



<u>Committee and Date</u>	<u>Item</u>
Audit Committee	<b>4</b>
27 March 2013	<u>Public</u>
10 am	

## **UPDATE ON ACTIONS FOLLOWING REVIEW OF SHARED SERVICES FINANCE**

**Responsible Officer** James Walton

e-mail: james.walton@shropshire.go.uk

Tel: 01743 255011

### **1. Summary**

- 1.1. Members asked for an update in respect of progress around implementing improvements to general ledger internal contracts. In response this report describes the progress being made to the management review carried out within Shared Services Finance in October 2012. Significant progress has been made on a number of the resulting recommendations, and where further work is required, additional resources have been secured to address the issues raised.

### **2. Recommendations**

- 2.1. The Audit Committee are asked to consider and endorse, with appropriate comment, the continued positive progress being made by Shared Services Management and staff in response to the results of the management review.

## **REPORT**

### **3. Risk Assessment and Opportunities Appraisal**

- 3.1. Failure to take the necessary corrective action in relation to the issues identified would result in the following risks to the Council:
  - Inaccurate monitoring position being reported to management with income levels being understated.
  - Reputational damage to the Council with customer accounts not being accurate and with recovery processes being triggered inappropriately.
  - Unfunded balance of aged debts requiring write off which are not covered by existing bad debt provisions.

- Overpayments made by the Council not being recovered.
- Reconciliations are a fundamental assurance that controls within systems are working and reliance can be placed on the figures feeding into the General Ledger. Failure to perform reconciliations satisfactorily would be considered a risk for external audit and would result in increased audit testing and potentially increased fees.

#### **4. Background**

- 4.1. A number of specific financial governance issues were raised with the former S151 Officer in respect to work undertaken by the Shared Services Finance Transaction Team. In response, a management review was commissioned to identify the full scale and impact of any problems identified. The review was conducted over two weeks in October 2012.
- 4.2. The key issues highlighted in the review were:
- Delays in cash and cheque input of approximately one week.
  - Significant balances held in suspense accounts (Icon and General Ledger).
  - Significant levels of Sales Ledger debt over 6 months old, with limited or no action being taken to recover.
  - Duplicate payments for last two years not actively being chased.
  - Bank and cash reconciliations incomplete with corrections still outstanding since April.
  - Financial documentation retained of poor quality with original documents destroyed.
- 4.3 The main cause of the issues was due to a number of vacancies arising within the Income Team and a re-direction of resources within Shared Services Finance to cope with competing pressures. When Shared Services was originally set up, the transition plan required investment to be made in process re-engineering to enable services to generate sufficient capacity to manage increased workloads. This has not yet progressed within Shared Services and therefore leaves little capacity within the existing teams to manage with vacancies or additional demands.

#### **5. Management Action Taken**

- 5.1. As a result of the issues identified in the management review, immediate action was taken by Shared Services Management to refocus resources to work on the action plan identified.
- 5.2. Cash Input
- 5.2.1 Additional resources were allocated immediately to cash and cheque input to reduce the backlog of work outstanding. Staffing levels have resumed to previous levels and cash and cheque input has been maintained at a two day delay compared to the required standard of a one day delay. An additional post has been agreed for nine months in Income to assist with further improvements in this area to provide input within one day of receipt.

### 5.3. Suspense Accounts

5.3.1 Immediate action was taken by Shared Services Finance in October and November to allocate the income held in the Icon and General Ledger suspense accounts. These accounts have continued to be monitored with a manageable level currently held in suspense.

### 5.4. Aged Debt

5.4.1 Levels of aged debt have not reduced since October, however a mechanism of monitoring levels of debt has now been introduced to enable the sales ledger team to focus on large value older debts. The team are trying to recover these large value debts in addition to maintaining work on the current debt raised, however progress is slow.

5.4.2 The value of debt over six months has increased marginally since October and whilst action is starting to be taken on this, resources have also been redirected towards the transition project for ST&RH. It has therefore been agreed that three additional debt recovery staff will be provided to Shared Services so that dedicated action can be taken on the recovery of aged debt. This resource will be provided for nine months and monitoring will be performed over the period to ensure that the values of aged debt are reduced.

### 5.5. Duplicate Payments

5.5.1 Duplicate payments made during the last two years by the Council transferred into Shared Services as an issue to be resolved. Since October 2012, Twice2Much have been commissioned to undertake a review of the purchase ledger to recover any such duplicate payments. Recovery of the duplicates has begun with repayments now being received in the Council. Shared Services are liaising with the company and monitoring repayments made to ensure a prompt resolution to this exercise.

### 5.6. Bank and Cash Reconciliations

5.6.1 Each bank and cash reconciliation has been allocated to a specified officer and significant progress has been made on a number of reconciliations since October. However, there are issues such as unconfirmed differences remaining on the Cashiers Banking Reconciliation and the Allpay reconciliation which are still to be resolved. Further work will be performed on these reconciliations to ensure they are completed in line with the year end closedown.

### 5.7. Financial Documentation

5.7.1 Financial documentation had previously been scanned, with the originals destroyed however the standard of scanned copies was extremely poor. Since identifying this, all scanning of documentation has been stopped until the quality of scanning can be resolved. Therefore all original documentation is now retained and is filed and retrievable.

## 6. Conclusions

- 6.1 Good progress has been made by Shared Services to address the issues identified in October. The key area still requiring significant work is the recovery of aged debt and the ongoing recovery of duplicate payments. Therefore further additional resources have been provided on a fixed term basis to reduce the levels held on the Council's balance sheet and reduce the potential risk of write off. Further work is required in process re-engineering to enable the current structure to be sustainable therefore this must be a priority for Shared Services.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

**Cabinet Member (Portfolio Holder)**

Keith Barrow (Leader of the Council) and  
 Brian Williams (Chairman of Audit Committee)

**Local Member** n/a

**Appendices**

None