andrew Barr   Date: 27.11.2017

By the Treasurer, Mr Andrew Barr MLA

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