



Internal Audit Report 2017/18

Income Management

**Julie Ball
Auditor**

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Audit: Income Management Audit
Auditor: Julie Ball

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1 Introduction

- 1.1 The council's constitution requires that revenue and capital income and expenditure is monitored and controlled. This responsibility lies with the Budget Managers. The reconciliation process is a key control to ensure that all income is received and properly accounted for.
- 1.2 During a previous audit in 2014 very few departments had completed income reconciliations using Civica, the new financial system. This review was undertaken to ensure that all recommendations made in that audit have been completed and regular reconciliations are being undertaken.

2 Scope

- 2.1 This review has been carried out using the 2016-17 budgets so that all services and departments with an income budget based on actual outturn from the previous year of £20k or more would be part of the audit sample. However, this review excluded Council Tax and Non Domestic Rates which although they generate high levels of income, are audited annually as part of the key financial system reviews and where the controls are reported as operating satisfactorily.
- 2.2 Also, Car Parks, Trade and Green Waste income streams are subject to a separate review. This left the following Service areas to be reviewed :
 - Licensing including Gambling and Taxi
 - Farmers Market
 - Land Charges
 - Homeless Hostel & Short Term Lease
 - The Novium Museum including the Guildhall
 - Careline
 - Estates
 - MOT's
 - Building Control
 - Development Management
 - Cemeteries
 - Parks & Open Spaces

- 2.3 The main purpose of this audit was to ensure that reconciliations are not only being completed, but are formally reviewed signed and dated. This area has been identified as a strategic risk area.
- 2.4 Recommendations previously reported will be revisited to ensure they had been actioned.
- 2.5 Copies of January 2016 reconciliations were requested and reviewed by Internal Audit to identify if :-
- Procedure and/or guidance notes were in place thus ensuring continuity.
 - Reconciliations were complete and supporting documentation could be provided.
 - Evidence that all reconciliations had been formally reviewed, dated and signed by the person completing the reconciliation and the reviewer.
- 2.6 Further testing has been carried out for reconciliations carried out in this financial year, April 2017.

3 Findings

- 3.1 It was found that the majority of services had procedures in place but not all were all up to date. Comprehensive and up to date written procedures for income reconciliation are important and should be in place. The Action Plan shows those services that need to put procedures in place or their procedures require updating.
- 3.2 All services reviewed by Internal Audit, were found to have completed reconciliations on a monthly or quarterly basis and with the required supporting documentation. However, one service, the Farmers Market, was found to be using incorrect data and therefore was not completing a true reconciliation. This has now been rectified.
- 3.3 The process of carrying out a reconciliation varies from service to service due to the varying nature of the income collected. The majority of services provided a reconciliation summary sheet which the reviewer checks, signs and dates, together with supporting documentation. These were all found to have been signed and dated therefore demonstrating evidence of checking and verification that the reconciliation is correct, with the exceptions of:
- The Homeless Hostel & Short term Lease reconciliation had been reviewed as part of a previous Rent & Deposit Bonds Audit. A recommendation was made that their income reconciliations should be checked and signed off. Testing found that the Housing Operations Manager had not actioned this recommendation because a review of the

reconciliation process was being carried out. This will be followed up at a later date to ensure the recommendation has been implemented.

- The Farmers Market reconciliation had not been using the correct data to reconcile their income. Invoices are raised retrospectively for all stall holders that have hired a pitch. Internal Audit has advised that they use the data from the manual attendance sheets to reconcile against Civica; instead of a list of invoices that had already been raised and come from the same source, Civica.
- The Cemeteries Service does not carry out a formal reconciliation. They have satisfactory checking controls in place to monitor their income. Payments are required from the undertaker prior to a funeral taking place.
- Careline - Internal Audit had previously reported that the service could not undertake an income reconciliation at Chichester Careline. This is because there is no common denominator between the Careline software system Tunstall and Civica (general ledger). In order to eliminate the risk of income not being collected, the service has further controls in place since the last audit. Civica customer account numbers are entered onto client records on the Tunstall system. Further checks are made and recorded on clients files. As a result, Internal Audit considers that the service has sufficient controls in place to ensure that clients have been set up on both systems correctly and invoices produced to generate the correct income. However, the Service are currently revisiting their reconciliation process to see whether Tunstall can now be used going forward. This will be followed up at a later date.

3.4 It was found that services were not always able to carry out reconciliations on a timely basis due to the services workload depending on customer demand. However, reconciliations had been completed during the audit.

4 Conclusion

4.1 Generally there has been an improvement in the management of income and controls have been improved for the signing off of income reconciliations by budget managers; to demonstrate that they have been checked and verified as correct. However, there are still a few areas which need addressing the main one being that:

- All services need to review and keep their internal income reconciliation procedures/guidance notes current. This will ensure that up to date processes are available and can be easily followed so that another member of staff could complete the reconciliation should a key member of staff, responsible for reconciliations, be absent or leave.
- Services need to carry out their reconciliations out on a timely basis.

- 4.2 Where applicable Internal Audit will include financial reconciliations in future audits and report any findings as necessary.

5 Recommendations




- 5.1 An Action Table has been produced, see Appendix 1. In order to prioritise actions required, a traffic light indicator has been used to identify issues raised as follows:

Red – ● Significant issues to be addressed

Amber – ● Important issues to be addressed

Green – ● Minor or no issues to be addressed

6 Action Plan – Appendix 1

Paragraph Ref	Recommendation	Officer	Priority	Agreed?	Comments	Implementation Date
3.1	The Services identified, need to update their procedures to ensure the process is clearly defined for reconciling their income	The Novium (At the time Cathy Hakes) Building Control (Russell Pugh) Development Management (Sam Carter) MOT's (Bob Riley)	 Green Minor	Yes		The Novium - Completed On going Development Management - Completed. MOT's - Completed
3.1	Procedures are put in place by the Services identified to clearly define the process for reconciling income.	Land Charges – (Lee Howard Farmers) Market – (Alison Stevens)	 Amber Important	Yes		Complete
3.2	The Reconciliation for Farmers Market income is formally reviewed to ensure that the correct data is being reconciled.	Alison Stevens	 Amber Important	Yes		Complete