



## INTERNAL AUDIT

### FINAL REPORT

#### **Title: Debtors**

#### **Report Distribution**

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For Information:              Mark Kimberley                      Head of Corporate Services  
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## EXECUTIVE SUMMARY

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### Introduction

An audit of Debtors was undertaken as part of the approved Internal Audit annual plan for 2009-10.

As part of the audit testing, visits were made to Local Taxation, Housing Benefits, Leisure Services, Direct Services and Rushcliffe Borough Council Revenue and IT sections.

### Principal Findings

	High	Medium	Low
Number of recommendations	0	2	1

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 cancellation of debts; and
- IT access.

We also followed up the implementation of the two recommendations agreed at the previous audit (IAR0809-13). It was confirmed that both recommendations have been fully 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

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### 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.

## Confidential

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	Recommendations	Management's Response
<b>Recommendation 1 - Reconciliation of Payments Received</b> <b>Level of Risk - Low</b>			
<p>A reconciliation of debtor account income recorded on Gedling Borough Council's finance system, with the Rushcliffe debtors system, has been completed three times between January 2009 and the date of audit. The reconciliation is normally undertaken jointly by a representative from both local authorities.</p> <p>At the time of the audit (February 2010), reconciliations had been completed to October 2009. We understand that reconciliations have now been undertaken up to February 2010.</p>	<p>Inaccuracies in the allocation of receipts and debtor balances may not be detected on a timely basis.</p>	<p>Reconciliations should be completed on a regular basis.</p> <p><b>Action: John Vickers - Revenue Services Manager</b></p>	<p><b>Management Comment:</b> Recommendation agreed.</p> <p><b>Planned Corrective Action:</b> Reconciliations will be completed on at least a quarterly basis.</p> <p><b>Timescale:</b> Immediate.</p>

Observation	Risks	Recommendations	Management's Response
<b>Recommendation 2 - Cancellation of Debts</b> <b>Level of Risk - Medium</b>			
<p>Debt cancellation forms are completed, where appropriate, by departmental staff and approved by management before submission to the Local Taxation section. The forms are collated and forwarded to Rushcliffe DC Revenues section for processing.</p> <p>Audit tests of 16 cancelled debts (7 selected from Leisure Services and 9 from Direct Services) identified that reasons for cancellation were recorded in all cases except those where Direct Services had used the corporate facility.</p> <p>Certain Direct Services cancellations are recorded on the department's own forms and submitted electronically to Rushcliffe by the Business Support Manager. The forms do not provide for an authorisation by management, also the value of the debt to be cancelled is not always recorded.</p> <p>Debt cancellation forms are not sequentially numbered, so there is no means of verifying that all relevant documents are available for inspection and review.</p>	<p>Debts may be cancelled inappropriately.</p>	<p>The corporate debt cancellation forms and process, including the provision of a reason for the cancellation, should be applied in all circumstances.</p> <p>Consideration should be given to the sequential numbering of debt cancellation forms for control purposes.</p> <p><b>Action: John Vickers – Revenue Services Manager in conjunction with Direct Services Business Support Manager</b></p>	<p><b>Management Comment:</b> Recommendation agreed.</p> <p><b>Planned Corrective Action:</b> A review of the cancellation process will be undertaken with the aim of ensuring all cancellations follow a standard corporate approach.</p> <p><b>Timescale:</b> 30th September 2010</p>

Observation	Risks	Recommendations	Management's Response
<b>Recommendation 3 - IT Access</b> <b>Level of Risk - Medium</b>			
<p>Applications for new users to be given access to the sundry debtors system are submitted to Rushcliffe by a member of the Local Taxation section staff.</p> <p>The new users retain their Gedling user id's and are provided with passwords supplied by Rushcliffe ICT staff, and are routed through the Local Taxation section.</p> <p>The system does not have a forced password change feature when new users logon although this could be introduced.</p> <p>Two of the features of Rushcliffe's password control policy are not applied when Gedling users access the sundry debtor system, namely:</p> <ul style="list-style-type: none"> <li>• Previous 24 passwords remembered and unavailable to re-use; and</li> <li>• 90 days maximum before a change of password is forced.</li> </ul> <p>We understand that requests for password changes are rarely received from Gedling users.</p>	<p>Personal passwords are provided to staff who are not system administrators.</p> <p>Password security may be reduced.</p>	<p>Arrangements for the notification of passwords to new users should be revised.</p> <p>Consideration should be given to introducing password controls that are consistent with those applied in Rushcliffe.</p> <p><b>Action: John Vickers - Revenue Services Manager</b></p>	<p><b>Management Comment:</b> Recommendation agreed.</p> <p><b>Planned Corrective Action:</b> This will be implemented as part of the upgrade to the new Sundry debtors system.</p> <p><b>Timescale:</b> 31<sup>st</sup> December 2010</p>

**ANNEX A**

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**Risk & Assurance – Standard Definitions**Audit Recommendations

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

Level	Category	Definition
1	<b>High</b>	Action is essential to manage exposure to fundamental risks.
2	<b>Medium</b>	Action is necessary to manage exposure to significant risks.
3	<b>Low</b>	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
<b>No</b>	The majority of the significant risks relating to the area reviewed are not effectively managed.
<b>Limited</b>	There are one or more significant risks relating to the area reviewed that are not effectively managed.
<b>Substantial</b>	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 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 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](mailto:vince.rimmington@gedling.gov.uk)