

Final Internal Audit Report

Debtors

June 2018

Distribution: Executive Director Resources (Final Only)
 Interim Head Of Customer Contact and Revenues & Benefits
 Interim Strategic Collection Manager
 Corporate Debt Recovery Support Manager
 Debt Recovery Manager

Assurance Level	Recommendations Made	
Substantial Assurance	Priority 1	0
	Priority 2	1
	Priority 3	1

Status of Our Reports

This report ('Report') was prepared by Mazars Public Sector Internal Audit Limited at the request of the London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, we have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of the London Borough of Croydon and to the fullest extent permitted by law, Mazars Public Sector Internal Audit Limited accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Please refer to the Statement of Responsibility set out in appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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1. Introduction

- 1.1 Customers make payments to the Council for a variety of purposes and services received. These payments are administered by the Accounts Receivable Team, separate to the Corporate Debt Recovery Team. The exceptions to this payment arrangement are Council Tax, Business Rates and Housing Rents.
- 1.2 Following the implementation of One Oracle in 2014, individual service departments are responsible for raising their own invoices.
- 1.3 This audit was undertaken as part of the agreed Internal Audit Plan for 2017/18.

2. Key Issue

Priority 2 Recommendation
The last quarterly write off was dated June 2017, with no subsequent write-offs noted, and no evidence was available that management had sampled checked 10% of the debts for write off or that the debts being written off the system had been agreed to the approved write-off documentation, (Issue 1).

The Priority 3 issue is highlighted under area 4 below.

3. Actions and Key Findings/Rationale

Control Area 7: Write Offs		Detailed Finding/Rational – Issue 1
Priority	Action Proposed by Management	
2	<p>We have now reviewed all the processes and further 6-monthly reviews have been scheduled in the diary.</p> <p>Folder has been created in SharePoint, where the spreadsheet with sample checks will be kept for audit purposes.</p> <p>The staff must ensure that the checklist is done and all avenues of the recovery have been exhausted.</p> <p>In February 2018 the final write off list was prepared and consequently written off in March 2018.</p> <p>Write offs have now been scheduled and planned in the diary of SD & CDRS Manager.</p>	<p>The Council's Corporate Debt Write-Off Policy states that, 'write off requests are usually submitted in quarterly batch lists and that, 'management should look to sample check 10% of the write offs submitted in each quarter. Where the manager disagrees with the recommendation, they will note the reason on the write off pro-forma submitted/saved in the relevant document imaging system and return it to the originating officer to undertake any follow up work.'</p> <p>While it was confirmed that quarterly write-offs occurred in January 2017, March 2017 and June 2017, no subsequent write offs were noted. The Corporate Debt Recovery Support Manager explained that these were delayed due to staffing issues and that it was planned that the next audit batch would be processed in January/February 2018.</p> <p>For the quarterly write-offs processed, no evidence was available that management had sampled checked 10% of the debts for write off or that the debts being written off the system had been agreed to the approved write-off documentation. Furthermore, for the write off in June 2017, no pro-forma was provided, the Corporate Debt Recovery Support Manager explaining that this was because the write off amount was too low and therefore no write off request form was necessary.</p> <p>Where there is no management check on the sample of debts recommended for write offs, this could increase the likelihood that debts are written off inappropriately or unnecessarily when recovery actions can still take place.</p> <p>Where procedural guidance and policy documents are not reviewed and, where appropriate, updated on a regular basis, there is a risk that officers follow outdated procedures and may not act in line with up to date legislation or Council policy.</p> <p>Three out of the six procedure notes sampled did not have a date of last review ('invoice print files, how to set up the daily schedules'; 'Customer Maintenance 01 - Important Information' and 'Smart Form CDRST Approving invoices guidance') and one procedure note was evidenced as last reviewed on 1 December 2015 ('Write off Process Corporate Debt Recovery v1.6'). Furthermore, the write off policy was last reviewed on 1 December 2015 and was due for review.</p>
Responsible officer	Deadline	
Debt Recovery Manager	October 2018 for initial review	

4. Priority 3 Issue

Recommendation	Findings
<p>• Invoice print files – these would not be reviewed as it is a how to set up the system</p> <p>• how to set up the daily schedules – would not be reviewed as it is a how to set up the system</p> <p>• Customer Maintenance 01 - Important Information- this was reviewed in June 2017 and saved into a public area for anyone to access from their desktop. The team have been reminded again about its existence and location.</p> <p>• Smart Form CDRST Approving invoices guidance- this was reviewed in June 2017 and saved into a public area for anyone to access from their desktop. Reminder given to staff again</p> <p>• Write-off policy – this was reviewed in August 2017.</p> <p>We rely on the Modified date in SharePoint and can also refer to the version history for the changes. The Corporate Debt Recovery Support Manager has since added a time stamp to all processes so that staff can “easily” see when processes are due for review rather than having to dig into the version history. This is more transparent and also acts as a prompt for us to review.</p> <p>There are 184 processes in our “how to do” library. All have now been reviewed and a column added to separate processes from Templates, systems navigation docs, for information only and also where the process/procedure is elsewhere, there is a link to the main process. This enables more effective monitoring including when its due to review and audit can more easily see what just the processes and the next review date. A time stamp for each doc and a column stating when next due for review has also been added. Of the 184 docs, only 40 are processes.</p>	<p>Three out of the six procedure notes sampled did not have a date of last review ('invoice print files, how to set up the daily schedules'; 'Customer Maintenance 01 - Important Information' and 'Smart Form CDRST Approving invoices guidance') and one procedure note was evidenced as last reviewed on 1 December 2015 ('Write off Process Corporate Debt Recovery v1.6'). Furthermore, the write off policy was last reviewed on 1 December 2015 and was due for review.</p> <p>Where procedural guidance and policy documents are not reviewed and, where appropriate, updated on a regular basis, there is a risk that officers follow outdated procedures and may not act in line with up to date legislation or Council policy.</p>

Audit Terms of Reference

Debtors – Accounts Receivable

1. INTRODUCTION

- 1.4 Customers make payments to the Council for a variety of purposes and services received. These payments are administered by the Accounts Receivable Team, separate to the Corporate Debt Recovery Team. The exceptions are Council Tax, Business Rates and Housing Rents.
- 1.5 This audit is being undertaken as part of the agreed Internal Audit Plan for 2017/18.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes relating to Debtors.
- 2.2 The audit will for each area included in the scope:
- Document and evaluate the risks and controls for each process to consider the key controls;
 - Walkthrough the processes to consider the key controls;
 - Undertake sufficient testing of controls operating, on a representative sample basis; and
 - Reach a conclusion on the effectiveness of the controls operating and report.

3. SCOPE





- 3.1 The audit included the following areas:

Control Areas/Risks	Recommendations Made		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Regulatory, Organisational and Management Requirements	0	0	1
Amendments to Standing Data	0	0	0
Raising Invoices	0	0	0
Income collection and Monitoring	0	0	0
Debt Recovery Action	0	0	0
Instalment Arrangements	0	0	0
Write offs	0	1	0
Provision for Bad Debts	0	0	0
Risk Register	0	0	0

DEFINITIONS FOR AUDIT OPINIONS AND RECOMENDATIONS

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are consistently applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to recommendations are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

Statement of Responsibility

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars Public Sector Internal Audit Limited accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, re-interpretation amendment and/or modification by any third party is entirely at their own risk.

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