

TEESDALE DISTRICT COUNCIL
INTERNAL AUDIT SERVICE
INTERNAL AUDIT REPORT

REPORT ON:	Debtors
AGREED WITH:	Chris Carveth

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Auditor:
Date Issued:

John Horsman
22 May 2008

1.0 INTRODUCTION

- 1.1 The audit examined the management of debtors system.
- 1.2 The audit work was undertaken during January and February 2008.
- 1.3 It should be noted that the establishment of adequate control systems is the responsibility of management, and that an internal audit review is conducted on a test basis and cannot therefore review every transaction. Thus, while the implementation of internal audit recommendations can reduce risk, and may lead to the strengthening of these systems of control, responsibility for the management of these risks remains with the service manager.

2.0 EXECUTIVE SUMMARY

Testing was carried out through extracts from Agresso, use of IDEA data analysis software and by interview.

In overall terms the debtors system is robust and the most significant controls are sound.

The problems identified were mostly concerned with the retention of supporting documentation and the reconciliation of transactions. The system access rights require review urgently to ensure that users do not have access to functions that should be restricted.

All recommendations were agreed and will be dealt with accordingly.

OPINION

The overall audit opinion of the current systems for Debtors is that they are **satisfactory**.

4.0 RISK ASSESSMENT OF WEAKNESSES

Finding Reference	Risk	Probability Score	Probability Commentary	Impact Score	Impact Commentary	Overall Score
3.03	Debtors are raised which don't comply with the debtors policy in respect of minimum invoice value.	3	Occurs frequently.	2	Minor impact on service objectives, some financial loss.	6
3.04	Non paying debtors are given further credit and thus bad debts.	3	May happen occasionally.	2	Moderate financial loss, some public embarrassment.	6
3.06, 3.13	Customer accounts are deleted and remain undetected.	4	No checks take place and gaps are present between customer account numbers.	3	Significant financial loss.	12
3.15	Debtors are written off without authorisation.	3	60% of my sample of debtor write offs have been written off with no supporting documentation on file.	3	There is potential for significant financial loss, long term damage to the service capability and the inability to fulfil objectives.	9
3.17	No VAT payments are reclaimed on write offs.	5	No VAT is attempted to be reclaimed.	2	Financial implications aren't major.	10
3.18	Cancellations, write offs and credits are carried out without authorisation.	3	Since no reconciliation takes place and my sample of write offs indicates 40% do not have documented authorisation, it has to be assumed that this is a frequent occurrence.	5	There is potential for severe financial loss, long term damage to the service capability and the inability to fulfil objectives.	15
3.24	Access rights to the debtors system are unsuitable, leading to the potential for alterations, deletions or additions.	4	75 user logins have full access to the debtors' functions including the ability to update, delete and create debtor accounts – these may however be for	3	There is potential for financial loss, long term damage to the service capability and the inability to fulfil objectives.	12

Finding Reference	Risk	Probability Score	Probability Commentary	Impact Score	Impact Commentary	Overall Score
			legitimate reasons.			

5.0 ACTION PLAN

Recommendation		Ranking	See Para	Management Response	To be actioned by:	
					Name	Date
5.01	Either amend the debtors policy to conform to the debtor requirements or ensure debtors raised follow the policy.	Important	3.03	Debtors policy will be enforced. Invoices not conforming will be rejected and liaisons will take place with any department requiring further assistance.	C Carveth	Jul 08
5.02	Ensure a debtors blacklist is created and maintained.	Important	3.04	A debtors blacklist will be compiled and maintained and made available centrally.	C Carveth	Jul 08
5.03	Ensure any gaps within the customer list are populated when necessary and where possible, then that the list is kept up to date and in sequential order.	Important	3.06, 3.13	The Agresso administrator will investigate the gaps and how the system deals with these. If required, the gaps will be filled by the Debtors department.	J McMahon C Carveth	Jul 08
5.04	Ensure written confirmation with a correct authorisation signature is present prior to any write-offs, cancellations or credits being carried out. If the agreement was made at executive committee, those should be supported by documentation; for example committee minutes, in the debtors write off folder.	Important	3.15	Write-offs will not be carried out without prior approval and the approval will be kept on file.	C Carveth	Jul 08
5.05	Ensure any VAT which could be reclaimed is reclaimed, and that it is written off as a separate entity.	Important	3.17	The Agresso write off function will be investigated and amended if necessary.	J McMahon	Jul 08
5.06	Consider actioning a reconciliation to ensure any credits, cancellations or write offs reconcile to Agresso.	Essential	3.18	Implemented. All write offs, credits and cancellations are reconciled between authorisation documents and Agresso.	C Carveth	N/A
5.07	Review access rights to the debtors system.	Important	3.24	The Agresso access will be reviewed.	J McMahon	Jul 08