Income and Debtors

Peak District National Park Authority

Internal Audit Report 2017/18

Business Unit: Finance
Responsible Officer: Director of Corporate Services
Service Manager: Head of Finance
Date Issued: 12 April 2018
Status: Final
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	P1	P2	P3
Actions	**0**	**0**	**0**
Overall Audit Opinion	High Assurance		

Summary and Overall Conclusions

Introduction

The majority of income for the Peak District National Park Authority is received from grants. However income is also received from a variety of services, including car parks and concessions, visitor centres, and cycle hire. Total income from services as of the 2017/18 budget is £9,865,000, made up of sales fees and charges and grant/partnership income.

One of the corporate objectives for the Authority is to increase both commercial and non-trading income. This objective was due to be addressed, at least in part, by increasing car parking fees and a move towards enforcement planned to begin in 2018/19. The Authority receives rental income which totalled £272,623 for 2016/17.

The majority of debts are raised on the Exchequer Financial System and as such are able to be monitored centrally in respect to the collection, debt monitoring and write off. The short term debtors figure in the annual accounts was £2,562,183 as of 31 March 2017.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system ensured that:

- there was a formal strategy in place regarding increases in income, and there were appropriate performance management arrangements and corporate monitoring arrangements including budget reporting and reporting to Members to ensure that income targets were being achieved;
- the system was operated in accordance with Authority Financial Regulations, VAT rules and other relevant legislation and guidance;
- debtors transactions were correctly accounted for by the debtors system and related accounting systems;
- invoices were accurately and promptly raised for goods or services provided and income was accurately credited to accounts;
- appropriate recovery action was taken where invoices were not paid within specified timescales;
- all income was banked promptly; and
- income collection arrangements were secure.

Key Findings

The PDNPA has a strong set of corporate objectives which are agreed by Members annually. Directional shift 4 relates to growing income and supporters. One of the main focus areas is to achieve commercial programme income targets.

One of the commercial targets related to increased car parking charges. Parking charges across other Park Authorities and other local charges have been reviewed. A decision was made to increase car parking charges. The new charges have yet to be implemented as a change in byelaws is required. A change in byelaws is required and the Authority are currently awaiting a decision from the Secretary of State, following an objection, as to whether the new byelaws are to be confirmed so that the charges can be increased.. After a small survey on non-payment of parking charges, enforcement is also due to go ahead with the Authority joining the Derbyshire Parking Partnership, however this is also a complex area which has required, amongst other things, a new traffic order being granted.

Another focus has been on cycle hire. In recent years improvements have been made moving the service from deficit into a significant surplus. .

There are specific policies and procedures for debt recovery and write offs, which detail timescales and responsibilities, ensuring that regulations, legislation and VAT rules are being complied with. A debtors report is run weekly and those outstanding over 30 days follow the agreed procedure of two reminder letters to the debtor at specified intervals, the second letter outlining that the debt will be referred to Legal if not paid in 7 days. Debts over 4 months are recorded on a separate spreadsheet which enables monitoring and recording of any actions between Legal and Finance.

The authority did not have any write-offs, only cancellations and re-issues for incorrect invoice amounts. A sample of aged debts was reviewed to ensure that appropriate recovery action was being taken where invoices were not paid within specified timescales. A sufficient explanation was provided for each. One VAT invoice is still outstanding from December 2016 for a fairly substantial amount of £73,426.19. A chasing letter had been sent out on 25 January 2018 asking for confirmation of payment date. It was also explained that this has taken longer due to the company changing accountants. In another case, a residential tenancy on the Warslow Moors Estate, there have been periods of debt owed to the Authority since 2009. Although have remained relatively low for a period, with contributions being made periodically, the debt has escalated since May 2017 and now stands at £6,065. This figure will only keep increasing with monthly rent contributions of £695 per month. The Authority is well aware of the case and has been proactive in chasing this debt with frequent correspondence to the tenants.

Income collection arrangements both centrally and at the Bakewell Visitor Centre were reviewed. Procedures surrounding the security of cash appeared appropriate. Regular reconciliations were taking place on the cash held at the visitor centre. Staff in Customer and Business Support and at the visitor centres have signed up to the Authority's PCIDSS policy and have undertaken training.

Bank reconciliations are carried out monthly, with preparatory work carried out throughout the month in order to allocate any unallocated income. All reconciliations we reviewed had been signed off by the Head of Finance.

Sales invoices were generally raised within the required two days. All those in the sample had appropriate backing documentation to initiate the sales invoice.

Overall Conclusions

It was found that the arrangements for managing risk were very good. An effective control environment appears to be in operation. Our overall opinion of the controls within the system at the time of the audit was that they provided High Assurance.

Annex 1

Audit Opinions and Priorities for Actions

Audit Opinions	
Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit. Our overall audit opinion is based on 5 grades of opinion, as set out below.	
Opinion	**Assessment of internal control**
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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