

**BRIDGEND COUNTY BOROUGH COUNCIL**

**CATALOGUE SUPPLIES SERVICE JOINT COMMITTEE**

**26 SEPTEMBER 2013**

**REPORT OF THE CORPORATE DIRECTOR – RESOURCES**

**SERVICE TRADING AND OPERATIONAL PERFORMANCE**

**1. Purpose of Report**

The purpose of the report is to appraise Members of the Service trading and operational performance during the year to date.

**2. Connection to Corporate Improvement Objectives / Other Corporate Priorities.**

- 2.1 The Joint Supplies Service (JSS) provides a purchasing and supply which secures savings to corporate customers and schools through economies of scale and thereby contributes to the financial prudence of the Authority.

**3. Background**

- 3.1 The JSS provides a single-source supplies facility for each of the partnering Authorities, through delivery via stores and a direct sourcing function for items of common and repetitive spend. It demonstrates savings to customers and schools through economies of scale.

**4. Current Position**

**4.1 Performance Review – April-August 2013/14**

**4.1.1 Service Turnover**

2013/14 April-August (week 22)

As part of the regular reports to the Joint Committee, the value of Service sales turnover for the relevant period, as measured against the sales target (together with comparison to the same period last year) is outlined below.

The five month period has been positive with sales achieving target overall, as summarised in the following tables, with some growth in the use of the JSS arrangements by schools in adjacent authority areas.

**Table 1: Turnover to date (Order book)**

	<b>Actual April-Aug 2012/13</b>	<b>Target April- Aug 2013/14</b>	<b>Actual April-Aug 2013/14</b>	<b>% Actual to target</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	
Catalogue Stores	1,965	1,967	1,953	-0.7%
Catalogue Direct	744	753	768	+2.0%
<b>Totals</b>	<b>2,709</b>	<b>2,720</b>	<b>2,721</b>	<b>0.1%</b>

**Table 2: Turnover (Order book) – Full Year Comparison**

	<b>Actual 2012/13</b>	<b>Full-Year Target 2013/14</b>	<b>Actual to August 2013/14</b>	<b>Variance</b>	<b>% of Target to be achieved in remaining 30 wks</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£'000</b>	
Total	6,169	6,145	2,721	3,538	56%

**Table 3: Turnover (Order book) by Customer Area (to August)**

<b>Year</b>	<b>Bridgend</b>	<b>Caerphilly</b>	<b>Merthyr Tydfil</b>	<b>Rhondda Cynon Taf</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
2013/14	523	664	208	929
2012/13	506	658	183	962

<b>Year</b>	<b>Cardiff</b>	<b>Neath-Port Talbot</b>	<b>Swansea</b>	<b>Vale of Glamorgan</b>	<b>Other</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
2013/14	130	44	66	64	87
2012/13	117	43	69	69	125

4.1.1.1 Day to day levels of trading have been maintained to target, with the effect of additional project work for schools within the Rhondda Cynon Taf area and also an independent group customer group ('Other') during last year having a temporarily negative impact upon sales performance comparison at this time. The JSS is currently involved with RCT officers, undertaking a school project which will complete during October and support turnover growth.

4.1.1.2 The effect of the changed catalogue price strategy this year, with a reduction in prices within designated product categories, has also contributed to the limited year-on-year growth to date.

#### 4.1.2 Summary Financial Position at 31st August 2013.

4.1.2.1 A summary of revenue budget expenditure/income for the financial year to 31 August 2013 is provided below for information.

**Table 4 - Comparison of budget against projected spend at 31st Aug 2013**

<b>Expenditure Group</b>	<b>Budget 2013/14</b>	<b>Adjusted Actual to 31 Aug 2013</b>	<b>Projected Outturn 2013/14</b>	<b>Projected Over/(Under) Spend 2013/14</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Employees	813	327	808	(5)
Premises	94	41	94	0
Transport	110	49	110	0
Supplies & Services	145	56	140	(5)
Third Party Payments	9	4	9	0
Finance/Support Services	39	16	44	5
<b>Total Expenditure</b>	<b>1210</b>	<b>493</b>	<b>1205</b>	<b>(5)</b>
Trading	1,200	556	1230	(30)
Non Trading	105	44	105	0
<b>Total Net Income</b>	<b>1305</b>	<b>600</b>	<b>1335</b>	<b>(30)</b>
<b>Deficit/(Surplus)</b>	<b>(95)</b>	<b>(107)</b>	<b>(130)</b>	<b>(35)</b>

#### 4.1.2.2 Reasons for variation between budget and expenditure/income

- An under-spend on Employees (£5k) as a consequence of the reduced working hours contracts of two staff.
- A projected under-spend within Supplies & Services (£5k) reflecting increased economies across the range of this expenditure group.
- A projected over-spend on Finance/Support Service (£5k) costs as a consequence of increased central finance recharges.
- A projected increase in trading income (£30k) reflecting the expected continuation of expected product price margins and turnover.

### 4.1.3 Service Performance Indicators

Monitoring reports are presented to the Joint Committee in relation to core performance indicators of the Service, with the following summary information provided for the year to 31 August, together with the final outcomes for 2012/13 for comparison.

**Table 5 - Service Performance Indicators for 2013/14**

<b>Performance Indicator</b>	<b>Service Target</b>	<b>2012/13 (Full Year)</b>	<b>2013/14 (To 31 Aug)</b>
<b>Product Availability</b> Average stock level available for customers on first request	96%	96.82%	96.99%
<b>Stockholding Value</b> Average stock value retained during the trading year.	8 weeks stock equivalent	9.1 weeks (£546k)	9.2 weeks (£628k)
<b>Debt Management</b> Owed debt to the JSS during trading year	Not greater than 5.5 weeks credit income	3.8 weeks (Average £455k)	4.6 weeks (Average £511k)
<b>Creditor Payments</b> Supplier payments within the legislative payment period	97.5%	99.13%	99.11%

### 4.1.4 Absence Monitoring April/August – 2013/14

4.1.4.1 A summary of sickness absence for the current year to 31 August is detailed below for information.

**Table 6 - Absence Monitoring to 31st August 2013**

<b>No. of days absence</b>	<b>Average no. of days per person</b>
204 (160)	5.8 (0.9 excl. long-term)
<i>(Previous year in brackets.)</i>	

4.1.4.2 The absence statistics include two long-term absences totalling 175 days within the overall absence of 204 days and compares to 160 days for the same period last year. One of the officers has left the Service, with the other expecting to return to work this month. Both absences have been continuously monitored in conjunction with the Authority's Occupational Health Service.

4.1.4.3 Committee has requested financial information to be provided in regard the costs of sickness absence, including both contractual sickness payments and the provision of any additional resource cover requirements to meet service performance demands. For the

information of Members the overall cost of sickness absence above, at actual salaries/agency resource rates, is £21,757.

- 4.1.4.4 Members have previously requested analysis of absence relevant to general post categories to be provided and a summary is presented below for the year to date as below,

**Table 7 - Staff Group Absence Analysis (April-Aug)**

<b>Staff Group</b>	<b>No. of Staff</b>	<b>No. of Absence Days</b>	<b>No. of Staff Sickness Absence</b>	<b>Average No. of Days Absence</b>
Management	3	2	1	0.67
Administrative/Professional	16	118	4	7.38
Warehouse	8	9	2	1.12
Transport	4	75	3	18.75

#### **4.1.5 Year End Holiday Period**

- 4.1.5.1 The JSS office closure during the Christmas/New Year period, practiced successfully over several years, will include the period December 30<sup>th</sup>/31<sup>st</sup> with the closure being accommodated by way of staff annual leave and flexible working arrangements.
- 4.1.5.2 For information, the host authority will be closing all main offices on December 27<sup>th</sup> with the same staff leave or flexible working arrangements in place.

#### **4.2 Service Audit Review**

- 4.2.1 As part of the host authority Internal Audit Plan, an audit review of the JSS has been completed by the Internal Audit Service since the last meeting of the Joint Committee.
- 4.2.2 The objectives of the review 'were to examine and assess the effectiveness of the controls in place in order to provide assurance that identified risks within the Supplies Service are addressed'.
- 4.2.3 The scope of the audit was,
- To review compliance with Contract and Financial Procedure Rules regarding ordering, receipting and authorisation of payments for goods and services.

- To examine controls over income receipting and banking to ensure that monies are receipted, stored securely and banked intact.
- To identify and test controls in place over sales invoicing including the issuing and authorisation of credit notes.
- To examine debt control processes and the authorisation of bad debt write offs.
- To examine controls over the stores function to incorporate the regularity of stock checks, analysis of stock movement and the authorisation of stock write offs for damaged or obsolete items.
- To review and comment on business planning and performance including budgetary control.

#### 4.2.4 Audit Opinion

The conclusion from the audit review is that ‘the effectiveness of the internal control environment is considered to be sound and therefore substantial assurance\* can be placed upon the management of risks’. This assessment maintains the substantial assurance attained from the previous audit review.

\*Reflects a four-category audit review grading structure of Substantial Assurance/Adequate/Limited/No Assurance.

4.2.5 A copy of the report, including recommendations is provided on the attached Appendix.

## **5 Effect upon Policy Framework and Procedure Rules**

5.1 None.

## **6 Equality Impact Assessment**

6.1 There are no equality implications. .

## **7 Financial Implications**

7.1 These are reflected in the body of the report.

## **8 Recommendation**

It is recommended Members note the content of the report.

**Ness Young,  
Corporate Director - Resources**

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**Background Documents:**  
None.

Partneriaeth Pen-y-Bont a'r Fro  
Bridgend & Vale Partnership  
working together - gweithio ar y cyd



**Bridgend & Vale  
Internal Audit  
Shared Service**

## Internal Audit Report

**Bridgend County Borough Council  
County Borough Supplies  
August 2013**



**To: Phil Hughes - Manager County Borough Supplies**  
**Auditor: Sara Glover**  
**Date: June 2013**  
**Audit Ref: AA266**

## **1. Introduction**

- 1.1 An audit review of County Borough Supplies (CBS) was undertaken as part of the 2013/14 annual Internal Audit Plan.
- 1.2 This report sets out the findings of the review and makes recommendations where it is felt that improvements in financial and non-financial administration could be made.
- 1.3 The Joint Supplies Service (JSS) is owned and managed by Bridgend, Caerphilly, Merthyr and Rhondda Cynon Taf County Borough Council's with Bridgend acting as the host Authority
- 1.4 The JSS provides a catalogue ordering service for each of the partnering Authorities and other public non-profit making organisations. The catalogue provides details of items available from stores and catalogue direct items for which CBS order at pre-agreed prices from approved suppliers.
- 1.5 The majority of customer orders continue to be placed via non electronic means such as fax, email or telephone, however during 12/13 these transactions reduced from 67.6% to 58%.
- 1.6 For the financial year to 31<sup>st</sup> May 2013 the organisation attained a trading surplus of approximately £51k, to support the financial objectives of the JSS.
- 1.7 The accumulated reserves of the Joint Service were £830k at the 31<sup>st</sup> March 2013, which are projected to increase to £925k at the 31<sup>st</sup> March 2014, reflecting expected trading performance during the year.

## **2. Objectives & Scope of the Audit**

- 2.1 The objectives of the audit were to examine and assess the effectiveness of the controls in place in order to provide assurance that identified risks within the Supplies Service are addressed.
- 2.2 The scope of the audit was:
  - To review compliance with Contract and Financial Procedure Rules regarding ordering, receipting and authorisation of payments for goods and services.
  - To examine controls over income receipting and banking to ensure that monies are receipted, stored securely and banked intact.
  - To identify and test controls in place over sales invoicing including the issuing and authorisation of credit notes.
  - To examine debt control processes and the authorisation of bad debt write offs.
  - To examine controls over the store function to incorporate the regularity of stock checks, analysis of stock movement and the authorisation of stock write offs for damaged or obsolete items.
  - To review and comment on business planning and performance including budgetary control.

### 3. Strengths & Areas for Improvement

3.1 During the Audit a number of strengths and areas of good practice were identified as follows:

- As identified in previous audits systems of internal control are well embedded and the section benefits from an experienced team.
- As part of the monitoring of the Joint Service, performance reports are presented to Committee on a quarterly basis.
- Segregation of duties was demonstrated within the purchasing process with appropriate authorisation appended.

3.2 The following key issues were identified during the Audit which need to be addressed:

- Due to staff shortages in the section since November 2012, there has been limited effort in the monitoring and collecting of outstanding debt. Other than the distribution of routine statements CBS have not been proactive in chasing outstanding debt.
- Authorisation of credit notes could not be evidenced for the sample tested.

3.3 Whilst no recommendation is made in this report, the review of the future of the JSS has been on-going for several years. Cardiff Council has decided not to participate in the 2013/14 catalogue production arrangements and this will have significant implications for the JSS with the loss of non trading income in the current and future years, and a potential longer term impact of additional contract management responsibilities including possible contract price increases and potential increased stockholding volumes.

### 4. Audit Opinion

4.1 Based on an assessment of the strengths and weakness of the areas examined, and through testing it has been concluded that the effectiveness of the internal control environment is considered to be sound and therefore **substantial assurance** can be placed upon the management of risks. This overall opinion is supported by the identification of a well-controlled system where only minor recommendations may have been made where it is considered that the action required is desirable and should result in enhanced control or improved value for money.

### 5. Acknowledgement

5.1 A number of staff gave us their time and co-operation during the course of this review. We would like to record our thanks to all of the individuals concerned.

## 6. Findings & Recommendations

*Risk may be viewed as the chance, or probability, of one or more of the organisation's objectives not being met. It refers both to unwanted outcomes which might arise, and to the potential failure to realise desired results.*

*The criticality of each recommendation is as follows:*

*Fundamental - action that is considered imperative to ensure that the organisation is not exposed to high risks;*

*Significant - action that is considered necessary to avoid exposure to significant risks;*

*Merits Attention - action that is considered desirable and should result in enhanced control.*

### 6.1 Purchasing

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Criticality
6.1.1	No segregation of duties creating the risk of fraudulent purchases.	Officers have different access rights within Syspro. Orders are raised and authorised by one team, and deliveries are receipted and invoices entered by another team. Batches of invoices are approved for payment on COA.  Whilst there are no in-built authorisation levels within Syspro, a sample of 5 Catalogue Direct (CD) and 10 stock purchases were selected and appropriate authorisation and segregation was found to be in place for all 15 purchases.	None	N/A
6.1.2	Goods ordered that are not required.  Goods ordered for personal use.  Inaccurate budget information due to	Purchase orders are raised when stock levels are at or below the levels set within the Syspro system.  For CD items that are not retained in stock, an order is generated on receipt of a customer request.  Orders are authorised by officers of the purchasing section, in accordance with the approval limits set by the Joint Committee.	None	N/A

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Criticality
	commitments not being recorded	<p>Orders are faxed or emailed to the supplier and hard copies are retained on file.</p> <p>Appropriate documentation was available supporting all purchases sampled with well organised filing systems established especially given the sheer volume of transactions processed.</p> <p>All purchase orders had been raised prior to delivery, or on the same day as delivery.</p>		
6.1.3	<p>CBS charged for goods not received.</p> <p>Deliveries made to personal addresses.</p>	<p>For the 10 stock purchases examined, all delivery notes were located and had been signed and goods delivered to CBS Waterton.</p> <p>There were no delivery notes for the 5 CD purchases as deliveries were direct to the customer.</p> <p>Where orders had been received in separate deliveries all delivery notes had been retained and evidence was available that checks had been made to ensure all goods had eventually been received.</p>	None	N/A
6.1.4	VAT incorrectly applied.	All invoices were valid for VAT purposes and all VAT had been correctly calculated for re-claim.	None	N/A
6.1.5	Outstanding Orders are not monitored leading to poor budgetary control.	<p>The Purchasing section runs a weekly outstanding order report to monitor outstanding items.</p> <p>When a stock replenishment order is produced, the paper document is retained at the stores/good inwards and is monitored by staff to ensure that goods received are actually what were ordered.</p>	None	N/A

## 6.2 Banking & Receipts

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Criticality
6.2.1	<p>Entries amended in error or for fraudulent purposes.</p> <p>Monies are lost or misappropriated.</p>	<p>There are two officers involved in the opening of mail; details of cheques received are recorded on a BCBC register of remittance form.</p> <p>The remittance forms are sequentially numbered and signed, along with a cheque monthly receipt record, by the both officers involved in the opening of the mail.</p> <p>The remittance forms are also signed by the officer entering the cheques on to the E-banking system and the paying in book.</p> <p>A sample of 10 remittance registers were selected from the month of May 2013. All remittances forms had two signatures evidencing that segregation of duties exists.</p> <p>The Business Operations Manager stated that e-mails are occasionally sent to customers to let them know available payment methods including the use of BACS.</p>	None	N/A
6.2.2	<p>Theft or misappropriation of income.</p> <p>Uninsured losses due to funds held in the safe exceeding insurance limits.</p>	<p>Monies (cheques) are stored securely in the paying in book within the on-site safe prior to banking. The safe is retained in a locked room.</p> <p>Cheques up to the value of £35,000 are retained in the safe, cheques are banked either when this level is reached or weekly, whichever occurs first.</p> <p>Access to the safes digital combination code is restricted to 3 officers from the Sales Ledger Team.</p> <p>As income received is only in the form of cheques, which are not included within the safe cash holding limits, the insurance limits are never exceeded.</p>	None	N/A

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Criticality
6.2.3	<p>Monies not banked promptly.</p> <p>Monies not banked intact.</p>	<p>From the sample selected it was evident that all cheques had been banked intact within a reasonable time frame. The maximum timeframe for banking was one week.</p> <p>All income had been recorded in the bank paying in book and was correctly recorded on the ledger.</p>	None	N/A

### 6.3 Sales Invoicing & Credit Notes

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Criticality
6.3.1	<p>Poor cash flow due to failure to invoice in a timely manner.</p> <p>Customer disputes invoice.</p>	<p>A Syspro report detailing Sales Orders raised for the period 01/01/13 to 29/05/13 was provided by the Business Operations Manager.</p> <p>A sample of 10 Stock orders and 5 CD orders were selected and traced to the customer order, signed delivery note and invoice.</p> <p>For the sample of 10 stock items all documents were evident and a signed delivery note had been retained on file in all cases.</p> <p>1 out of 5 CD orders with an order date of February, could not be tested as the supplier has not yet invoiced CBS hence CBS have not invoiced the customer. The Auditor was advised that there have been on-going problems preventing delivery of this order due to the size of the furniture ordered.</p> <p>Timeliness between order and delivery, and delivery and invoice was deemed reasonable in all cases.</p>	None	N/A

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Criticality						
6.3.2	Fictitious & fraudulent credit notes issued.	<p>A Syspro report detailing Credit Notes raised for the financial year 12/13 was provided by the Business Operations Manager.</p> <p>There were approximately 1172 credits raised last financial year with a net value of £85,284.72. The average net credit note value was £72.78.</p> <p>The number of credit notes issued over £250 was provided to the Auditor:</p> <table border="1"> <tr> <td>Credits over £1000</td> <td>14</td> </tr> <tr> <td>Credits over £500</td> <td>24</td> </tr> <tr> <td>Credits over £250</td> <td>54</td> </tr> </table> <p>Testing of credit notes indicated that supporting documentation, for example return to supplier notes, was available to substantiate the reason for the credit notes raised.</p> <p>However, authorisation of credit notes could not be evidenced for the sample tested. Due to the large volume of credit notes issued it is felt that there should be a monthly review of all credit notes over £1000 and a sample review of all other values. Review should be evidenced in the records maintained.</p>	Credits over £1000	14	Credits over £500	24	Credits over £250	54	<p>That all credit notes over £1000, and samples of all other credit notes are reviewed by a Senior Officer on a monthly basis. The reviews should be evidenced.</p>	Significant
Credits over £1000	14									
Credits over £500	24									
Credits over £250	54									

#### 6.4 Stock

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Criticality
6.4.1	Procedures do not	Flow chart work instructions detailing picking, delivery and goods	None	N/A

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Criticality
	<p>exist for stock control.</p> <p>Roles &amp; responsibilities are unclear leading to gaps in the internal control environment.</p>	<p>inwards was provided to the Auditor.</p> <p>A copy memorandum detailing the annual stock take procedure, inclusive of individual responsibilities and health and safety procedures, was also obtained.</p> <p>Documents provided had not been dated thus unable to evidence when procedures were last reviewed / updated.</p> <p>No documented stock write off procedures exist, however, the process was explained in detail to the Auditor by the Business Operations Manager.</p>		
6.4.2	<p>Misappropriation of stock.</p>	<p>Stock items which are deemed attractive are stored on the more visible shelves. Valuable items are stored in locked cabinets.</p> <p>The main door for the stores is alarmed and access is restricted to two Senior Officers, both have their own keys and neither can have leave at the same time. The Alarm Monitoring company also possess keys.</p> <p>There is a segregation of duties between pickers and drivers; though the picked items are stored on pallets in between the stock aisles as a result there is nothing to restrict the driver's access to the stores.</p>	None	N/A
6.4.3	<p>Inaccurate stock records.</p> <p>Stock obsolescence.</p> <p>Excess stock holding</p>	<p>Stock takes are undertaken in 2 parts, on an annual basis, usually during the months of February and October. During these periods the stores are closed and no items are booked in or out during this period.</p> <p>The last stock take was 22-25<sup>th</sup> March 2013 (B&amp;D Aisles) and</p>	None	N/A



Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Criticality
	leading to reduced liquidity.	<p>prior to that 31<sup>st</sup> October 2012 (A&amp;C Aisles). Stock check forms were sighted within the stock take file maintained by the Business Operations Manager.</p> <p>In order for there to be segregation of duties during the stock count, Admin Officers work alongside the Warehouse Officers.</p> <p>If the stock take highlights any discrepancies a stock recount is performed and an aisle recount and aisle comparison form is completed. If the Business Operations Manager is happy that the goods are still not available after recount the adjustments are entered on to the Syspro system. For 2012/13 a positive stock adjustment of £7026.51 occurred.</p>		
6.4.4	<p>Fraudulent adjustments.</p> <p>Stock taken for personal use.</p>	<p>The stock adjustments for the financial year 2012/13 were provided. There were a total of 3119 adjustments with 55% relating to ADJ adjustments, item not in location when tried to be picked. The remaining adjustments related to annual stock check adjustments, deficiencies, write offs and items returned to supplier.</p> <p>A sample of 20 stock adjustments were reviewed to ensure that the adjustment had been made for an adequate reason and had been authorised by management. The adjustment form was located in all cases and all forms contained the reason for the stock adjustment.</p> <p>The sample consisted of 11 adjustments which had not been authorised by the JSS Manager. The total of these 11 adjustments amounted to £219.86. The highest adjustment being for a quantity of 77 items with a total value of £123.21.</p> <p>The total value of stock written off during 2012/13 was £5224.81,</p>	<p>That stock adjustment forms are authorised by the JSS Manager to demonstrate a segregation of duties.</p>	<p>Significant</p>

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Criticality
		however £3940.43 related to faulty goods returned to supplier where a credit or replacement item was received by CBS. Therefore, a net of £1284.38 worth of stock had been written off.		
6.4.5	Unauthorised stock adjustments are made.	<p>Two admin officers within the Purchasing Department, the Purchase Ledger Group Leader and the Business Operations Manager are authorised to make adjustments on the system.</p> <p>For the sample selected, 11 adjustment forms had been completed by the Admin Officer and had also been processed on the Syspro system by the same Admin Officer.</p> <p>As none of these adjustment forms had been authorised by the JSS Manager the Auditor was unable to evidence a segregation of duties in the adjustment process.</p>	See above recommendation	N/A

## 6.5 Debt Management

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Criticality
6.5.1	Payment terms are not communicated.  Failure to collect	<p>Statements are issued by CBS on a monthly basis and are followed up for any invoices that are 60 days overdue.</p> <p>Terms and conditions are published on the CBS website and credit terms are printed on the front of each invoice.</p>	None	N/A

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Criticality
	monies due.	The total amount outstanding at the year-end was £624,347.57.		
6.5.2	Debt collection is ineffective resulting in cash flow issues.	<p>A sample of 10 debtors over 60 days old were selected from the aged debt analysis report as at 31-03-2013.</p> <p>From the sample selected 5 of the 10 outstanding invoices had not been actively pursued. The Auditor was advised that this process has lapsed due to staff shortages in the section since November; however 1 of the 5 related to an invoice that was due for payment in September.</p> <p>With regards to the remaining 5 outstanding invoices that had been pursued, the first pursuit for 3/5 invoices was after the 60 day period. This is a concern as it reduces the chance of CBS being able to obtain the outstanding money, especially if the debt spans across financial years.</p> <p>It is acknowledged that due to the nature of the organisation, with supplies being mostly made to public sector bodies, there is not a significant risk attached. However, there may be liquidity benefits that would arise from prompter resolution to outstanding invoices.</p>	That recovery procedures are applied for debtors over 60 days and that the outstanding debtors list is regularly reviewed by Management.	Merits Attention
6.5.3	Bad debt adjustments are not authorised in line with documented procedures.	<p>The process for the authorisation of write-offs is dependent on the value of debt as follows:</p> <ul style="list-style-type: none"> <li>• Values less than £50 are approved by County Borough Supplies Joint Services Manager (JSM).</li> <li>• Values more than £50 and less than £1,000, are initially authorised by the JSM and countersigned by the BCBC Accountant supporting the service.</li> <li>• All debts greater than £1,000 are reported to the next available Joint Committee.</li> </ul>	None	N/A

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Criticality
		<p>Access controls within Syspro restrict the number of Officers that are able to write off a bad debt.</p> <p>Officers within the Sales Ledger Team are the only officers who have access to be able to perform a bad debt write off.</p>		
6.5.4	Write offs are inappropriately authorised.	<p>The Principal Accountant presented a report of the unrecoverable debts over the sum of £1000 to the JSS Committee at the February 2013 meeting. The report outlined relevant background information, and confirmed that a review of the achievability of the payment of aged outstanding debts greater than £1,000 had been undertaken.</p> <p>The total sum written off during the 2012/13 financial year was £5277.91 all of which related to debts over £1000 which occurred after former suppliers owing money for catalogue sponsorship went into administration.</p> <p>There were no financial implications arising, as a provision was made in the 2011/12 accounts for aged outstanding debts.</p>	None	N/A

## 6.6 Performance & Budgetary Control

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Criticality
6.6.1	No control of the budget, leading to possible overspend.	<p>The JSS Manager is currently responsible for controlling the budget of the service however there is a planned delegation to pass this responsibility to the Business Operations Manager later in the year.</p> <p>A financial review is carried out monthly with close</p>	None	N/A

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Criticality
		involvement of the Principal Accountant and includes, for example, the analysis of organisational expenditure and stock holding.		
6.6.2	Inadequate procedures in place for escalating surplus/deficits.	<p>A cumulative surplus of £830k has been retained since 1996 in line with the objectives of the JSS.</p> <p>The responsibilities of the partnering Authorities for any surplus/deficit are documented in Schedule 6 of the JSS agreement.</p> <p>The agreement was provided to the Auditors by the JSS Manager and states that:</p> <ul style="list-style-type: none"> <li>• Any surplus income/profit accrued at the end of this Agreement or any other relevant operating period(s) will be shared by the Councils on a pro-rata basis to the recorded business turnover of Councils within the JSS during the relevant period.</li> <li>• Any losses/trading deficit arising during the currency of this Agreement or any other relevant operating period will be shared on a population basis.</li> </ul>	None	N/A
6.6.3	The service provided does not meet the needs of its customers.	<p>CBS has a Service Business Plan which was constructed on the basis of a three-year business period to March 2015, and reflects the current joint service agreement.</p> <p>Monitoring reports in relation to service performance indicators are presented to the Joint Committee on a quarterly basis.</p> <p>Information for the year to the 31<sup>st</sup> May, together with the final outcomes for 2012/13 was reported to Joint Committee on the 27<sup>th</sup> June.</p>	None	N/A

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Criticality
6.6.4	That there is no plan in place for the continuation of the service.	<p>The implementation of the service change has been incorporated into a Development Action Plan which provides for twelve core areas of development and change.</p> <p>Included within the action plan is the process of assessing the impact of the National Procurement Service, which has been on-going since September 2012. The Auditor was advised that the JSS Manager has already made attempts to make operations leaner to improve costs and is continuing to encourage the use of electronic means of ordering / paying.</p>	None	N/A

Rec. no.	Recommendation	Category Code (see Key)	Criticality	Report ref.	Agreed (Y/N)	Management Comments	Job Title of Officer Responsible	Date to be implemented
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1	That all credit notes over £1000, and samples of all other credit notes are reviewed by a Senior Officer on a monthly basis. The reviews should be evidenced.	R	Significant	6.3.2	Y	Agree the recommendation.	Business Operations Manager	1 September 2013
2	That stock adjustment forms are authorised by the JSS Manager to demonstrate a segregation of duties.	S	Significant	6.4.4	Y	Agree recommendation.  Process changed during 2013/14, with authorisation of adjustment forms being undertaken.	Materials & Sourcing Manager	1 June 2013
3	That recovery procedures are applied for debtors over 60 days and that the outstanding debtors list is regularly reviewed by Management.	C	Merits Attention	6.5.2	Y	Exceptional resource circumstances have previously been resolved and prescribed recovery procedures reinstated.	Business Operations Manager	1 July 2013

## 7. Management Implementation Plan

Key:

Category Code	Category Description	Category Code	Category Description
A	Accomplishment of objectives	S	Safeguarding of assets
C	Compliance	X	Governance
R	Reliability and integrity of information	Y	Corporate impact
E	Value for money	Z	Self audit