

AUDIT REPORT 24'011

DEBTORS

Executive Summary

The annual audit plan for 2023/24 provided for an audit review to be undertaken of the Debtors System. The objective of this audit was to provide assurance over system controls, documentation to support the invoices raised and the debt recovery process. The review forms part of the yearly audit coverage of the Council's core financial systems. The audit review does not include the arrangements for recovering debts concerning council tax, non domestic rates and housing rents.

Invoices are raised for various types of services, e.g, financial contribution for care, trade waste, special uplifts, hire of facilities and rechargeable repairs. Customers may be individuals or commercial businesses. For the financial year 2022/23, approximately 70,000 invoices were raised to a value of £15.4 million. The Debtors System is administered by the Payments Section through the Financial Management System software application to provide automation in the raising of invoices and overdue notices up to the point where final reminders are issued and referral is made to an external debt collection agency.

The overall audit objective of this review is to provide an independent opinion on the adequacy and effectiveness of controls and processes. This involved a check to ensure invoices are raised with enough supporting documentation to be able to support debt recovery should the need arise; confirm payments had been auto matched to debtor accounts; receipts without a valid reference have been posted to and cleared from a suspense account on a regular basis; effective monitoring of unpaid invoices are monitored and chased in accordance with debt recovery procedures; collection performance is monitored and reported.

The audit was carried out in accordance with Public Sector Internal Audit Standards (PSIAS).

The main issues raised for management consideration are:

- The use of performance management information can be an essential aid in ensuring the objectives of an organisation are achieved. Consideration should be given to further developing key performance management information regarding debt recovery. This would allow for further benchmarking of performance with other Local Authorities and assist in providing an overview of the internal management of invoices raised by individual services.
- During the audit, an issue arose concerning the Council's inability to collect income from direct debits for a period of 10 days. This issue impacted several service users, including council tax payers, resulting in a cost to the Council and the need to agree on revised debt recovery arrangements. The reason for this issue was due to a software certificate, as part of the authentication process to allow the Council to recover debts through Direct Debits not being renewed.

The audit has noted that the Payments Section has undertaken a review and highlighted several recommendations regarding current operating arrangements that have now been implemented.

The Internal Audit Section provides Management with an opinion on the internal control environment and also categories risk ratings for recommendations as high, medium or low. The audit recommendations for this review have been classified as follows:

| Risk Ratings for Recommendations | | |
|--|---|---|
| High | Medium | Low |
| Key controls absent, not being operated as designed or could be improved. Urgent attention required. | Less critically important controls absent, not being operated as designed or could be improved. | Lower level controls absent, not being operated as designed or could be improved. |
| 1 | 4 | 0 |

Recommendations

| Risk Ratings for Recommendations | | | | | | |
|---|--|----------|---|---|---|------------------------------|
| High | Key controls absent, not being operated as designed or could be improved. Urgent attention required. | Medium | Less critically important controls absent, not being operated as designed or could be improved. | Low | Lower level controls absent, not being operated as designed or could be improved. | |
| No. | Audit Recommendation | Priority | Accepted (Yes/ No) | Comments | Responsible Officer | Timescale for Implementation |
| Key Control: The audit reviewed the key operational controls in the management of the Council's Debtors System | | | | | | |
| 5.01 | Further to a review undertaken by the Payments Section, additional controls have been implemented to ensure more effective monitoring of software licensing requirements. This will include establishing a register of software certificates requiring future renewal. | High | Yes | Further monitoring of when future software licences are due for renewal has been introduced. In addition, contact has been made with the Bank and Software Supplier to agree on additional notification messaging | Assistant Manager – FMS & Banking | 31/12/2023 |

| Risk Ratings for Recommendations | | | | | | |
|---|--|-----------------|---|--|---|-------------------------------------|
| High | Key controls absent, not being operated as designed or could be improved. Urgent attention required. | Medium | Less critically important controls absent, not being operated as designed or could be improved. | Low | Lower level controls absent, not being operated as designed or could be improved. | |
| No. | Audit Recommendation | Priority | Accepted (Yes/ No) | Comments | Responsible Officer | Timescale for Implementation |
| | | | | regarding the ongoing status of software licences. | | |
| 5.02 | To ensure the Council is maximising income recovering arrangements, services should be reminded to resolve any disputed invoices as quickly as possible. | Medium | Yes | This will be highlighted to Services when the updated Sundry Debt Management Policy is issued. | Assistant Manager – FMS & Banking | 31/01/2024 |
| 5.03 | In accordance with Financial Regulations, services should be reminded of the requirement that invoices are issued promptly, either in advance or within a maximum of 30 days of the service or goods being provided. | Medium | Yes | This will be highlighted to Services when the updated Sundry Debt Management Policy is issued. | Assistant Manager – FMS & Banking | 31/01/2024 |

| Risk Ratings for Recommendations | | | | | | |
|----------------------------------|---|----------|---|--|---|------------------------------|
| High | Key controls absent, not being operated as designed or could be improved. Urgent attention required. | Medium | Less critically important controls absent, not being operated as designed or could be improved. | Low | Lower level controls absent, not being operated as designed or could be improved. | |
| No. | Audit Recommendation | Priority | Accepted (Yes/ No) | Comments | Responsible Officer | Timescale for Implementation |
| 5.04 | Consideration should be given for additional guidance to be included within the Sundry Debt Management Procedures to ensure a uniform approach is taken where the use of legal action should be considered by services for the recovery of unpaid invoices. | Medium | Yes | The requirement for consideration of legal action to recover outstanding debts will be included as part of the current review to update the Sundry Debt Management Policy. | Assistant Manager – FMS & Banking | 31/12/2023 |
| 5.05 | Consideration should be given to further developing performance management information to allow benchmarking with other local authorities and for the internal management of debt recovery action undertaken by individual services. | Medium | Yes | Agreed. Further development of performance indicators will be undertaken to ensure more effective monitoring of debt recovery arrangements. | Assistant Manager – FMS & Banking | 31/03/2024 |