

Oxford City Council Internal Audit Report 2010/11

Debtors

Final Report

June 2011

Distribution list	
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This report has been prepared solely for Oxford City Council. In accordance with the terms and conditions set out in our engagement letter. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent.

1. Executive Summary

Overall Opinion	Summary of Key Findings																														
<p>Overall opinion</p> <p>Limited Assurance can be given on the adequacy and operating effectiveness of controls in place over debtors. Our assurance ratings are defined in Appendix 1.</p> <p>Our opinion is based on the work performed as set out in the agreed terms of reference (Appendix 3) and is subject to the inherent limitations set out in Appendix 2.</p> <p>Scope and limitations of review</p> <p>We conducted a review of debtors in accordance with the International Standard for Assurance Engagements 3000, "ISAE 3000". The key objectives of the review, the scope and the limitations of scope were agreed with management in advance and are set out in the terms of reference (Appendix 3).</p> <p>Direction of travel</p> <p>The 2009/10 review of debtors also received Limited Assurance. Less than 50% of the prior year recommendations have been fully addressed, and there are a number of high risk control weaknesses which reduce the level of assurance that can be gained from the system.</p> <p>The high risk issues relate to segregation of duties within the system (potential fraud risk), accuracy of invoices raised and level of bad debt (potentially reducing cash flow). The Business Process Improvement (BPI) project, which has been commissioned to facilitate the centralisation of the debtors function (among other workstreams), will create a larger debtors team which, if comprehensively trained will help to address many of the issues highlighted by this review.</p>	<p>The number of key findings resulting from audit work undertaken is as follows:</p> <table border="1" data-bbox="513 224 762 972"> <thead> <tr> <th>Control Design</th> <th>Operating Effectiveness</th> </tr> </thead> <tbody> <tr> <td>Critical</td> <td>Critical</td> </tr> <tr> <td>High</td> <td>High</td> </tr> <tr> <td>Medium</td> <td>Medium</td> </tr> <tr> <td>Low</td> <td>Low</td> </tr> </tbody> </table> <p>The number of key findings for each rating is as follows:</p> <table border="1" data-bbox="919 206 1198 972"> <thead> <tr> <th></th> <th>Implemented</th> <th>Partially Implemented</th> <th>Outstanding</th> </tr> </thead> <tbody> <tr> <td>Critical</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>High</td> <td>1</td> <td>0</td> <td>1</td> </tr> <tr> <td>Medium</td> <td>4</td> <td>3</td> <td>2</td> </tr> <tr> <td>Low</td> <td>2</td> <td>0</td> <td>2</td> </tr> </tbody> </table> <p>Follow Up of Prior Year Recommendations</p>	Control Design	Operating Effectiveness	Critical	Critical	High	High	Medium	Medium	Low	Low		Implemented	Partially Implemented	Outstanding	Critical	0	0	0	High	1	0	1	Medium	4	3	2	Low	2	0	2
Control Design	Operating Effectiveness																														
Critical	Critical																														
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Medium	Medium																														
Low	Low																														
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High	1	0	1																												
Medium	4	3	2																												
Low	2	0	2																												

2. Background and Scope

Introduction

This review was undertaken as part of the 2010/11 Internal Audit Plan agreed by the Audit and Governance Committee.

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Background

This report reflects our findings over the controls and processes in place to manage debtors as at the time of our internal audit fieldwork which took place during December 2010.

The debtors function is devolved to the following delegated departments:

- Corporate and Sundry Debtors;
- Collection Fund;
- Oxford City Homes;
- Oxford City Works; and
- Housing Benefit Overpayments.

We have conducted specific reviews of the end-to-end processes for the Collection Fund and Housing Benefits and any recommendations relating to debtors have been raised solely in those individual reports.

Approach and Scope of review

Our work is designed to comply with Government Internal Audit Standards and the CIPFA Code.

In accordance with our Terms of Reference (Appendix 1), agreed with the Revenues Manager, we undertook a limited scope audit of debtors.

This limited scope audit involved a review of the design of the key controls together with detailed testing to determine whether the controls are operating in practice.

Limitations of scope

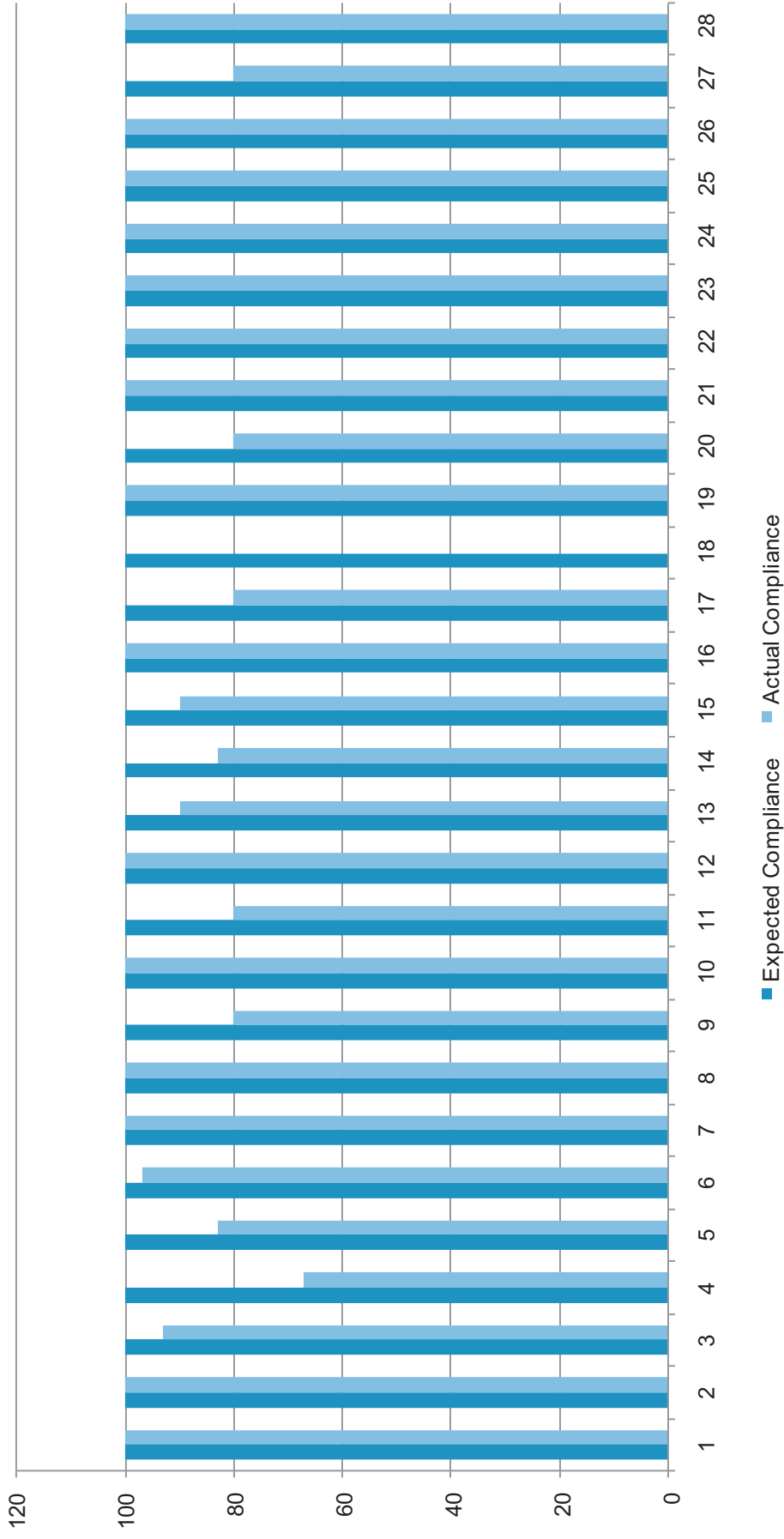
The scope of our work was limited to those areas identified in the terms of reference.

3. Overall Evaluation

Summary of findings

Objective	Total number of issues	Number of control design issues				Number of operating effectiveness issues			
		Critical	High	Medium	Low	Critical	High	Medium	Low
All sources of income are identified and where applicable, invoices are raised in a timely, complete and accurate fashion.	5	0	1	2	0	0	1	0	0
All payments are received completely, accurately and in a timely fashion.	1	0	0	0	1	0	0	0	0
Debt collection, recovery and write-off procedures are sufficient to ensure that delays in receiving payments and losses of credit income are minimised.	4	0	0	3	1	0	0	0	0
The system is protected against unauthorised access/processing and is secure against loss or damage of data.	2	0	0	0	1	0	1	0	0

Compliance Summary



Tests Performed:

1. Up-to-date procedure notes are in place (All Revenue Streams).
2. Standardised invoice request forms have been used (Corporate Debtors).
3. Invoice details agree to the invoice request form used (Corporate Debtors).
4. Segregation of duties has been maintained in invoice raising process (Corporate Debtors).
5. Invoice details have been checked for accuracy (Corporate Debtors).
6. Time taken to process the invoice request is timely i.e. within one month of initial request (Corporate Debtors).
7. Standardised invoice request forms have been used (Oxford City Works).
8. Invoice details agree to the invoice request form used (Oxford City Works).
9. Segregation of duties has been maintained in invoice raising process (Oxford City Works).
10. Invoice details have been checked for accuracy (Oxford City Works).
11. Time taken to process the invoice request is timely, i.e. within one month of initial request (Oxford City Works).
12. A completed works order exists for all invoice raised (Oxford City Homes).
13. Time taken between job completion and an invoice being raised is timely (Oxford City Homes).
14. Invoice details agree to Servitor (Oxford City Homes).
15. Segregation of duties has been maintained in invoice raising process (Oxford City Homes).
16. Amendment forms have been used for all credit notes raised (All Revenue Streams).
17. Segregation of duties has been maintained between credit note request and authorisation (Corporate Debtors).
18. Segregation of duties has been maintained between credit note request and authorisation (Oxford City Works).
19. Segregation of duties has been maintained between credit note request and authorisation (Oxford City Homes).
20. Amendments made to standing data are supported with appropriate documentation (Corporate Debtors).
21. Amendments made to standing data are made by appropriate personnel (Corporate Debtors).
22. Reconciliations between the general ledger and accounts receivable are performed on a monthly basis (All Revenue Streams).

4. Findings and Recommendations

Issue 1: Segregation of Duties – All Revenue Streams		Control Effectiveness						
<p>Control objective: The system is protected against unauthorised access/processing and is secure against loss or damage of data.</p>								
<p>Matters arising</p> <p>Testing conducted within City Works highlighted that one officer is authorised to raise invoices, collect cash and raise a credit note against a debt. In addition, it was noted that 3/5 employees with Agresso access can raise invoices and credit notes, as well as having cashier access on Paris. Although this related to Oxford City Works, lack of compliance with segregation of duties controls was noted throughout the Council as follows:</p> <p>Oxford City Homes - For 3/30 invoices tested, segregation of duties was not maintained between the person completing and authorising the works order.</p> <p>Oxford City Works - 5/5 credit note authorisation forms tested the credit note had been raised and authorised by the same person. For 4/20 invoice request forms tested, the requestee was the same person as the same person authorising the invoice request form</p> <p>Corporate Debtors and Periodic Payments - For 10/30 invoice request forms tested, the requestee was the same person as the same person authorising the invoice request form. During testing of credit note request forms it was noted that 4/20 forms were requested and approved by the same person.</p>								
<p>Risks arising</p> <p>Inadequate segregation of duties increases the risk of fraud and misappropriation.</p>								
<p>Recommendations</p> <p>The Authority should establish clear policies and procedures with regards to segregation of duties. Best practice would indicate that a separate officer should be responsible for the completion of the works order and its subsequent authorisation. This policy should be detailed in procedure notes and communicated to all departments. Spot checks should be performed on a sample of transactions to ensure adherence to policies.</p>								
<p>Management response</p> <table border="1"> <thead> <tr> <th>Priority</th> <th>Management response</th> <th>Action plan</th> </tr> </thead> <tbody> <tr> <td>High ●</td> <td>Agreed. Inappropriate access will be removed with immediate effect to ensure that adequate segregation of duties is upheld. In addition, it is acknowledged that due to the current format of the invoice request form, authorisation cannot be proved and this will be amended. The Council's Good Practice Guide will be updated and circulated to departments.</td> <td> <p>By whom: Paul Jemetta</p> <p>Implementation date: Immediate</p> <p>By whom: Nicki Pierce</p> <p>Implementation date: 30/06/11</p> </td> </tr> </tbody> </table>			Priority	Management response	Action plan	High ●	Agreed. Inappropriate access will be removed with immediate effect to ensure that adequate segregation of duties is upheld. In addition, it is acknowledged that due to the current format of the invoice request form, authorisation cannot be proved and this will be amended. The Council's Good Practice Guide will be updated and circulated to departments.	<p>By whom: Paul Jemetta</p> <p>Implementation date: Immediate</p> <p>By whom: Nicki Pierce</p> <p>Implementation date: 30/06/11</p>
Priority	Management response	Action plan						
High ●	Agreed. Inappropriate access will be removed with immediate effect to ensure that adequate segregation of duties is upheld. In addition, it is acknowledged that due to the current format of the invoice request form, authorisation cannot be proved and this will be amended. The Council's Good Practice Guide will be updated and circulated to departments.	<p>By whom: Paul Jemetta</p> <p>Implementation date: Immediate</p> <p>By whom: Nicki Pierce</p> <p>Implementation date: 30/06/11</p>						

Issue 2: Invoice raising <i>de minimis</i> – All Revenue Streams		Control Design
Control objective: Debt collection, recovery and write-off procedures are sufficient to ensure that delays in receiving payments and loss of credit income is minimised.		
Matters arising		
No formal <i>de minimis</i> value exists in relation to the raising of invoices.		
Risks arising		
Raising debts below a <i>de minimis</i> level is not cost efficient.		
Recommendations		
The Authority should consider the introduction of a <i>de minimis</i> level for raising debts and provide guidance on how this should be implemented. The Council might consider grouping together minor debts and invoicing these amounts when they reach a sufficient level. It is acknowledged that it is appropriate to have certain exemptions from this rule (e.g. court charges), but these should be formally documented.		
Management response		
Priority Low ●	Management response Agreed. A <i>de minimis</i> level for invoices raised will be set and implemented from 1 February 2011. This will be incorporated into the Good Practice Guide and circulated to all departments.	Action plan By whom: Nicki Pierce Implementation date: 30 June 2011

Issue 3: Accuracy of invoice request forms and invoices – All revenue streams		Control Effectiveness						
<p>Control objective: All sources of income are identified and where applicable, invoices are raised in a timely, complete and accurate fashion.</p>								
<p>Matters arising</p> <p>During testing of invoices across the Council a number of issues were highlighted with regard to the accuracy of invoice request forms, resulting in inaccuracies with the subsequent system input. Within Corporate Debtors, we noted that 5/30 invoice request forms had not been signed and dated to confirm that the details had been checked; 1/30 invoice request forms did not agree to the invoice; and in 1/30 invoices tested, the invoice check had been performed before the date of the initial request on 01/08/2010.</p> <p>Within Oxford City Homes, we noted that the incorrect pricing method had been used in 5/30 cases tested. As details were not checked before the invoices were sent, this was not subsequently corrected.</p> <p>In addition, within Oxford City Works, no invoice request form was used in 15/20 cases tested.</p>								
<p>Risks arising</p> <p>Work is duplicated, resulting in inefficiencies and additional costs to the Council. Invoices raised may be inaccurate leading to over or underpayment.</p>								
<p>Recommendations</p> <p>Staff should be reminded of the importance of accurately raising invoice request forms. Management should consider the introduction of sample checks to allow them to obtain comfort over the accuracy of invoices requested and subsequently raised. Such checks should ensure that authorisation is evidenced, that all input and pricing details are accurate.</p> <p>In particular, Oxford City Works should date stamp when they receive invoice request forms or other supporting documentation to help monitor this more closely and identify those departments who are particularly slow at raising accounts.</p>								
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Priority	Management response	Action plan						
High ●	<ul style="list-style-type: none"> Agreed. The good practice will be updated and circulated to highlight the need for accuracy and for documentation of the checking process. The Finance Technician or other members of the Finance unit will check invoices before final print generation. Within Oxford City Homes, the recharge procedure (which includes the process for raising of invoices by Finance) will be updated by end of January 2011. The Incomes Officer will check costs against Servitor to resolve any issues with committed price/costs on an ongoing basis. Within Oxford City Works, invoice request forms or substitute information will now be date stamped and retained when received. 	<p>By whom: Nicki Pierce Implementation date: 30/06/11</p> <p>By whom: Suzan Smart Implementation date: Immediate</p> <p>By whom: Ivana Ilic Implementation date: 31/01/11</p> <p>By whom: Paul Jemetta Implementation date: Immediate</p>						

Issue 4: Timely Raising of Invoices – All revenue streams		Control Effectiveness
Control objective: All sources of income are identified and where applicable, invoices are raised in a timely, complete and accurate fashion.		
Matters arising		
A number of issues were noted when testing the timeliness of invoices raised. Within Oxford City Homes, 3/30 invoices were affected, within Oxford City Works, 4/20 were affected and within Corporate Debtors, 1/30 were affected.		
Risks arising		
Raising of debtor accounts is unnecessarily delayed leading to an adverse impact on cash flow.		
Recommendations		
Management should consider prescribing a target time for invoice raising and staff should be reminded of the importance of raising invoices on a timely basis.		
Management response		
Priority Medium ●	Management response Agreed. The good practice guide will be updated and circulated to all departments. In addition, training will be undertaken with departments as requested. The Interim Head of Finance will highlight that invoices must be raised in a timely and accurate manner. Management should consider providing training for relevant staff to ensure that debtors processes are conducted in an accurate, consistent and compliant basis across the Council.	Action plan By whom: Nicki Pierce Implementation date: 30/06/2011 By whom: Nigel Kennedy Implementation date: Immediate.

Issue 5: Direct Debit Function –Periodic Payments		Control Design
Control objective: All payments are receipted completely, accurately and in a timely fashion.		
Matters arising		
The direct debit function within the Agresso system is not currently used for managing periodic payments.		
Risks arising		
Debtors are more likely to default on payments if automated direct debits are not set up.		
Recommendations		
The Authority should investigate the use of the direct debit function within Agresso to facilitate periodic payments and payment plans. If the system does not support this function then further enquiries should be made into utilising the Council's cash collection system for this facility.		
Management response		
Priority Low ●	Management response Agreed. Direct debits are available as a function on Agresso and are being implemented by the authority planned for June 2011/ July	Action plan By whom: Pete Johnson Implementation date: 01/08/11

Issue 6: Monitoring of Standing Data Amendments – Oxford City Works and Corporate Debtors and Periodic Payments **Control Design**

Control objective: The system is protected against unauthorised access/processing and is secure against loss or damage of data.

Matters arising

Exception reports are not produced for amendments to standing data on a frequent basis. This should be mitigated through the invoice authorisation process, however, during testing it was noted that for 2/10 amendments tested there was no documentation to support the change being made.

Risks arising

Unauthorised deletions/alterations may be made to the debtor system if security over access to standing data is not adequately maintained. Unauthorised access to and alteration of system data could assist theft/misappropriation. Inaccurate changes to standing data lead to incorrect invoices being raised.

Recommendations

Amendment reports should be produced and distributed to Revenues teams on a monthly basis and reviewed by an appropriate member of staff to confirm that amendments are accurate and authorised.

Management response

Priority	Management response	Action plan
Low ●	Agreed. All financial amendments are accurate and authorised. The two picked up during testing related to duplicate customer numbers which had been set up and we wanted to ensure the correct numbers were used. If a customer address is altered then notes are made on the customer within the system.	By whom: Nicki Pierce/Pete Johnson Implementation date: 31/03/11

Issue 7: Exception Reports – All Revenue Streams **Control Design**

Control objective: Debt collection, recovery and write-off procedures are sufficient to ensure that delay in receiving payments and loss of credit income is minimised.

Matters arising

The Council does not run exception reports to display credit notes raised.

Risks arising

Credit notes may be raised inappropriately or in error and revenue may not be optimised.

Recommendations

Exception reports disclosing all credit notes should be run on a periodic basis. All significant credit notes should be reviewed by management to ensure they are valid and appropriate.

Management response

Priority Medium ●	Management response Agreed. Within the Corporate Debtors team, there are a limited number of officers that can carry out credit notes, and all amendments are authorised. However, the production of an exception report will be investigated.	Action plan By whom: Pete Johnson Implementation date: 31/03/2011
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Issue 8: Income Reconciliations – Oxford City Homes		Control Design
Control objective: All sources of income are identified and where applicable, invoices are raised in a timely, complete and accurate fashion.		
Matters arising		
The weekly reconciliation between Servitor, the housing repairs management system and the recharge book (which is used for documenting all invoices to be raised) is not documented or reviewed.		
During testing of recharge book it was noted that it is not being completed on a consistent basis. For 23/30 invoices tested, the recharge book had not been completed when the invoice was raised.		
Risks arising		
Differences between Servitor and the recharge book may not be noticed and rectified on a timely basis leading to inaccurate or duplicate invoices being raised.		
Recommendations		
Staff should be reminded that the recharge book should be fully completed for all invoices. The reconciliation between Servitor and the recharge book should be performed on a weekly basis, and be signed and dated as performed and reviewed by separate members of staff.		
Management response		
Priority	Management response	Action plan
Medium ●	Agreed. The Incomes Officer raises invoices on a weekly basis for those jobs which are charged/invoiced on Servitor. The Finance Technician will now review the recharge book on a fortnightly basis to ensure that all charges have been raised in timely manner.	By whom: Ivana Ilic/Suzan Smart Implementation date: Immediate

Issue 9: Write Off Procedures – All revenue streams		Control Design
Control objective: Debt collection, recovery and write-off procedures are sufficient to ensure that delays in receiving payments and losses of credit income are minimised.		
Matters arising		
Across the Council, the procedures for writing off debt differ, resulting in non-standard practices. During testing of credit notes it was noted in 1/20 credit notes tested, an amendment was made when in fact this should have been treated as a write off. In addition, during testing of write offs it was noted that one write off form had been completed and authorised four months after the transaction date.		
Risks arising		
Inconsistent policies could impact the cash flow of the Council and increase the risk of legal challenge to Council decisions.		
Recommendations		
Write off procedures should be reviewed so that they are consistent across the entire Council. These should be re-distributed to staff and kept electronically on the shared drive.		
Management response		
Priority Medium ●	Management response Agreed. Corporate Debtors follow approved write off policy for all debts. Write off procedures will be reviewed with the aim to make them consistent.	Action plan By whom: Pete Johnson Implementation date: 30/06/2011

Issue 10: Bad Debt Provision – Corporate Debtors and Periodic Payments

Control Design

Control objective: Debt collection, recovery and write-off procedures are sufficient to ensure that delays in receiving payments and loss of credit income is minimised.

Matters arising

The current level of aged debt is £6.1 million. Of this, £2.9 million (48%) is over 1 year old: £2.7 million relates to Housing Benefit and Community Charges; and £0.1 million to Oxford City Homes and City Works.
The bad debt provision has not been reviewed for two months. In addition, the person responsible for calculating this has left the department and there are no procedure notes to explain how to calculate this going forward.

Risks arising

Debtor balances may be overstated if unrecoverable debt continues to be recognised as an asset.

Recommendations

Efforts should be made to assess all aged debt for write off. Any debts deemed as recoverable (e.g. where payment plans are in place) should be clearly highlighted and, in future, all aged debt should be reviewed on a periodic basis.
The method of calculating the bad debt provision should be reviewed and procedures should be drawn up to help members of the Finance team calculate this going forward.

Management response

<p>Priority Medium ●</p>	<p>Management response Agreed. A review has been started into all aged debt balances and procedure notes for the bad debt provision calculation will be completed.</p>	<p>Action plan By whom: Martin Westmoreland Implementation date: 01/02/11</p>
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Issue 11: Key Performance Indicators – All revenue streams		Control Design
Control objective: All sources of income are identified and where applicable, invoices are raised in a timely, complete and accurate fashion.		
Matters arising		
There are currently no KPIs or procedures in place to monitor the efficiency and effectiveness of the invoice raising process.		
Risks arising		
Delays or poor performance is not identified leading to adverse impact on the Council's cash flow.		
Recommendations		
The Council should consider introducing KPIs to monitor the invoice raising process, for example, time taken to process invoices.		
Management response		
Priority Medium ●	Management response Agreed. A service target will be set to raise invoices within 5 days of receipt of correctly completed request.	Action plan By whom: Nicki Pierce Implementation date: Immediate

Issue 12: Staff Training – All revenue streams		Control Design
Control objective: All sources of income are identified and where applicable, invoices are raised in a timely, complete and accurate fashion.		
Matters arising		
The Council is currently undertaking a Business Process Improvement (BPI) project, with a view to the centralisation of the debtors department. The review this year has highlighted the inconsistency of policies and procedures across the Council, as well as how inconsistencies in application of controls and, if implemented appropriately, will help the Council ensure that many of the recommendations raised within this report are addressed in a consistent manner across the Council.		
Risks arising		
Inconsistencies could lead to inefficiencies in processes, resulting in the Council not maximising its cash flow from its revenue generating streams.		
Recommendations		
In order to ensure that the issues which have been highlighted by this review are addressed effectively within the revised system, it is imperative that staff are fully trained to allow the Council to make best use of the revised structure.		
Management response		
Priority High ●	Management response Agreed This is currently being undertaken as part of the corporate modernisation services program. The Agresso debt recovery module is being re-configured, new guidance is being issued and training will be given where appropriate.	Action plan By whom: Pete Johnson Implementation date: 30/06/11

5. Follow Up of Prior Year Recommendations

Ref	Control weakness found	Risk rating	Recommendations	Management response	Status
1	<p>All Revenue Streams</p> <p>The Council does not run exception reports to display all significant credit notes raised.</p>	Medium ●	Exception reports disclosing all credit notes should be run on a periodic basis. All significant credit notes should be reviewed by management to ensure they are valid and appropriate.	<p>Agreed.</p> <p>Procedure notes will be changed to incorporate this issue. Functionality exists on Agresso to facilitate this recommendation. This and is available for all Accounts Receivable staff.</p>	<p>Outstanding.</p> <p>See issue # 7.</p>
2	<p>Oxford City Works</p> <p>An Agresso error suspense account is in place for those invoices that are raised with incomplete or inaccurate references. Debts should be cleared by responsible team leaders on a regular basis. It was noted during review that £6k of aged items on the account contain corrupt data and therefore cannot be examined. Furthermore it was identified that responsible officers at Oxford City Works do not have access to this account and therefore are unable to review their aged debt.</p>	Medium ●	Investigations should be undertaken into the origin of all items on this suspense account. Access should be granted to responsible officers within City Works to allow these debts to be investigated. All aged items should be reviewed and written off if appropriate. Communications should be held with Agresso to identify how to access corrupt items.	<p>Agreed.</p> <p>All officers at City Works with access to Accounts Receivable (AR) enquires can review the items in the AR suspense account. However for segregation of duties, it is preferable for the Team Leader to clear suspense. Suitable procedures and training will be put in place.</p>	<p>Implemented.</p>

Ref	Control weakness found	Risk rating	Recommendations	Management response	Status
3	<p>Corporate Debtors and Periodic Payments</p> <p>The Agresso system used for raising of corporate debtors and periodic payments does not have a direct debit function.</p>	Low ●	<p>The Authority should investigate the functionality of the corporate debtor system to facilitate the use of Direct Debits for periodic payments and payment plans. If the system does not support this function then further enquiries should be made into utilising the Councils new cash collection system for this facility.</p>	<p>Agreed.</p> <p>The Agresso system will run with Direct Debits once implemented. Agresso have been reluctant to provide the information requested by officers to begin implementation. Staff will continue to press Agresso with a view for implementation by September 2010.</p>	<p>Outstanding.</p> <p>See issue # 5.</p>
4	<p>All Revenue Streams</p> <p>No formal de minimis value exists in relation to the raising of invoices</p>	Low ●	<p>The Authority should consider the introduction of a de minimis level for raising debts and provide guidance on how this should be implemented. The Council might consider grouping together minor debts and invoicing these amounts when they reach a sufficient level.</p> <p>It is acknowledged that it is appropriate to have certain exemptions from this rule (e.g. court charges), but these should be formally documented.</p>	<p>Agreed.</p> <p>In Corporate Debtors the de minimis level for raising a debt is £25.</p> <p>This will be reviewed with the update of the Debt Collection Policy</p>	<p>Outstanding.</p> <p>See issue # 2.</p>
5	<p>Corporate Debtors and Oxford City Works</p> <p>The current version of Agresso does not log changes made to customer standing data. It is therefore not possible to run an exception report of changes made during a specific period.</p>	Medium ●	<p>The functionality of Agresso should be reviewed to identify how management can gain comfort over any changes made to debtors standing data. If this is not feasible, consideration should be given to ensuring that authorisation is obtained for any changes made.</p>	<p>Agreed in part.</p> <p>The AG58 records amendments to customer records from the date that it was set up as part of the Agresso 5.5 upgrade in Spring 2009.</p> <p>This report will be publicised and used more widely.</p>	<p>Partially Implemented.</p> <p>See issue # 6.</p>

Ref	Control weakness found	Risk rating	Recommendations	Management response	Status
6	Oxford City Works Limited segregation of duties is in place around debt raising and cash receipting at City Works. The same officer is able to raise invoices, collect cash and raise a credit note against a debt.	High ●	Procedures should be put in place to restrict officer access to discrete elements of the debt raising process. This should be performed as a matter of urgency.	Agreed. Immediate steps have been taken to create segregation of duties between staff in this area. Formal restructuring of local finance processes will ensure that this is built into service design.	Outstanding. See issue # 1.
7	All Revenue Streams Due to the devolved nature of a number of debtor raising departments, responsibilities of individual departments are not always clearly defined. This has been noted in the areas of suspense accounts and bad debt provision in particular.	Medium ●	Formal SLAs should be drawn up for each debt raising department. These should clearly outline the roles and responsibilities of respective areas.	Agreed. This an issue for City Works. See response above.	Implemented.
8	Corporate Debts The provision for bad and doubtful debts is only assessed on an annual basis. In the current economic climate this is not deemed sufficient.	Medium ●	During times of economic instability, the Council should consider reviewing their bad debt provision on a periodic basis. This should be included in management accounts to ensure that financial position is reported accurately.	Agreed. But note that periodic debt in relation to investment property is reviewed frequently by Property, Incomes & Finance staff. Expected adjustments to income are reflected within the monthly monitoring figures.	Outstanding. See issue # 10.
9	All Revenue Streams The provision against doubtful debts should be calculated by individual devolved departments. It was noted during review that the methodology for this provision differs across the Authority. No formal procedure notes are in place.	Medium ●	All responsible officers should meet to discuss individual approaches to calculation of the bad debt provision. Clear procedure notes should be drawn up to outline key assumptions and rules for the provision. This should be used consistently.	Agreed. Whilst documentation is produced on working papers to detail the approach for calculation of the provisions, procedure notes should be drawn as part of the year end close down.	Partially implemented. See issue # 10.

Ref	Control weakness found	Risk rating	Recommendations	Management response	Status
10	Oxford City Works All credit notes should be approved by an authorised signatory prior to raising. This did not occur in 5/5 credit notes tested by audit. The total value of credit notes tested was £75,000.	Medium ●	All credit notes should be independently authorised before being raised. This should be performed on standardised stationery.	Agreed. All credit notes to be approved in accordance with the Authorised Signatory list. In addition, a monthly report of credit notes will be run and reviewed by the Finance Business Partner.	Implemented.
11	Corporate Debtors The central authorised signatories list was noted as incomplete. In 1 invoice from 30 tested, authorisation was granted by an individual who was not included on the list.	Low ●	The authorised signatories list should be reviewed on a regular basis and updated for all new members of staff.	Agreed. All Service Heads have been requested to update Authorised Signatory lists and these are held on the Intranet.	Implemented.
12	Oxford City Homes Once invoices are raised to tenants for recharges, the recharge book (a shared spreadsheet) should be updated with the details of the invoice to demonstrate that the job has now been invoiced. It was noted that during the year there have been instances where the recharge book has not been updated by temporary members of staff. This has resulted in duplicate invoicing.	Medium ●	A review of tenant recharges in the year should be performed to identify any further instances where duplicate invoices have occurred. Going forward, a periodic comparison of information should be performed to identify potential duplicates.	Agreed. All historically recharge invoices to-date have been reviewed and we have corrected the duplicate invoices that had been generated. The “cancelling and amending” form has been completed for each transaction. Additional weekly and monthly checks built into procedures.	Partially implemented. See issue # 8.
13	Oxford City Works Policy dictates that invoices should be accompanied with a standardised invoice request form. No such form had been completed in 15/15 invoices tested at City Works.	Medium ●	Officers should be reminded of the policy in place for raising invoices. If this process is deemed inefficient, procedure notes should be updated to reflect the process in place.	Agreed. Staff have been reminded to always attach relevant paperwork to invoices. In addition procedures will be reviewed and notes updated as necessary to ensure that the process for invoice raising is both secure and efficient.	Implemented.

Ref	Control weakness found	Risk rating	Recommendations	Management response	Status
14	Oxford City Works A job reference card should be provided for all JMS interfaced invoices. This was not present in 1/30 invoices tested.	Low ●	Job reference codes should be provided without exception.	Agreed. Staff have been reminded to always provide a job reference card.	Implemented.
15	Oxford City Works The City Homes system interfaces with the General Ledger on a periodic basis to ensure that all invoices are raised on the General Ledger. It was brought to audits attention that this process had failed during the year and was left unnoticed for a period of 5 months which resulted in a delay invoicing in this period. This affected 7/30 invoices tested.	High ●	Reconciliations should be performed on a monthly basis to ensure that the transfer of data from JMS to Agresso has occurred accurately and completely.	Agreed. Invoices are now being raised regularly and monthly reconciliations carried out. In addition the Finance team are ensuring that data for the whole of 2009-10 has been reconciled.	Implemented.

Appendix 1 – Basis of our Opinion

Individual risk ratings

Each of the control weaknesses identified have been categorised according to risk as follows:

Risk rating	Assessment rationale
Critical ●	<p>A control weakness that could have a:</p> <ul style="list-style-type: none"> • Significant impact in the achievement of the organisation's operational objectives as set out in its operational plan; or • Material financial impact on the organisation (quantity); or • Significant breach in laws and regulations resulting in severe fines or consequences; or • Critical impact on the reputation of the organisation which could threaten its future viability.
High ●	<p>A control weakness that could have a:</p> <ul style="list-style-type: none"> • Significant impact in the achievement of the objectives of the system, function or process under review as set out in the terms of reference; or • Significant financial impact on the organisation (quantity); or • Breach in laws and regulations resulting in fines and consequences which are significant to the system, function or process under review but not the overall organisation; or • Significant impact on the reputation of the organisation.
Medium ●	<p>A control weakness that could have a:</p> <ul style="list-style-type: none"> • Moderate impact in the achievement of the objectives of the system, function or process under review as set out in the terms of reference; or • Moderate financial impact on the organisation (quantity); or • Breach in laws and regulations resulting in fines and consequences which impact but are not significant to the system, function or process under review; or • Moderate impact on the reputation of the organisation.
Low ●	<p>A control weakness that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the achievement of the objectives of the system, function or process under review as set out in the terms of reference; or • Minor financial impact on the organisation (quantity); or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organisation.

Assurance ratings

The table below details the assurance ratings for grading individual audits:

Level of assurance	Description
High	No control weaknesses were identified; or Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.
Moderate	There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.
Limited	There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.
No	There are weaknesses in the design and/or operation of controls which, in aggregate could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.

Appendix 2 – Limitations and Responsibilities

Limitations inherent to the internal auditor's work

We have undertaken this review of debtors subject to the limitations outlined below. This is an independent assurance report and our work has been performed in accordance with ISAE 3000 ("International Standard on Assurance Engagements").

Internal control

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

The assessment of controls relating to debtors is at December 2010. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We shall endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

Appendix 3 – Terms of Reference

Objectives

To ensure that invoices are raised in a timely manner, cash received is correctly allocated, outstanding debts are recovered and the ledger is updated to reflect the debtors system.

Deliverables

Our deliverable will be a report detailing our findings with regard to our assessment of the design and effectiveness of controls in place over the debtors system.

Scope and Approach

Our work will focus on identifying the guidance, procedures and controls in place to mitigate key risks through:

- Documenting the underlying guidance, policy and processes in place and identifying key controls;
- Considering whether the policies and procedures in place are fit for purpose; and
- Testing key controls.

The key points that we will focus on are:

- All sources of income are identified and that, where applicable, invoices are raised in a timely, complete and accurate fashion.
- All payments are receipted completely, accurately and in a timely fashion.
- Debt collection, recovery and write-off procedures are sufficient to ensure that delay in receiving payments and loss of credit income is minimised.
- The system is protected against unauthorised access/processing and is secure against loss or damage of data.

Limitations of Scope

The scope of our work will be limited to those areas identified in the terms of reference.

Stakeholders and Responsibilities

Role	Contacts	Responsibilities
Revenues Manager	Anne Harvey Lynch	<ul style="list-style-type: none"> Review draft terms of reference. Review and meet to discuss issues arising and develop management responses and action plan. Review draft report. Implement agreed recommendations and ensure ongoing compliance.
Interim Head of Finance	Nigel Kennedy	<ul style="list-style-type: none"> Receive agreed terms of reference. Receive draft and final reports.
Corporate Director of Finance and Efficiency	Jackie Yates	
Chief Executive	Peter Sloman	<ul style="list-style-type: none"> Receive final report.

Our Team

Chief Internal Auditor	Chris Dickens
Audit Manager	Matthew Ulyatt
Team Manager	Charlotte Bilisland
Auditor	Margaret Gibbs

Timetable

Steps	Date
TOR approval	November 2010
Fieldwork commencement	15 th November 2010 (T)
Fieldwork completed	T + 2 weeks
Draft report of findings issued	T + 4 weeks
Receipt of Management response	T + 6 weeks
Final report of findings issued	T + 7 weeks

Budget

Our budget for this assignment is 10 days. If the number of days required to perform this review increases above the number of days budgeted, we will bring this to management attention.

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In the event that, pursuant to a request which Oxford City Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Oxford City Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Oxford City Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC and Oxford City Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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