



Internal Audit Report

Revenues Team

Review of Income: Sundry Debt

September 2013

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1 INTRODUCTION

As part of the annual audit plan for 2012/13 internal audit undertook a review of Sundry Debt functions and its activities. An internal audit review of Income was undertaken that considered the activities of the Revenues Team, which is led by the Revenues Supervisor who reports to the Revenues and Benefits Manager. Both are based at Witchburn Road, Campbeltown.

With regards to Sundry Debt responsibilities, the Revenues Supervisor is supported by the NDR/Sundry Debt Administrators (2 FTE) and their direct reports, the NDR/Sundry Debt Agents (3 FTE).

Sundry debt functions and activities are mainly undertaken by a designated NDR/Sundry Debt Administrator and NDR/Sundry Debt Agent with cover provided by the other administrator and agents as and when required. This arrangement is reciprocated with the core sundry debt staff providing cover for the NDR staff.

Appendix 3 shows the position of staff with sundry debt responsibilities (highlighted in grey) within the Revenues Team structure.

2 AUDIT SCOPE AND OBJECTIVES

This is the first year of a 3 year cycle of income audits. The scope of this audit was to undertake a high level review and assess the adequacy of controls in place to ensure that the Revenues Team identify, bill, collect and account for sundry debt income owed to the Council on a timely basis.

Testing was undertaken to assess the effectiveness of the present operational controls.

3 RISK ASSESSMENT

As part of the audit process the risk register was reviewed to identify any risks that potentially impact on the audit. The following risks were identified.

- SR16 Failure to have a robust internal control process and system;

4 CORPORATE GOVERNANCE

No corporate governance issues were identified during the audit.

5 MAIN FINDINGS

The main findings of the review related primarily to the Council's sundry debt billing & collection strategy and the economy & efficiency of current operations. We have raised concerns around the:

- high volume and value of 'Community Services' debts that have been allowed to accumulate without recovery action being pursued
- number of low value invoices that are being raised
- ratio of credit notes to invoices

The Council has two recovery routes for the pursuit of outstanding debt. The General Recovery Route ensures that overdue accounts are passed to the Legal department after 21 days, following reminder and final demand invoices.

An alternative approach is used within the Community Services Recovery Route to reflect the nature and recipients of services, Here, we found that overdue accounts are not always passed to Legal following the final demand, but with no clear rationale for writing off or pursuing the debt.

During testing we noted a high number of low value invoices being raised. Between 1 April 2012 and 14 January 2013, 1,425 invoices were raised for debts under £20. During the period of our review, the Council's Senior Management Team approved a new Sundry Debt Procedure manual which encourages payment in advance for amounts less than £20.

We analysed invoices in the 4 month period to end August 2013 to assess whether improvements have been made. We found that 217 invoices were raised for £20 or less during the period, but that 210 of these invoices relate to Social Work Area Teams for services such as Meals on Wheels. The service has recently introduced a direct debit scheme to improve the cost effectiveness and recoverability of debt. We will therefore continue to monitor improvements in this area.

Aside from the main points raised above we are satisfied that there are adequate controls and procedures in place to ensure that the Council identifies, bills, collects and accounts for sundry debt income on a timely basis.

6 RECOMMENDATIONS

Seven recommendations, one high, three medium and three low, were made as a result of the audit.

The recommendations are detailed in the action plan attached at Appendix 2, which has been compiled with the co-operation and agreement of the Revenues Supervisor and Revenues & Benefits Manager.

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 an achievable implementation date and will be required to provide a reason to the Audit

Committee for failure to implement within the agreed timescale. Where management decides not to implement a recommendation it must evaluate and accept the risk associated with that decision.

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 high, medium or low. The definitions of each classification are set out below:-

High - 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;

Medium - 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;

Low - 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 AUDIT OPINION

Based on the findings of the audit review we believe that the current system for sundry debt provides an adequate basis for internal control, but that there is scope for improvement. The Council needs to clarify and develop its sundry debt strategy and improve operational effectiveness in order to provide value for money in both the pursuit and recovery of sundry debt income owed to the Council.

The recommendations arising from the audit work should be implemented by the nominated responsible officer within the agreed timescale. A recommendation 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 Revenues Team staff for their co-operation and assistance at all stages of the audit.

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.

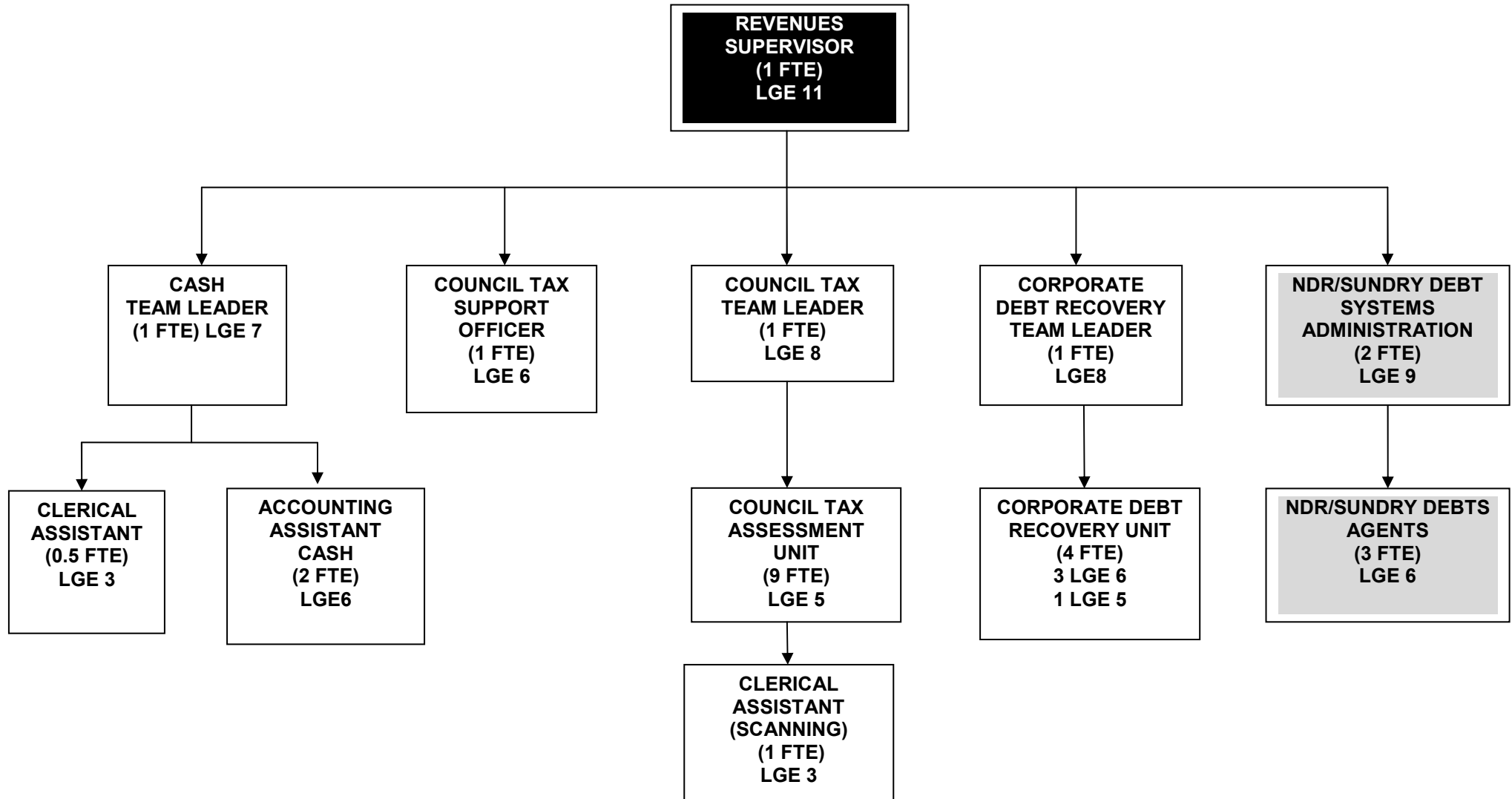
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APPENDIX 2 ACTION PLAN

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
4	The ratio of credit notes to invoices appears quite high at 0.24.	Medium	Council staff that raise or authorise invoices should be required to attend appropriate systems training in order to reduce the number of credit notes raised.	Revenues Supervisor	31 DECEMBER 2013
5	The Council does not pursue recovery of outstanding Community Services debts.	High	The Head of Service and Community Services Finance Team should ensure that clear criteria is in place for writing off or pursuing debt.	Revenues and Benefits Manager	31 MARCH 2014
6	There is limited management information available on the nature of outstanding Community Service debts.	Medium	The Community Services Finance Team should provide monthly reports to the Adult Care Management Team detailing the level of debt outstanding in their areas. The Finance Team should be		31 MARCH 2014

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
			provided with a regular update on those debts which should be progressed to legal action or alternatively written off.		
7	<p>The monthly aged debt report provided by the NDR/Sundry Debt Administrator to the Revenues and Benefits Manager details the number and value of outstanding sundry debts per age banding, by new and old system and in total.</p> <p>We found that the report does not identify movement from the previous period or include any supporting narrative.</p>	Medium	The monthly aged debt report should show the movement from the previous period and also include supporting narrative explaining the current position and providing reasons for any significant movement from the previous position.	Sundry Debt Systems Administrator	31 DECEMBER 2013

APPENDIX 3 SUNDRY DEBT TEAM (WITHIN REVENUES STRUCTURE)



APPENDIX 4 ANALYSIS OF SOCIAL SERVICE DEBT OVER 3 MONTHS OLD AS AT 4 JULY 2013

Status	Initial stage - invoice printed	Blanks	Final Reminder	Community Services Reminder	Community Services 2nd Reminder	Passed to Legal	Under £5 - Consider Write Off	TOTAL
Residential Care	8226.08		116347.51	3393.1	-3.5	1808.1	2.95	£129,774.24
Homecare	-3.01		10045.16				-7.3	£10,034.85
Telecare	58.5	-1.89	16436.3	705.36	-33.05	104	135.41	£17,404.63
External care and support services	1750.74		120448.55	4761.61	773.23	23913.98	8.15	£151,656.26
Meals on wheels etc.	-52.45		4882.52	7.36	19.65		97.95	£4,955.03
TOTAL	£9,979.86	-£1.89	£268,160.04	£8,867.43	£756.33	£25,826.08	£237.16	£313,825.01