



Purchase Ledger Recovery

Simpson Associates: **PROPOSITION**
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In the current financial climate, an almost guaranteed way to generate cash would greatly benefit all businesses.

The problem

In UK businesses overpayments make up to 0.1% of annual payments made to third party suppliers, which translates into an average error rate between one and five payments in every 1000.

Many organisations are simply unaware of the extent of their annual losses; from overpaying supplier invoices, incorrectly computing deductions, under claiming output tax and not reconciling supplier statements. Others are aware of the problem but are uncertain about how to take corrective action in a cost effective manner.

Which businesses make these errors?

Despite state of the art ERP systems, errors occur mainly due to human error, so all businesses are at risk. The following factors can result in significantly higher than average results:

- High volumes of Purchase Ledger transactions;
- ERP system changes;
- Merger or acquisition;
- The use of temporary staff;
- Occurrences of high purchase ledger staff turnover.

Our recovery service is made up of:

- Duplicates review;
- VAT review;
- Statement credits review;
- Debit balances review;
- Findings review (root causes analysis).

Benefits of our service

- ✓ No internal budget is required to engage;
- ✓ We take the risk - no recovery, no fee;
- ✓ Our fees are based on a percentage of recovered funds;
- ✓ We are paid after you are paid;
- ✓ We have the software and technical ability to create and generate our own reports 'in house.'

Example recoveries made by our audit staff

	Financial Organisation	Manufacturing	Food Retailer
AP Transactions Per Annum	81,000	28,000	80,000
Value of AP Transactions Per Annum (£)	430 M	100M	250 M
Recoveries (£)	267,000	55,000	558,000

Overview

Case Study: PLR Engagement

Country: United Kingdom

Industry: Manufacturing

Profile: The customer is a leading global producer of speciality flexible films for labels and packaging. The organisation's headquarters is based in England and they employ over 1,000 people worldwide. The products manufactured by this company are used every day by many people across the globe.

Background: The organisation uses an SAP accounts system and had previously undertaken a payables recovery audit that resulted in zero findings. This was a very unusual outcome given the volume and value of transactions processed through their payables system, despite there being excellent processing controls in place.

Our Engagement: Our engagement consisted of three key activities:

1. A data extract was taken from SAP using a comprehensive specification supplied to the customer. This was completed by the customer in one day.
2. The data was audited over a period of three days resulting in important findings.
3. The suppliers were contacted over a four day period to confirm the findings; this led to 83% of the findings resulting in actual recoveries.

Client Engagement: Throughout the audit engagement the client's involvement was no more than review and authorisation; there was no measurable impact on 'business as usual.'

As a consequence of the success of the audit, further audits were commissioned for three subsidiary companies.

Benefits: The audit produced a cash benefit to the business, which in the current economic climate was welcomed.

The end of audit report summarised the duplicate findings and provided a root cause and trend analysis. This analysis led to process recommendations being implemented by the organisation to reduce similar errors in the future.

Our in house data mining process safe guarded the confidentiality of the client's data.

Contact Us

Should you have any questions or require any further information, Nick Evans at Simpson Associates will be happy to help you with your request.

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