



# Debtors

## City of York Council

### Internal Audit Report 2014/15

Business Unit: Customer & Business Support Services  
Responsible Officer: Director of Customer and Business Support Services  
Service Manager: Head of Customer, Resident & Exchequer Services  
Date Issued: 29 July 2015  
Status: Final  
Reference: 10190/006

	P1	P2	P3
<b>Actions</b>	<b>0</b>	<b>0</b>	<b>2</b>
<b>Overall Audit Opinion</b>	High Assurance		

# Summary and Overall Conclusions

## Introduction

The customer income team within the Directorate of Customer and Business Support Services are responsible for:

- issuing invoices to customers for services provided by the council;
- taking recovery action to ensure invoices are paid.
- ensuring payments received are correctly recorded in the debtors system on authority financials;

There are also devolved teams who perform some of these tasks within individual service departments.

The area is reviewed on an annual basis due to the high value and volume of transactions processed and the inherent risks involved in processing invoices.

## Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system ensure that:

- Systems comply with the council's financial regulations, relevant legislation, or other appropriate guidance;
- Accounts are raised promptly and accurately to notify customers of any amounts due;
- Income is correctly credited to customers' accounts;
- Appropriate action, including write off of debts, is undertaken to recover debts where invoices are not paid within specified timescales.
- Performance is monitored and effectively managed.

## Key Findings

It was found in the audit that in general, accounts are raised within reasonable timescales and with few errors, that income received is suitably processed, action is taken when invoices are not paid within the required timescales and that performance is adequately monitored.

The key finding relates to the Income and Corporate Debt policies being due for review. In addition, at the time of the audit the council's new e-invoicing process was experiencing a technical problem with the electronic file that should contain all the e-invoices produced.

Although responsibility for the Car Loan scheme does not fall entirely within the Debtors section it was also identified during the course of the audit the Car Loan scheme was potentially surplus to requirements and will therefore not be revised. The situation will be revisited at the time of the next audit.

## Overall Conclusions

It was found that the arrangements for managing risk were very good. An effective control environment appears to be in operation. Our overall opinion of the controls within the system at the time of the audit was that they provided High Assurance.

# 1 Income policy

## Issue/Control Weakness

The council's Income Policy is due for review.

## Risk

The policies may not set out the most current aims for the council.

## Findings

The council have an Income Policy that aims to ensure "that the council's fees and charges are set within a value for money framework, whereby financial, performance, access and equality are considered fully and appropriately and decisions taken represent a transparent and balanced approach", last reviewed in January 2011.

## Agreed Action 1.1

The policy will be reviewed.

**Priority**

3

**Responsible Officer**

Head of Customer,  
Resident & Exchequer  
Services

**Timescale**

Feb 2016

## 2 E-invoicing

### Issue/Control Weakness

There is an error with the control file of e-invoices which results in only the first invoice being available for review

### Risk

The invoices sent out may have errors or the council may not be able to confirm that invoices have been sent out.

### Findings

The council are in the process of introducing e-invoicing, where invoices are sent electronically rather than posted. This has the potential to produce efficiencies for the council. At the current time the process has only been rolled out to a small number of customers because there is an error with the invoice files being produced, which means that only the first invoice of the run is saved onto the file. This means that the full file cannot be retained for quality checking and evidential purposes.

### Agreed Action 2.1

The issues with e-invoicing are with IT to address, although there is no confirmed date for this. We have agreed to consider this as part of the 2015-16 audit.

#### Priority

3

#### Responsible Officer

Customer Finance  
Team Leader

#### Timescale

Feb 2016

# Audit Opinions and Priorities for Actions

## Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

## Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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