



Internal Audit Report

CORPORATE SERVICES DEPARTMENT

Review of Debtors

January 2009

CONTENTS

	Page
1. BACKGROUND	1
2. AUDIT SCOPE AND OBJECTIVES	1
3. AUDIT APPROACH	2
4. SUMMARY OF MAIN FINDINGS	3
5. ACTION PLAN	4
6. CONCLUSION AND ASSESSMENT AGAINST OBJECTIVES	5
7. ACKNOWLEDGEMENTS	6

APPENDICES

1	DETAILED FINDINGS
2	ACTION PLAN

1. BACKGROUND

- 1.1 This report has been prepared as a result of the Internal Audit review of Debtors as part of the 2008/2009 Internal Audit programme.
- 1.2 The Debtors section is located within ICT and Financial Services of the Corporate Services Department and is managed by the Exchequer Manager. In the Financial Year 2008 and Debtors system raised 22,125 accounts with a value of £18,952,838.76p.
- 1.3 The current Debtors system was inherited from the former Strathclyde Regional Council and is being replaced by a new Civica Financials, Debtors system in January 2009.
- 1.4 The Debtors section has recently been the subject of a Best Value review which resulted in external competitive bidding to provide the service. The review involved the section being evaluated in terms of efficiency and effectiveness from which they were successful.
- 1.5 As part of the Internal Audit process the Exchequer Manager was requested to complete a Systems Based Auditing - Internal Control Questionnaire (ICQ) for the Debtors process prior to the review. This was then followed up by evidence gathering to support the management responses.
- 1.6 As a result of our audit work, findings were generated. These findings were subsequently discussed with management and a report produced.

2 AUDIT SCOPE AND OBJECTIVES

- 2.1 The objective was to review the ICT and Financial Services response in the ICQ to ensure that the answers were verifiable.
- 2.2 The review focussed on testing where a 'No' answer was entered, was there an alternative control in place to reduce potential risk to the council.
- 2.3 The questionnaire included the following elements of the debtor's process:
 - Written Procedures / System Access
 - Raising Invoices
 - Amendments to Invoices
 - Payments
 - Debt Recovery
 - Write-offs
 - Security of Data.

3 AUDIT APPROACH

3.1 Ensure that

- The ICQ input was fully completed.
- Where there was a 'yes', there was sufficient data to support the response.
- Where there was a 'no' response, the risk to the council is assessed.

3.2 Discussions were held with both the Exchequer Manager and Senior Accounting Assistant (ICT and Financial Services) to understand the responses to the ICQ.

4 SUMMARY OF MAIN FINDINGS

4.1 Another Debtor Retention Policy will need to be compiled for the new Debtors system and made available to departments in order to comply with the Council's IT guidelines.

4.2 The current Debtors system is covered under the Council's disaster recovery procedures the new system will require similar coverage.

4.3 The Debtors section issued a 'Sundry Debtors Policy' for departments and with a new system being introduced in January 2009 it would be beneficial to issue a new 'Sundry Debtors Policy'.

4.4 There is a lack of clarity in senior management reporting and a lack of collection with regard to rate targets.

4.5 There is no control check to ensure that all printed invoices are mailed.

5 AREAS OF GOOD PRACTICE

5.1 The Debtors was the subject of a Best Value review which invited competitive bidding from external parties as well as the existing Debtors section. The review found the existing section to be the most efficient and effective.

6 ACTION PLAN

6.1 The action plan attached at Appendix 2 has been compiled with the co-operation and agreement of the Exchequer Manager.

6.2 Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendations should be implemented in accordance with the agreed action plan. Management have set achievable implementation dates and will be required to provide reasons to the Audit Committee for failure to implement within the agreed timescale. Where management decides not to implement recommendations it must evaluate and accept the risks associated with that decision.

- 6.3 A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as fundamental, material or minor. The definitions of each classification is set out below:-

Fundamental - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

Material - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

Minor - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

7 OVERALL CONCLUSION AND ASSESSMENT AGAINST OBJECTIVES

- 7.1 The Auditees had a good working knowledge of the processes involved. However, during the course of the audit, some areas were identified as requiring some improvement and therefore, various recommendations have been made. These have been discussed with management and an action plan agreed. (Any issues not accepted by management are done so with their knowledge and acceptance of risk and control weakness.)

8 ACKNOWLEDGEMENTS

- 8.1 Thanks are due to the Auditees' sections for their co-operation and assistance during the Audit and the preparation of the report and action plan.
- 8.2 Argyll & Bute Council's internal audit section has prepared this report. Our work was limited to the scope in paragraph 2.1 of this report. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.
- 8.3 This report is private and confidential for the Council's information only and is solely for use in the provision of an internal audit service to the Council. The report is not to be copied, quoted or referred to, in whole or in part, without prior written consent.

APPENDIX 2

ACTION PLAN

ACTION PLAN NO	PARAGRAPH	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
1	1.2	Material	The Debtors section issued a 'Sundry Debtors Policy' for departments in 2004. This will need to be updated for the new system. At the same time a new Debtors Retention Policy will be required and disaster recovery procedures updated.	A new 'Sundry Debtors Policy' and Debtors Retention Policy' will be issued to compliment the implementation of the new Debtors system. Disaster recovery procedures will recognise the new Debtors system.	Exchequer Manager	29 th May 2009
2	1.3	Material	The Debtors Systems Users list contained a number of duplicate and obsolete users.	The Debtors Systems User list will be reviewed.	Exchequer Manager	29 th May 2009

ACTION PLAN NO	PARAGRAPH	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
5	1.6	Material	There are no collection rate targets in place. In addition, there is a lack of clarity on debtor performance reporting to Senior Management.	Management will review current performance reporting and assess the requirement to introduce collection rate targets taking into the introduction of the new Debtors system.	Head of Legal and Protective Services	29 th May 2009