



INTERNAL AUDIT
FINAL REPORT

Title: Debtors

Report Distribution

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EXECUTIVE SUMMARY

Introduction

An audit of Debtors was undertaken as part of the approved internal audit periodic plan for 2007/08.

As part of the audit testing, visits were made to Housing Benefits and the Recovery Section within Finance and also to Direct Services.

Three debtors systems were identified:

Debtors System	O/S Values as at October 2007
Housing Benefits	£299,316
Sundry Debtors	£264,884
Residual Debt	£448,047

The value of overdue debtors for Leisure Income as at July 2007 was almost £81,000.

Principal Findings

	High	Medium	Low
Number of recommendations	0	13	5

The detailed findings and associated recommendations are provided in the second part of this report. The medium-risk recommendations relate to the following:

- The agreement with the external collection agent does not appear to adhere to the legal duty to promote disability, gender and race equality.
- The agreement with Rushcliffe Borough Council for administering the debtors system should be reviewed to clarify charges and to expand on the service levels provided.
- Reports received from Rushcliffe Borough Council should be checked to confirm accuracy.
- Invoices should be raised promptly.
- Non-standard prices should be brought into line with standard prices.
- Suspense items should be cleared promptly.
- A formal debt recovery policy should be devised. The policy should determine which functions should withhold further services until outstanding accounts have been settled.
- A minimum invoice value should be deployed across the authority.
- Reminders for Housing Benefit debt should be dispatched as per the stated Housing Benefit Overpayment policy.

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- Residual debt should be progressed as a priority.
- HMRC guidance on VAT and the raising of invoices should be adhered to.
- Communication of data between Gedling Borough Council and Rushcliffe Borough Council should be subject to appropriate control.
- Management should consider amending password policy settings in line with best practice recommendations.

Assurance Statement

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.

INTRODUCTION

Objective & Scope

The objective of the audit was the following:

- To document the systems and evaluate controls in operation to ascertain their adequacy and effectiveness;
- To sample test transactions for compliance with documented procedures and controls.

The key risks associated with the system objectives are:

- There may be confusion over the various roles, responsibilities and requirements where external service providers are in place.
- Customers may be charged incorrectly, which could result in the loss of income to the authority.
- Debtors may be given unintentional extended credit if the recovery process is not administered in a timely fashion.
- Loss of income due to fraud and error, inefficient processing or inappropriate activity.
- Uncontrolled access to IT systems could result in data being amended without adequate documentation and authorisation.

The control areas included within the scope of the review were:

- Agreements with external service providers.
- Adequate training and procedural documentation is in place.
- Invoices are raised promptly and accurately following provision of goods and/or services.
- Collection of amounts due is properly monitored.
- Income is posted promptly and accurately to the correct account.
- Overdue debts are identified promptly and appropriate action taken.
- The amendment of invoices is controlled and subject to appropriate authorisation.
- Data processing and security arrangements are effective.

The following limitations to the scope of the audit were agreed when planning the audit:

- We will not actively seek to detect fraud;
- We will not review the system for budgetary control;
- We will not review any associated feeder systems, other than control totals and the input/transfer of these;
- We will not form an opinion on the financial state of affairs of the Authority.

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This audit report is presented on an exception basis. The detailed findings include only those areas where controls should be enhanced to improve their effectiveness and mitigate the risks that affect the authority's objectives for the system reviewed. Controls and risks identified in the scope that are not mentioned in the detailed findings were considered to be adequate and operating effectively.

Acknowledgement

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks and appreciation to all the individuals concerned.

DETAILED FINDINGS

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 1 - Agreement with Rushcliffe Borough Council (RBC) Level of Risk - Medium</p>			
<p>The existing agreement with RBC is a reasonably high level document. Consequently, detail such as the number of reminder letters to be issued and the number of days between each letter is not stated. Nor is there any reference to what further debt recovery action will be initiated once the letters issued by the debtors system have been exhausted.</p> <p>The partnerships document indicates that <i>“the annual/quarterly charge will be calculated on the basis of the actual staff and revenue costs for the provision of the whole miscellaneous income service”</i>. However, appendix 1 to the SLA could be interpreted to contradict this statement as it indicates that for legal charges incurred, <i>“invoices to be raised on an ‘ad hoc’ basis”</i>. The statement in the main body of the agreement would appear to include the cost of any legal services provided.</p> <p>Furthermore, RBC employs the services of an outside collection agency. The agreement is unclear whether charges associated with this service are included as part of the service or are to be invoiced on an ‘ad hoc’ basis.</p>	<p>Each party may have a different view of which charges are included and which are considered to be ad-hoc. This may result in protracted negotiation and loss of goodwill.</p> <p>With regard to usage of the external collection agent, either party is at risk in that the other may adopt a resigned approach to active debt recovery, in the knowledge that an external collection agent will be employed and that the costs of such an operation will be subsumed within the overall charges and to some extent subsidised by the other party.</p>	<p>The agreement with Rushcliffe Borough Council should be reviewed to clarify charges and to provide further detail on what is expected of both parties.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation Agreed.</p> <p>Planned Corrective Action: A review of the current Rushcliffe Borough Council arrangements will be undertaken. This will include consideration of bringing arrangements back in house.</p> <p>Timescale: The review will be completed by 31/10/08 with the strategic placing of debtor activity completed by 31/12/08.</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 2 - Agreement with external collection agent. Level of Risk - High</p>			
<p>GBC have signed an agreement with the same external collection agent (as used by RBC) for the recovery of Housing Benefit debt. The agreement signed is a document prepared by the collection agent and does not reflect the legislative requirements placed on public bodies such as GBC. The authority has a legal duty (<i>Race Relations (Amendment) Act 2000 came into force on the 2nd April 2001</i>) to promote equality and an agreement such as this would be considered to be highly relevant by the Equalities Commission. Contractors themselves must not discriminate, but they do not have the same legal obligation to promote equality of opportunity. Therefore, public authorities must build relevant race equality considerations into the procurement process to ensure that all of their functions meet the requirements of anti-discrimination legislation, regardless of who is carrying them out.</p> <p>This would necessitate assurances and evidence being obtained from the service provider that they have an equality of opportunity policy in place, that their recruitment advertisements state this information and that staff receive relevant training. There must also be clauses within the agreement/contract that explicitly require the</p>	<p>The risk is largely reputational, with the issuing of a compliance notice by the Equality and Human Rights Commission. However, continued non-compliance could give rise to the authority being found in contempt of court with a resulting financial penalty.</p>	<p>(a) The authority should review its procurement processes to ensure compliance with all anti-discrimination legislation.</p> <p>(b) All staff with a responsibility for procurement should be made aware of the need to comply with anti-discrimination legislation where applicable.</p> <p>(c) Contract terms in respect of the agreement with the external collection agent should adequately reflect the duty to promote equality. Such terms should be introduced for all Gedling Borough Council contracts, although these may need to be varied to reflect the relevancy of the work undertaken to the duty to promote equality.</p> <p>Action: Mark Kimberley – Head of Corporate Services</p>	<p>Management Comment: Recommendation Agreed.</p> <p>Planned Corrective Action: Procurement processes will be reviewed to ensure full compliance with relevant ant-discrimination legislation.</p> <p>Timescale: 31/10/08 and ongoing.</p>

<p>service provider, and any sub-contractor, to maintain the authority's expectations with regard to equality of opportunity and allows for the monitoring of the contract throughout its term.</p>			
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Observation	Risks	Recommendation	Management's Response
<p>Recommendation 3 - Confirmation of Invoices Issued by Rushcliffe Borough Council Level of Risk - Medium</p>			
<p>Invoices are raised by nominated staff in Gedling Borough Council departments. The debtor system generates individual invoice and debtor numbers whenever an invoice is raised. Rushcliffe produce invoices on a weekly basis, with a report generated of what debts have been raised.</p> <p>A selection of invoices input were checked to ensure that the corresponding details then appeared on reports produced by Rushcliffe. All invoices were confirmed as being raised correctly, although it was observed that these reports are filed without checking that the expected invoice had been issued and that it was also accurate.</p>	<p>There is a risk of omission or inaccuracy that may lead to a loss of income for services provided.</p>	<p>Reports received from Rushcliffe should be checked to confirm that the expected invoices have been produced and that the correct values are in place (control totals would suffice where a large quantity is produced).</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Departmental checks will be introduced and monitored.</p> <p>Timescale: Immediate.</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 4 - Prompt raising of debtor accounts Level of Risk - Medium</p>			
<p>Analysis was undertaken of eight invoices raised by Direct Services in respect of new or amended trade waste services. Three of the eight exceeded 30 days in getting an invoice to the customer.</p>	<p>The late issuing of debts will adversely impact the cash flow of the organisation and may infer to the customer that the authority lacks urgency in the collection of income.</p>	<p>Debtor accounts should be raised promptly as services are provided.</p> <p>Action: Caroline McKenzie – Business Support Manager</p>	<p>Management Comment: The invoice is dated from when the service commences, not when the bin is delivered. It was found that one may have been more than 30 days but this was due to health and safety issues at the site.</p> <p>Planned Corrective Action: None required, however it will be monitored to ensure compliance. Any non-compliance due to timing or small amounts will be noted.</p> <p>Timescale: N/a.</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 5 - Deviations From Standard Prices Level of Risk - Medium</p>			
<p>Analysis of trade waste debts identified a number of agreements for service provision where non-standard prices (deviating from the publicised pricing schedule, along with discounts for second bins) are evident. The reasons for this appear to be largely historic. Price increases to these non-standard agreements are implemented by applying the same percentage increases as to those increases that affect the standard pricing policy.</p> <p>It was also observed that a number of premises had collections that deviate from the standard weekly collection. Some are more frequent and some less frequent or even seasonal. Whilst the charges are on the whole correct, these variations are not accommodated by the debtors system and so recurring invoices cannot be set up, meaning that Direct Services have to manually enter these invoices each quarter.</p>	<p>Accommodating historic pricing structures incurs additional resources for the organisation.</p>	<p>Historic pricing structures should be aligned to the standard, approved rates. (No recommendation is made concerning the frequency of collections. This is deemed to be a necessary practice that the debtors system does not allow for.)</p> <p>Action: Caroline McKenzie – Business Support Manager</p>	<p>Management Comment: All new and revised agreements are for standard prices. All existing non-standard prices will be phased out as pay by weight and trade waste recycling commences during the summer.</p> <p>Planned Corrective Action: No further special prices to be allowed.</p> <p>Timescale: Immediate.</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 6 - Suspense Items Level of Risk - Low</p>			
<p>The suspense account for residual debts contains some old transactions and balances dating from 2003, which have not been cleared. As at November 2007 suspense debits were valued at £29,818.86 with suspense credits at £28,809.70.</p>	<p>Ongoing/unallocated suspense items will distort aged debt reports and may result in unnecessary communication concerning debts already cleared.</p>	<p>Suspense items held within residual debts should be cleared. Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed. Planned Corrective Action: A review will be undertaken of all suspense items. Timescale: 31/10/08</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 7 - Instalment Arrangements Level of Risk - Low</p>			
<p>Debts in respect of Housing Benefit overpayment are agreed for instalment with recovery staff with a view to repaying the debt over a three-year period. An income/expenditure assessment is used where there is concern over the amount offered in instalments. The recovery officer creates a reminder entry within the personal organiser facility of Microsoft Outlook to ensure that the debtor does not default on the payment. Whilst this allows for a prompt response to defaults, there is the concern that records within a personal email account will not be available to any person covering the post. Additionally, there is no running of a dedicated report within the Integrated Benefit System that acts as a backstop should a diary entry be omitted or entered incorrectly.</p>	<p>Instalment defaults may go unnoticed.</p>	<p>Management should consider the introduction of a weekly report to ensure that all defaulters have been identified and contacted.</p> <p>Management might also consider whether a weekly sweep would be more operationally efficient than daily checks.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: A full review of operational arrangements will be undertaken and all necessary actions implemented.</p> <p>Timescale: 31/03/09</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 8 - Debt Recovery Policy Level of Risk - Medium</p>			
<p>A Housing & Council Tax Benefit Overpayment Policy has been prepared but has yet to be formally approved by Council. This document considers methods of recovery, instalments and write-offs.</p> <p>A council-wide debt recovery policy is not in place, however the Gedling Borough Council Financial Regulations Section 4.23 covers the 'Key Controls for the Collection of Income' while section 4.36 covers write-offs.</p>	<p>There is a risk that debts may be treated inconsistently in the absence of a debt recovery policy.</p>	<p>A formal debt recovery policy should be devised and distributed throughout the authority. Policy should clearly state the responsibility of departments to actively recover debt, even though RBC have been tasked with the issuing of reminders and ultimately progressing the debt to more costly means of recovery.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: A formal debt recovery policy will be produced and rolled out across the authority. Training will be delivered as appropriate.</p> <p>Timescale: 31/03/09</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 9 - Minimum Invoice Values Level of Risk - Low</p>			
<p>There is no apparent minimum invoice value enforced by the authority as debts under £10 were evidenced within both the general debtor system and housing benefit debtors.</p>	<p>The cost of raising and collecting the debt costs more than the invoiced value.</p>	<p>A minimum invoice value should be considered.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: A minimum invoice value of £7.50 will be as standard as part of the debt recovery policy.</p> <p>Timescale: 31/03/09</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 10 - Departmental Debt Reports Level of Risk - Low</p>			
<p>It was noted that there appears to be no default management information provided, either by the Housing Benefit IBS system or the debtors system operated by Rushcliffe. Furthermore, Gedling do not have the facility to print information from the Rushcliffe system. It appears that any analysis work on outstanding debts, such as preparing aged debt reports, takes place outside of the debtors applications where there is a risk that errors may occur. It is accepted that these deficiencies, with the exception of the ability to print, are inherent in the systems used and as such are not open to change.</p> <p>Electronic debtor reports are received at a central point within Gedling Borough Council from Rushcliffe. The relevant debts per department are then extracted and distributed. However, the reports are not present in formats that readily allow for analysis. For example, the amounts recorded in the report are not in a numeric format and so cannot be summed or sorted. It would make sense to correctly format the report at the point of receipt, rather than allowing for departments to make their own adjustments to the data.</p>	<p>The organisation is not realising efficiencies available through the processing of information through the spreadsheet application.</p>	<p>Debt reports should be formatted to enable departments to analyse and manipulate the data. Training may be required to ensure that staff are aware of the facilities provided by Excel to manage and cross-reference information.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: All staff will be informed and trained on the facilities provided by the excel reports.</p> <p>Timescale: 31/03/09</p>

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<p>Direct Services was found to print such reports and to then use the printed copy to record actions taken. It is assumed that such notes are then transferred to the next month's report if the debt remains outstanding. Efficiencies could be realised if this data is cross-checked and filtered each month using the facilities provided by the spreadsheet application.</p>			
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Observation	Risks	Recommendation	Management's Response
<p>Recommendation 11 - Issuing of Reminders (Direct Services) Level of Risk - Medium</p>			
<p>Discussions held with Direct Services indicate that, on receipt of the outstanding debt reports, staff issue additional reminders to those sent by the Rushcliffe Debtors system. Internal audit are of the opinion that all recovery letters should only be issued by Rushcliffe under the SLA.</p>	<p>Additional letters to the debtor, outside of those dispatched by Rushcliffe Borough Council, presents an inefficient use of resources and the perception of a confused approach to debt recovery.</p>	<p>Debt recovery correspondence should be limited to the reminder letters issued by the dedicated recovery systems unless a department is directly contacted by the debtor.</p> <p>Action: Caroline McKenzie – Business Support Manager</p>	<p>Management Comment: It was never meant as a debt recovery it was merely to advise customers that they would be without a service. We have reviewed our letters and the wording has been amended to clarify that due to outstanding debts the service has stopped and the bins will be collected in.</p> <p>Planned Corrective Action: Amended letter. Our procedures have been changed to reflect this.</p> <p>Timescale: Immediate.</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 12 - Issuing of Reminders (Housing Benefits) Level of Risk - Medium</p>			
<p>With regard to the debtors system operated by Housing Benefits, reminder letters are produced by the bespoke benefits application, IBS. The Benefits Overpayment Policy document (albeit unapproved by Council as yet) notes that reminders should be issued at specified dates following production of an invoice:</p> <ul style="list-style-type: none"> • 1st Reminder – 28 days after invoice • Final Reminder – 14 days after 1st reminder • Pre-Legal Letter – 7 days after final reminder • Passed for further action – 7days after final reminder <p>It was explained during the audit that reminder letters are only produced once a month and the results from audit testing of a sample of invoices confirmed this. The problem with deviating from the above stages is that the time taken to exhaust the sequence of reminder letters is typically three months. Should the above stages be adhered to then the reminder sequence is completed within half this time.</p> <p>The IBS system does not physically produce reminders. Instead, this is done outside of the</p>	<p>Not issuing reminder letters in accordance with the stated policy has a detrimental impact on cash flow and could give a negative perception of the authority's commitment to debt recovery.</p>	<p>Consideration should be given to aligning reminders for housing benefit sundry debts to those stated within the policy document, to ensure that the recovery of debt is expedited.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Reminders to be aligned and progress monitored by the Revenue Services Manager.</p> <p>Timescale: 31/12/08</p>

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<p>application using a word processing application. IBS records the date that the text file is produced, although this is reported within the system as being the date that the letter is issued. As the printing of reminders is a function outside of the IBS application, there is no assurance or record that the resulting documents have been printed. It is acknowledged that, even in a complete system, there would be no guarantee that any resulting letters produced had been dispatched.</p>			
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Observation	Risks	Recommendation	Management's Response
<p>Recommendation 13 - Residual Debt Recovery Level of Risk - Medium</p>			
<p>Residual debts incorporate old debts from both the general sundry debt area and housing benefits. Housing benefit overpayments currently account for 51% (£230,183) of residual debt. There is evidence to indicate that work has been done on the housing benefit element, with write-offs for debts that pre-date 2004 being approved on the 22nd October 2007, further write-offs pending, debts being recovered from ongoing benefits and referrals to the external collection agent. The balance of Housing Benefit residual debt yet to be actioned amounts to £112,401.</p> <p>No firm action has been taken in respect of the remaining 49% (£217,864) of the residual debt. An enquiry has been made to the authority's legal team to establish the debts which have been passed to them for action and which are currently being progressed. Given the value of the debt outstanding here, which is comparable to the outstanding values for current, general sundry debts, it is a concern that no interim action is being taken whilst this enquiry is being resolved.</p>	<p>Failure to realise the income due from outstanding debts.</p>	<p>Residual debt should be progressed as a priority.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Residual debts will be subject to a full review.</p> <p>Timescale: 31/03/09</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 14 - Withdrawal of Services for Non-Payment Level of Risk - Medium</p>			
<p>As stated in the Service Level Agreement with Rushcliffe Borough Council, a reminder is sent out 21 days after the issue date of the original invoice, followed 14 days later by a final reminder. If the debt is still not cleared, a visit is made by a Revenues Visiting Officer.</p> <p>The Trade Waste service was examined as part of this review. Under this operation, invoices are raised on a quarterly basis, one month in arrears with two months in advance. The three-month period between invoices provides ample time for the recovery cycle detailed to be completed. Should payment remain outstanding after this time then the service should be discontinued. Hence, no Trade Waste debtor should have more than one outstanding invoice. Three debtors were discussed with Direct Services who stated that, for all three, the service had ceased, although each customer had 2-3 invoices outstanding at the time that the service was discontinued.</p> <p>An analysis of Gedling outstanding debts (as at October 2007) was undertaken to identify where a customer had two or more outstanding invoices that were issued prior to August 2007 and so for</p>	<p>Allowing continued access to services could result in additional losses to the Authority.</p>	<p>The authority should, in developing a formal policy on debt recovery, establish which service areas should withhold further services until outstanding accounts have been settled.</p> <p>Action: Caroline McKenzie – Business Support Manager</p>	<p>Management Comment: Delays occurred due to lack of staff and training new staff member. Also due to the delay in receiving current information, we then have to trawl the debtors system for updated payment info, before we can put a stop on the service.</p> <p>Planned Corrective Action: We having started to do this as soon as the report from RBC comes in, the service stops and the letter mentioned in rec. 11 is sent out.</p> <p>Timescale: 30th April 2008</p>

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<p>which all recovery letters should have been issued. The existence of two or more invoices should indicate where a continued supply had taken place, despite the existence of outstanding debts. The resulting information identified 12 clients who had between them 97 outstanding debts. The one service area that had the most outstanding invoices per client was Business Units (2 clients responsible for 6 and 8 invoices respectively). The service area with the greatest number of clients that had more than one outstanding invoice was Service Charges (14 clients). It is understood that it is not possible to prevent further supply of Service Charges. The next largest client area was that of Trade Waste (10 clients).</p>			
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Observation	Risks	Recommendation	Management's Response
<p>Recommendation 15 - Compliance with VAT Guidance Level of Risk - Low</p>			
<p>Testing on a sample of debt cancellations identified one invoice that had been cancelled pending the resolution of a dispute, at which point the invoice was expected to be raised again. Whilst this invoice did not contain a VAT element, this practice risks breaching VAT guidance on the time limits for raising invoices.</p>	<p>The authority may contravene VAT guidance/legislation and be subject to penalty.</p>	<p>As good practice, the organisation should seek to comply with HMRC guidance on VAT and the timely raising of invoices.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: A review of the debt cancellation procedures will be completed to ensure VAT requirements are not jeopardised.</p> <p>Timescale: 31/12/08</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 16 - Transmission of Data Between Authorities Level of Risk - Medium</p>			
<p>Necessary refunds are identified by Rushcliffe and sent through to Gedling in an email containing a text file. The text file is understood to be neither password protected nor encrypted.</p> <p>A cheque request form is then completed which a Senior Officer authorises. Rushcliffe amend their records without confirming that GBC have issued repayment.</p>	<p>Unencrypted data could be subject to interception and amendment.</p> <p>There is currently no confirmation from Gedling to Rushcliffe that the refunds requested by Rushcliffe have taken place. Furthermore, there is no assurance for Gedling that they have received all the text files issued by Rushcliffe.</p>	<p>The communication of data between authorities should be protected (ideally encrypted using a file archiver application combined with a password).</p> <p>Action: John Vickers – Revenue Services Manager</p> <p>The files received from Rushcliffe Borough Council should be collected in a corporate email account, from which an automatic receipt is then dispatched to the sender.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Encryption facilities are currently being reviewed as part of the Council's overall review of Data Security. Encryption technology has been procured and the advice of the IT section will be sought when transferring data in the future.</p> <p>Timescale: 31/03/09</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 17 - Write Offs Level of Risk - Medium</p>			
<p>There is permission for write-offs to be effected by Rushcliffe staff of up to £2.50. The debtors system cannot currently process write-offs to the requirements of Gedling Borough Council's accountancy system, as Gedling charge write offs to departmental cost centres whereas the Rushcliffe system allows for write offs to be collated at a specific cost centre. Consequently none have taken place since the inception of the agreement.</p>	<p>Debt reports are being overstated by the continued inclusion of unrecoverable debt.</p>	<p>A solution for the processing of write-offs should be established.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Procedures will be reviewed both as part of the current RBC arrangements and the development of the debt recovery policy.</p> <p>Timescale: 31/03/09</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 18 - System Security Level of Risk - Medium</p>			
<p>User-ids and passwords are used within the Housing Benefit IBS system. Key features are the following:</p> <ul style="list-style-type: none"> • Passwords are rotated every 90 days. • Minimum character requirements are 5 alpha and 1 numeric. • Three attempts at access are allowed and then the user is locked out. • There is a password history in place but the number of passwords remembered is not known. 	<p>Insufficient password rotation allows greater opportunity for the password to become known to 3rd parties.</p>	<p>Management should consider amending password policy settings in line with best practice recommendations.</p> <p>Best practice for password use is defined by section 9.3.1 of BS ISO/IEC 17799 2000 Information Technology - Code of Practice for Information Security Management. This recommends:</p> <ul style="list-style-type: none"> • Passwords history set to 12; • Maximum password age set to 30 days. <p>Action: N/a.</p>	<p>Management Comment: Recommendation not agreed.</p> <p>Planned Corrective Action: Current arrangements are considered effective. It is considered that more frequent changes to passwords could undermine the control environment through increased attempts to share passwords etc.</p> <p>This will be reviewed in line with any actions outlined the current review of Data Security arrangements.</p> <p>Timescale: N/a.</p>

ANNEX A

Risk & Assurance – Standard DefinitionsAudit Recommendations

Audit recommendations are categorised, depending upon the level of associated risk, as follows:

Level	Category	Definition
1	High	Action is essential to manage exposure to fundamental risks.
2	Medium	Action is necessary to manage exposure to significant risks.
3	Low	Action is desirable and should result in enhanced control or better value for money.

Assurance Statement

Each report will provide an opinion on the level of assurance that is provided with respect to the risk arising from the controls reviewed. The categories of assurance are as follows:

Category	Definition
No	The majority of the significant risks relating to the area reviewed are not effectively managed.
Limited	There are one or more significant risks relating to the area reviewed that are not effectively managed.
Substantial	The risks relating to the objectives of the areas reviewed are reasonably managed and are not cause for major concern.

What Happens Now?

The final report is distributed to those involved with discharging the recommended action, the Head of Finance, Audit Commission and, where applicable, the relevant Heads of Service.

A synopsis of the audit report is provided to the authority's Audit Sub-Committee. Internal Audit will carry out a follow-up exercise approximately six months after the issue of the final audit report. The on-going progress in implementing each recommendation is reported by Internal Audit to each meeting of the Audit Sub-Committee.

Any Questions?

If you have any questions about the audit report or any aspect of the audit process please contact the auditor responsible for the review or Vince Rimmington, Resource Services Manager on telephone number 0115 9013850 or via e-mail to vince.rimmington@gedling.gov.uk