

Internal Audit Report

Joint Accounts Receivable 2023/24

Draft report: 12 April 2024

Final report: 12 April 2024

Last audited: October 2022 (Satisfactory assurance opinion)

Audit Objective To provide assurance on the effectiveness of accounts receivable and debt recovery processes and controls at South and Vale.

Assurance Opinion		Number of Actions				Key Risks Reviewed
		Priority	Joint	South	Vale	Reference
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Priority 1	0	0	0	-
		Priority 2	1	0	0	1
		Priority 3	1	0	1	2 and 3
		Total	2	0	1	Appendix 1

Key Risks Reviewed

- Sundry debtor invoices are not promptly raised or adequately authorised on the financial management system.
- Inadequate debt recovery process may lead to debts being harder to recover.
- Aged debts are not managed leading to loss of income and increased write offs.
- Suppressions not being managed appropriately leading to loss of income.

The audit scope included:

Objective	Audit Scope
1 Invoice processing	<ul style="list-style-type: none"> • Accounts receivable invoices, including periodic income, are promptly raised, and adequately authorised through the financial management system. • Adequate documentation is in place to support invoices raised. • Invoices are raised in line with procurement rules.
2 Debt recovery process	<ul style="list-style-type: none"> • An effective recovery process is in operation so that debt is collected efficiently.
3 Aged debt, cancellations and write offs	<ul style="list-style-type: none"> • Aged debt, cancellations and write off of debts are controlled independently and carried out in accordance with the councils' financial regulations and justifiable reasons provided.
4 Invoices on hold	<ul style="list-style-type: none"> • Invoices on hold are controlled and monitored independently.

Key Findings		
Objective	Audit Scope	
1	Invoice processing	<ul style="list-style-type: none"> • Testing confirmed that sundry debtor invoices, including periodic income, are promptly raised, and adequately authorised through the financial management system. • Adequate documentation is in place to support invoices raised. • Invoices are raised in line with the agreed fees and charges. • VAT is appropriately applied. • Payment is not being received on a timely basis; payment is due 14 days from the invoice date. From the sample tested, the average collection rate for South is 31 days and 18 days for Vale.
2	Recovery process	<ul style="list-style-type: none"> • Reminders are not always issued on a timely basis. For both councils, the time taken to send out reminders 1 and 2 exceed the target but are within target for the final notice. • From the sample tested, there is little recovery made. The main reason for this is there is little engagement/ownership by the service areas. The reasons given for this include not knowing they are responsible for chasing up non-payment, not enough time to manage this, no monitoring undertaken after a month, and they have not received an aged debtors report for over two years.
3	Aged debt, cancellations and write offs	<ul style="list-style-type: none"> • The write off procedure remains unchanged since the previous audit, however the levels of delegated authority have changed. • Write off procedure is being followed with relevant supporting documentation. • There does not seem to be any ownership of aged debts by the service areas, nothing proactive is being done to follow up and collect aged debts. Service areas are not performing these functions. There are hopes that Exchequer staff will take on this role.
4	Invoices on hold	<ul style="list-style-type: none"> • At the time of the audit, there were 26 suppressions for Vale and 36 for South. • Invoices on hold relate to invoices that were last reminder in 2014 and 2016. • Reasons for suppression are not noted on Unit4 which can lead to lack of transparency and action to progress recovery of the debt. • Audit investigation confirms that service areas are aware of the reason for the suppression.