

**To:** Director of Resources

**For information:** Chief Executive  
Assistant Chief Executive  
Head of Finance

### **1. Introduction**

An audit of Debtors has been carried out as part of the 2006-07 audit plan. Detailed tests have been carried out on the systems of control and the management of risk within this area.

### **2. Findings and recommendations**

The detailed findings and recommendations are set out in the attached appendices and agreed Management Action Plan. A satisfaction survey form has been sent to the Head of Finance for completion.

### **3. Conclusions**

Sundry Debtors continue to be administered within acceptable time scales and although the lack of management controls in one area has been identified, no significant problems were identified by our audit fieldwork.

Previously identified staffing issues continue to raise concerns and should be addressed in the near future to prevent the deterioration of this status. Recommendations have been made concerning Aged Debtors controls, contingency plans, procedures and reconciliations.

Sheila Bronson  
Acting Audit Manager  
25 May 2007

## DEBTORS 2006-07

### 1.1 AREAS COVERED DURING THE AUDIT

The key areas of possible risk identified at the planning stage of the audit were as follows:

- a) Invoices are not raised in a timely manner;
- b) Debtors invoices are raised for incorrect amounts or debtors accounts are incorrect or duplicated;
- c) Cancellations and amendments are not controlled;
- d) Amounts in arrears are not properly recovered, recovery stages are not progressed in a timely manner, or recovery action is suspended without authorisation or instalment agreements fail but recovery action is not restarted;
- e) Inadequate provision for bad debt, inappropriate write offs completed or debtors cease trading and are unable to repay debts to the Council;
- f) Insufficient skilled staff to administer the Debtors system, staff engaged in Debtors administration receive poor or inadequate training or inadequate separation of duties;
- g) The Council does not have a clear debt policy;
- h) Procedures are not adequately documented;
- i) Monies received from the payment of invoices are not credited to the correct account;
- j) Debtors are not reconciled with other Council systems;
- k) Non-compliance with Financial Regulations.

The methodology stated in the terms of reference document was used to establish and test the controls that management have in place for mitigating or reducing the above risks to an acceptable level.

### 1.2 OVERALL AUDIT OPINION

**Subject to the matters raised below it was confirmed that in general the systems of control are functioning well.**

**Staffing issues continue to raise concerns and failure to address these issues in the near future may have a profound effect on the level of service currently being achieved.**

## 2005-06 AUDIT

### 1.3 PREVIOUS RECOMMENDATIONS

The previous audit made 11 recommendations, of which 10 were agreed. It is pleasing to note that those relating to the preparation of invoices by des issues, procedures and corporate debt policy are addressed below.

## 2006-07 AUDIT

### 1.4 STAFFING ISSUES

Our previous audit identified that there was a risk that sufficient staff might not always be available to administer sundry debtors and accordingly recommended that contingency plans should be produced to protect against this eventuality.

Staffing issues within Finance and Exchequer Services continue to cause concern over the ability of staff to maintain the current level of service provided. A permanent Principal Accountant – Services with the management responsibility for Exchequer staff has yet to be appointed and, although immediate staff cover issues have been addressed, current staffing arrangements necessitate urgent consideration be given to longer term contingency planning.

At the time of our previous audit there were two part-time staff providing full time equivalent sundry debtors cover which has now been reduced to one semi-retired part-time member of staff on a fixed term contract. To ensure adequate continuity of service, **we re-iterate the recommendation that** suitable plans be formulated against the risk that the part-time Exchequer Assistant (Debtors) leaves the Council's employment.

### 1.5 AGED DEBTORS RECONCILIATIONS

Previous audit have identified regular management monitoring of Aged Debtors being carried out. Testing during the audit has identified that although system generated Aged Debtor Reports continue to be produced that no management action appears to have been taken on them for some considerable time due to lack of officer and management time. **We therefore recommended that** regular management monitoring of aged debtors is resumed immediately

### 1.6 PROCEDURES

Our previous audit included two recommendation concerning documented procedures which have yet to be implemented. **We therefore re-iterate the recommendation that** the procedures in Exchequer be reviewed and revised to a standard which would permit a newly recruited officer to take on these duties and **also re-iterate the recommendation that** the client departments are asked to prepare good quality procedures

### 1.7 CORPORATE DEBT POLICY

A recommendation was made concerning the introduction of a corporate debt policy for the Council in our 2003-04 audit of Debtors, which has been re-iterated at each subsequent audit. The Council continues to operate a selection of separate debt

collection systems, which could give rise to reputational, financial and resource risks e.g.

- several departments could be pursuing the same debtor simultaneously without knowledge of any action being taken elsewhere
- varying levels of successful collection against the same debtor due to methods deployed
- although an individual debt may be below legal action levels, the combined debt may well warrant legal action

Given the forthcoming Uttlesford 2011 project and the appointment of Heads of Finance and Revenues and Procurement, **we recommend that** the opportunity is taken for a full review of all of the Council's debtors services and **we again also re-iterate the recommendation that** Management considers the benefit of agreeing and communicating a Corporate Debt Policy to provide guidance to all debt recovery teams within the Council.

## 1.8 SALES LEDGER ADJUSTMENT

Daily reconciliations between Sales Ledger and Nominal Ledger are carried out by the Exchequer Assistant – Debtors. A system posting error occurred in August 2006 (period 05) which has not yet been satisfactorily adjusted and currently additional calculations being carried out during the daily reconciliation process. **We therefore recommend that** action is taken as soon as possible to correct this error.

Sheila Bronson  
March 2007

Management Action Plan For: - DEBTORS 2006-07

Appendix / Para	Recommendation	Significance * Low ** Med *** High	Agreed / Not agreed	Officer Responsible	Officer Comments	Implementation date
1.4	<b>Re-iterate the recommendation that</b> suitable plans be formulated against the risk that the part-time Exchequer Assistant (Debtors) leaves the Council's employ.	**	Agreed	Principal Accountant (Services)	In conjunction with Recommendation 1.7, the proposed transfer of Sundry Debtors to Revenues Section is anticipated to provide scope for increased service continuity.	July/ August 2007
1.5	<b>Recommended that</b> regular management monitoring of aged debtors is resumed immediately	***	Agreed	Principal Accountant (Services)	Attempts to make a permanent recruitment to the post of Principal Accountant (Services) have proved unsuccessful. Transfer of Sundry Debtors to Revenues Section will provide increased scope for more dedicated, focussed and specialised debt monitoring.	After August 2007

1.6	<b>Re-iterate the recommendation that</b> the procedures in Exchequer be reviewed and revised to a standard which would permit a newly recruited officer to take on these duties	**	Agreed	Principal Accountant (Services)	This work was commissioned in 2006, and will be made available in support of the transfer of Sundry Debtors to Revenues Section.	July/ August 2007
1.6	<b>Re-iterate the recommendation that</b> the client departments are asked to prepare good quality procedures	**	Agreed	Various	This could be better addressed upon the merger of all debt collection into one "centre of excellence" following outcomes from OR.	Subject to outcome of OR.
1.7	Given the forthcoming Uttlesford 2011 project reorganisation and the appointment of Heads of Finance and Revenues and Procurement, <b>we recommend that</b> the opportunity is taken for a full review of all of the Council's debtors services	***	Agreed	Heads of Finance and Revenues and Procurement	This has been the subject of the Council's Organisational Re-engineering (OR) process, and has now culminated in the merger of Sundry Debtors with Revenues debt collection, due to occur shortly.	May 2007 in respect of Sundry Debtors/ Revenues Debt Collection merger.
1.7	<b>Re-iterate for the third time the recommendation that</b> Management considers the benefit of agreeing and communicating a Corporate Debt Policy to provide guidance to all debt recovery teams within the Council.	***	Agreed	Various	This could be better addressed upon the merger of all debt collection into one "centre of excellence"	Subject to outcome of OR.

					following outcomes from OR.	
1.8	A system posting error occurred in August 2006 (period 05) which has not yet been satisfactorily adjusted and currently additional calculations being carried out during the daily reconciliation process. <b>We therefore recommend that</b> action is taken as soon as possible to correct this error.	**	Agreed	Principal Accountant (Services)	The departure of the Principal Accountant (Services) has resulted in further delay in this work. We now await a further recruitment drive, subsequent settling in period, and completion of 2008/9 budget setting processes before this can be addressed by the anticipated new post holder.	March 2008

Agreed: John Dyson (Head of Service) Date: 21 May 2007