



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 annual plan for 2008-09.

As part of the audit testing, visits were made to Leisure, Property, Central Services, Direct Services and the Recovery Section within Finance and also to Rushcliffe Borough Council.

Principal Findings

	High	Medium	Low
Number of recommendations	0	2	0

The detailed findings and associated recommendations are provided in the second part of this report.

The medium-risk recommendations relate to the following areas:

- the prompt raising of invoices; and
- the accurate raising of invoices.

In addition to the recommendations, the following two action points are brought to the attention of management:

- further investigation is required to confirm that the timescale for debt recovery actions at Rushcliffe Borough Council are compliant with the timescales specified by Gedling Borough Council in the SLA between the two authorities; and
- at the time of the audit fieldwork, a number of staff were in the process of being transferred to Gedling Homes. Work had commenced to remove the access for these staff to the Gedling systems, but it will be important to confirm that all transferring staff have been successfully removed at the end of the process.

We also followed up the implementation of the recommendations agreed at the previous audit, and found the current status to be the following:

- 11 have been implemented;
- 2 have been partially implemented;
- 4 are in the process of being implemented, in accordance with the implementation target; and
- following investigation, 1 cannot be implemented.

Assurance Statement

Internal Audit can provide **substantial 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 to document the systems and evaluate controls in operation to ascertain their adequacy and effectiveness, and 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 audit scope 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 - Prompt Raising of Invoices Level of Risk - Medium</p>																			
<p>As part of the audit testing we sampled 10 invoices and determined the time delay between the date of the chargeable event and the date of raising the invoice. This identified that some invoices are raised several months after an event occurring, as detailed below:</p>	<p>Delays in the raising of invoices could result in a loss to the authority, in addition to giving unauthorised credit.</p>	<p>All invoices raised for items in arrears should be raised promptly, and consideration should be given to raising invoices in advance of services being provided wherever it is practicable and reasonable to do so.</p>	<p>Management Comment: Recommendation Agreed.</p>																
<table border="1"> <thead> <tr> <th data-bbox="194 777 331 847"><i>Inv. Ref</i></th> <th data-bbox="338 777 546 847"><i>Dept. & nature of charge</i></th> <th data-bbox="553 777 696 847"><i>Time delay</i></th> <th data-bbox="703 777 810 847"><i>Value (£)</i></th> </tr> </thead> <tbody> <tr> <td data-bbox="194 852 331 927">30001242</td> <td data-bbox="338 852 546 927">D&CS – room hire</td> <td data-bbox="553 852 696 927">5 months</td> <td data-bbox="703 852 810 927">68.25</td> </tr> <tr> <td data-bbox="194 932 331 1098">30001226</td> <td data-bbox="338 932 546 1098">D&CS – room hire, refreshments and car park charges</td> <td data-bbox="553 932 696 1098">4 months</td> <td data-bbox="703 932 810 1098">143.12</td> </tr> <tr> <td data-bbox="194 1102 331 1268">32000081</td> <td data-bbox="338 1102 546 1268">S&P – contribution to cost of 'Growing Up in Gedling' event.</td> <td data-bbox="553 1102 696 1268">8 months</td> <td data-bbox="703 1102 810 1268">750.00</td> </tr> </tbody> </table>	<i>Inv. Ref</i>	<i>Dept. & nature of charge</i>	<i>Time delay</i>	<i>Value (£)</i>	30001242	D&CS – room hire	5 months	68.25	30001226	D&CS – room hire, refreshments and car park charges	4 months	143.12	32000081	S&P – contribution to cost of 'Growing Up in Gedling' event.	8 months	750.00		<p>Action: John Vickers – Revenue Services Manager</p>	<p>Planned Corrective Action: Sampling will be undertaken on a quarterly basis by central admin.</p> <p>Timescale: 1st July 2009</p>
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Observation	Risks	Recommendation	Management's Response									
<p>Recommendation 2 - Accuracy of Invoices Level of Risk - Medium</p>												
<p>It was found during the testing of 10 invoices, covering most departments, that the prices charged on the invoices were not always accurate.</p> <table border="1" data-bbox="190 810 766 1300"> <thead> <tr> <th data-bbox="190 810 336 922"><i>Inv. Ref</i></th> <th data-bbox="336 810 526 922"><i>Dept. nature & of charge</i></th> <th data-bbox="526 810 766 922"><i>Under/over charge</i></th> </tr> </thead> <tbody> <tr> <td data-bbox="190 922 336 1101">06031501</td> <td data-bbox="336 922 526 1101">Leisure – Charge for Session at Community Centre</td> <td data-bbox="526 922 766 1101">60p undercharge per session over 17 sessions</td> </tr> <tr> <td data-bbox="190 1101 336 1300">30001226</td> <td data-bbox="336 1101 526 1300">D&CS</td> <td data-bbox="526 1101 766 1300">Car park charge £53.00 should have been £16.44 for one hour of marking out.</td> </tr> </tbody> </table>	<i>Inv. Ref</i>	<i>Dept. nature & of charge</i>	<i>Under/over charge</i>	06031501	Leisure – Charge for Session at Community Centre	60p undercharge per session over 17 sessions	30001226	D&CS	Car park charge £53.00 should have been £16.44 for one hour of marking out.	<p>Income due to the authority may be foregone as a result of under-charging, or adverse publicity may be incurred as a result of over-charging.</p>	<p>Departmental sections with responsibility for raising charges should undertake periodic sample testing to confirm the accuracy of pricing.</p> <p>Action: John Vickers – Revenue Services Manager</p>	<p>Management Comment: Recommendation Agreed.</p> <p>Planned Corrective Action: Sampling will be undertaken on a quarterly basis by central admin.</p> <p>Timescale: 1st July 2009</p>
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Summary of follow-up of previous recommendations (Audit Report IAR0708-15)			
Rec No	Recommendation, Risk Level and Implementation Target	Rec. in place?	Current Findings
1	<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>(Medium Risk)</p> <p>Implementation: 31/12/08</p>	Partly	A new agreement from Rushcliffe dated July 2008 is under review by Gedling.
2	<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>(Medium Risk)</p> <p>Implementation: 31/10/08 and ongoing</p>	Yes	The tender document for the new bailiff contract will address this issue,
3	<p>Reports received from Rushcliffe should be checked to confirm that the expected invoices</p>	Partly	Email was sent to relevant staff to remind them to check the reports, only three acknowledgments were received, a copy of a checked report was obtained from

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	<p>have been produced and that the correct values are in place (control totals would suffice where a large quantity is produced). (Medium Risk) Implementation: Immediate</p>		Direct Services.
4	<p>Debtor accounts should be raised promptly as services are provided. (Medium Risk) Implementation: n/a, continuing monitoring</p>	Partly	Testing at this audit identified delays with issuing invoices, therefore a further recommendation is made above (Recommendation 1).
5	<p>Historic pricing structures should be aligned to the standard, approved rates. (Medium Risk) Implementation: Immediate</p>	Partly	Discussion with staff in Direct Services confirmed that no new special prices have been issued since the last audit. A number of contracts are being phased out and all special prices are to be terminated for 2009/10.
6	<p>Suspense items held within residual debts should be cleared. (Low Risk) Implementation: 31/10/08</p>	Yes	The suspense account of residual debts has now been cleared.
7	<p>Management should consider the introduction of a weekly report to ensure that all defaulters have been identified and contacted. Management might also consider whether a weekly sweep would be more operationally efficient than daily checks. (Low Risk) Implementation: 31/3/09</p>	Yes	The report is run on a fortnightly basis, and this is checked and signed accordingly.

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8	<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 Rushcliffe BC have been tasked with the issuing of reminders and ultimately progressing the debt to more costly means of recovery. (Medium Risk) Implementation: 31/3/09</p>	Yes	<p>The Housing and Benefit Overpayment Policy was approved and recorded as an Executive Decision in July 2008. Furthermore, a council wide policy was in the process of being approved at the time of the audit visit ('A Fair Collection and Debt Recovery Policy').</p>
9	<p>A minimum invoice value should be considered. (Low Risk) Implementation: 31/3/09</p>	Yes	<p>Minimum invoice level is now set at £7.50.</p>
10	<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. (Low Risk) Implementation: 31/3/09</p>	Partly	<p>This is In progress.</p>
11	<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. (Medium Risk) Implementation: Immediate</p>	Yes	<p>Recorded letter sent out regarding stopping of service and collection of bin.</p>
12	<p>Consideration should be given to aligning reminders for housing benefit sundry debts to those stated within the policy document, to</p>	Yes	<p>Automated reminder calendar now set up.</p>

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	ensure that the recovery of debt is expedited. (Medium Risk) Implementation: 31/12/08		
13	Residual debt should be progressed as a priority. (Medium Risk) Implementation: 31/3/09	Yes	Monthly reports are now run and the collection has improved, Between 01/04/08 and 11/11/08 the balance has been reduced by £37,000.
14	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. (Medium Risk) Implementation: 30/4/08	Yes	Quarterly report is issued by the Senior Clerical Assistant – Taxation, this is checked by the Refuse Support Officer who notes any action to be taken.
15	As good practice, the organisation should seek to comply with HMRC guidance on VAT and the timely raising of invoices. (Low Risk) Implementation: 31/12/08	Partly	A meeting was arranged to discuss these issues after the audit visit, and an update is awaited.
16a	The communication of data between authorities should be protected (ideally encrypted using a file archiver application combined with a password). (Medium Risk) Implementation: 31/3/09	Yes	Data is now encrypted – this was confirmed by discussion at both Gedling and Rushcliffe Borough Councils.
16b	The files received from Rushcliffe Borough Council should be collected in a corporate email account, from which an automatic receipt is then	No	This facility is not available on the systems being used.

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	dispatched to the sender. (Medium Risk) Implementation: 31/3/09		
17	A solution for the processing of write-offs should be established. (Medium Risk) Implementation: 31/3/09	Partly	This is in progress as part of the Control Document.

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 Corporate Services, 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 on any aspect of the audit process please contact the auditor responsible for the review or Vince Rimmington, Manager Audit & Risk Services on telephone number 0115 9013850 or via e-mail to vince.rimmington@gedling.gov.uk