

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD

DATE: 30th November 2016

Agenda Item	4
Report No	VAL/24/16

Internal Audit Report – Debtors and Income Systems

Report by the Corporate Audit Manager, Highland Council

Summary

This report refers to the audit work undertaken since the last report to the Board on 15th September 2016.

1. Internal Audit Report – Debtors and Income systems

- 1.1 There has been one audit report issued which relates to a review of the Assessor's debtors and income systems. This report has an audit opinion of Substantial Assurance and contains 1 medium grade recommendation relating the need to ensure that the detailed Guidance Notes which support the Assessor's Financial Regulations are available to all staff. This has been accepted by management and is due to be addressed by 28/02/17.
- 1.2 Each Internal Audit report contains an audit opinion based upon the work performed in respect of the subject under review. There are five audit opinions which can be provided:
- (i) **Full Assurance:** There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
 - (ii) **Substantial Assurance:** While there is a generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
 - (iii) **Reasonable Assurance:** Whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk
 - (iv) **Limited Assurance:** Weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk.
 - (v) **No Assurance:** Control is generally weak, leaving the system open to significant error or abuse, and/ or significant non-compliance with basic controls leaves the system open to error or abuse.

Recommendation

Members are invited to consider the content of the attached report and the audit opinion provided, and to raise any relevant points with the Corporate Audit Manager.

Designation: Corporate Audit Manager

Date: 22nd November 2016

Ref:

Background Papers

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**INTERNAL AUDIT
FINAL REPORT**

ASSESSOR'S DEPARTMENT

DEBTORS AND INCOME SYSTEMS

AUTHOR

Internal Audit
Finance Service

DISTRIBUTION

Assessor & ERO

REF: ASS09/002

DRAFT DATE:

26/10/16

FINAL DATE:

22/11/16

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1. INTRODUCTION

A review of the Assessor's income and debtors systems was undertaken as part of the 2016/17 audit plan.

The Highland and Western Isles Assessor acts as the Electoral Registration Officer and is responsible for preparation and maintenance of the Register of Electors. The majority of income received is grant funding from the Government for this function together with a small number of sales of the electoral register to various organisations.

During the period under review, July 2015 to June 2016 inclusive, the amount of income collected amounted to £245,793, a summary of which is provided in the table below:

Description	£
Electoral Register Funding	242,409
Electoral Register sales	3,384
Total	245,793

2. REVIEW OBJECTIVES

The objective of the review was to ensure that appropriate arrangements are in place for the recording and banking of income due to the Assessor's Department. This also included the arrangements for the issue of debtor invoices.

3. SCOPE, METHOD & COVERAGE

The audit reviewed the systems operated for the identification, receipting, recording and banking of income. In addition, the processes for the raising of debtor invoices and the subsequent receipt of this income were also examined.

The audit covered the period 01/07/15 – 30/06/16.

4. MAIN FINDINGS

The main findings of the review, referenced to the above objective are as follows:

4.1 Income and Debtor processes

4.1.1 Guidance Notes

The Assessor's Financial Regulations, dated January 2016, are published within a Section on the Highland Council's website which contains details of all corporate governance policies. These Regulations are based on the Council's Regulations which contain web-links to the supporting Guidance Notes which provide more detailed information for staff.

The Assessor's Financial Regulations also refer to the various Guidance Notes but none of the web-links work. Furthermore, it was established that there are no other sources of written guidance for staff in respect of the income and debtor systems.

Instead, the Assessor's Department normally provides verbal training to staff regarding the systems for the raising of debtor invoices, and the collection, receipting and banking of income. In addition, use is made of the Council's Sales Ledger Process and Cash Management Process manuals which provide details for the operation of the Integra system.

4.1.2 Administration, recording & banking of income

During the period under review, approximately 20 invoices were generated by the Assessor's Department.

To ensure that the sales (debtor) invoices were issued in an accurate and complete manner, a sample of 5, which represented 98.8% of the total value of the amount invoiced, was examined. This sample was also followed through to ensure that the income was received, recorded and banked within an appropriate timeframe. This was established and no issues were identified despite the lack of guidance for staff.

5. CONCLUSION

Although it was concluded that there are adequate and effective systems of control for the identification, recording and banking of income due to the Assessor's Department, it was identified that there was a lack of written procedural guidelines available to staff. As a result, this report contains one medium priority grade recommendation. The recommendation has been accepted by management, with the agreed action to be completed by 28/02/17.

6. AUDIT OPINION

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Substantial Assurance** can be given in that while there is generally a sound system, there are areas of weakness which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk. The levels of assurance and their definitions can be found at Appendix 1.

7. ACTION PLAN

The Action Plan contains 1 recommendation as follows:

Description	Priority	Number
Major issues that managers need to address as a matter of urgency.	High	0
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	1
Minor issues that are not critical but managers should address.	Low	0
Total recommendations		1

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
4.1.1	Medium	The Assessor's Financial Regulations are based upon the Highland Council's version. However, the web-links to all of the Guidance Notes, including those for the income and debtor systems, do not work. Furthermore, no other source of guidance is available to staff.	The appropriate Guidance Notes should be produced and the web-links provided within Financial Regulations. All staff should then be made aware of the available guidance and the need to comply with this.	Complete as detailed.	Assessor & ERO	28/02/17

Internal Audit Opinion

Level	Definition
Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
Substantial Assurance	While there is generally a sound system, there are areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Reasonable Assurance	Whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited Assurance	Weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk.
No Assurance	Control is generally weak, leaving the system open to significant error or abuse, and/ or significant non-compliance with basic controls leaves the system open to error or abuse.