



CASE STUDY

Forensic Accounting Investigation on Duplicate Invoice Payments, VAT Anomalies, and Pricing Variances

A number of clients ranging from £20-500m turnover businesses have used HCG's financial transaction process experience to review their accounts payable (AP) processes.

Concerns included duplicate invoice payments, inconsistencies in VAT reporting, and deviations in supplier pricing agreements. The work is carried on a Gain Share basis so no upfront cost outlay

Challenges Faced:

01. Duplicate Invoice Payments:

Instances where suppliers were paid multiple times for the same invoice.

02. VAT Anomalies:

Incorrect VAT rates applied across invoices leading to potential tax liabilities or overpayments.

03. Pricing Variances:

Discrepancies between invoiced amounts and pre-negotiated supplier price lists.

HCG Approach and Methodology:

Our forensic accounting team conducted a structured investigation using the following methodology:

01. Data Collection and Cleansing:

- Extracted AP data from the ERP system for the last 6 financial years.
- Normalised and cleansed data to ensure consistency.
- Categorised invoices based on vendor, date, and product/service type.

02. Duplicate Invoice Payments Analysis:

- Applied data analytics tools to identify duplicate invoice numbers, amounts, and payment dates.
- Conducted exception testing to flag identical invoice values with slight variations (e.g., different invoice numbers but same transaction amount and date).
- Validated flagged invoices against supporting documents and supplier communications.
- Obtain supplier confirmation and agree repayment method ie refund or net off

03. VAT Anomalies Detection:

- Cross-verified VAT rates applied against regulatory requirements.
- Identified cases where VAT was omitted, misclassified, or calculated incorrectly.
- Assessed impact of VAT discrepancies on tax compliance and refund claims.

04. Pricing Variance Assessment:

- Matched invoiced unit prices against the contractual price lists.
- Highlighted inconsistencies where suppliers charged amounts exceeding agreed rates.
- Investigated supplier responses and reviewed contract clauses for potential loopholes.
- Agree overpayments with supplier and recover

Outcome and Impact:

- Average duplicate payment rate in UK Construction is 0.5%-1.0%
- Some level of missed profit has been identified on all clients we have engaged with
- Identified and recovered in excess of **£450k** across a number of clients, including over £100K+ from 1
- Strengthened VAT compliance, reducing risk of regulatory penalties.
- Enhanced contract governance and supplier accountability.

By implementing our recommendations, the client has improved financial integrity and prevented further revenue leakages, ensuring sustainable financial health.

Recommendations and Remediation Plan

01. Strengthen Internal Controls:

- a. Implement automated duplicate invoice detection within the ERP system.
- b. Enforce a maker-checker mechanism for AP approvals.

02. Enhance VAT Compliance Measures:

- a. Establish automated VAT validation tools.
- b. Conduct periodic VAT reconciliation to ensure compliance with tax laws.

03. Supplier Contract Compliance Audits:

- a. Set up a structured review of supplier invoices against contractual agreements.
- b. Renegotiate terms with suppliers who consistently overcharge.
- c. Introduce penalty clauses for price non-compliance.

04. Training and Awareness:

- a. Conduct financial process training for AP teams.
- b. Improve supplier onboarding due diligence.

Conclusion:

This forensic accounting project demonstrated the value of data analytics in identifying financial discrepancies and reinforcing financial governance. By addressing duplicate payments, VAT anomalies, and pricing variances, the clients achieved substantial profit improvements and improved operational efficiency.

About HCG:

Our firm provides services across a range of Procurement, Supply Chain and Process activities. This includes forensic accounting, risk management, and financial process optimisation, ensuring our clients maintain accuracy, compliance, and financial efficiency. Contact us for tailored solutions to safeguard your organisation's financial health.