



Hinckley & Bosworth BC: Internal Audit Final Report

Accounts Receivable (2022/23)

Audit Sponsor: Ashley Wilson, Head of Finance

Audit Contacts: Michelle Lockett, Controls Accountant , Sheryl Wood, Income Officer

February 2024

Reporting Timetable

Debrief Meeting: 2/11/23

Draft Report Issued:
20/12/23

Comments Received:
06/2/24

Final Report Issued:
22/2/24

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Disclaimer

This report (“Report”) was prepared by Mazars LLP at the request of Hinckley & Bosworth Borough Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Hinckley & Bosworth Borough Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A1 of this report for further information about responsibilities, limitations and confidentiality.

Your One Page Summary

Audit Objective: To provide the Members, the Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls relating to Accounts Receivable

Audit rationale

Why the Audit is in Your 2023/24 Plan

Covering the adequacy and effectiveness of controls over the sundry debtor invoices

Your Strategic Risk

S.11 – Failure to successfully deliver the Medium Term Financial Strategy

Summary of our opinion

Moderate Opinion

See Appendix A1 for definitions



Summary of Recommendations

High Priority	-	Actions agreed by you	100%
Medium Priority	1	High Priority completion	N/A
Low Priority	1	Overall completion	March 2024

Summary of findings

Examples of good practice

- ✓ Documented policies and procedures are in place.
- ✓ There is a KPI for debts over 90 days to not exceed 25%, it was noted that as at October 2023 this was 19.95%

Highest Priority Findings

- Debt recovery is not undertaken in accordance with the Debt Recovery Policy.

Key root causes

- Recovery of debts had not been undertaken during Covid and had only been reinstated since January 2023.



01 Summary Action Plan

Below is a high level summary of the actions that are intended to support your management of this risk area. Further detail about our findings, which have been discussed with management, are provided in our detailed action plan (see 03 Detailed Action Plan).

Ref	Recommendation	Priority	Owner	Due Date
1	Debt recovery action should be undertaken in accordance with the Debt Recovery Policy. Managers should be reminded of their responsibility for reviewing debts over 90 days and deciding action required.	Medium	Head of Finance, Accountancy Manager, Controls Accountant, Income Officer	31 st March 2024
2	Officers should ensure that an email is submitted for a debtor invoice to be raised for charges such as property management fees. This should be held securely on file.	Low	Controls Accountant	Immediate

02 Value for Money and Sector Comparison

Within each of our reports, we summarise any observations we have made about the effectiveness, efficiency and economy of your operations. This is to support our portfolio of public and social sector organisations with value for money considerations. We also summarise how you compare to similar organisations, which is intended to bring you the benefit of our insight.

Value for Money	Sector Comparison												
 <p>Value for Money (VfM) considerations can arise in various ways and our audit process aims to include an overview of the efficiency of systems and processes in place within the auditable area.</p> <p>Quarterly sundry debt reports are completed on a regular basis and submitted to the Finance & Performance Scrutiny Committee by the section 151 officer.</p> <p>The outstanding balance for the period ending June 2022 was £2,228,160, this has reduced slightly for period ending June 2023 to £2,167,650.</p> <p>The current balance is broken down by age as follows:</p> <p>Credits, Refunds and Payments: £244,714</p> <table data-bbox="250 986 772 1177"> <tr> <td>Not Yet Due:</td> <td>£184,361</td> </tr> <tr> <td>< 30 Days:</td> <td>£726,666</td> </tr> <tr> <td>30 - 59 Days:</td> <td>£110,817</td> </tr> <tr> <td>60 - 89 Days:</td> <td>£25,914</td> </tr> <tr> <td>90 - 119 Days:</td> <td>£158,205</td> </tr> <tr> <td>> 120 Days:</td> <td>£1,206,401</td> </tr> </table> <p>We have raised a recommendation regarding debt recovery not being undertaken in accordance with the Debt Recovery Policy which delays the recovery of the outstanding debts (Rec 1).</p>	Not Yet Due:	£184,361	< 30 Days:	£726,666	30 - 59 Days:	£110,817	60 - 89 Days:	£25,914	90 - 119 Days:	£158,205	> 120 Days:	£1,206,401	 <p>We have taken the findings from this audit and compared them to findings from other audits recently carried out at other Local Authority clients. Overall, controls are broadly similar.</p> <p>It was found that the controls in place at Hinckley & Bosworth Council are broadly similar to those used across the sector, for example:</p> <ul data-bbox="1182 799 2029 1102" style="list-style-type: none"> • Hinckley & Bosworth Council use the CIVICA Financials System • Policies and procedures are in place, however, sufficient evidence to support the invoice being raised is not always retained as per the documented procedures, and a recommendation has been raised to address this (Rec 2). • Management information is produced on a regular basis and reported to the Finance & Performance Scrutiny Committee.
Not Yet Due:	£184,361												
< 30 Days:	£726,666												
30 - 59 Days:	£110,817												
60 - 89 Days:	£25,914												
90 - 119 Days:	£158,205												
> 120 Days:	£1,206,401												

03 Detailed Action Plan

1 Debt Recovery	
Finding(s) and Risk	Recommendation(s)
<p>There is a Debt Recovery Policy in place which is currently being reviewed and updated.</p> <p>As part of the recovery process, after receipt of an invoice, the debtor should receive a first reminder after 14 days, a second reminder after 7 days and final letter after 7 days. However, the auditor was advised that the recovery of debts had been relaxed since Covid and had only been reinstated since the start of 2023.</p> <p>When the debt goes over 90 days an aged debtor list is sent monthly by the Income Team to the appropriate manager and it is their responsibility to review and decide the next course of action that should be undertaken. The auditor was advised that this is not always the case.</p> <p>The last sundry debt report submitted to the Finance & Performance Scrutiny Committee on 4/9/23 for period ending 30/6/23 showed the overall sundry debt to be £2,167,650.</p> <p>From a sample of 10 outstanding debts it was found that:</p> <ul style="list-style-type: none"> In one case no recovery action had been undertaken between 22/8/22 and 19/9/23 (00250025 - £5k). This has since been paid. In one case no action had been undertaken since 9/8/22 (00753537 - £4646.40)) In two cases reminders had been sent between March & May 2023 and then on 25/8/23. One case had been forwarded to the manager to determine what action was required (00524926 - £1298.50) and in the other an invoice was sent again (00233466 - £188.13) 	<ol style="list-style-type: none"> A review of the cases identified should be undertaken. Debt recovery action should be undertaken in accordance with the Debt Recovery Policy. Managers should be reminded of their responsibility for reviewing debts over 90 days and deciding action required.
	Root Cause(s)
	<p>Recovery of debts had not been undertaken during covid and had only been reinstated since January 2023.</p>

- In one case an invoice had been raised on 22/10/22 but no further action had been taken until 25/8/23 when the income officer had been requested to put recovery action on hold (00589039 - £2459.60)

Risk and Impact: Where debt recovery procedures in place are not followed there is a risk that Council debts will continue to rise. This could result in financial loss for the Council, as eventually debts may have to be written off.

Management Comments / Agreed Actions

The Controls Accountant and Income Officer have looked at improving the way the monthly reports are submitted and have also add a deadline for submission.

It has also been agreed that the Accountancy Manager, Controls Accountant and Income Officer will meet regularly to review the outstanding debts to determine actions required to resolve them.

The Head of Finance and Accountancy Manager are currently the recovery policy.

Responsible Person	Head of Finance, Accountancy Manager, Controls Accountant, Income Officer	Action Due Date	31/3/24
		Priority Level	Medium

2 Debtor Invoices			
Finding(s) and Risk		Recommendation(s)	
<p>In accordance with the procedure for raising debtor invoices it should be ensured that there is adequate evidence to support invoices being raised for charges such as property management fees. It is a requirement that an email is sent to the relevant officer to request that a debtor invoice is raised, and evidence retained to confirm this.</p> <p>From examination of 15 debtor invoices it was found that in one case a copy of the request to raise an invoice could not be located at the time of the audit. (00589592)</p> <p>Risk and Impact: Invoices are incorrectly raised, leading to disputes and financial loss / Invoices are not raised in a timely manner, leading to payments not being received.</p>		<p>4. Officers should ensure that an email is submitted for a debtor invoice to be raised for charges such as property management fees. This should be held securely on file.</p>	
		Root Cause(s)	
		Officers are not aware of process for raising invoices.	
Management Comments / Agreed Actions			
It will be ensured that where required an email is received prior to an invoice being raised			
Responsible Person	Michelle Lockett Controls Accountant	Action Due Date	Immediate
		Priority Level	Low

A1 Audit Information

Agreed Audit Objective and Scope

The objectives of our audit were to assess whether Hinckley & Bosworth Borough Council has in place adequate and appropriate policies, procedures and controls in relation to Accounts Receivable with a view to providing an opinion on the extent to which risks in this area are managed. The audit considered the following risks relating to the area under review:

- Policies & Procedures
- Standing Data Amendments
- Raising Invoices
- Credit Notes
- Debt Recovery & Enforcement
- Write-offs
- Management Reporting

Scope Limitations

In giving this assessment, it should be noted that assurance cannot be absolute. The most an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control. Any testing performed was conducted on a sample basis. Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

Definitions of Assurance Levels and Recommendation Priority Levels

Definitions of Assurance Levels	
Substantial Assurance	The framework of governance, risk management and control is adequate and effective.
Moderate Assurance	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited Assurance	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory Assurance	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Definitions of Recommendations		
Priority 1 (High)	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Priority 2 (Medium)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Priority 3 (Low)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.	Remedial action should be prioritised and undertaken within an agreed timescale.

Statement of Responsibility

We take responsibility to Hinckley & Bosworth Borough Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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