Insert(GetProperty("Audit.Client\Client.Title"))<i>Oxford City Council</i>

internal audit report

Insert(GetProperty("Audit.Title"))<i>Audit 6. Accounts Receivable</i>

Insert(Format({0:MMMM yyyy}, GetDate()))<i>November 2018</i>

|  |  |
| --- | --- |
| LEVEL OF ASSURANCE | |
| Design | Operational Effectiveness |
| Insert(GetProperty("Audit.Rating\AuditRating.Name"))<i>Moderate</i> | Insert(GetProperty("Audit.OperationalEffectiveness\AuditRating.Name"))<i>Limited |

[EXECUTIVE SUMMARY 2](#_Toc533670310)

[DETAILED FINDINGS 6](#_Toc533670311)

[STAFF INTERVIEWED 18](#_Toc533670312)

[APPNDIX I – DEFINITIONS 19](#_Toc533670313)

[APPENDIX II - TERMS OF REFERENCE 21](#_Toc533670314)

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|  |  |
| --- | --- |
| **<T\_1>**Distribution | |
| Name | Job Title |
| Neil Markham  Nigel Kennedy | Incomes Team Leader  Head of Financial Services |
|  |  |

|  |  |
| --- | --- |
|  | |
| Report Status list Var(“Set”, “AuditRef”, GetProperty(“Audit.Ref”)) | |
| Auditors: | Max ArmstrongInsert(Var(“Get”,”Auditors”))<i></i> |
| Dates work performed: | Insert(Format(“{0:dd MMMM}“, Date(Var(“Get”,”MS1”))))<i></i>15 – 25 October 2018 Insert(Format(“{0:dd MMMM yyyy}“, Date(Var(“Get”,”MS2”))))<i></i> |
| Draft report issued: | November 2018 |
| Final report issued: | December 2018 |

|  |  |  |
| --- | --- | --- |
| EXECUTIVE SUMMARY | | |
| LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS) | | |
| Design | InsertRichText(GetProperty("Audit.Rating\AuditRating.Name"))  <rt>  Moderate  </rt> | InsertRichText(GetProperty(“Audit.Rating\AuditRating.Description”))  <rt>  Generally a sound system of internal control designed to achieve system objectives with some exceptions.  </rt> |
| Effectiveness | InsertRichText(GetProperty("Audit.OperationalEffectiveness\AuditRating.Name"))  <rt>  Limited  </rt> | InsertRichText(GetProperty(“Audit.OperationalEffectiveness\AuditRating.EffDescription”))  <rt>  Non-compliance with key procedures and controls places the system objectives at risk.</rt> |
| SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I for definitions) | | |

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|  |
| --- |
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|  |
| CRR ReFERENCE |
| Efficient Council |
| BACKGROUND |
| InsertRichText(GetProperty(“Audit.Description”))The accounts receivable function has within the past twelve months transferred to the responsibility of the Income Team Manager who is supported by the three team leaders covering the areas of support and prevention, arrears and processing receivables. This review considered those accounts receivable raised in Agresso which covers other Council activities such as licensing, subscriptions, trade and garden waste and parks and leisure.  As part of this audit, we tested the Council’s invoice procedure, the debt recovery procedure, quality of chasing and reclaiming full amounts of debt, and debt write-off procedures. Furthermore, we assessed the adequacy of the Council’s Constitution to articulate the financial rules and the SLA Agreement on Income Collection between the Council and Oxford Direct Services (ODS).  Accounts Receivable is managed wholly by the Incomes Team who process sales orders, run monthly reports on outstanding debts for the department heads to review and retain records of all outstanding income the Council has, including recovering any debt if the origin department so wishes them to.  The key risks addressed in this audit were:   * Financial regulations, policies and procedures fail to support the income collection framework * Inadequate management of user access to Agresso * Inadequate controls to safeguard the integrity of customer data held * Ineffective controls to ensure transactions are completed accurately and in a timely manner * Reports do not contain the appropriate information and are not communicated with staff adequately * Debt recovery arrangements do not return the full value of funds and are not consistent with the Council’s values * Debts are not written off in line with the Council’s procedures * Agreements between the Council and ODS are insufficient.   A review of Accounts Receivable was performed and reported to the December 2016 Audit Committee which led to a limited opinion for design and limited opinion for effectiveness. |
| GOOD PRACTICE |
| InsertRichText(GetProperty(“Audit.Accomplishments2”))The following areas of good practice were identified:   * The Council has a robust set of financial rules within their Constitution, highlighting objectives for collecting debt, preferred methods of payment, and was published recently in April 2018 * In accordance with the aforementioned Constitution, every Council debt write-off since April 2018 was authorised by the Head of Financial Services * The Council and Company's Service Level Agreement (SLA) on Income Collection was clear about the liabilities of both parties. Agreements on who has liabilities of debt write-off and length of the agreement was sufficiently presented * As articulated in the SLA on Income Collection, officers from both the Council and ODS have met regularly. Furthermore, minutes and agendas of meetings between the Council's Section 151 Officer and the ODS's Managing Director show that issues surrounding debt recovery are being discussed.   InsertTable(“<Query Perspective=\"Risk\" ID=\"RiskQuery\" Type=\"LeftJoin\">  <Properties>  <Property Mid=\"Risk.Title\" ID=\"Title\" />  <Property Mid=\"Risk.Name\" ID=\"Name\" SortOrder=\"1\"/>  </Properties>  <Criteria>  <CriteriaGroup Path=\"Risk.ScopeState\">  <Criterion Type=\"UidCriterion\">  <Uid Mid=\"ScopeState\" Guid=\"9f0c45c2-4757-48e7-9030-e79f8078ff96\" Id=\"1\" Version=\"1\" />  </Criterion>  </CriteriaGroup>  </Criteria>  </Query>”,”Risk.Objective\Objective.Audit”,”Name”) |
| KEY FINDINGS |
| During our review the following areas of improvement were identified:   * Exceptions were found in all cases sampled across the Council, ODSL and ODSTL in relation to debt recovery 14 day and 45 day letter reminders being sent in time. Furthermore, there was one exception of the L7 letter being sent on time (Finding 1 – Medium) * Due diligence of new customers was insufficient due to the tick box being ignored by departments. Furthermore, greater clarification over the levels of due diligence is required for different customers (Finding 2 – Medium) * High levels (992 cases at time of testing) of overdue debt exceeding 270 days were not written off as the Council’s policy states it should be (Finding 3 – Medium) * ODS’ reluctance to transfer debt to enforcement agencies causes poor re-payment on a number of debts. Overdue debts beyond 90 days are unpaid yet ODS continues to provide services for the customers (Finding 4 – Medium) * The Council failed to provide us with a sample of amended user access and therefore we could not fully assess the effectiveness of this control. IT records of new/amended users were dispersed across the system thereby making it difficult to find recent new users to determine their levels of access (Finding 5 – Low). * No segregation of duties in amending customer data; full process is completed by a single member of staff. The manual nature of the monthly review of customer amendments makes it impossible to detect suspicious changes (Finding 6 – Low) * One exception of a segregation of duties in the raising and approving of invoices within the OxClient category (Finding 7 – Low). |
| CONCLUSION |
| InsertRichText(GetProperty(“Audit.Conclusion”))Overall the Council has moderate design of controls in place with regards to Accounts Receivable and the various processes incorporated within it however is limited for control effectiveness. Discussions with officers and observations of the systems available to the Council showed moderate controls for policies on income collection, procedure notes to support departments collect of income where necessary, creating/amending user access to Agresso, and processes to follow when creating customers or raising invoices. There has been an improvement in the presentation of management information and reports since our previous audit, and responsibilities of officers are strongly articulated in the Council’s Constitution. However, the effectiveness of these controls was limited, and in many cases sampled there was insufficient effort to ensure timely payments to the Council, particularly in the case of debt recovery and due diligence on new customers. |

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|  |  |  |
| --- | --- | --- |
| **<T\_1>**DETAILED FINDINGS | | |
| <Name\_H\_1>RISK: Insert(GetColumn("ParentRiskTitle"))<i>Debt recovery arrangements are inadequate and ineffective to achieve the maximum return of funds in line with the Council’s values  </i> | | |
| <Name\_H\_2>Ref | Significance | Finding |
| 1. <Name\_H\_3> | InsertRichText(GetColumn(“SeverityName”))High | InsertRichText(GetColumn(“Description”))The Council's payment terms are that payment is due immediately upon the customer receiving the invoice.  The Incomes Team process all aged debts which are allocated to an Income Officer depending on the service delivered. Each invoice has an officer responsible to follow up and recover the outstanding payments using the payments system Agresso. Upon failure to pay the requested invoice the Council's approach is:   * Send a first reminder 14 days after the original due date of the invoice * Send a second reminder letter 45 days after the original due date of the invoice * Issue a L7 letter 75 days after the original due date of the invoice * At 90 days the Council will refer the case to one of the two debt enforcement agencies that they use * At 180 days the Council then makes a decision whether to refer the debt onto their other debt enforcement agency or write-off the debt * After 270 days the debt will be written-off.   We reviewed five samples of aged debts ranging from 20 to 109 days overdue from 1 April 2018 to 15 October 2018. We found:   * In five out of five cases the customer did not receive the relevant reminder letter within the allocated time. The three 14 day reminder letters that were sent to the customers averaged at 11.67 days late ranging from one to 19 * On the other two cases, the 14 day reminder letter was yet to be sent despite being six and ten days beyond the 14 day limit * Of the five cases, one overdue debt was eligible to be sent a 45 day letter reminder but despite the debt being 109 days overdue, this letter was yet to be sent * The accumulated value of all the cases reviewed was £302,987.25. Of these, the debt recovery was insufficient with no follow up action taken beyond the 14 day reminder letters for three of the customers and none for the other two for debts.   Furthermore, we sampled five cases of aged debts ranging from 112 days to 150 days overdue as of 15 October 2018. We found:   * Four of the five customers sampled had received L7 letters, although due to records not being retained the Council could not provide evidence that these were sent out at the 75 day point. In one case, the customer was yet to be issued an L7 letter even though their debt was 130 days overdue and valued £9,749.00 * In two of the four cases where a customer received an L7 letter there is no evidence that there has been any action to follow up the debt with the customer * In the one case where the L7 letter has not been sent, there is no evidence to show that any follow-up has been made to recover the funds.   NB: The Council is currently discussing whether to make the L7 letters dispatching automatic.  Debts are most likely to be repaid in full at the earlier point to when the invoice was originally issued. The Council was not chasing up debts adequately enough to ensure complete, accurate payments in a timely manner by consistently failing to send reminder letters off on time. |
| <Name\_H\_4>RECOMMENDATION | | |
| 1. <Name\_H\_5> InsertRichText(GetColumn(“Recommendation”))Income officers should be more proactive in following up the aged debt, contacting customers in between the issuing reminder letters until the debt is recovered in full. Particularly after the L7 letters are sent, payment plans should be pursued by Incomes Officers. 2. The issuing of the 14 day, 45 day and L7 reminder letters should be automated to ensure that they are sent to the customer in a timely manner. | | |
| <Name\_H\_6>MANAGEMENT RESPONSE | | |
| <D\_1>Insert(GetColumn(“ActionsRef”))<i></i>Staffing levels and recruitment have impacted this over the last year. We now have officers specialising in each area. This should see enhanced follow ups against all debts. To underpin this we will shortly be publishing an updated Sundry Debtors guide - the Sundry Debtors Guide was last updated in 2011. The New guide will include new debt escalation flow charts for staff and service areas.  14 and 45 day reminders are semi-automated. The process is initiated by an officer every week. Not appropriate to fully automate as the semi automation gives the income officers the chance to review/sensor check reminders. The 45 day reminder was only introduced in April 18 - when the new trading companies went live. There were technical issues with this process when it first went live.  No automation for L7’s. An ICT business case for exploring/implementing this automation is currently being produced by incomes.InsertRichText(GetColumn(“ActionsDescription”)) | | |
| <D\_2>Responsible Officer: | | Neil MarkhamInsert(GetColumn(“OwnerName”))<i></i> |
| <D\_3>Implementation Date: Current/April 19 | | Insert(Format(“{0:dd MMMM yyyy}“, Date(GetColumn("ActionsCurrentDueDate"))))<i></i> |
| <D\_4> | |  |
| <Name\_H\_1>RISK: Insert(GetColumn("ParentRiskTitle"))<i>New or existing customer/supplier change controls are inadequate to safeguard the integrity of changes made to data held </i> | | |
| <Name\_H\_2>Ref | Significance | Finding |
| 1. <Name\_H\_3> | InsertRichText(GetColumn(“SeverityName”))Medium | InsertRichText(GetColumn(“Description”))The 'Council Matters 301' edition was circulated amongst all members of staff in an email on 28 November 2017 and within its contents was a section about the importance of carrying out due diligence. This section explains the purpose of customer due diligence and the subjective questions an Officer may think of when carrying out due diligence.  However, due to a technical issue with the customer master file having been wiped at time of audit, the Council could not provide any evidence to show that due diligence was being carried out. In fact, Income Officers expressed that in the vast majority of cases due diligence was not being carried out at all by departments when creating customers. There is a tick box to confirm that due diligence has been completed when creating a new customer, however, this is an optional field at present and is consequently ignored.  Furthermore, there was no evidence of guidance on levels of due diligence that should be carried out depending on the amount of money being collected from customers. We would expect there to be greater levels of due diligence for customers receiving higher value services from the Council.  The failure to carry out due diligence could become critical to the Council's finances and reputation, especially if unchecked debtors default on payments which could cost the Council significant amounts of money. Moreover, for the Council to be satisfied that the income they are receiving is legitimate and legal, it is essential that there is due diligence for new customers.InsertRichText(GetColumn(“Description”))The 'Council Matters 301' edition was circulated amongst all members of staff in an email on 28 November 2017 and within its contents was a section about the importance of carrying out due diligence. This section explains the purpose of customer due diligence, the type of information needed for high security, and the subjective questions the officer may think of when carrying out due diligence. |
| <Name\_H\_4>RECOMMENDATION | | |
| 1. <Name\_H\_5> InsertRichText(GetColumn(“Recommendation”))The Council should provide adequate levels of training/guidance on levels of due diligence required based on the value of services provided for the customer or the type of organisation they are. 2. All departments across the Council should be given adequate levels of training on the importance of due diligence, how to successfully carry out due diligence, and the consequences for the Council of the failure to complete due diligence. 3. The due diligence box should be a mandatory field to complete when creating a customer to prevent officers side-stepping it. | | |
| <Name\_H\_6>MANAGEMENT RESPONSE | | |
| There is a section on new customer due diligence in the draft Sundry Debtors guide - to be published in early 2019. The guide to creating new customers and raising invoices also has a section on due diligence.  Work is currently being done on setting clear guidelines on the levels of due diligence required.  A Vfire has been raised with ICT to make the CDD field mandatory<D\_1>Insert(GetColumn(“ActionsRef”))<i></i>InsertRichText(GetColumn(“ActionsDescription”)) | | |
| <D\_2>Responsible Officer: | | Neil MarkhamInsert(GetColumn(“OwnerName”))<i></i> |
| <D\_3>Implementation Date: April 19 | | Insert(Format(“{0:dd MMMM yyyy}“, Date(GetColumn("ActionsCurrentDueDate"))))<i></i> |
|  | |  |
| <D\_4> | |  |
| <Name\_H\_1>RISK: Insert(GetColumn("ParentRiskTitle"))<i>Insufficient arrangements are in place to review and approve debt write-off and/or approval is not undertaken in-line with financial regulation procedures set-out  </i> | | |
| <Name\_H\_2>Ref | Significance | Finding |
| 1. <Name\_H\_3> | InsertRichText(GetColumn(“SeverityName”))Medium | |  | | --- | | InsertRichText(GetColumn(“Description”))InsertRichText(GetColumn(“Description”))The Council's approach to overdue debt is to write-off debts that are more than 270 days overdue. Customer groups with debts exceeding the 270 day mark are as follows:   * Sundry * Commercial Rents and Licences * Garden Waste Subscriptions * Subscriptions.   In total, there were 992 that had not been written off as of 16 October 2018. This shows that there are deficiencies in the Council's reviewing of overdue debts causing debts that are long overdue to be left in the system and not efficiently dealt with. In one case there was an overdue debt dating as far back as 1992.  Furthermore, due to its inception being less than 270 days ago there has not been any debts written off by the ODS. However, the reluctance of the ODS to refer overdue debtors to debt enforcement agencies, could cause the similar situation occurring with these debts too should action not be taken. (See Finding 5)  The implications of this are minor on the Council as in many of the cases where the overdue debt is more than 270 days it is unlikely the Council will be able to fully recover debts regardless. Consequently, the overdue debts are merely sitting unresolved. | |
| <Name\_H\_4>RECOMMENDATION | | |
| 1. <Name\_H\_5> InsertRichText(GetColumn(“Recommendation”))A monthly report should be run to provide a list of all debts overdue by more than 270 days. The Incomes Team will then have the means to assess each overdue debt and the likelihood of the Council recovering the funds - dependent on whether the debt has a payment plan in place. Debts should then be written off as per the Council's current procedure by monthly approval by the Head of Financial Services. | | |
| <Name\_H\_6>MANAGEMENT RESPONSE | | |
| <D\_1>Insert(GetColumn(“ActionsRef”))<i></i>One of the team’s key KPI’s is around aged debt. Based on debt over 1 year for OCC and debt over 90 days for ODS – This is in staff appraisals as targeted objectives.  We don’t have 270 days as a current debt range, rather 60-90,90-120, 120 to 1yr and >1yr. Monthly reports are run to show debt against each of those ranges.  We have started to train staff to create better bespoke report browsers within Agresso for their areas. These will return specific invoice lists for ranges >120 days and can be refreshed freely.  InsertRichText(GetColumn(“ActionsDescription”)) | | |
| <D\_2>Responsible Officer: | | Neil MarkhamInsert(GetColumn(“OwnerName”))<i></i> |
| <D\_3>Implementation Date: | | ImplementedInsert(Format(“{0:dd MMMM yyyy}“, Date(GetColumn("ActionsCurrentDueDate"))))<i></i> |
| <D\_4> | |  |
| <Name\_H\_1><Name\_H\_1>RISK: Insert(GetColumn("ParentRiskTitle"))<i>Debt recovery arrangements are inadequate and ineffective to achieve the maximum return of funds</i> | | |
| <Name\_H\_2>Ref | Significance | Finding |
| 1. <Name\_H\_3> | InsertRichText(GetColumn(“SeverityName”))Medium | InsertRichText(GetColumn(“Description”))ODS approach is to consider referring debts to debt enforcement agencies 90 days after the original invoice date. However, at the time of testing, they were yet to refer a single case. Discussions with Incomes Officers suggested this was to prevent creating bad relations with customers.  Upon review, we found that a combination of 548 debts from the ODSL and the ODSTL exceeded the 90 day mark. Therefore, considering none of these debts have been referred to a debt enforcement agency, it makes it unlikely that the full amounts will be reclaimed. This includes recurring customers who are consistently not paying debts yet ODS are still carrying out services for them. For example, one customer had 128 debts that had exceeded 90 days with an accumulated value of £40,277.54.  The financial implications of the reluctance of ODS to use debt enforcement agencies could become significant if it continues and particularly if they continue to provide services for non-paying debtors rather freezing services to them as their approach states they should do after 67 days. However, due to the SLA agreement secured by the Council where, if ODS do not follow the agreed process to income collection they become liable for 100% of the debt-write off costs if that is the following step, there is some mitigation of the Council's financial risk in the lack of control effectiveness. |
| <Name\_H\_4>RECOMMENDATION | | |
| 1. There should be a minuted agreement between the Council's Section 151 Officer and the Managing Director of ODS to reaffirm the procedures around overdue debts. 2. Transaction listing of overdue debts should be reported at monthly meeting.   <Name\_H\_5> InsertRichText(GetColumn(“Recommendation”)) | | |
| <Name\_H\_6>MANAGEMENT RESPONSE | | |
| <D\_1>Insert(GetColumn(“ActionsRef”))<i></i>Negotiations are ongoing around amending the current SLA and debt process.  Transaction listings are now sent on a monthly basis to the Council's Section 151 Officer and their ODS counterpart – Also goes to service area managers InsertRichText(GetColumn(“ActionsDescription”)) | | |
| <D\_2>Responsible Officer: | | Neil MarkhamInsert(GetColumn(“OwnerName”))<i></i> |
| <D\_3>Implementation Date: | | April 19 / In placeInsert(Format(“{0:dd MMMM yyyy}“, Date(GetColumn("ActionsCurrentDueDate"))))<i></i> |
| <D\_4> | |  |
| RISK: Insert(GetColumn("ParentRiskTitle"))<i>Access to systems and data is not effectively managed extending the risk that data may be amended or deleted without appropriate approval </i> | | |
| <Name\_H\_2>Ref | Significance | Finding |
| 1. <Name\_H\_3> | InsertRichText(GetColumn(“SeverityName”))Low | InsertRichText(GetColumn(“Description”))Changing/deleting customer details can be done on Agresso without the requirement of manager approval within the Income Team. Therefore, it is imperative the Council's IT system only provides access to Agresso to the appropriate officers who have gained line manager approval and require access for their job role.  IT store the new user/existing user access requests within their database so that upon request of a specific officer, they can search the following information:   * The systems they have access to * Confirmation of line manager approval to create/amend user access * Email sent to the manager with the link to the 'Agresso User Access' form.   This review found the following findings with the manner in which IT records were stored:   * The IT records were dispersed across multiple areas and to find the appropriate access records for any given officer, they must search through historic emails for the one they are looking for * The system is reliant on all emails being retained for IT officers to be able to recover the new user access process for a successful audit trail.   Inefficiency of the IT retention of user records in a single system could result in a lack of simplicity in reviewing the validity of user access. This review found that it was difficult and time-consuming to trace recently added/amended users thereby making it hard to detect whether the correct process has been followed.  The Council failed to provide us with a sample of amended user access and therefore, we were unable to test adequacy of the control effectiveness. There is a control in place to mitigate the risk of incorrectly amended users changing or deleting data without approval, however, without samples being provided we cannot give a verdict on its effectiveness. |
| <Name\_H\_4>RECOMMENDATION | | |
| 1. <Name\_H\_5> InsertRichText(GetColumn(“Recommendation”))The IT Service Team should create a Masterfile recording all new user access that has been approved by line managers and amendments to access approved by managers. For simplicity, the audit trail for the IT Service Team should contain the following information in a single file:  * Date that IT received the email informing them that there is a new user with requirements to Agresso, along with new user name, manager name, department, levels of access permitted * Date that the link to the ‘Agresso User Access’ (AUA) form link was sent to the relevant department. Identity of the IT user to send the aforementioned email * Date that the AUA form was completed and returned to IT, and the name of the user who did it * Name of the approving line manager * Date that IT officially created the user access, upon receiving the approval from the line manager. | | |
| <Name\_H\_6>MANAGEMENT RESPONSE | | |
| AgreedInsertRichText(GetColumn(“ActionsDescription”)) | | |
| <D\_2>Responsible Officer: | | Rocco LabellarteInsert(GetColumn(“OwnerName”))<i></i> |
| <D\_3>Implementation Date: | | April 2019Insert(Format(“{0:dd MMMM yyyy}“, Date(GetColumn("ActionsCurrentDueDate"))))<i></i> |
| <D\_4> | |  |
| <Name\_H\_1>RISK: Insert(GetColumn("ParentRiskTitle"))<i>New or existing customer/supplier change controls are inadequate to safeguard the integrity of changes made to data held </i> | | |
| <Name\_H\_2>Ref | Significance | Finding |
| 1. <Name\_H\_3> | InsertRichText(GetColumn(“SeverityName”))Low | |  | | --- | | InsertRichText(GetColumn(“Description”))InsertRichText(GetColumn(“Description”))Incomes Officers have Agresso functions that allow them to amend customer data without requiring approval from an appropriate manager. The Incomes Team Leader runs a monthly report which can be viewed for any amendments to customer data within a particular time-frame. In the September 2018 report there were 398 amendments to customer data, all of which were changes to bank account details.  Therefore, within this review we made the following findings:   * There is not a segregation of duties in the customer amendment process. It is entirely completed by one officer thereby causing the risk that they will amend details fraudulently * The manual nature of the Customer Amendment Logging Report makes any suspicious activity difficult to detect. Considering there were 398 amendments to customer bank details in September 2018 alone, for the Incomes Team Leader to detect any suspicious activity they would have to know all the bank accounts of all officers in the team.   While the reputational effect of fraudulent activity within the Council would be detrimental, the impact of amending customer data by the Incomes Team is low due to the fact that the accounts are only set up to pay the Council. Furthermore, it is mitigated by the ‘triple check’ policy the Council has for refunds. When a credit note is issued, the form is signed by the credit note raiser, delegated approver, and an Incomes Officer prior to payment being authorised, providing a strong control against the risk of fraud. | |
| <Name\_H\_4>RECOMMENDATION | | |
| 1. <Name\_H\_5> InsertRichText(GetColumn(“Recommendation”))A degree of automation should be added to the operation of the reports. The Incomes Team Leader should be automatically notified by email if:  * A customers bank details have been changed more than once in the past 6 months * Duplicate bank account details exist within the customer database.   NB: not recommended to insert a segregation of duties as discussions with Officers revealed that due to the extensive time consuming nature of the task it would be unfeasible. | | |
| <Name\_H\_6>MANAGEMENT RESPONSE | | |
| <D\_1>Insert(GetColumn(“ActionsRef”))<i></i>Unknown if Agresso has this capability. To be discussed with ICT.  A report is currently run to show all amendments to customer Masterfile’s. InsertRichText(GetColumn(“ActionsDescription”)) | | |
| <D\_2>Responsible Officer: | | Neil MarkhamInsert(GetColumn(“OwnerName”))<i></i> |
| <D\_3>Implementation Date: | | April 19Insert(Format(“{0:dd MMMM yyyy}“, Date(GetColumn("ActionsCurrentDueDate"))))<i></i> |
| <D\_4> | |  |
| <Name\_H\_1>RISK: Insert(GetColumn("ParentRiskTitle"))<i>Ineffective and inadequate controls are in place to ensure that transactions are raised, approved and paid in an accurate, complete and timely manner  </i> | | |
| <Name\_H\_2>Ref | Significance | Finding |
| 1. <Name\_H\_3> | InsertRichText(GetColumn(“SeverityName”))Low | InsertRichText(GetColumn(“Description”))The Council raises, approves and collects payments for OxClient invoices. If the department raises fewer than twelve invoices per month then the Incomes Team will raise the sales order for them but in most cases departments raise more than twelve invoices per month, in which case the department raises the sales orders.  The department will complete the process of raising, approving and collecting payment via Self-Service and will keep all records of the invoice within their files. Agresso stores the information on the invoice which enables the Income Team to review whether it has been paid. When the Income Team is raising the invoice for the department, the department will fill out a Form 201 which must be approved by an appropriate officer within the department before being transferred to the Income Team.  As part of this review, we tested five OxClient samples between 1 April and 30 September 2018 and found the following:   * In one out of five cases, the department officer approving the sales order was the same officer raising the sales order. While this solitary case was of a relatively small value at £214.00, it is paramount that there is a segregation of duties when raising and approving sales orders.   The Council has a segregation of duties policy and stores a list of all authorised signatories on their intranet but it must be followed. It is important that officers are referring to the document to ensure the correct individual is approving invoices. |
| <Name\_H\_4>RECOMMENDATION | | |
| 1. <Name\_H\_5> InsertRichText(GetColumn(“Recommendation”))The Council should provide training/guidance for all Officers on the segregation of duties. This information should be within an email with a required acceptance sent to all Council staff. | | |
| <Name\_H\_6>MANAGEMENT RESPONSE | | |
| <D\_1>Insert(GetColumn(“ActionsRef”))<i></i>This will be reaffirmed in the new Sundry Debtors guide.  Email to be drafted and sent to all Agresso usersInsertRichText(GetColumn(“ActionsDescription”)) | | |
| <D\_2>Responsible Officer: | | Neil MarkhamInsert(GetColumn(“OwnerName”))<i></i> |
| <D\_3>Implementation Date: | | Feb 19Insert(Format(“{0:dd MMMM yyyy}“, Date(GetColumn("ActionsCurrentDueDate"))))<i></i> |
| <D\_4> | |  |

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| --- | --- |
| **<T\_1>**STAFF INTERVIEWED | |
| **<T\_2>**BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION. | |
| Name | Job Title |
| Kelly Charles  Neil Markham | Incomes Recovery Officer  Incomes Team Leader |

A

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| APPNDIX I – DEFINITIONS | | | | |
| --- | --- | --- | --- | --- |
| LEVEL OF ASSURANCE | DESIGN of internal control framework | | OPERATIONAL EFFECTIVENESS of controls | |
| Findings  from review | Design  Opinion | Findings  from review | Effectiveness Opinion |
| Substantial | Appropriate procedures and controls in place to mitigate the key risks. | There is a sound system of internal control designed to achieve system objectives. | No, or only minor, exceptions found in testing of the procedures and controls. | The controls that are in place are being consistently applied. |
| Moderate | In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective. | Generally a sound system of internal control designed to achieve system objectives with some exceptions. | A small number of exceptions found in testing of the procedures and controls. | Evidence of non compliance with some controls, that may put some of the system objectives at risk. |
| Limited | A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year. | System of internal controls is weakened with system objectives at risk of not being achieved. | A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year. | Non-compliance with key procedures and controls places the system objectives at risk. |
| No | For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation’s overall internal control framework. | Poor system of internal control. | Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation’s overall internal control framework. | Non compliance and/or compliance with inadequate controls. |

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| Recommendation Significance | |
| High | A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently. |
| Medium | A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action. |
| Low | Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency. |

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| APPENDIX II - TERMS OF REFERENCE |
| PURPOSE OF REVIEW |
| InsertRichText(GetProperty(“Audit.Purpose”))To review the design and effectiveness of controls in relation to accounts receivable and accounts payable activity to provide assurance over the accuracy, completeness and timeliness of transactions undertaken. |
| KEY RISKS |

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| <Name\_H\_1> InsertRichText(GetColumn(“Title”)) Inadequate financial regulations, policies and procedures are in place which weakens the framework to support accurate, complete and timely transactions |
| <Name\_H\_1> InsertRichText(GetColumn(“Title”)) Access to systems and data is not effectively managed extending the risk that data may be amended or deleted without appropriate approval |
| <Name\_H\_1> InsertRichText(GetColumn(“Title”)) New or existing customer/supplier change controls are inadequate to safeguard the integrity of changes made to data held |
| <Name\_H\_1> InsertRichText(GetColumn(“Title”)) Ineffective and inadequate controls are in place to ensure that transactions are raised, approved and paid in an accurate, complete and timely manner |
| <Name\_H\_1> InsertRichText(GetColumn(“Title”)) Ineffective management information is reported and inadequate key performance indicator information is assessed to monitor the activities undertaken |
| <Name\_H\_1> InsertRichText(GetColumn(“Title”)) Debt recovery arrangements are inadequate and ineffective to achieve the maximum return of funds in line with the Council’s values |
| <Name\_H\_1> InsertRichText(GetColumn(“Title”)) Insufficient arrangements are in place to review and approve debt write-off and/or approval is not undertaken in-line with financial regulation procedures set-out |
| <Name\_H\_1> InsertRichText(GetColumn(“Title”)) The agreement between the Company/Council is inadequate and/or ineffective |

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| SCOPE OF REVIEW |
| This review will consider the design and operational effectiveness of the key controls relied on by External Audit relating to accounts receivable in addition to the Key Risks identified in this Terms of Reference. We will specifically cover whether the arrangements between the Council and Company are clear and being followed effectively. |
| APPROACH |
| Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks.  We will seek to gain evidence of the satisfactory operation of the controls to verify the effectiveness of the control, which will involve sample testing to ensure compliance with the approved methodology and monitoring and reporting processes. |
| BAF Reference |
| Efficient Council |
|  |
|  |

<PentanaVision><Perspective>Audit</Perspective></PentanaVision>

|  |  |  |
| --- | --- | --- |
|  | FOR MORE INFORMATION:  **Greg Rubins**  Greg.Rubins@bdo.co.uk | The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made.  The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent.  BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.  BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.  BDO is the brand name of the BDO network and for each of the BDO Member Firms.  BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.  Copyright ©2018 BDO LLP. All rights reserved. |