

**Internal Audit Report
Executive Summary****CONFIDENTIAL**

To: Head of Finance, Gedling Borough Council
Subject: Debtors
Report reference: IAR0607-14
Date: February 2007

1 Introduction

- 1.1 The attached report sets out the findings and recommendations arising from a recent review of the debtors system. The processing of all new debts was transferred to Rushcliffe Borough Council on the 22nd April 2006. Responsibility for the chasing all debtors prior to the transfer remains with Gedling Borough Council staff.
- 1.2 This audit has not duplicated audit work carried out in other departments but we have taken note of the findings relating to the control over debtors. Testing for this audit was, therefore, restricted to the Direct Services Section.

2 Objectives And Scope Of The Audit

- 2.1 The objectives of the audit were the following:
- To document the systems and evaluate the controls in operation to ascertain their adequacy and effectiveness;
 - To sample test transactions for compliance with documented procedures and controls.
- 2.2 The following control objectives were examined within the scope of the audit:
- The agreement with Rushcliffe BC is comprehensive and has been approved.
 - Users have been provided with adequate training and procedural documentation.
 - Invoices are raised promptly and accurately following the delivery of goods or services which have not been paid for in advance.
 - Collection of amounts due is properly monitored and cash received is posted promptly and accurately to the correct account.
 - Overdue debtors are identified promptly and appropriate action is taken to deal with overdue debts, non-payment and write-offs.
 - Control accounts are reconciled promptly.
 - Data processing and security arrangements are effective to ensure the completeness, validity and accuracy of management information.
 - The recommendations made in Debtors Report dated March 2006 have been implemented satisfactorily.

3 Main Findings

- Although a comprehensive Service Level Agreement has been drawn up and approved, it had not been formally signed at the time of the audit.
- Training for key personnel at Gedling Borough Council was provided by Rushcliffe BC to key Gedling BC officers together with an accompanying handbook. However, this training has still not been extended to other officers who need to know how to use the system.
- Debtor invoices are raised in the Departments promptly and in accordance with agreed charging policies.
- Cash is posted to the debtor account on receipt. Any payments posted to the suspense account are cleared promptly. However, there are a number of old transactions in the suspense account which have never been cleared.
- Although departments receive lists of outstanding debtors each month, no effective appears to be taken and further debts are allowed to accrue.
- At the time of the audit visit the debtors control accounts had not been reconciled successfully since the transfer of processing to Rushcliffe BC.
- The access security arrangements for the debtors system are satisfactory.
- All three recommendations from the previous report had been implemented. However, a further recommendation has been made which will reinforce procedures further.

4 Audit Opinion

- 4.1 In our opinion, some of the arrangements for financial management are unsatisfactory, resulting in unacceptable levels of risk, in particular the lack of any reconciliation of the debtors control account since the system has been transferred to Rushcliffe BC. We have made a number of recommendations to bring the financial controls up to the standards required by Gedling Borough Council's Standing Orders.
- 4.2 Internal Audit can provide **limited assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed.

Audit conducted by:
Diane Ryder - Auditor

Audit supervised by:
Roger Smith - Assistant Audit Manager

J K Nash CPFA
Assistant Treasurer