



Internal Audit Report

Corporate Services

Review of Debtors

November 2009

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1 INTRODUCTION

This report has been prepared as a result of the Internal Audit review of Debtors Application as part of the 2009 - 2010 Internal Audit programme.

Invoices/credit notes are raised by Council departments for various types of services e.g. residential care for the elderly, home helps, special uplifts, hire of facilities, rechargeable repairs, planning applications etc. Customers may be individuals or commercial businesses.

The Council's Sundry Debtors Section processed the following volumes of accounts, during the financial year to 31st March 2009.

	No of Invoices	Value	Average Account Value
Old System	18,095	12,585,348.54	
New System	1,800	3,034,350.04	
TOTAL	19,895	15,619,698.58	£785.11

Exchequer Services within ICT and Financial Services has responsibility for implementation of debt recovery policy within the Council. The Debtors System is configured to reflect those policies and provide automation in the raising of invoices and overdue notices up to the point where final reminders are issued. At this point, failure to settle an account within a further 15 days will result in the matter being referred to Legal Services for legal action.

The Council's Debtors system was inherited from the former Strathclyde Regional Council at Local Authority Reorganisation in 1996. The system was supported by Anite Scotland Ltd until 2006 when Anite took a business decision to withdraw its support. There is no development plan for this system and no support for the software. It is beyond the end of its useful life. Funding provision for a replacement system was originally identified in the 2005/06 ICT Capital budget.

A Strategic Best Value Review of Income Collection was undertaken within ICT and Financial Services, and reported in June 2005. As recommended and approved by the Strategic Policy Committee (SPC), tenders were sought for the management of the sales ledger and debt collection services for sundry debts. Despite a full tendering exercise, only the internal bid, prepared by Exchequer Services, met the necessary criteria and included a costing for a replacement in-house system.

A Project Board and a Project Team were set up to ensure that the system will be delivered on time, within budget and in accordance with the terms of the agreement with the supplier.

To achieve this, Prince2 Project Methodology was applied, thus providing a clear understanding of the project and the commitment required for its success, including the following areas:

- Clear identification of the objectives of the project
- Identification of all the products which will be produced within the project and their initial descriptions;
- Identification of project success criteria;
- Description of the approach to be adopted;
- Identification of any dependencies which will directly affect the project;
- Identifications of the risks associated with the project;
- Allocation of roles and responsibilities;
- Project costs; and
- Required human resources.

2 AUDIT SCOPE AND OBJECTIVES

The scope of this review is limited to the Internal Control Questionnaire (ICQ) for Applications and completed by the Senior Audit Assistant in conjunction with relevant members of staff involved in the Audit.

The broad objectives of the review were to ensure:

- Compliance with legislation and council policies.
- User Identification, Access and Password Security Controls are in place.
- Access to Parameter Data (such as pre-set charging rates and ledger codes) is restricted and updated appropriately.
- Input is genuine, complete, not previously processed, accurate and timely.
- Data is processed in accordance with user manual/guidance, processing schedule and validation rules (such as specified date format).
- Output produced is validated to input, ensuring information is accurate and complete with error and exception reports reviewed and dealt with suitably.
- Reports are collected or distributed promptly, used, stored and disposed of appropriately.
- System Availability including data integrity
- Back-ups are taken in accordance with Council policy and included within the Council's business continuity plan.
- Audit/ Management Trail maintained, reviewed and archived and that key documents are kept in accordance with an up-to-date retention schedule and filed in an appropriate manner.

3 RISK ASSESSMENT

As part of the audit process and in conjunction with our Systems Based Auditing, ICQ approach, the risk register was reviewed to identify any areas that needed to be included within the audit.

All areas identified within the Risk Register were included within the questionnaire used to carry out this audit.

4 CORPORATE GOVERNANCE

There are no Corporate Governance issues to be reported as a result of this audit.

5 MAIN FINDINGS

Debtors Control do not carry out an Annual review of users to ensure access granted is consistent with staff usage requirements within Council Departments.

Debtors Control have been operating with only 2 members of staff for 12 months due to long-term sick leave of one member of staff. The Senior Accounting Assistant (System Administrator) has just begun a period of maternity leave at the end of October leaving only one experienced and 2 newly recruited members of staff to carry out Debtors and Cash Receipting tasks.

6 RECOMMENDATIONS

Two recommendations were identified as a result of the audit, one graded high and one medium. The recommendations are shown in the action plan below.

7 AUDIT OPINION

The auditor is satisfied that the ICQ was completed in an appropriate manner.

Based on the findings we can conclude that staff within Debtors Control and ICT contacted during the course of the audit have a good working knowledge of their specific areas and are operating in an efficient and effective manner.

Recommendations arising from the audit work should be implemented by the nominated responsible officer within the agreed timescale. Recommendations not implemented will require explanation to the Audit Committee. This could lead to findings being reported in the Internal Control Statement produced by the Council in support of the Annual Accounts.

8 ACKNOWLEDGEMENTS

Thanks are due to the Debtors Control Section & ICT Staff for their co-operation and assistance during the Audit and the preparation of the report and action plan.

Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

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

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	Users' Access rights and permissions are not reviewed on a regular basis	Medium	Debtors Control should seek annual confirmation from departments as to the currency of users and their access rights so as to ensure appropriate system usage.	Exchequer Manager	31 March 2010
2	Debtors Control is operating with only one experienced member of staff.	High	Management should endeavour to ensure that sufficient staffing levels are maintained in order to provide a good quality service for the Council.	Exchequer Manager	30 November 2009