

Kilkenny County Council

Internal Audit Report ██████ **Review of Fire Charges Billing and Collecting Procedures**

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Report Distribution

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Introduction

When the fire brigade receives an emergency call-out to an accident / incident, a cost is incurred on the customer who benefited from the service provided. Kilkenny County Council issue an invoice to the customer for an amount determined by the type of incident attended. Appendix A shows a schedule of fire charges.

Objectives

The objectives of the audit are to review the controls relating to the billing and collecting for fire charges and to provide assurance to management that adequate procedures are in place.

Approach

Internal Audit spoke with staff of the Fire Service and Finance Dept. who are involved in the billing of customers and collection of charges. Access was requested to the FSI system which records all incidents and calculates the charges. A reconciliation was carried out between the incidents recorded in Q1 2017 and the invoices issued. The procedures in relation to collection of these fire charges were also examined.

Scope & Limitations of scope

The scope of the review was limited to incidents which occurred in Q1 2017. Internal Audit also looked at the overall processes and procedures around billing and collecting of fire charges.

Audit Risk

- Invoices are not raised for incidents
- Insufficient audit trail.
- Inadequate segregation of duties
- Loss of income to the council

Co-operation of Management and staff

Internal Audit received full co-operation from Council Management and staff throughout the course of this review and would like to thank them for their assistance.

*Summary of Findings **

Finding

1. Lack of controls on IT system recording the incidents.
2. No formal policy in relation to invoicing and collecting.
3. Insufficient audit trail.
4. No segregation of duties regarding invoicing and collecting of charges.
5. Significant delays in invoicing customers.
6. Inadequate monitoring of fire charges invoicing and collection. Lack of focus.

** This summary should not be read in isolation but in conjunction with control weakness in certain areas identified and detailed below.*

Detailed Findings & Recommendations

1. Q1 2017 Incidents

<i>Finding</i>	<i>Implication</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<ul style="list-style-type: none"> • 150 incidents were recorded on the FSI system in Q1 2017. • No charges were applied to 92 of these incidents. These incidents were in relation to oil spillages, tree falls, LA houses and cancellations etc. (See Appendix C) • 69 invoices totaling €69k were issued in relation to the remaining 58 incidents. • The average number of days it took to issue an invoice to a customer was 147 days from date of incident. • At year end 49 invoices remained unpaid amounting to €50k. This represents 71% of invoices issued. 	<ul style="list-style-type: none"> • Approx two thirds of incidents were not billed. This is largely due to the council being unaware of who is liable in cases such as tree falls and oil spillages. This is a significant loss of income for the council. • A significant portion of fire charges are settled by insurance companies. Delays in issuing invoices could result in fire charges not being included in insurance claims. This may hinder the collection of the charges. 	<ul style="list-style-type: none"> • Given the large number of incidents that are not invoiced, the council should review its policy on non charging incidents. The fire service are in the best position to source details of the customer at the time of the incident. Internal Audit acknowledges that there will be cases where there is no person liable. However, where possible, the name of the person benefitting for the service provided should be recorded for invoicing. • There must be procedures put in place to reduce the time taken to issue invoices. I recommend that invoices should be issued within at least two weeks of the date of the incident. This will help improve the collection rate. 	<p><i>Policy on charging to be prepared by CFO Before end of April 2018.</i></p> <p><i>The Fire Station can directly issue fire charge invoices from the FSI system when adequate administrative resourcing is available. Currently the resource dealing with the FSI system is also acting CDO an unable to take on these duties. CDO position to be regularized as soon as possible.</i></p>

2. Recording of Incidents

<i>Finding</i>	<i>Implication</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<ul style="list-style-type: none"> • Incidents are recorded on to an Access based IT system called FSI. • No requirement for username or password on system. No audit trail of who input/amended the data. • No function on the system to limit access. Once access to system is received, user has full access to edit/delete data. • FSI does not interface with Agresso FMS. Data is transferred to Agresso by a load sheet. 	<ul style="list-style-type: none"> • Insufficient audit trail. • Lack of system controls to prevent possible fraud. • Potential Data Protection breach. • Data could be deleted in error. • Possible omission of invoices leading to loss of income. 	<p>Access and security of FSI system need to be reviewed with appropriate controls put in place. Usernames and passwords should be assigned to users to improve the audit trail. Staff should have limited access only if required.</p>	<p><i>The FSI system is being reviewed and will move to a web based system with additional security around access during 2018.</i></p>

3. Invoicing of Bills

Finding	Implication	Recommendation	Management Action Plan
<ul style="list-style-type: none"> • The FSI system calculates the costs and populates the billing module of the programme from where the Finance section issues the invoices. • Invoices are calculated based on the number of fire personnel attending per hour. Certain types of incidents have the charges capped. • Invoices calculated on the FSI system are batch uploaded to the agresso system to create a debtor account for each charge. • Insufficient information uploaded on FSI system to allow for invoicing. In some cases, where address only is given, the customers name is got from the Register of Electors. In cases where the registration no. of a vehicle is received, the name of the customer is got from Motor Tax records. • There is no policy in relation to fire charges. The most up to date record is a CE order dated 29th July 2011 setting out a schedule of charges for the services provided. There is no formal policy regarding waivers, exemptions etc. • There is no reconciliation carried out between the incidents recorded and the invoices issued. 	<ul style="list-style-type: none"> • Inaccurate invoices being issued. • Possible breach of Data Protection Regulations. • Incidents not being invoiced resulting in loss of income. 	<ul style="list-style-type: none"> • A formal policy should be prepared outlining the following: <ul style="list-style-type: none"> a) Fire Charges fees broken down by commercial/residential and by service type, e.g. RTA, Chimney Fire False Alarms etc. b) Exemptions – eg LA houses, incidents with fatalities etc. c) Waivers – OAP’s, Social Welfare recipients. d) Write Offs policy • Sufficient customer information, such as name and address, should be gathered at the incident to allow for the customer to be invoiced for the service. The system of identifying customers from register of electors and motor tax files should be investigated for possible data protection implications. • A quarterly reconciliation should be carried out between the incidents recorded and the invoices issued. A valid reason should be given if there were no charges applied. To aid this reconciliation, the incident no. on FSI should be recorded on the invoice. 	<p><i>All issues raised herein to be dealt with as part of the non-charging policy to be prepared by the CFO 2018</i></p> <p><i>Full time administrative support is required to improve the follow up of customer details. This will result from the filling of the CDO position</i></p> <p><i>As we transition to direct invoicing from the Fire Service the reconciliation process to compare incidents to invoices issued will involve the application of the new policy on charging. This function should be carried out independently of the Fire Service to ensure impartial assessment.</i></p>

4. Collection of Fire Charges Invoices

<i>Finding</i>	<i>Implication</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<ul style="list-style-type: none"> • There are approx 1400 outstanding fire charges accounts at 31st Dec 2017 amounting to over 610k. • There are 185 outstanding invoices totaling 95k that were issued prior to 1st Jan 2012 making them over 6 years old. A further €43k worth of invoices are aged between 5 and 6 years. • The collection rate in 2017 was 16%. This is down from 26% in 2015 and 2016. (See Appendix B) • There is no formal policy or procedure manual in relation to collection of unpaid fire charges. • There are no regular reports generated to monitor the collection of fire charges. • There are credit balances totaling €22k on fire charges accounts. 	<ul style="list-style-type: none"> • Invoices amounting to €95k that are over six years old are statute barred unless legal proceedings have been initiated. • Loss of income to the council. • Insufficient audit trail available on outstanding debtors. 	<ul style="list-style-type: none"> • Formal procedure manuals should be prepared for invoicing and collecting fire charges. • Monthly meetings should be held with finance staff and management to analyze progress and follow up actions. Monthly collection reports should be generated from CCAS debtor's management system and presented at these meetings. • Customers with credit balances should be investigated and refunded if appropriate. 	<p><i>Formal procedures for all invoicing and collection within the LA should apply here to ensure consistency in approach across all services. A corporate procedure manual should apply which can have regard to the content of the fire service charging policy to be agreed.</i></p> <p><i>Monthly reports to be agreed and meetings to take place.</i></p> <p><i>Review of outstanding debits and credits to be undertaken in 2018.</i></p>

5. Segregation of duties

<i>Finding</i>	<i>Implication</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<p>There is a control weakness in relation to segregation of duties. The assistant staff officer in the Finance Dept. is responsible for the invoicing and collection of fire charges. The same staff member organizes waivers and write offs which are approved by Head of Finance.</p>	<ul style="list-style-type: none"> • Potential for fraud. • Errors not being noticed. 	<ul style="list-style-type: none"> • The invoices should not be issued by the same staff member responsible for collecting the charges. In other income categories such as rents/loans/rates, the invoices are calculated and issued by the service dept. and the finance dept. are responsible for collection. A similar system should be used for fire charges. At the moment the fire service are inputting the information on the FSI system for finance to generate the invoice. It would be more efficient if the fire service prepared the invoice and the finance dept. focus on collection. 	<p><i>Propose direct invoicing from the Fire Service with collection to take place in Finance section. Suitable support reporting, reconciliation and meetings to be put in place. This transition subject to the regularization of the CDO and Clerical officer post in the Fire Service.</i></p>

Appendix A – Schedule of Charges (Man Order No. 40 dated 27/07/11)

County Manager's Orders

ORDER NO. : 40 DATE: 29/07/11

Subject: Fire Charges with effect from 1st August, 2011 Fire Services Act 1981 & Local Government (Financial Provisions) (NO. 2) Act 1983

ORDER:

I hereby order that pursuant to the provisions of Section 35(3) of the Fire Services Act 1981 and Section 2 of the Local Government (Financial Provisions) (No. 2) Act 1983 and all other powers thereto enabling, it is hereby ordered that the charges for the Fire Authority be, as of from 1st August 2011 as follows:

- 1 The charge of €70.00 per firefighter per hour to the nearest quarter for all commercial fires.
2. RTA s charged as per commercial but capped at €2,000 this amount is divided between the parties involved.
- 3 Domestic fires charged as per commercial but capped at €2,000.
- 4 Haybarn fires charged as per commercial but capped at €5,500.
5. Flat rate for Chimney fires of €360.
- 6 Alarm activations charged as per commercial with a flat rate of € 200 for mobilization if no service provided.
7. Trees/poles down charged as per commercial if landowner known.
8. Flooding charged as per commercial if localised.
- 9 The Old Age Pension/Social Welfare /or income equivalent to Social Welfare, waiver will apply as heretofore with reduction to an amount of €150.00
10. Inter-county authority services will be charged as follows:
Total amount of fire fighters attending plus any on stand to at actual cost/rate plus 30%. This 30% overhead cost relates to all other authorities except Carlow.

I hereby certify that this is a true copy of my Order No. 40 duly made and signed by me on 29/07/11 pursuant to Section 1997 of the County Management Act, 1940. - Kilkenny county Manager/Delegated Officer

Signed: 

Appendix B – Collection Rates

Year	Net Opening	Invoices	Receipts	Write Offs	Waivers	Net Closing	% Collection
2017	463,760	316,951	120,417	23,784	24,403	612,108	16%
2016	549,498	251,046	167,143	140,122	29,520	463,760	26%
2015	464,390	349,747	196,162	50,730	17,748	549,498	26%
2014	392,345	357,973	213,748	56,252	15,929	464,390	32%
2013	467,079	374,401	248,553	162,666	37,915	392,345	39%
2012	390,189	372,104	181,791	90,123	23,300	467,079	28%
2011	419,620	489,906	227,843	239,950	51,547	390,188	37%
2010	165,999	702,259	256,731	146,411	45,494	419,620	38%
2009	495,365	244,003	145,150	413,859	14,360	165,999	47%
2008	614,814	360,993	317,573	130,175	32,693	495,365	39%

Aged Debt Arrears	Less than 1 Year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Between 5 and 6 years	More than 6 Years	Total
Total Current Arrears	193,961	71,277	91,609	91,910	25,322	43,672	95,342	613,093

Appendix C – Q1 2017 Incidents/Invoices

Q1 2017 Incidents

Q1 2017	No.	%
Incidents invoiced	58	39%
Incidents with no charge	92	61%
Total no. of Incidents	150	

Incidents with no charge	No.	%
Oil Spillage	21	23%
Tree on Road	20	22%
Call Cancelled/False Alarm/No Service Provided	20	22%
Other	20	22%
LA House	11	12%
Incidents with no charge	92	

Q1 2017 Invoices

Q1 2017 Invoices	No.
No. Invoices Issued	69
Invoices Paid to date	18
Invoices Part Paid	1
No. of Waivers Issued	8
No. of Strike Offs Issued	2
No. Invoices to be paid	49
Average No. of Days for Invoice	147.88

Summary Q1 2017	Euro
Invoiced	€ 69,484.83
Paid	€ 12,097.70
Waivered	€ 5,947.50
Strike off	€ 1,435.00
Total Outstanding	€ 50,004.63