

# **Bolsover, Chesterfield and North East Derbyshire District Councils'**

## **Internal Audit Consortium**

### **Internal Audit Report**

<b>Authority:</b>	<b>Bolsover District Council</b>
<b>Subject:</b>	<b>BDC Sundry Debtors</b>
<b>Date of Issue:</b>	<b>24<sup>th</sup> April 2025</b>
<b>Assurance Level</b>	<b>Limited Assurance</b>
<b>Report Distribution:</b>	<b>Senior Accountancy Assistant, Principal Accountant Director of Finance &amp; Section 151 Officer, Chief Executive, Chief Executive (DF)</b>



## **INTERNAL AUDIT REPORT**

### **Sundry Debtors**

#### **Introduction**

In accordance with the 2024/25 annual audit plan a review of the key controls within the Sundry Debtors processes in respect of Bolsover District Council has been undertaken.

The sundry debtor IT system is part of the FMS (CIVICA Financials). The majority of sundry debtor invoices are raised on the system by departments with the Finance Team being responsible for system administration, generating invoices and their distribution, overall financial controls, collecting payments by direct debit, dealing with payment queries and managing recovery processes.

The year-end position for the value of outstanding debtors is as outlined below: -

<b>Position as at:</b>	<b>Value of unpaid Sundry Debts £</b>
31 <sup>st</sup> March 2021	586,163
31 <sup>st</sup> March 2022	817,507
31 <sup>st</sup> March 2023	1,586,893
31 <sup>st</sup> March 2024	1,466,978

Between 2021/22 and 2022/23 the value of debts increased by 94.1%. The 2022 Corporate Debt report presented to members, outlined that although debt collection processes were back to normal, the pandemic and the cost-of-living influenced businesses and individuals' ability to pay, as demonstrated by the arrear levels. There has been a reduction in arrears between 2022/23 and the 2023/24 of 7.55%.

The total value of debts on the system as at 14h February 2025 is £1,055,867.15. The Council has payment arrangement plans in place to cover £101,716.48 of this debt.

- Appendix 4 shows the value of unpaid invoices by department, for each financial year,
- Appendix 5 shows the number of unpaid invoices by department, for each financial year.

Dragonfly Ltd have their own FMS system (also CIVICA Financials) for raising debt associated with the Dragonfly Developments. The Finance Team provide similar debtor services to that provided to the Council but have no dealings with recovery processes after invoices have been issued. A separate audit has been undertaken on the company's sundry debtor processes.

## Scope and Objectives

The scope and objectives of the audit were to ensure that: -

- Previous recommendations have been implemented,
- All sundry income due (including periodical income) is invoiced timely and accurately,
- Separation of duties are in place regarding the raising and collection of income, and cancellation or write-off of debt,
- Sound Procedures are in place and effectively followed for cancelling invoices/ raising credit notes,
- Arrears recovery procedures are defined,
- Arrears are monitored and pursued in accordance with agreed procedures,
- Write-offs are appropriate, authorised and undertaken in accordance with agreed procedures,
- Write-off actions are correctly recorded in the Council's accounts,
- Accounts in credit are regularly reviewed for validity and where appropriate authorised refunds given,
- The suspense account is regularly cleared,
- Reconciliations between the Sundry Debtor system and the FMS are undertaken regularly and accurately,
- IT system is secure & adequate back-up arrangements are in place (assurance from completed Main Financial System audits),
- Targets have been established for raising invoices & collection of arrears.

## Risks

The following risks to meeting the objectives have been considered.

- Failure to invoice and collect income leading to financial loss.
- Failure to invoice promptly leading to budget not being achieved.
- Inadequate separation of duties or controls providing greater opportunity for fraud and misappropriation.

## Conclusion

The conclusion of the audit was that the reliability of the controls relating to the above areas was assessed as **Limited Assurance** (Definition of Assurance level). For a full list of Assurance definitions linked to risk see Appendix 1. For definitions of High, Medium, Low and Advisory recommendations see Appendix 2.

The help and assistance of the Principal Accountant, Senior Accountancy Assistant and Income and Expenditure Officer was much appreciated during the review.

## Findings and Recommendations

### Background

The day-to-day operation of Sundry Debtors transferred from the Revenues and Benefits Team to the Finance Team in 2019, together with one employee (in the post of Recovery Officer, who became the Accounting Assistant) who left two years after the transfer. During this period, COVID 19 occurred. From mid-March to 30<sup>th</sup> June 2020, the Council took no recovery action regarding debt collection. From 1<sup>st</sup> July 2020, along with other Derbyshire Authorities, 'soft recovery commenced,' which meant the customers were given extra time to repay debt. Full recovery methods were not re-introduced until late in 2021/22.

The Accountancy Assistant post, once vacant, was not recruited for and sundry debtor duties were absorbed into the Finance Team. During 2022, the Council agreed to set up Dragonfly Ltd after its housing development contractor, Woodhead Construction went into administration. The Finance Team, as a priority, were then involved with setting up the financial operations for the company which took considerable resources. Consequently, this has limited the time spent on sundry debtor recovery leading to no action being taken after the reminder stage in respect of some department debts.

In 2024 a new post, Income and Expenditure Officer was created whose duties include in part, undertaking sundry debtor duties. Progress is now being made and additional support with recovery action, has recently been provided from the Revenues and Benefits Team. However, it will take some time to resolve all the arrears matters. Further detail is within the Arrears Monitoring section of this report.

### Previous Recommendations

1. The previous audit of Sundry Debtors was completed in 2022/23 providing 'substantial assurance'. At that time two recommendations made in the previous audit (completed in 2019/20) had not been fully implemented: -

R1. Performance management information relating to Debtors should be reviewed to ensure that measures are designed to support the Council Vision and provide details relating to both short-term and long-term debtor information.

Response: We plan to incorporate this recommendation into service plan item No.3 as follows: *To review and update the sundry debtor processes (including arrears) and use the FMS to its full potential to enable invoices to be raised in departments. - This is still ongoing and will be progressed once COVID pressures have eased. We expect this to be fulfilled in 2022/23.*

R2. Regular updates should be pursued with originating departments and Legal section to provide sufficient assurance regarding the extent and effectiveness of debt recovery progress.

*Response: This again was delayed due to COVID and the decision made to pause any debt recovery during the height of the pandemic. Meetings are currently being scheduled with various colleagues within the authority, including Legal.*

2. The current audit has identified the planned review of sundry debtor processes has not taken place due to the issues discussed in the 'Background' section above, the impact of which is discussed later in the report. Finance have rolled out the raising of sundry debtor invoices to departments and provided the appropriate training. Regular meetings have taken place with two major departments (Trade Waste, DF- Property & Estates) regarding recovery rather than all areas. Finance have taken measures to streamline processes for raising debts by introducing a spreadsheet upload.
3. Whilst a specific sundry debtor audit has not been undertaken until now, Internal Audit completed audits in 2024 for Commercial Waste and Pollution Control which highlighted concerns regarding the continuing provision of services to customers despite sundry debtor accounts not being paid and the inadequacy of recovery processes. The Director of Finance was notified and it was established that time resources were already being put in place to deal with recovery through the use of Revenues and Benefits as mentioned above.

#### **Income due invoiced promptly and accurately**

4. Analysis of the Council's fees and charges income has been undertaken for 2023/24 and 2024/25 to identify areas where sundry debtor invoices are raised. This identified one area where fee income was below budget. This related to housing leaseholder charges which had not been charged due to billing being transferred for the first time to the Housing Department from the Finance Team. These charges have now recently been invoiced.
5. A sample of 20 transactions was examined and tests undertaken to ensure amounts had been raised promptly. The results were that: -
  - 18 out of 20 invoices had been raised promptly.
  - 2 invoices had not been invoiced promptly.
    - *Housing:* One invoice (INV 212035) for garage rent had been raised on 5<sup>th</sup> June 2024 but was due 1 April 2024. The Housing Department have stated that they notified the Finance Team that this debtor had not appeared on the list of invoices despite being passed to Finance on 20<sup>th</sup> September 2023. This amount has been invoiced using a 'charge code' which are discussed later in the report.
    - *Estates:* One invoice (INV 210400) related to the invoicing of electricity recharges for a tenant at Pleasley Mills. The period covered 12/12/23 to 09/01/24 but wasn't invoiced until 19/04/24. Electricity recharges are invoiced in arrears. It is understood that whilst information was sent to the Finance Team there was a problem with the spreadsheet upload which resulted in the

wrong period being entered on the invoice so should have been for the period 07/03/24 to 28/03/24.

These examples were exceptional and therefore no recommendation has been made.

6. For the same sample, tests were undertaken to ensure that the charges had been correct in terms of determination of VAT and where published, charges were in accordance with those approved. No issues were identified except for an invoice relating to lifeline charges
7. Further detail was requested to support the determination of lifeline charges (Debtor Account Reference: 004968, Invoice Reference 216323, as these differed from the fees agreed by Committee. The findings in respect to this account were that: -
  - The wrong rate for the provision of bronze lifeline services had been charged for the financial years 2012/13 to 2024/25 resulting in an undercharge of £1,473.11.
  - There is the potential for further errors covering the period 2006/2007 to 2011/12. The rates for this period were not readily available to determine this element.
  - VAT had been applied to the account whilst all other customers have been charged at zero-rate therefore no VAT. This matter has been referred to the Technical Officer to investigate the VAT status of lifeline charges.
  - No price increase has been applied for the financial years 2018/19 to 2024/25.
8. Where a regular service is provided, the Finance Team can create a 'charge code' on the system which identifies the value and the frequency of the charge. Periodic invoices are then created and allocated to a charge code. At the set frequency, invoices will automatically be generated and sent to customers. Fees and charges are subject to annual review at which time the Finance Team seek confirmation of new rates to revise fees. In the case above, for the financial year 2024/25 clarity was sought from the Housing Careline Team in respect to some charge codes that had not had price increases. The response confirmed which charge codes to apply increases and that the remaining codes should be taken out of use, however this did not take place as there remained live accounts against the charge code, instead the price increase was not applied. Further communication has taken place between the two departments but the issue has not been satisfactorily resolved.
9. The Finance Team are emailed by the department, usually annually where fees and charges change and these are actioned accordingly. As part of this annual exercise, all charge codes rates should be confirmed as correct and valid, regardless as to whether a change has been made. Departments should ensure notification to the Finance Team is timely and rates reflect those agreed by committee or delegated decision.

Recommendation	
<b>R1</b>	<p>The Finance Team introduce a template for completion by services, which lists all charge codes and requires the department to state the charge due after agreed price changes. This should be clear in terms of frequency of when amounts are charged and the VAT status.</p> <p><b>Risk: Medium</b></p>

Recommendation	
<b>R2</b>	<p>In respect of Lifeline Charges, the Housing Careline Service reconcile the invoices raised each year to that expected according to their own customer records.</p> <p>Where a customer (debtor) still appears against what they believe to be an incorrect charge code, the Housing department must indicate to the Finance Team which valid charge code should be used instead.</p> <p><b>Risk: Medium</b></p>

Recommendation	
<b>R3</b>	<p>A decision is taken, by the Director of Finance in conjunction with Assistant Director of Housing regarding the invoicing of undercharged lifeline services.</p> <p><b>Risk: Low</b></p>

## Separation of Duties

10. The Debtors Masterfile is controlled by the Finance Team. Departments may request the creation of a new customer account via the completion of an electronic form via the intranet (ERIC). Departments raise their own sundry debtor invoices which are only issued after electronic approval by the Finance Team (primarily by the Principal Accountant).
11. Income is received via approved payment channels and not by staff directly. Amounts shall only be written off after approval by the Director of Finance (and Committee when over £2,500).
12. Credit notes / Cancellations are requested by the department using a standard form which will only be actioned on the system by the Finance Team where appropriately authorised and contains the signature of the preparer and authoriser. The Debtors system

allows the Income and Expenditure Officer to both input and authorise the credit note which does not provide separation of duties.

Recommendation	
R4	Separation of duties is introduced within the Debtors ICT system to ensure that the same person is not able to both input and authorise a credit note.  <b>Risk: Low</b>

#### **Credit notes and monitoring of accounts in credit.**

13. A sample of 10 credit notes were reviewed. All had requested documentation from the service which had been appropriately authorised. Details had been updated promptly and accurately onto the debtors system. The majority of credit notes issued related to lifeline charges where the tenant had deceased (169 credit notes), amendments to rent and electricity charges at commercial premises due to error or vacation of the tenant (204 credit notes), amendments to account for trade waste being terminated (62 accounts) or corrections to various accounts completed by the Finance Team on behalf of services (69 credit notes).
14. A sample of 10 accounts in credit were reviewed and there was evidence that steps were being taken to transfer or refund as appropriate.

#### **Arrears recovery procedures are defined,**

15. Within the Finance Team arrears recovery procedures are in place but are not extensive and will require an update further to planned changes in recovery processes. Previous plans to improve recovery procedures have been delayed as previously commented. Progress is now being made. Some processes are still being defined and embedded. DF- Property & Estates have stated that they have their own recovery processes in respect to Commercial Rents. These will be reviewed further as part of the audit of Commercial Rents.

Recommendation	
R5	Once recovery processes have been properly defined and agreed, procedures should be documented and maintained and shared corporately.  <b>Risk: Medium</b>

#### **Recovery Action**



16. There are various recovery routes set up within the Debtors system to deal with different types of debt. Many of the routes are not in use with the Finance Team mainly using the 'Main' recovery route' or the 'Community Alarms' recovery routes. Dragonfly Management (Bolsover) Limited's Property and Estates Team (using the Council's debtors system) use the 'Pleasley Vale rent /service charge/electricity' route for progressing arrears at Pleasley Vale Mills.
17. During most of 2023 and 2024, after the second reminder stage, there had been limited recovery action taken with cases not being referred to Enforcement Agent or Legal Services (with the exception of a few referred by DF - Property & Estates to Legal Services). Responsibilities of the Finance Team and that of departments when dealing with debt recovery are not clearly defined. Both should have a role. There is the perception within parts of the Council that once a debt has been raised, the department has no further responsibility to assist in its recovery. In some areas, the department is unaware that a debt is outstanding as discussed later in the report.
18. The Debtors system auto-generates the first reminder and second reminder which the Finance team will send to the customer. The Finance team deal with customer queries and put in place Direct Debit arrangements.
19. The 'main route' for recovery after reminders have been sent, are: -
  - after 35 days, 'Outside Officer'
  - after a further 90 days 'Check Agency'
  - after a further 999 days it will arrive at 'Check Outside Officer,'
  - after a further 28 days, 'Recovery letter sent'
  - after a further 28 days 'Issuing summons'
  - After 1 further day -end of route'.

An invoice may have progressed through all these routes on the system but no actual action may have been taken. The terms used such as 'Outside Officer,' 'Check Agency' are historic and don't have real meaning. The timeframes in place are thought to also be historic and set to stop automated recovery.

20. The Finance Team are reviewing invoices after the second reminder stage on a case by case basis to decide what further action is required and notes are added to the Debtors system accordingly. The recovery routes required for each type of debt haven't been established and therefore the Debtors system hasn't been revisited to assess whether the existing or new routes need creating. Once in place, there is the opportunity for more automation in the recovery process.
21. At present it is not possible from the Debtors system, to obtain a report of those which have been referred to Enforcement Agent or the Legal Section since these are not specific stages within the 'main route'. It is therefore difficult to confirm that records held by Enforcement Agents and the Legal Section reconcile to those on the Debtors system.

Recommendation	
<b>R6</b>	<p>To provide effective and efficient recovery processes, re-define recovery routes and timescales for each of the main types of debt and update the Debtors system accordingly.</p> <p>Where possible include specific stages (referred to Enforcement Agent, referred to Legal Section) in order to produce reports and provide assurance that these parties have all cases listed for action.</p> <p><b>Risk: Medium</b></p>

22. Monthly aged debt reports are generated from the Debtors system and emailed to the appropriate manager. Whilst the reports cover 93% of accounts outstanding on the system, there are some departments/ sections where no reports have been created and therefore, they may be unaware of the debt position.

Department /Section Code	Department/Section	Number of invoices not included in weekly monitoring reports as at 14/02/25
CMS	Community Safety	2
STR	Street Scene	42
HGS	Housing Garage Sites	38
HSG	Housing	30
PLA	Planning	3
PRO	Procurement	1
ELE	Elections	1
LEG	Legal	5
HRP	HR & Payroll	13
REV	Revenues & Benefits	2
FIN	Finance	22
EXP	Executive & Partnerships	3
		<b>162</b>

Recommendation	
<b>R7</b>	<p>Aged debt reports are created and emailed to the appropriate manager to cover the remaining department /sections as listed in the report</p> <p><b>Risk: Medium</b></p>

23. The effectiveness of routes in place for recovery have been considered and discussed below.

### Withdrawal of the service

24. Where there is an on-going service being provided to a customer, this can be withdrawn if payment has not been made. Previous audit reports issued in 2023/24 (Trade waste, Pollution Control) highlighted services were not being withdrawn despite non-payment and recommendations were made to address this matter.
25. The Aged Debt Analysis report indicates other areas where the department has more powers to ensure payment is made.
- Debtor ref 020420, invoice ref 180970 for £1,000 relates to planning fees to produce a S106 agreement. The debt was raised 12/07/2021 and planning application later given despite the fees being unpaid. Internal Audit established that the planning department were unaware of the account being unpaid as it was listed on a report issued to Legal Services. Recovery is now being pursued with the Developer.
  - Debtor ref 021796 and Debtor ref: 021071 are current employees who owe outstanding amounts further to services provided by the Council in May 2024 and December 2022. This is an issue that should be addressed by management.
  - Debtor ref: 019302 has various invoices outstanding totalling £708.63 for dog bin emptying dating back from January 2023. The service continues to be provided by the Council.
26. Debtor ref: 000624, existing tenant at Pleasley Mills, owes rent, electricity, and service charges of £20,307.87. No rent or service charge has been paid for November 2024 through to February 2025. According to the department the unit was damaged during Storm Babet and therefore the full rent may not now be chargeable. Discussions are currently on-going between DF - Property and Estates in respect of addressing these issues.
27. The Council can terminate the tenancies where rent due is not paid subject to due process. The Business Estates Manager has explained that recovery such as forfeiture can sometimes result in the tenant settling the debt and the being allowed back in to the unit, so consideration is needed as to which recovery route to take for it to be effective. A separate audit of Commercial Rents – Pleasley Mills is to take place as part of the 2025/26 Audit Plan.

Recommendation	
<b>R8</b>	Working with Finance, departments should review their areas and suspend/cease providing its services or commence enforcement (suspend licenses, legal action) as appropriate where payment is not being made.  <b>Risk: Medium</b>

<b>R9</b>	Where contacts have been established with customers, consideration be given to the departments first contacting the customer after the second reminder stage to encourage payment.  <b>Risk: Low</b>
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<b>Recommendation</b>	
<b>R10</b>	The non-payment of sundry debts by staff members should be addressed by management.  <b>Risk: Medium</b>

<b>Recommendation</b>	
<b>R11</b>	As part of the finance meetings with managers, the aged debt report is presented and discussed to ensure management are aware of the position and agreement is sought to remedy any on-going difficulties in terms of recovery.  <b>Risk: Low</b>

### Arrangements to Pay

28. Where the debtor contacts the Council with financial difficulties an instalment plan can be agreed. Currently there are no procedures indicating who is able to make arrangements, although through discussions with the Principal Accountant, it was expected that consultation would take place with either the Finance Team, the Legal Section (where they are dealing with a case) or Revenues and Benefits. No instalments via direct debit can be made without contacting the Finance Section. An example was provided where a service had agreed payment terms without consultation with the Finance Team. This wasn't set up via direct debit so the arrangement was not known until recovery action was taken. From a control perspective, instalments whilst useful, delay payments due to the Council therefore there should be clear, documented rules & processes as to who is able agree an instalment plan.
29. Two approved arrangements were reviewed.
- Debtor ref 018545 and Debtor ref 019510 had instalments plans in respect to housing repair charges and were being maintained.
  - Debtor ref 020192 owes £27,550 in respect to housing repairs. Low payments were being made but a new instalment plan now in place for higher sums.

30. The arrangements report is reviewed monthly by the Finance Team. Through discussion some agreements are monitored by the Finance Team whilst others are reviewed by departments.

Recommendation	
<b>R12</b>	<p>Documented rules &amp; processes should be in place which outline who is able to authorise instalment plans and how these shall be monitored.</p> <p>Where instalment plans are being agreed, consideration should be given as to the current debt in addition to arrears when agreeing the values payable.</p> <p><b>Risk: Medium</b></p>

Refer to Enforcement Agent

31. The Council employs Bristow & Sutor as its Enforcement agent. From November 2024 the Finance Team have begun referring certain debt types (Environmental Work in Default – 3 invoices and Trade Waste – 41 invoices) to them for recovery. Where payment has been received the system is being updated accordingly. However, presently no regular report has been run to assess whether action is being taken by the agents in all cases referred and those unsuccessful returned.

Recommendation	
<b>R13</b>	<p>Monthly reports are generated and reviewed from the Enforcement Agent portal to ensure appropriate action is taken and information is updated on the Debtors system.</p> <p><b>Risk: Low</b></p>

Refer to Legal Services

32. According to Legal Services, they have 7 debtor cases, 6 relating to rent and service charge arrears at Pleasley Mill and one relating to waste clearance. In respect to 2 cases relating to Pleasley Mill, Legal Services are indicating that they are awaiting further instructions from DF- Property and Estates. The Business Manager has stated that she has recently requested a regular monthly meeting to discuss new and previously referred cases.

33. Debtor Ref 020179, has rent and service charges (89 invoices) covering the period October 2020 to September 2023 totalling £19,306.23. A money judgement was obtained in September 2024 and the current position according to Legal Services is that negotiation is taking place with the debtor to repay before enforcing. The value shown by Legal Services for recovery is £14,468.69 however the value of debts including electricity recharges is the higher figure quoted above according to the Debtors system. According to DF -Property & Estates, further to legal advice via Gedling Borough Council forfeiture was not served until September 2023, therefore rent was due during the intervening period. According to the department there is the opportunity to make an additional claim for the difference.

Recommendation	
<b>R14</b>	<p>In respect of debtor 020179, the opportunity to obtain the difference between the amount due according to the money judgement and that owed to the Council be explored.</p> <p><b><i>DF Property &amp; Estates &amp; Legal Services</i></b></p> <p><b>Risk: Low</b></p>

#### Aged Debt Analysis

34. Aged debt analysis reports show individual debts outstanding which are overdue however, it is not suitable for identifying the Council's principal debtors. Having a report of the main debtors of the Council would assist in the Finance Team understanding the Council's key debtors and enable arrears management at a more strategic level, particularly where amounts are owed to several departments of the Council.

Recommendation	
<b>R15</b>	<p>Explore the production of a report identifying the Council's main debtors in arrears and report to Senior Management Team so collective action can be taken where necessary.</p> <p><b>Risk: Low</b></p>

35. In some situations, the debt may be 'statute-barred' which means that it can not be enforced by court order. Certain types of debt are statute barred six years from when: -
- The debt was acknowledged.
  - A payment was made
  - Court action was taken to collect it.

This does not mean that the debt cannot be pursued without legal action but that is less likely that these amounts will be recovered.

<b>Recommendation</b>	
<b>A1</b>	Those debts likely to be statute-barred are reviewed to consider whether submission for write-off is more appropriate given the time which has elapsed.  <b>Risk: Advisory</b>

#### Payment by Direct Debit

36. Requiring payment by Direct Debit from customers is the most efficient way to collect amounts owed to the Council. There are some areas within the Council where services are provided on a more commercial basis and had payment by Direct Debit been in place arrears may have reduced: -

- Housing - Lifeline Service – This is a non-statutory service. There is no formal requirement for the customer to pay for this service via Direct Debit. Customers pay for this service monthly or quarterly.
- Pleasley Mill – Rent /Service Charge and Electricity Charges. Some of the lease agreements signed at the start of the tenancies requires payment via Direct Debit. In respect to electricity charges there no requirement to pay these by Direct Debit. The service has highlighted that some Direct Debit arrangements are cancelled due to funds not being available.
- Trade Waste – Provision and Emptying of Trade waste bins. Other commercial operators require payment by Direct Debit.

<b>Recommendation</b>	
<b>R16</b>	Consideration is given to requiring payment by Direct Debit (at least for all non-statutory services of the Council).  <b>Risk: Low</b>

#### **Write-offs procedures**

37. There have been no write-offs over £2,500 only debts under £2,500. A sample of 5 write-offs were chosen for testing purposes. All had appropriate reasons for write-off and had been authorised in accordance with Financial Regulations.

38. Amounts have been written off against the department that had originally raised the income. The current bad debt provision is £399,336.64 and therefore sufficient to cover the older debts currently outstanding on the Debtors system.

### **Suspense account**

39. The suspense account is regularly cleared. No issues were found.

### **Reconciliations**

40. At the time of the audit, a cumulative reconciliation of the sundry debtor system and the ledger has been undertaken up to the end of December 2024.

### **Security & back-up arrangements for Debtors system**

41. CIVICA/FMS sign-in page is integrated with Windows authentication credentials. Therefore, if the credentials are recognised, the user is automatically logged on. Hence, when Windows passwords are changed periodically, this will synchronise with CIVICA/FMS. The system has privacy groups and user groups in place to restrict users access rights. It was stated since Sundry Debtors is a form of income for the Council, the risk is classed as minimal.
42. The Civica Financials/Purchasing servers are backed up as part of all servers using Veeam. SQL database backups of the Financials databases are also performed. Servers are restored to their most recently backed up state with minimal data-loss.

### **Targets have been established for raising invoices & collection of arrears**

43. The performance indicator relating to Sundry Debtors recovery is 'The percentage of sundry debtor arrears collected'. The audit report on Corporate Targets recently issued highlighted that there were no details stating how each performance indicator was to be calculated. The Finance Team have now provided this information to support this indicator. The indicator measures the percentage of outstanding debt as at 31<sup>st</sup> March the preceding year has been collected during the current financial year. Reported performance as at quarter 3 for 2024/25 was 70% against a target of 90%.



## Appendix 1

<b>Assurance Level</b>	<b>Internal Audit Definition</b>	<b>Risk Register Link</b>
<b>Substantial Assurance</b>	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.	Minor / negligible impact
<b>Reasonable Assurance</b>	The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.	Minor / moderate
<b>Limited Assurance</b>	Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.	Moderate / Severe Impact
<b>Inadequate Assurance</b>	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives.	Catastrophic Impact

## Appendix 2

### BDC

#### Indicative Definitions of High Medium and Low Recommendations

Rating	Definition
<b>High</b>	<p>Risks that can have a catastrophic / severe impact on the operation of the Council or service - Must take action to mitigate or terminate if not possible to do so: -</p> <ul style="list-style-type: none"> <li>• Death, extensive injury, major permanent harm</li> <li>• Unable to function without government or other agency intervention</li> <li>• Significant impact on service objectives</li> <li>• Inability to fulfil obligations</li> <li>• Short to medium term impairment to service capability</li> <li>• Adverse national publicity, highly damaging, loss of public confidence</li> <li>• Major adverse local publicity</li> <li>• High risk of fraud being able to occur e.g., key internal controls are not operating or are missing</li> <li>• Direct link to a strategic risk occurring</li> <li>• A serious breach of legislation/ legal requirements leading to substantial financial penalties or severe breach of data protection (report to ICO)</li> <li>• Substantial loss or damage to Council assets/or information</li> </ul>
<b>Medium</b>	<p>Risks which have a noticeable impact on the service provided, will cause a degree of disruption to service provision / impinge on the budget - Check current controls and consider if others are required: -</p> <ul style="list-style-type: none"> <li>• Medical treatment required, semi-permanent harm up to 1 year</li> <li>• Short term disruption to service capability</li> <li>• Significant financial loss</li> <li>• Some adverse publicity, needs careful public relations</li> <li>• Isolated personal details compromised</li> <li>• Risk of fraud being able to occur</li> <li>• Direct link to identified operational risks occurring</li> <li>• A serious breach of organisational policies and procedures</li> <li>• A breach of legislation / legal requirements leading to a moderate financial impact</li> <li>• Loss or damage to Council assets, information</li> <li>• Previously agreed medium internal audit recommendations remain outstanding</li> </ul>
<b>Low</b>	<p>Risks where the impact and any associated losses will be minor</p> <ul style="list-style-type: none"> <li>• First Aid treatment, non- permanent harm up to 1 month, no obvious harm or injury</li> <li>• Minor / negligible impact on service objectives</li> <li>• Financial loss that can be accommodated at service level / minimal</li> <li>• Some public embarrassment, no damage to reputation, unlikely to cause any adverse publicity / internal only</li> <li>• Minimal risk of fraud</li> <li>• No direct link to operational or strategic risks</li> <li>• A minor breach of organisations policies and procedures</li> <li>• A minor breach of Legislation / legal requirements</li> <li>• Low risk of loss or damage to Council assets</li> </ul>
<b>Advisory</b>	<p><b>Not risk or control related</b></p> <ul style="list-style-type: none"> <li>• May enhance the service</li> <li>• May achieve efficiencies</li> <li>• May lead to an improved outcome</li> </ul>

## Appendix 3

### Internal Audit Report – Implementation Schedule

<b>Report Title:</b>	<b>Sundry Debtors</b>	<b>Report Date: 24<sup>th</sup> April 2025</b>
		<b>Response Due By Date: 16<sup>th</sup> May 2025</b>

	Findings and Risk identified	Recommendations	Risk (High, Medium, Low)	Agreed	To be Implemented By:		Comments
					Officer	Date	
<b>R1</b>	One Lifeline customer has not received the annual price increase for many years. There is confusion between the Finance Team and the Housing department in respect to amounts chargeable against specific charge codes for Lifeline services.	The Finance Team introduce a template for completion by services, which lists all charge codes and requires the department to state the charge due after agreed price changes. This should be clear in terms of frequency of when amounts are charged and the VAT status.	<b>Medium</b>	√	FH	Feb/ March 2026	Charge codes will be reviewed annually in advance of the new year.
<b>R2</b>	The same Lifeline customer has been charged the incorrect rate (in addition to no annual price being applied). There is a risk that customers may be allocated against the incorrect charge code resulting in the incorrect price being charged.	In respect of Lifeline Charges, the Housing Careline Service reconcile the invoices raised each year to that expected according to their own customer records.  Where a customer (debtor) still appears against what they believe to be an incorrect charge code, the	<b>Medium</b>	√	VD	Year end	We have started to do this. We have a meeting arranged with Finance to agree how we can work together to ensure that we reconcile annually in the

	Findings and Risk identified	Recommendations	Risk (High, Medium, Low)	Agreed	To be Implemented By:		Comments
					Officer	Date	
		Housing Team must indicate to the Finance department which valid charge code should be used instead.  <b>Housing Services</b>					future, but where any issues are identified these are instantly resolved
<b>R3</b>	There is an undercharge relating to one Lifeline customer due to an error made by the Council, resulting in a small reduction in income.	A decision is taken, by the Director of Finance in conjunction with Assistant Director of Housing regarding the invoicing of undercharged lifeline services.	<b>Low</b>	√	TF	June 2025	To discuss potentially not invoicing with AD of Housing once the accounts are complete.
<b>R4</b>	The Income & Expenditure officer is able to create and authorise credit notes on the debtors ICT system therefore there is the risk of fraud or error	Separation of duties is introduced within the Debtors ICT system to ensure that the same person is not able to both input and authorise a credit note	<b>Low</b>	√	FH	March 2025	This was implemented with immediate effect.
<b>R5</b>	Whilst there are some procedures notes these are outdated and do not fully include expected recovery actions.	Once recovery processes have been properly defined and agreed, procedures should be documented and maintained and shared corporately.	<b>Low</b>	√	FH	October 2025	

	Findings and Risk identified	Recommendations	Risk (High, Medium, Low)	Agreed	To be Implemented By:		Comments
					Officer	Date	
<b>R6</b>	The Recovery Route established within the Debtors ICT system for most debts is not effective. The action stages have no real meaning after second reminder stage. There is no automated recovery after second reminder stage.	To provide effective and efficient recovery processes, re-define recovery routes and timescales for each of the main types of debt and update the Debtors system accordingly.  Where possible include specific stages (referred to Enforcement Agent, referred to Legal Section) in order to produce reports and provide assurance that these parties have all cases listed for action.	<b>Medium</b>	√	FH	October 2025	
<b>R7</b>	Monthly Aged debt reports are not produced for all areas of the Council; therefore, some sections are unaware that debts remain outstanding.	Aged debt reports are created and emailed to the appropriate manager to cover the remaining department /sections as listed in the report.	<b>Medium</b>	√	FH	October 2025	
<b>R8</b>	There are areas where the Council is continuing to provide a service or enabling companies to meet statutory requirements without	Working with Finance, departments should review their areas and suspend/cease providing its services or commence enforcement (suspend	<b>Medium</b>	√	FH	October 2025	

	Findings and Risk identified	Recommendations	Risk (High, Medium, Low)	Agreed	To be Implemented By:		Comments
					Officer	Date	
	obtaining payment or annual fees.	licenses, legal action) as appropriate where payment is not being made					
<b>R9</b>	In some cases, the department has enforcement powers, which is more likely to result in payment quicker than through recovery action.	Where contacts have been established with customers, consideration be given to the departments first contacting the customer after the second reminder stage to encourage payment.	Low	√	FH	October 2025	
<b>R10</b>	Some members of staff owe amounts due to the Council for services provided which may result in a reputational risk to the Council	The non-payment of sundry debts by staff members should be addressed by management.	Medium	√	TF	July 2025	To discuss with Statutory Officers once accounts are finished.
<b>R11</b>	Where aged debt reports are being distributed to departments it is not clear that these reports are being reviewed by all managers and any issues highlighted.	As part of the finance meetings with managers, the aged debt report is presented and discussed to ensure management are aware of the position and agreement is sought to remedy any on-going difficulties in terms of recovery	Low	√	FH	June 2025	
<b>R12</b>	There is potential for inappropriate staff to agree instalment plans or agree these at an	Documented rules & processes should be in place which outline who is able to authorise instalment plans	Medium	√	FH	October 2025	

	Findings and Risk identified	Recommendations	Risk (High, Medium, Low)	Agreed	To be Implemented By:		Comments
					Officer	Date	
	inappropriate level, delaying payments due to the Council.	and how these shall be monitored.  Where instalment plans are being agreed, consideration should be given as to the current debt in addition to arrears when agreeing the values payable					
<b>R13</b>	There is no monitoring of cases referred to the Enforcement Agent to ensure that timely action is being taken.	Monthly reports are generated and reviewed from the Enforcement Agent portal to ensure appropriate action is taken and information is updated on the Debtors system.	Low	√	FH	June 2025	
<b>R14</b>	The value of the money judgement served for debtor ref 020179 is lower than the full amount owed to the Council and is not being actively pursued.	In respect of debtor ref 020179, the opportunity to obtain the difference between the amount due according to the money judgement and that owed to the Council be explored.  <b>DF Property &amp; Estates &amp; Legal services</b>	Low		DF/Legal		

	Findings and Risk identified	Recommendations	Risk (High, Medium, Low)	Agreed	To be Implemented By:		Comments
					Officer	Date	
<b>R15</b>	Some debtors owe amounts for services provided across the Council in which case a corporate approach agreed by SMT may be more appropriate.	Explore the production of a report identifying the Council's main debtors in arrears and report to Senior Management Team so collective action can be taken where necessary	<b>Low</b>	✓	TF	October 25	To discuss with Tony about creating a crystal report for the purpose of taking to SLT quarterly.
<b>R16</b>	Collecting amounts due via Direct Debit is the most efficient way of collecting sums due.	Consideration is given to requiring payment by Direct Debit (at least for all non-statutory services of the Council).	<b>Low</b>	✓	TF	October 25	To discuss with Statutory officers and portfolio holder potentially.
<b>A1</b>	There is the potential for some debts to be unrecoverable due to be statute-barred.	Those debts likely to be statute-barred are reviewed to consider whether submission for write-off is more appropriate given the time which has elapsed	<b>Advisory</b>	✓	TF	December 25	We will bring this to the attention of staff as part of a bigger training exercise.

Please tick the appropriate response (✓) and give comments for all recommendations not agreed.

Signed Head of Service:		Date:	
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**Note: In respect of any High priority recommendations please forward evidence of their implementation to the Internal Audit team as soon as possible.**