

## Report of the Chief Audit and Control Officer

**INTERNAL AUDIT REPORT AND FOLLOW-UP – SUNDRY DEBTORS**1. Purpose of the report

To inform the Committee of the management progress made in respect of the action agreed following an audit of Sundry Debtors.

2. Detail

Members will recall considering the outcome of the audit of Sundry Debtors as part of the Internal Audit Progress Report presented to this Committee on 24 September 2018. The Internal Audit report included a significant action relating to the ongoing failure to complete an adequate reconciliation between the Civica Legal module and Sundry Debtors system. A summary of the audit findings is provided in the appendix.

Internal Audit expressed concern at the lack of a complete and regular reconciliation between the two interfaced systems. The attention of the Committee was drawn to the fact that this was a long-outstanding matter that had been carried forward from earlier audits.

At the request of members, Internal Audit completed an early follow-up exercise to review progress made by management. A summary of the outcome of this testing, including a management progress report provided by the Chief Solicitor and Deputy Monitoring Officer, is also provided in the appendix.

This summary shows that the agreed action has been completed, at least in the short-term. It is pleasing to note that this matter is finally showing signs of being satisfactorily resolved longer-term, following the significant assistance of the Business Support Team Leader.

Internal Audit is satisfied with the recent progress that has been made. It will continue to monitor the ongoing compliance with the agreed action and feedback to the Committee as appropriate.

**Recommendation**

**The Committee is asked to NOTE the progress made in respect of the agreed management action following the audit of Sundry Debtors.**

Background papers

Nil

**APPENDIX****SUNDRY DEBTORS AUDIT AND AUDIT FOLLOW-UP**Audit Objectives

Internal Audit completed a review of the systems and procedures operating in respect of Sundry Debtors.

The main purpose of the audit was to confirm that there are adequate internal controls in place to provide assurance that operations are properly accounted for in line with the appropriate legislation and the Council's Standing Orders and Financial Regulations, including the adequacy of supporting documentation and record keeping. The specific audit objectives, agreed with management as part of the Audit Terms of Reference, sought to confirm whether adequate management control exists to provide assurance that:

- Invoices were being raised correctly
- Invoiced amounts were efficiently collected and accounted for correctly
- Credit notes and write-offs were valid and authorised.

Audit Findings

The Internal Audit report was formally issued to the Chief Executive and other relevant senior managers on 14 September 2018.

Internal Audit found that the Council has an appropriate framework in place for the administration of operations in respect of Sundry Debtors and considered that controls within the system provide reasonable assurance that risks material to the achievement of the system's objectives are adequately managed.

The review did indicate an area for improvement and made a one significant recommendation. This related to need to complete a regular, prompt and adequate reconciliation between the Civica Legal module and the Sundry Debtors system, which was reported as follows:

Recommendation – Reconciliations

"Internal Audit has previously expressed concerns about the failure to complete an adequate reconciliation between the Civica Legal module and Sundry Debtors system.

The failure to reconcile the number of cases and value of individual debt on the two systems could result in a case not being identified where recovery action has been suppressed. It could also lead to a failure to identify cases where costs and receipts have not been allocated to the correct accounts.

Internal Audit is still not satisfied that the number of cases and the total value of outstanding debt on both systems align. The continuing failure to complete a formal reconciliation means that the affected cases have not been identified and corrected.

There are clearly issues with accounts, some of which date back to the implementation of the Civica Legal module in 2014. The current difference in the total outstanding debt figure between the systems is around £1,500. This variation is likely to include individual cases where:

- Legal costs included within Civica Legal are not being fully recognised in individual accounts in Sundry Debtors
- The value of individual write-offs in Sundry Debtors not being fully replicated in Civica Legal (likely due to the costs allocation issues)
- There were potentially errors in the original transfer of data from the former legal ARMS system.

Work is continuing to resolve these matters. Going forward, there should be a reduction in caseload appearing on Civica Legal as a result of the decision to now refer all cases to collection agents as part of recovery action. More cases may now be written-off at this stage, without referral to Legal Services for court action to be considered. A major case review is ongoing and write-offs are now being proposed for approval on a quarterly basis. Any differences should be highlighted and actioned as part of this review work and the ability to reconcile the two systems thereafter should be an easier process.”

#### **Agreed Action (Significant)**

**A full review of outstanding debt on the Civica Legal module is being undertaken by the Business Support Leader (with co-operation from the Recovery team) and progress is being made. Any remaining differences between the Civica Legal module and the Sundry Debtors system should be identified, investigated and corrected.**

**Thereafter, a regular monthly reconciliation will be promptly completed by the Business Support Team with the statements being reviewed and approved by an appropriate senior officer in Legal Services.**

#### **Managers Responsible**

**Chief Solicitor and Deputy Monitoring Officer**

**Sundry Debtors Performance Group**

**Target Date: 31 March 2019**

#### **Progress Report**

Internal Audit requested an update from the Chief Solicitor and Deputy Monitoring Officer who provided the following summary of progress made to 31 October 2018 in respect of the agreed action:

*“The Business Support Team Leader and others have worked very hard to complete this action. The current work has identified and resolved all of the variances and, going forward, the monthly reconciliation should be a much easier process.”*

### Audit Follow-Up

Having completed its own reviews, Internal Audit is satisfied with the recent progress that has been made.

The Business Support Team Leader has experienced some difficulties in reconciling the respective systems and considerable one-for-one checking was necessary to identify the individual variances. Many of the variances identified were as described in the Internal Audit report.

Officers are working with the software supplier to improve the processes in order to make the reconciliation process easier. While earlier issues with system interfaces have made the reconciliation process more difficult than it should be, management is satisfied that the systems were able to be effectively balanced.

The reconciliation process does need further refinement in terms of the efficiency of its production and the effectiveness of the report output. The summary figures used in the spreadsheet are extracted from the Civica Legal module manually. Ideally, running totals should also be calculated by the spreadsheet to provide some validation checks.

As an additional safeguard when the reconciliation has occurred, it is emailed to the respective senior managers for review, which provides a further degree of independent scrutiny. There is additional positive aspect in that the Business Support Team Leader does not have a direct role in debt recovery, so is providing a degree of independent scrutiny.

Internal Audit will continue to monitor ongoing compliance with the agreed action and feedback to Committee as appropriate.