# **SEPIO ™**



SECURE ERP & PROTECTING INTEGRITY OF OPERATIONS

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SEPIO ™

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## **Introduction**

Procurement departments throughout the world touch all parts of their respective business’s from purchasing operational items, devising contract strategies, developing and adjusting criteria for the purchase to pay system to stay ahead of its time, preparing for audits from internal and external auditors, adopting new initiatives for sustainable procurement and supply chains meanwhile satisfying stakeholders needs. With this level of interaction within their company, some of the tactical purchase-to-pay processes are often overlooked.

Fraud prevention has to keep up to date with the changes that we are making to our business practices. We need to recognise that these changes bring us new implications. The risks in our ‘new world’ are evolving as we find new ways of engaging with third party suppliers i.e. strategic sourcing or partnerships. We need to consider the risks that can occur when there is no regular market challenge and therefore supplier due diligence is a must before entering into these news agreements.

The business environment is ripe for increased fraud. Focus by organised criminals continues and our business as usual activities are also under threat. The impact of the credit crunch and recession are biting with situations of negative equity and increased personal debt. Incentives may look appealing and enticing to our employees. Money making schemes and the increased risk of coercion may make these schemes appear low risk. Employees may be under more significant personal pressure and any scheme may appear to be answer to the problems. The risk of insider fraud continues unabated.

## **Procurement Facts and Figures**

* The typical organisation loses 7% of its annual revenue to fraud and abuse
* Fraudulent billing accounts for 24% of occupational fraud cases with the fraud going undetected for a median length of time of 24 months.

ACFE 2008 Report to the Nation of Occupational Fraud and Abuse

Research has shown that the stereotypical profile of fraudster is a male between 36 - 45 years old. He will have 3 to 5 years service and holds a Senior Management position working within the Finance department. He works alone to perpetrate the fraud, taking advantage of the weak controls and is only discovered through a tip off. No prior suspicions and the losses are not recovered.

However, KPMG’s 2014 Fraud Barometer analysis revealed a “changing of the guard” as the profile of fraudsters changed from senior executives to younger employees “funding extravagant lifestyles”.

Frauds committed by those aged 26 to 35 totalled £62 million up 285% on 2013, while wrong doing carried out by those over 46 fell 72% to £88 million. The average value of each fraud in the first six months of 2014 was £2 million, down 43% on the 2013 figure of £3.5 million.

Hitesh Patel, UK forensic partner at KPMG, said “Where once it was the jaded executive who relied on unquestioned seniority and authority to get away with dipping in their hands in the till, it seems we are witnessing a changing of the guard. It is important for UK organisations to recognise that youth doesn’t always equal innocence, as a confident and tech savvy generation comes through, adept at circumnavigating conventional controls and staying under the radar.”

See more at: http://www.supplymanagement.com/news/2014/face-of-the-fraudster-is-getting-younger-kpmg-fraud-barometer#sthash.m9DJqHD0.dpuf

## **Scenario**

The Director of Procurement and her team have been at the fore of a number of great purchasing successes over the last number of years. The team has been flexible and adjusted well to the ramp in capital expenditure and the impact that this has had on the tendering workload. They have adapted well to a significant change to the way they buy and developed a number of new strategies that will help them deliver the business requirements over the next 5 – 10 years.

The business customers and stakeholders have responded well to the change within the Procurement team and happy with the savings that have been delivered back to the projects through tough negotiations. Procurement timetables have been delivered on time with no affect to project programme and overall contract delivery.

The Finance Director is satisfied with the savings target achievements year on year along with an increase focus on post contract management which have resulted in some substantial cost avoidance claims.

However, sleepless nights still hound the Director of Procurement. There are a number of things that niggle her. While responding to the business direction and aligning the team to support this, she feels that some of the basic checks and balances have been overlooked since the introduction of the new ERP system. She has recently read that there is an increase in internal fraud due to the economic downturn and some of the examples could quite easily play out within her own company.

A number of “what if” scenarios are running through her head. She isn’t sure about the thousands of transactions that are flowing through the purchase to pay system. She has a dedicated team to look into some of the high risk items that crop up from time to time, but the process is labour intensive and the time could be well spent elsewhere. But “what if” the company was losing money through bogus transactions that were going undetected?

If only there was a piece of software that she could “bolt on” to the highly expensive ERP system that would analyse this day to day transactions, highlight any “red flags” in real time, giving her the assurance that these have been identified and investigated.

## **Solution**

There are vast numbers of off the shelf software tools that allow companies to analyse their procurement spend. The shortcomings of these tools are that they are reliant on some level of technical skill and do not provide actionable reports. Plus, vast amounts of data still have to be filtered and manually configured, which in turn is time consuming and labour intensive.

Our product software will strip out the hard work for all non-technical procurement analysts with 10 pre-configured “basic” checks built in. These 10 checks are built round problem areas that every procurement department suffers globally i.e. buying off contract, splitting orders up to circumvent financial authorities etc. All well know “hot spots” in the procurement and accounts payable world. These 10 checks can be further supplemented with other criteria should the Client have any other areas of concern.

The beauty of this software is that it will only return relevant and time critical data i.e. the problem data, the exceptions, the data that requires further investigation or auditing. The output only focuses on information that falls out of the rules.

This product differentiates itself from “normal” spend analytics as it focuses on governance and compliance in the first instance with the capability of analysing spend as a secondary function.

To provide a software platform that will take the volume of transactional data of each requisition, purchase order and invoice and cross reference against each other allowing the image of the invoice to be “embedded” into the PO data, allowing the ability to “drill down” from the PO to the invoice should this be require.

The collective data will be run through a sequence of client based and/or the “off the shelf” requirements which will reveal the “reg flags” that require further investigation/audit. The starting point is to get the basic criteria into the solution which will only report the exceptions to the rules.

4.1 Health Check - Understanding the Spend

Identifying meaningful opportunities for improvement as well as those areas of risk that is not yet identified or managed:

* Checks against Segregation of Duties (SoD) matrix to ensure that processes and individuals access entitlement does not present any conflicting from intentional or accidental misuse of an organisation's resources
* Highlights new opportunities for improvement i.e. sequentially numbered purchase orders, raised on the same day, to the same Vendor for under threshold approval levels; purchase orders raised after invoice date etc.
* Highlights the known areas of risk i.e. duplicate payment identification, incorrect VAT payments, missed discounts etc.
* Benford’s Law – also called the first-digit law, states that in lists of numbers, the leading digit is distributed in a specific, non-uniform way. This counter-intuitive result has been found to apply to a wide variety of data sets, including: financial data, insurance claims, electricity bills, street addresses, stock prices etc. See Appendix 1 – Benford’s Law Distribution.

The health-check provides the starting point for developing the organisations Governance and Assurance policy and procedures.

4.2 Risk Profiling – Opportunity Assessment

Governance approaches will differ from organisation to organisation and existing policies and procedures will already be in place. Even although the organisation will have financial approval and purchasing policies, the health check will show some level of non-conformance.

Therefore aligning the correct governance approach is critical meanwhile challenging and advising the business to mitigate and control risks in accordance with the risk appetite. Challenging existing policies and procedures requires facts to demonstrate the gap areas of compliance.

This stage of the process takes all the issues that have been found during the health check and categorises/prioritises the risk to the organisation.

4.3 Framework Development – Value Engineering

Based on the priorities (risk, organisational and departmental) the framework will outline the governance parameters that are required to provide the right level of assurance. It will outline the scope, content, output and frequency.

4.4 Audit Plan – Performance Measurement

The audit plan will provide details of the stakeholders, audit terms of reference and audit frequency, process for identifying actions and close out periods.

* 1. Management Support – Performance Monitoring

Providing up-to-date measurements of their performance improvement keeping the Client abreast of new and upcoming threats.

## **Range of Criteria – The Rules**

The software has to be configurable. The software will be built in such a fashion that there are a number of “in-built” queries to test the data to ensure that the company gains comfort that all the “usual” areas of concern are automatically checked. After there is a period of “stablisation” for the company, i.e. 3 or 6 months, then more sophisticated client defined criteria can be added.

## **Table 1 - Off the Shelf Criteria**

| Definition | Criteria | Test |
| --- | --- | --- |
| 1. Number of PR raised on the same day, to the same Vendor, same project number/cost allocation by the same requisitioner. All PR’s must be within the delegated authority of the business (i.e. <=£10k)   Is there a possibility of collusion / misappropriation with the requisitioner and Vendor? | PR final approval date range  PO Number  PO Value  Vendor Name  Project / Cost Allocation  Requisition Raiser/Preparer  Requisition Raiser/Preparer Approval Level  Requisition Approver  Requisition Approver Approval Level | * Are the requisitions being raised to circumnavigate the financial authority of the company? * Is there are breach of purchasing policy? * Is there any regularity/pattern to the requisitioner /Vendor history? |
| 1. Sequential PO numbers to the same Vendor approved by the same buyer. All PO must be above the delegated authority of the business and re-routed to Procurement for approval.   Is there a possibility of collusion / misappropriation with the buyer and Vendor? | PO final approval date range  PO Number  PO Value  Vendor Name  Buyer  Buyer’s Approval Level | * Are the purchase orders being raised without a requisition? * Is there any regularity/pattern to the buyer /Vendor history? * Is the buyer approving orders that should be purchased off a framework agreement? If yes, why? * Is there a loss of volume discount due to the purchase from the wrong Vendor? |
| 1. All POs that are placed that are not linked to a CPA but are within the business’s delegated authority – are the quotes attached? | PO final approval date range  PO Number  PO Value <=£10k  CPA = not blank  Vendor Name  Requisition Raiser/Preparer  Requisition Raiser/Preparer Approval Level  Requisition Approver  Requisition Approver Approval Level  Attachment = Yes | In most instances, the purchasing policy of the company will delegate authority to the business to obtain 3 quotes to ensure that they are getting value for money.  Is there evidence that policy is being adhered to? |
| 1. A contract has been agreed and volume discounts are in place. Volumes must be monitored to ensure all appropriate rebates are being claimed (including POs to the same Vendor with no CPA referenced).   Is there a possibility of collusion / misappropriation with the buyer and Vendor? | PO final approval date range  CPA = not blank  Vendor Name  Volume Discount on CPA  Cumulative spend over all PO’s linked to CPA  List of other PO’s raised for same Vendor but not linked to CPA  PSG = CPA PSG | * Missing volume discounts * CPA volume discount * Value of POs linked to CPA > volume discount * Value of POs not linked to CPA * Paperwork raised for volume discount * Are Buyers managing volume discount post contract award |
| 1. A contract is in place for a specific product / service but POs are being placed with other Vendors. The framework agreement is mandatory for use throughout the company.   Is there a possibility of collusion / misappropriation with the buyer and Vendor? | PO final approval date range  CPA = not blank  Vendor Name  Volume Discount on CPA  Cumulative spend over all PO’s linked to CPA  List of other PO’s raised for same Vendor but not linked to CPA  PSG = CPA PSG | * Contract leakage * Lead buyers/commodity managers are approving use out with their contract – why? * Lack of management of the approval of Vendors for the product service code – why? |
| 1. List all new Vendor records that have been created to pay a Vendor after the invoice has been received. | Vendor Creation date range  Vendor Name  Invoice Date < vendor creation date  Invoice Entry Date  Payment terms = count working days from invoice date to vendor creation date  Project / Cost Allocation | * How many vendor records have been created to pay invoices? * Committing spend to an unapproved vendor * Vendor status (HMRC etc) has not been validated * No terms & conditions have been agreed * Potential breach of statute in relation to payment terms & exposing company to late payment charges |
| 1. List all POs that have been created to pay an invoice. | PO final approval date range  Vendor Name  Invoice Date < purchase order approval date  Invoice Entry Date  Payment terms = count working days from invoice date to purchase order creation date  Project / Cost Allocation | * How many POs have been created to pay invoices? * Committing spend which has not financial approval * Potential breach of statute in relation to payment terms & exposing company to late payment charges * Volume of unapproved PO’s in Month * Value of unapproved PO’s in Month |
| 1. List of cost centres that are not receipting goods or services timeously. | PO Number date range  Vendor Name  Invoice Date < purchase order approval date  Invoice Entry Date  Receipt date (including unreceipted)  Payment terms = count working days from invoice date to payment date  Project / Cost Allocation | * Was the purchase order created prior to the invoice date? * Was the invoice entered within x days of invoice date? * List the worst offenders within the company for not receipting goods and services. * Potential breach of statute in relation to payment terms & exposing company to late payment charges |
| 1. How many invoices have had duplicate payments made to the Vendor? | Invoice Number (and variations thereof)  Receipt Number (voucher number)  Invoice Date  Invoice Value  PO Value  Unique Receipt Number  Invoice Matched to a PO  Project / Cost Allocation | * Does the invoice match the PO, the receipt and the requisition? * Is it a duplicate invoice? Does it correlate to the delivery note? * Duplicate, sequential or over payment * Cash back scheme? * Usual invoice price increases? |
| 1. Open POs that have exceeded their contractual delivery date. | PO Number date range  Delivery/Need by Date >30 days  Preparer  Project Cost Allocation | * Open POs that have any value left “unspent” shows as an open commitment to spend |

## **Financial Hierarchies – Business Unit Expenditure Hierarchies**

Within the purchase to pay system (P2P), it is normal practice to have financial hierarchies set as parameters which allow the business unit to raise requisitions and obtain the required number of financial approvals accordingly to the value of the requisition. The person approving requisitions for goods or services is responsible for ensuring that there are sufficient funds authorised to cover costs of the purchase.

A financial hierarchy has to reach all levels within an organisation and there are typically two mutually exclusive hierarchies:

* **Requisition** – for the business to spend money to deliver the operational targets/objectives/projects
* **Procurement** – for the procurement team to approve that the spend is being made with the right Vendor, at the right price and against the correct terms and conditions that does not expose the organisation

Responsibility for spending money within an organisation is limited and to Procurement representatives. The business is responsible for spending money within budget that has been set within the preceding financial year.

Depending on the complexity of the organisation and the nature of its work, then the financial hierarchy will match. The following example is of a fairly complex organisation which incorporates a board, a management board, chief executive etc. The hierarchy will also allow for “Not in Budget” spending as emergencies do happen.

## **Table 2 – Directorate Revenue Expenditure Authorisation & Requisition** **Limits**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Type of Revenue Expenditure | Approved in Budget | Not in Budget |
| Board | All | Unlimited | Unlimited |
| Management Board | All | Unlimited | £50m |
| Chief Executive | All | Unlimited | £10m  (If not in budget, any revenue expenditure above £10m must have been subject to Management Board or Board Approval) |
| Finance Director | Oil & Gas Exploration and Production, Group Services | £10m | £2m |
| All Other Categories | £5m | £1m |
| Managing Directors | In relation to their own business areas | £2.5m | £1m |

## **Table 3 – Individual Revenue Expenditure Authorisation Levels**

|  |  |  |
| --- | --- | --- |
| Revenue Expenditure Authority Level | Not In Budget  Revenue Expenditure Authorisation Limits | Requisition Authorisation Limits  (Applies to Budgeted or Separately Authorised Expenditure Only) |
| LEVEL 1 | £50k | £2.5m |
| LEVEL 2 | £50k | £500k |
| LEVEL 3 | £25k | £250k |
| LEVEL 4 | £15k | £150k |
| LEVEL 5 | £10k | £100k |
| LEVEL 6 | - | £50k |
| LEVEL 7 | - | £25k |
| LEVEL 8 | - | £20k |
| LEVEL 9 | - | £10k |
| LEVEL 10 | - | £5k |
| LEVEL 11 | - | £2k |
| LEVEL 12 | - | £1k |
| LEVEL 13\* | £1 | £1 |

\*Level 13 authorities allow for administrative processing and job set-up only, staff with this level of authority is not entitled to authorise contracts or orders.

Once the business approval has been sought, there are four routes that the requisition can take to be converted into a purchase order:

* 1. **Delegated Authority** – the business unit have delegated authority to make purchases up to the value of £10,000. Once the financial approval has been obtained the requisition is automatically converted to a purchase order and emailed to the Vendor. The business representative is responsible for securing best value for money by benchmarking prices.

Diagram 1: Key

Diagram 2: Delegated Authority

* 1. Auto – Approved - A CPA has been referenced in the requisition. The system validates the approval to purchase under the main contract, automatically converts the order and emails the PO to the Vendor.

Diagram 3: Auto - Approved

* 1. Procurement Approved – The requisition value is higher than the value of the delegated authority and requires a Buyer within the Procurement function to approve the spend. The checks that the Buyer will take could be Vendor is approved for purchase, the CPA reference is missing (contract leakage) or over specification.

Diagram 4: Procurement Approved

* 1. Project or Contract Approval – Under the Project Cost Accounting module there is functionality to allow the “original” financial hierarchy to be superseded. This allows the project to be “approved” at its highest level and removes the requirement for senior management (i.e. CE) to approve each and every project requisition. Spend approval is essentially “delegated down” to the project director/manager. All rules are specific to the project.

Project Orders <£5k (+ <£10k)

Diagram 5: Project Orders <£5k (+ <£10k)

Project Orders >£5k (+ >£10k) – no requirement for requisition approval higher than Project Director

Diagram 5: Project Orders >£5k (+ >£10k)

## **Financial Hierarchies – Procurement Approval Hierarchies**

It is normal practice to have a procurement approval hierarchy which allow the procurement team to function in a similar way to that of the business by obtaining the required number of approvals accordingly to the value of the requisition. The authorisation of requisitions will depend on a number of factors, a few examples follow:

* **Contract Purchase / Framework Agreements in place -** Approved requisitions for materials, equipment or services, for which a Framework Agreement has been arranged, are automatically converted into Orders.
* **Requisitions for Goods or Services not covered by a Framework Agreement - £10,000 or less** Requisitions must not be split to keep the overall value less than £10,000.Upon approval of the order it will be automatically emailed to the Vendor.
* Requisitions for Goods or Services not covered by a Framework Agreement - Over £10,000. If the requisition has a value in excess of £10,000 the systems will automatically route it to the relevant person in Procurement. Procurement will seek best value for money by benchmarking prices and tendering as necessary.
* Any requests for amendments to existing orders are made via the original purchase requisition, re-approved through the appropriate approval process and including Procurement.

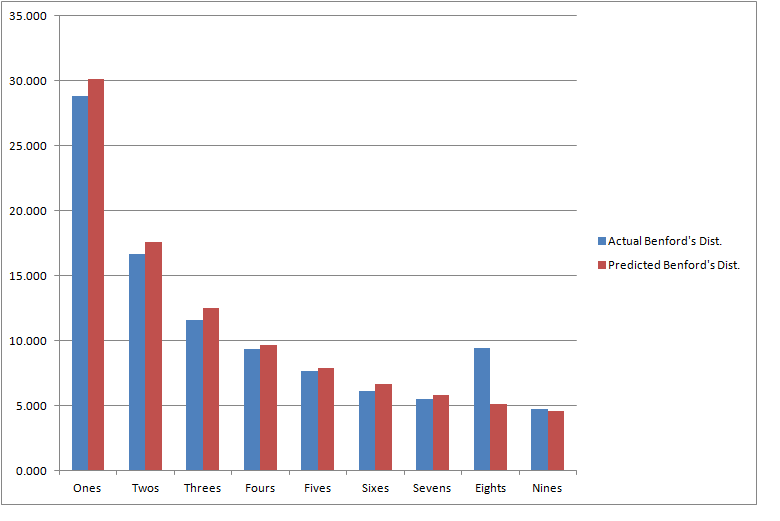
## **Table 4 – Procurement Authorisation Levels**

|  |  |
| --- | --- |
| Job Title | Authorisation Level |
| Director of Procurement | £1 billion |
| Group Head of Procurement | £50 million |
| Head of Procurement | £2 million |
| Procurement Manager, | £500k |
| Senior Procurement Officer | £100k |
| Procurement Officer | £50k |
| Trainee Procurement Officer | £25k |

## **Table 5 – Sample of Field Names from Oracle**

| Field Name | Module | Description | Example 1 | Example 2 |
| --- | --- | --- | --- | --- |
| Account Code | PO | The account code for the transaction to be logged against in the general ledger | 3101.3415.2555313.PH100660.0000 | 3151.3554.6051702.00000000.0000 |
| Buyer Name | PO | The buyer/ responsible procurement officer who approved the order (Buyer name >£10k or Procurement Depart if spend <£10k) | Procurement, Dept | Procurement, Dept |
| Cost Centre Code | PO | The cost centre the transaction to be logged against in the general ledger | 3415 | 3554 |
| Cost Centre Manager | PO | Cost Centre Managers Name | Last, First | Last, First |
| Cost Centre Name | PO | Name of the Cost Centre | Distribution excluding Metering | Distribution excluding Metering |
| Currency Code | PO | 3 digit ID identifying Currency | GBP | GBP |
| Days-To-Pay | PO | Custom Field – Difference between the date of the invoice and the date the payment was released to the vendor | 30 days | 30 days |
| DFF PO Number | PO | Defined Flex Field in this case PO Number | 1212038361 | 1213055163 |
| Holds Count | AP | Number of times the Vendor/invoice has been on hold (???) | 1 | 0 |
| Invoice Date | AP | The date the vendor created the invoice | 11-Aug-11 | 25-Nov-13 |
| Invoice Entry Date | AP | The date the invoice has been manually uploaded via OCR (Optical Character Recognition) | 29-Nov-13 | 29-Nov-13 |
| Invoice Id | AP | Invoice Id – auto generated unique number (as the invoice number can be replicated over Vendors) | 4642901 | 4642809 |
| Invoice Number | AP | Invoice number generated by the Vendor | 49808 | 9045799305 |
| Invoice Value GBP | AP | Value of the invoice in the appropriate currency | 338.1 | 8.28 |
| Item Description | PO | The item description (at line level) | MOT | Envelopes |
| Job Number | PO | Part of the account code – identified the project/job number allocated under the cost centre | 3101.3415.2555313.PH100660.0000 | 3151.3554.6051702.00000000.0000 |
| Level 0 - Director | Custom | Ultimate Responsibility (CE – as per Table 2 financial hierarchy) | Chief Executive | Chief Executive |
| Level 1 – Managing Director | Custom | MD reporting to Director (as per Table 2 financial hierarchy) | Managing Director | Managing Director |
| Level 2 – Business Unit Manager | Custom | BU Manager reporting to MD (as per Table 3 financial hierarchy) | Business Unit Manager | Business Unit Manager |
| Line Id | PO | Unique auto generated number for the software (not Oracle) | Auto generated | Auto generated |
| Line Net Amount | Custom | Cumulative spend against the PO | 338.10 | 8.28 |
| Line Number | PO | Number of lines on each Purchase Order | 1 | 8 |
| Line Type | PO | Line type to identify Goods, Works, Service, Stock item | SERVICE | GOODS |
| Local Buyer CPA Flag | PO | Auto releases PO if order is <=£10k | Value of PO is £338.10 so auto released to vendor | Value of PO is £8.28 so auto released to vendor |
| Match Type | AP | Receipt or PO Match | RECEIPT | RECEIPT |
| Matched PO Num | AP | The original PO number that has been matched to the invoice (detailed on the invoice) | 1212038361 | 1213055163 |
| Operating Unit | PO | The Operating Unit which has raised the requisition to make a purchase | Xxx | Xxx |
| Order Date | PO | Date the PO was approved and released to the Vendor | 22/08/12 09:07 | 28/11/13 13:17 |
| Paid Date | PO & AP | Date the invoice was paid to the Vendor | 11-Sept-11 | 27-Dec-14 |
| Payment Terms | PO & AP | Number of days to pay (set at Vendor level) | 30 days | 14 days |
| PO Creation | PO | Date the PO was approved and released to the Vendor | 22/08/12 09:07 | 28/11/13 13:17 |
| PO Description | PO | Description (at Line level) | MOT | Envelopes |
| PO Description | PO | Description of the purchase (at header level) | Usually blank | Usually blank |
| PO Line Amount | PO | The value of the PO line item amount | £338.10 | £8.28 |
| PO Number | PO | Unique auto generated Purchase Order Number | 1212038341 | 1213055103 |
| PO Value GBP | PO | Current value of the PO | 500 | 1000 |
| Preparer | PO | The person who raise the requisition | Last, First | Last, First |
| Preparer Employee Num | PO | The person who raised the requisitions payroll number | 2022428 | 2002033 |
| PSG Code | PO | Product Service Group Code – 4 digit number designating a “type” of purchase | 1234 | 2345 |
| PSG Description | PO | Product Service Group Code Description - Short description of the “type” of purchase | Vehicle Servicing & Repairs | Postage & Stationery |
| Reference Contract Number | PO | The Contract Purchase Agreement Number | 1234567891 | 1234567892 |
| Reference Contract Type | PO | CPA or LBCPA | LBCPA | CPA |
| Reporting Level 0 - Directorate | Custom | Directorate | Chief Executive | Chief Executive |
| Reporting Level 1 – Business Area (Board Level) | Custom | Business Area | Networks | Networks |
| Reporting Level 2 – Business Unit | Custom | Business Unit | Distribution excluding Metering | Distribution excluding Metering |
| Requester | PO | The original PO requester | Last, First | Last, First |
| Requester Employee Number | PO | Requisitioners payroll number | 2024081 | 2002053 |
| Ship To Location | PO | 4 digit alpha code determining location where commitment is to be delivered | STIR (Stirling) | PITL (Pitlochry) |
| Rank | Custom | Identifies Vendor ranking in terms of total spend (line net amount) | 9026 | 456 |
| Suspended Flag | AP | Is the invoice suspended? | Y | N |
| Total Vendor Spend | Custom | Identifies total spend with this vendor (line net amount) | £25,789.00 | £567,890.00 |
| Unit Price GBP | PO | Unit Price (at Line item level) | 338.10 | 8.28 |
| URN Receipt Num | AP | Unique Reference Number (not to be confused with the Voucher Number) |  | 288923 |
| Vendor Created By | PO | The user who created the Vendor or if the Vendor data was imported | DL-CONVERSION2 | Last, First |
| Vendor Creation Date | PO | Date the Vendor name is created in the system | 10/10/08 18:14 | 10/10/08 18:14 |
| Vendor Name | PO | Name of the Vendor | CURRY MOTORS | ROYAL MAIL |
| Vendor Num | PO | Unique auto generated number for each Vendor | 103290 | 101452 |
| Vendor Post Code | PO | Post Code of Vendor | PH2 0RG | RG1 1BU |
| Vendor Site Code | PO | Four digit code identifying Vendor site | PER1 | REA1 |
| Voucher Number | AP | Voucher number auto generated by the Client’s P2P invoicing system providing each invoice a unique number | 923994208 | 923994119 |

## Appendix 1 – Benford’s Law Distribution



When analysing financial data, if the actual distribution varies significantly from the predicted, there are likely to be errors or manipulations in the data. Fraudsters will often try to pass a fraudulent invoice through the Accounts Payable system with an amount that starts with a higher number, like 8 or 9, not knowing that we are now equipped to identify these abnormal payments.

In the example above, the actual distribution shows that nearly 10,000 invoices have been received where the invoice value starts with an 8. This is nearly double that we expect. Therefore further investigation would have to take place.