

Over £1m secured by a UK Shared Service Centre through Spend Recovery Audit

The requirement

For organisations processing large volumes of invoices, in often complex environments, it is recognised that undertaking a regular external spend recovery audit (SRA) is both best practice, with regards to recovering any historic overcharges, as well as providing valuable insight into identifying processing efficiency and other P2P opportunities.

Having previously undertaken an SRA, this large UK shared service centre (over 1 million invoices processed annually) identified the need to undertake a further project as part of an ongoing process improvement programme.

With very specific requirements, learning from the previous experience, it was decided that running a fresh mini-competition under the 'Spend Analysis and Recovery Services' framework, would enable a suitable supplier to be selected. Requirements included:

- A fully outsourced service
- Secondary audit of data previously reviewed
- Evidenced track record of successful service provision, in particular demonstrating strong project management skills and reporting procedures, to include:
 - Minimal impact on internal staff
 - Regular reporting/communication throughout the project
 - Transparent and collaborative style of delivery

The solution

A bespoke specification was produced, which included an audit of data previously reviewed by another external consultancy (generally known as a secondary audit).

The project was to be undertaken on an entirely performance related fee basis i.e. 'no recovery, no fee' and focus on:

- Duplicated payments and credits not already processed
 - VAT to be excluded from scope
- Other recovery opportunities within the purchase ledger transactions
- To have minimal impact on suppliers

With the objective of achieving overall 'best value,' the mini-competition focussed on quality of service delivery, including previous track record, rather than simply lowest price. Meridian were successfully appointed.

The results

Meridian's expert approach to the management of this large and complex project and developing a strong working relationship with staff.

- Recoveries achieved were in line with original projections
 - With initial recoveries delivered within the first two weeks
- **Total recoveries were over £1m**, with average recovery values of £2,200 per item recovered
- The draw on internal resource was lower than the client expected (having undertaken this exercise before)
- Conversion rate of items put forward to us into an actual recovery was over 70%
- The 'secondary audit' recovered more than the previous consultancy had found in this period of data
- **'Net benefit' (after payment of fees) was significantly higher than the previous project**, even though the headline fee rate was a little higher than that paid previously
- Confirmed the need to undertake regular external reviews (every couple of years) to minimise risks and to confirm benchmark for processing efficiency.

Overall accuracy of invoice processing

- The majority of the value recovered came from **supplier statements**, representing a recovery of around 1 in every 20,000 transactions (in line with SSC environments)
- **Duplicate and error payments** were much lower than expected, just 1 recovery in every 57,000 transactions processed (average is 1 in 20,000)
- **Accuracy of invoice processing**
 - In excess of 99.99%

The Head of Accounts Payable commented:

"In view of the earlier review delivering less than anticipated, the scope of the project included a 'secondary audit' of data already reviewed by the 2014 audit.

Meridian's expertise in this type of project was quickly apparent and strong project management and a client focussed approach created a platform for this highly successful project.

The relationship established with Meridian has been one of the best and most effective I can recall, having worked with many suppliers.

Not only did they recover substantially more than the previous review, they were also very light touch and gave valuable process improvement recommendations. The success of this project is such, that we will be taking advantage of the follow up review".

For further information:

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