

Causeway Coast and Glens Borough Council

Internal Audit Report Review of Prior Year Recommendations – Invoicing and Debtor Management

March 2018
Final

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1 Introduction

This internal audit was completed in accordance with the approved annual Internal Audit Plan for 2017/18.

This report summarises the findings arising from a review of the progress made by CCAG BC in implementing the prior year internal audit recommendations in the area of Invoicing and Debtor Management

1.1 Objectives and Scope

The scope of this audit was to review the progress made by Council in implementing prior year internal audit recommendations in the area of Invoicing and Debtor Management

The agreed audit objective was therefore to confirm that the internal audit recommendations have been or are being implemented.

1.2 Background

Council is committed to ensuring that key risks are identified and addressed as far as possible, the system of internal control is adequate and operating effectively and the policies and procedures in place are up to date and being followed.

As Internal Audit reports and findings identify possible risk areas, an important part of the internal audit service is to review the progress made in addressing prior year recommendations.

In 2016/17, the following recommendations were made following a scheduled internal audit of the Invoicing and Debtor Management process:

Risk	Number of recommendations			Total
	Priority 1	Priority 2	Priority 3	
Different invoicing arrangements are in place throughout the borough leading to inconsistencies in how customers are invoiced and dealt with and	1	1	1	3
Procedures for recovering outstanding debts are not robust and are inconsistently applied leading to an increased risk that debts will not be recovered in a timely manner and loss of income to the Council.	1	3	2	6
Lack of sufficient, accurate and timely management information for income and debtors leading to poor decision-making.	-	1	-	1
Total	2	5	3	10

The above recommendations have been revisited as part of this year's internal audit work programme. For each recommendation, we have discussed progress with the relevant officer and reviewed evidence of progress.

2 Results of Review

We reviewed the progress made in implementing the recommendations. The table below notes overall progress against recommendations at the time of our review (February 2018).

Status	Number of Recommendations			Total
	Priority 1	Priority 2	Priority 3	
Issue addressed	-	3	2	5
Issue being addressed	2	1	1	4
Issue not yet addressed	-	-	-	-
No longer a priority issue	-	-	-	-
Total	2	4	3	9

Priority 1 Recommendations

The table above shows that the two Priority 1 recommendations made are currently being addressed.

Priority 2 Recommendations

The table above shows that 3 of the Priority 2 recommendations have been addressed and the remainder is in the process of being addressed.

Priority 3 Recommendations

Two of the Priority 3 recommendations made have been addressed and one is being addressed.

It is acknowledged that much progress has been made since the original internal audit took place and that implementation of the recommendations will continue in the coming year. We recommend that management continue their efforts to address internal audit recommendations and ensure that progress is regularly monitored and reviewed.

3 Update on Prior Year Recommendations

3.1 Invoicing and Debtor Management

No	Recommendation	Priority Level	Management Response	Position at February 2018
1	The Council should ensure that invoices are raised promptly following service provided/facilities used and that sufficient information is provided to Finance to enable the invoice to be accurately raised. The timeliness of raising invoices is particularly important where invoices are raised on a quarterly/ bi annual basis (for example rent and bin collection services) so that sufficient time is provided to the person being invoiced between invoices to increase the chance of payment being received on a timely basis. It is anticipated that the recent centralisation of the invoicing function should help to resolve this issue	1	With centralised invoicing invoices are raised by finance on more or less a daily basis, this does rely on service departments providing the necessary information in a timely manner to finance, procedures around this interaction could benefit with a review (Financial Accountant – Lindsay Clyde)	<p>Audit was advised that invoices are raised as and when details are received from other departments. Departments have been issued with interim procedures which details information required by the debtors' team when raising invoices.</p> <p>Audit reviewed the interim procedures for raising invoices and for receiving payments.</p> <p>The process is continually under review.</p> <p>Issue being addressed</p>
2	The Chief Finance Officer should monitor the workload of the accounts receivable team and ensure that adequate resources are put in place to be able to manage all aspects of income including invoicing, receipt of payments, bank reconciliations and debt control.	2	Staffing level of income section took into account the aspiration of centralised invoicing and credit control, planned review after first full year of operation to ensure appropriateness of staffing (CFO -David Wright)	<p>The debtors team is not yet fully in place. The appointment process is still ongoing. For these reasons it has not been possible to fully assess the adequacy of resources within the finance team to manage all new procedures. Audit was advised that the issue is however considered on an ongoing basis by the Chief Finance Officer.</p> <p>Issue being addressed</p>
3	Once the invoicing process is fully embedded, consideration should be given to reviewing how and	3	Procedural review to be carried out before end of calendar year	<p>Audit was advised that an informal review was carried out as part of the production of a procedures manual. The financial accountant is</p>

No	Recommendation	Priority Level	Management Response	Position at February 2018
	where information is generated and recorded to create a more streamlined process.		(Financial Accountant – Lindsay Clyde Dec. 2016)	currently looking at information received to see if a more streamlined approach can be taken. Issue being addressed
4	The debt management policy should be discussed with the accounts receivable team and training provided as necessary to ensure that all staff are fully aware of the debt recovery procedures and the policy can be implemented promptly once approved.	2	Debt management policy approved by committee on 19 April and full Council on 26 April, policy has been issued to Finance staff with instructions to implement. (Financial Accountant – Lindsay Clyde May 2016)	We were advised that the debtors team has been made aware of debt management policy via discussions at debtor team meetings etc. (No minutes are retained at staff meetings) Issue addressed
5	The Council should ensure that outstanding debt not already on the Finance system is posted promptly and followed up as appropriate. In line with recommendation 1.2, the Chief Finance Officer should also monitor the volume and flow of the workload of the accounts receivable section so that sufficient staff resources are in place and backlogs can be avoided.	2	Outstanding invoices at 31 Mar 2016 will be entered on debtors' ledger and subjected to new process. (Financial Accountant – Lindsay Clyde June 2016)	All debt is now on the financial system, elements of legacy debt have been written off in last year's accounts. Audit reviewed the bad debt provision and write off workings as at March 2017; and noted the irrecoverable legacy debts included for bad debt provision and write off. Issue addressed
6	Now that the follow up of debt is being managed centrally by the accounts receivable team, the issuing of statements and reminder letters should be resumed promptly in line with the debt management process. A clear audit trail should be maintained of all actions taken for the recovery of debt. Once payment has been received by the accounts receivable section, it is important that the original service area is informed, particularly where businesses avail of repeated use of Council services (such as leisure centres, landfill sites and commercial collections) so that on-stop lists can be kept up to date.	1	Issue of monthly statements and reminders commenced in April 2016 to coincide with expected implementation of new debt management policy. Regular updates to service departments in place (complete)	Audit was advised that due to resourcing issues statements are not issued as often as Finance would like. It is hoped that once a credit controller and a full complement of staff is in place that the frequency of issuing statements and the debt management process will improve. Issue being addressed

No	Recommendation	Priority Level	Management Response	Position at February 2018
7	Once the debtors ledger is fully operational with old debts posted (including any legacy debts), a process should be put in place so that those debts which are unlikely to be recovered are written off as appropriate. This could include undertaking a review to assess older debts (more than two years old) and determine whether these can be collected or should be written off. These should then be reported to and, where appropriate approved by, the Council on a timely basis in line with the debt management policy.	3	Following implementation of the new debt management policy all debtors will be processed in accordance with the policy and a review will be carried out around Sep '16 to consider the need for any write-offs (CFO- Sept 2016)	Debtors were reviewed at the previous year end and a formal review will take place in March 2018 to identify any further write offs for this year. As noted under Recommendation 5 audit reviewed the bad debt provision and write as at March 2017; and noted the irrecoverable legacy debts included for write off. Issue addressed
8	Once the debtors ledger is fully operational Finance staff should ensure that the debtors ledger is reconciled to the general ledger on a monthly basis in line with good practice.	3	Invoice batches to be reviewed to ensure correct postings and reconciled to GL and aged debt report with immediate effect (Financial Accountant – Lindsay Clyde May 2016)	Audit was advised that invoice batches are now reviewed on a sample basis. Issue addressed
9	Consideration should be given to providing aged debt reports to Heads of Service on a regular basis for information purposes (even though follow up activities are carried out by accounts receivable). Regular meetings should also take place to act as a two-way process for keeping both Finance and Heads of Service informed (for example to review and discuss persistent bad payers with a view to withdrawing credit facilities and/or making alternative arrangements for payment e.g. payment in advance). It is anticipated that the centralisation of debtors will improve the overall recovery of debt and therefore also reduce the need for some communication, making these meetings more focussed.	2	Aged debt reports to HoS on monthly basis with updates on “bad debt” – commence Aug '16 to allow full implementation of new policy (Financial Accountant – Lindsay Clyde Aug 2016)	We were advised that updates on the debt situation are reported to the Corporate Policy and Resources (CP&R) Committee on a monthly basis. Audit reviewed the agenda of the CP&R Committee for the 6 months between August 2017 and February 2018, and noted that the monthly Debt Management Report was a standing item on the agenda. Audit also reviewed the Debt Management report for February 2018; presented to the CP&R Committee & found that it contained information on: <ul style="list-style-type: none"> • Debt recovery • Legal proceedings • Debt written off. Issue addressed

Appendix I: Hierarchy of Findings

This audit report records only the main findings. As a guide to management we have included the categories of recommendations that were applicable at the time of the prior year audits (note: these were revised in 2016 following guidance from the DFP):

Priority 1: Major issues which require urgent attention and the implementation of agreed audit recommendations in the short term.

Priority 2: Important issues which require immediate attention and the implementation of agreed audit recommendations in the short to medium term.

Priority 3: Detailed issues of a less important nature which require attention and the implementation of agreed audit recommendations in the medium to long term.

Appendix II: Our Approach and Staff Consulted

Our audit fieldwork comprised:

- Reviewing progress against recommendations via discussions with key staff
- Examining relevant documentation
- Testing controls and accuracy of records.

The table below shows those consulted with and we would like to thank them for their assistance and co-operation.

Job title
Financial Accountant