



Internal Audit

**FINAL**

## Dacorum Borough Council

Assurance Review of Key Financial Controls - Debtors and Arrears

**2021/22**

March 2022

## Executive Summary

<p><b>OVERALL ASSESSMENT</b></p>	<p><b>KEY STRATEGIC FINDINGS</b></p>								
 <p>The diagram shows a central green circle labeled 'SUBSTANTIAL ASSURANCE' surrounded by a blue ring with the text 'Adequate &amp; effective governance, risk and control processes'. To the right is a legend with four colored circles: green for 'SUBSTANTIAL ASSURANCE', yellow for 'REASONABLE ASSURANCE', orange for 'LIMITED ASSURANCE', and red for 'NO ASSURANCE'.</p>	<p> Sample testing and review of documentary information, identified that robust controls are in place and operating as intended. The audit noted some minor areas requiring improvement in order to enhance the control environment.</p> <p> The Debt Management Policy is reviewed by Finance however, the document review date is not updated post review.</p>								
<p><b>ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE</b></p>	<p><b>GOOD PRACTICE IDENTIFIED</b></p>								
<p><b>SR1</b> – Funding and Income is not sufficient to deliver the Council’s Corporate Objectives.</p>	<p> As part of month end procedures, Aged debtors and reconciliations are compiled and reviewed.</p>								
<p><b>SCOPE</b></p>	<p><b>ACTION POINTS</b></p>								
<p>Assessed the adequacy and effectiveness of the internal controls in place at the Council for managing identified key financial systems.</p> <p>For 2021/22, Accounts Receivable, Income Collection and Debt Recovery has been reviewed.</p>	<table border="1"> <thead> <tr> <th>Urgent</th> <th>Important</th> <th>Routine</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>0</td> <td>2</td> <td>0</td> </tr> </tbody> </table>	Urgent	Important	Routine	Operational	0	0	2	0
Urgent	Important	Routine	Operational						
0	0	2	0						

## Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	Review of the 'Debt Management Policy – Sundry Debt' (October 2017) and discussions held with the Lead Officer for Customer Accounts and Income (CA&I) and the Financial Services Team Leader, it was noted that the Policy is reviewed and updated however the document review date is not amended to reflect this.	It be ensured that the Debt Management Policy's version control table, is amended to note the latest review date.	3	<i>Accepted. The Debt Management Policy is reviewed on an annual basis. The date on the version control table is historically only updated when changes are made to the policy. Following the most recent review of the policy in 2022, the date of review on the document has been amended. We will do this annually following our annual review, even if no changes are made.</i>	Completed	Team Leader, Financial Services
2	Directed	Finance completes a 'Management Control and Reconciliation' monthly check list, when compiling the monthly balance sheet reconciliations.  Review of the July 2021 Debtors reconciliation monthly check list, it was noted that whilst it had been signed off by the reviewing and preparing officer. However, the body of the checklist had not been completed.	It be ensured that the monthly reconciliation checklist is completed in full, prior to sign off.	3	<i>Accepted. It is normal practice to complete this checklist in full every month. Following this audit finding, we reviewed all other checklists for 2021/22 year to date and 2020/21. All I were fully completed.</i>	Immediately (28/02/22)	Team Leader, Financial Services

PRIORITY GRADINGS

**1** **URGENT** Fundamental control issue on which action should be taken immediately.

**2** **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3** **ROUTINE** Control issue on which action should be taken.

## Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
There are no Operational Effectiveness Matters raised during the audit.				

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

## Findings



### Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	<b>Governance Framework</b> There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In place	1	-
RM	<b>Risk Mitigation</b> The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	-	-
C	<b>Compliance</b> Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	In place	2	-

### Other Findings



Review of the 'Debt Management Policy – Sundry Debt, dated October 2017, it was noted that whilst it contains adequate guidance/ procedures in dealing with debt, however it does not state the timeframes when pursuing debt. For example, as to when the 1<sup>st</sup> and 2<sup>nd</sup> reminder letters should be issued.

Discussions held with the Lead Officer for Customer Accounts and Income and the Financial Services Team Leader, it was stated that due to dealing with several departments/ sections, timeframes differed and hence this information was not documented in the Policy.



#### **Debtor Invoices**

Review and testing of a sample of ten invoices, identified that in all cases, the invoices had been raised in accordance with procedure, i.e. a debtor invoice request had been completed by the department/ section, and emailed to the Customer Accounts Team for processing.

**Other Findings*****Credit Notes***

Review and testing a sample of ten credit notes, identified that in all cases, the credit notes had been processed in a timely manner and primarily related to service charges.

***Refunds***

Review and testing of a sample of refunds, identified that in all cases, the refunds had been authorised in accordance with the Council's Scheme of Delegation.

***Aged Debtors***

Review and testing of a sample of ten aged debtor accounts over 90 days, identified that due to the Government's Memorandum on commercial debt, Councils cannot actively pursue such debt till April 2022. The debtor accounts reviewed noted some debt recovery activity however it was limited and infrequent.

***Debtor Reconciliations***

Review and testing of a sample of three monthly debtor reconciliations, May, July and November 2021, identified that in all cases the reconciliation had been reviewed and signed off. The July 2021 reconciliation noted a difference of £30,938.24, relating to a posting error in May 2021, which was corrected in July 2021.



**Delivery Risk:**

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	<b>Performance Monitoring</b> There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	Out of Scope	-	-
FC	<b>Financial Constraint</b> The process operates within the agreed financial budget for the year.	In place	-	-
R	<b>Resilience</b> Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	-

**Other Findings**



The Debtor income forms part of the General Fund and is presented and reported to the Finance and Resources Overview and Scrutiny Committee and Cabinet, as part of the quarterly Management accounts.

## EXPLANATORY INFORMATION

## Appendix A

### Scope and Limitations of the Review

- The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

### Disclaimer

- The matters raised in this report are only those that came to the attention of the auditor during the course of the review, and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

### Effectiveness of arrangements

- The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

<b>In place</b>	The control arrangements in place mitigate the risk from arising.
<b>Partially in place</b>	The control arrangements in place only partially mitigate the risk from arising.
<b>Not in place</b>	The control arrangements in place do not effectively mitigate the risk from arising.

### Assurance Assessment

- The definitions of the assurance assessments are:

<b>Substantial Assurance</b>	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
<b>Reasonable Assurance</b>	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
<b>Limited Assurance</b>	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
<b>No Assurance</b>	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

### Acknowledgement

- We would like to thank staff for their co-operation and assistance during the course of our work.

### Release of Report

- The table below sets out the history of this report.

Stage	Issued	Response Received
<b>Audit Planning Memorandum:</b>	8 <sup>th</sup> September 2022	8 <sup>th</sup> September 2022
<b>Draft Report:</b>	28 <sup>th</sup> February 2022	11 <sup>th</sup> March 2022
<b>Final Report:</b>	15 <sup>th</sup> March 2022	

# AUDIT PLANNING MEMORANDUM

## Appendix B

<b>Client:</b>	Dacorum Borough Council		
<b>Review:</b>	Key Financial Controls - Debtors and Arrears		
<b>Type of Review:</b>	Assurance	<b>Audit Lead:</b>	Client Audit Manager
<b>Outline scope (per Annual Plan):</b>	Risk: SR1Rationale: This is the main financial ledger and an important system for the Council which is audited annually. Scope: To assess the adequacy and effectiveness of the internal controls in place at the Council for managing identified key financial systems. For 2021/22, Accounts Receivable, Income Collection and Debt Recovery will be reviewed.		
<b>Detailed scope will consider:</b>	<p>Directed</p> <p>Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.</p> <p>Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.</p> <p>Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.</p>	<p>Delivery</p> <p>Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.</p> <p>Financial constraint: The process operates with the agreed financial budget for the year.</p> <p>Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.</p>	
<b>Requested additions to scope:</b>	(if required then please provide brief detail)		
<b>Exclusions from scope:</b>	Restricted to the areas noted in the scope.		
<b>Planned Start Date:</b>	6th January 2022	<b>Exit Meeting Date:</b>	9th Feb 2022
		<b>Exit Meeting to be held with:</b>	Customer Accounts T/Leader

### SELF ASSESSMENT RESPONSE

<b>Matters over the previous 12 months relating to activity to be reviewed</b>	<b>Y/N (if Y then please provide brief details separately)</b>
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc?	N
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	N
Have there been any significant changes to the process?	N
Are there any particular matters/periods of time you would like the review to consider?	N