



Report of the Deputy Chief Executive and Director of Corporate Services

Governance and Audit Committee – 13 July 2022

Internal Audit Report - Accounts Receivable Action Plan

Purpose:	To provide an update for the Service Centre, Accounts Receivable Function.
Policy Framework:	None
Consultation:	Legal, Finance and Access to Services
Recommendation(s):	It is recommended that: - 1. the Governance and Audit Committee notes that officers will continue to report to CMT on a quarterly basis as a further update on the debt position across the authority.
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Finance Officer:	Ben Smith
Legal Officer:	Debbie Smith
Access to Services Officer:	Catherine Window

Internal Audit on Accounts Receivable Function – Update July 2022

1. Introduction

- 1.1 The Accounts Receivable Internal Audit was carried out in Quarter 1 2022 and the report was issued in March 2022. An assurance level of Moderate was again given. The detail below summarises the reasons and progress to date.
- 1.2 There is 1 High Risk and 2 Medium Risk action points, one of which is from previous audits that remains outstanding. All of the Audit action points have been reviewed and included in the AR strategy. The AR team has been given priorities and targets that are aligned with the corporate strategies and the Internal Audit action plan. However, it is anticipated that it will not be possible to complete all of these actions before the

next audit report for reasons that have been outlined in previous reports. For clarity, the action points referred to in this report are:


Action point reference	Risk rating	Detail
2.2.4	MR	The Director of Finance should be asked to raise the issue of long-standing disputed invoices at CMT, and highlight invoices which have not been addressed by services for over 90 days.
3.6.3	HR	All invoices should be escalated on a timely basis in accordance with established protocols. Where debtors have not paid within the timescales allowed, a decision should be made on whether to refer the invoice to Legal, or write it off. <i>(Previous audit recommendation)</i>
3.6.6	MR	Appropriate follow-up procedures with debtors/service departments and diarising of invoice reviews, should be carried out by officers in the AR team as a matter of routine.

- 1.3 The Cash Management and Accounts Receivable Manager has reported to the Governance & Audit Scrutiny Committee periodically over the last 3 years and all committee actions have been implemented.
- 1.4 Verbal updates have been provided to the Governance & Audit Scrutiny Committee by the Director of Finance (S151) and the Deputy Chief Executive and Director of Corporate Services in the previous meetings of 8th February 2022 and 15th June 2022. Below is a summary of the actions and progress that have been implemented/achieved in the intervening period (February to July 2022):
- a. **Debt Recovery Activities (DRA) meetings:** These meetings are held monthly and continue to ensure focus is directed to audit action plan priorities and to the debt recovery strategy. Priorities are regularly reviewed and progress is monitored. The team are continuing to focus on completing a review of the oldest debts, all high value debts, outstanding debts to large businesses and organisations and the 'Refer to Legal' reconciliation. Data reviews are carried out every 6 months to analyse the outstanding debt and move the lens to shift activities onto a different debt area. The team are currently working through these priorities and have regular review meetings.
 - b. **Outstanding Aged Debt:** The current aged debt position is as shown below (*note all aged debt figures are snapshots and the outstanding debt position changes on a daily basis*):

Month	Total Due	>365 Days	120 - 365 Days	90 - 119 days	60 - 89 Days	0 - 59 Days
June 2022	14,666,216	2,152,759	2,281,851	1,783,331	951,548	7,496,727
		15% of Total Due	34% of Total Due		51% of Total Due	

A comparison of the average outstanding debt per financial for invoices in the >365 days category is shown below. This comparison shows a trend over a wide period of time and is taken at a consistent point each month. It should be noted that the average amount regularly runs at over £2M with the lowest average figure reached in 2016/2017. The overall variance reduction from 2011 to 2022 is £393,100 with a reduction of £ 394,437 achieved between 2019/2020 to 2021/2022 (latest figures).

In addition, the percentage of debt over 1 year when considered in the context of the total value of debt raised in the year, it can clearly be seen that the overall direction of the trend is for this category to be falling when a comparison is made between the total debt raised.

Financial Year	Average of >365 days category	value of invoices raised in year	Debt over 1 year old as a % of all invoices raised in year	Direction of trend
2011/2012	2,544,325	£43,046,855	5.91%	
2012/2013	2,791,868	£46,288,381	6.03%	
2013/2014	2,567,023	£52,030,139	4.93%	
2014/2015	2,393,301	£42,630,819	5.61%	
2015/2016	2,115,132	£49,001,991	4.32%	
2016/2017	2,004,428	£51,465,696	3.89%	
2017/2018	2,115,325	£52,284,903	4.05%	
2018/2019	2,035,506	£59,808,803	3.40%	
2019/2020	2,545,662	£76,958,216	3.31%	
2020/2021	2,144,065	£110,694,850	1.94%	
2021/2022	2,151,225*	£88,370,588	2.43%	

**Please see point c) below*

Specific targeted and tracked debt recovery actions in the period Sept to Jan 2022 have resulted in the following progressions:

Category	Number of invoices in category	% of invoices in category	Value of invoices in category £
Paid in full	23	39%	2,847,872
Cancelled by Service Dept	4	7%	303,798
Awaiting evidence of debt	29	49%	640,286
Remaining unpaid	3	5%	272,642
Totals	59	100%	4,064,598

Category	Number of invoices in category	Value of invoices in category £	
Debts owed by Utility Companies have reduced by 50% from September 2021 to Feb 2022	Sept 2021 - 2,470	£129,420	↓
	Feb 2022 - 885	£66,338	
Invoices on Awaiting Evidence of Debt category has reduced by 45% from Jan 2022 to June 2022	Jan 2022 - 145	£51,228	↓
	June 2022 - 79	£84,793	

- c. **Write offs:** All write offs of value under £10,000 as at January 2022 have been approved and closed on the Accounts Receivable system.

A further 300+ invoices have been moved to a write off category from January to June 2022 and a fresh write off list will be produced in August 2022. These will be closed on the system prior to the migration to the new Oracle Fusion system in the Autumn of 2022. However it should be noted that there are currently 24 invoices to a total value of £338,111 of invoices with a write off value of over £10,000 that are waiting to receive the final approval to write off. Once these have been approved the category of debt outstanding of over one year old will reduce. **To clarify, if these had been approved and closed on the system in June 2022 the outstanding debt for category over 1 year would have reduced from £2,151,225 to £1,813,114, reducing this category to its lowest point since these statistics began to be compiled.**

In addition the AR to Legal Protocol document has been reviewed and updated to reflect the current costs of legal action and this will assist the AR Team in categorising uncollected debts and speed up the debt recovery processes of the lower value debts.

- d. **Referrals to legal:** The team continues to make progress with referring outstanding debts to Legal with a further 140 invoices totalling £95,576 referred to Legal in the period January to June 2022.
- e. **Service Department liaison:** A further communication has been issued to all service departments to remind them that unpaid debt needs to be monitored and that they should provide the evidence of the debt straight away so that the invoice can be referred to Legal.
- f. **Disputed invoices:** Invoices on dispute have reduced by 8% from 251 invoices in Jan 2022 to 232 invoices in June 2022
- g. **Legal Department liaison:** Regular quarterly meetings with the Legal Debt Recovery team are now taking place. The agenda covers monitoring of all referrals, discussion of any difficult cases and we have reviewed the AR/Legal protocol to update the policy and threshold limits.

h. Response to specific points from the Governance and Audit Committee meeting of 15th June 2022:

Data is reported to the monthly PFM meetings every month. The AR section provides the total number and total value of invoices in dispute and debts over 60 days old. This information is broken down into totals for each Head of Service area in line with all other corporate financial monitoring. In addition to the information provided to PFMs, every Head of Service is sent a full list of invoices that are on dispute for their area **every month**. They are also sent a full list of invoices that are over 60 days old every 3 months. The information is disseminated by email and explicit instructions are included in the email that explains what is attached and what the service department is required to do with the information. Further all staff in the Service Departments have the facility to produce their own up to date reports directly from the Oracle AR system and notes detailing how to run these are readily available in the Receivables User Group on MS Teams.

In June 2022 the Deputy Chief Executive and Director of Corporate Services raised the importance of invoice disputes with both CMT and Leadership group as per the action 2.2.4 in the audit plan.

Disputed invoices: when an invoice is disputed it is moved to the relevant hold category and an email notification is issued straight away to the individual staff member who raised the invoice. The invoice is then included in the monthly PFM reports and the Service Department lists as detailed above. Accounting Instruction 7 details the department's responsibilities with regard to invoice dispute resolution.

The provision policy for bad debt is monitored by Accountancy based on the detailed reports sourced directly from the Accounts Receivable system. Full due diligence is applied to debts before they are considered for write off to ensure that all avenues for recovery are exhausted.

The debt recovery process is robust but faces challenges. Every invoice that remains unpaid after 28 days will automatically be issued with a Reminder letter. If it remains unpaid after a further 14 days (42 days since the invoice was raised) a Final Reminder letter is automatically issued. After this point, the recovery activities are manually driven by the Accounts Receivable Section. The AR Team focus their manually driven activities primarily on the high value debts but aim to cover all value debts at some point. These remaining invoices require effort and time to chase and recover. The team has reduced 50% in size since 2010 which makes it very challenging to continue to expend the same amount of manual effort as previously. In addition, the global pandemic has resulted in an unprecedented poor financial outlook for many small businesses and Swansea residents. This is now being compounded by the cost of living crisis which will make the job of debt recovery officers even harder.

The Government also introduced new legislation in 2021 to help individuals in financial hardship (Debt Respite Scheme also referred to as Breathing Space). This has had an effect on all debt recovery in the Council and further mandates are expected with regard to debt repayment plans in the next 2 years. These measures are designed to protect individuals and restrict creditor activities. To date, there has only been a small impact to AR but mandated debt recovery plans may have a bigger impact resulting in additional

administration and less flexibility. Current AR procedures allow plenty of room for negotiation for debtors that are unable to pay their invoices.

i. Future activities

A review of the reporting methodology will be considered so that some aspects currently captured may be better recorded in a different way e.g. direct debits for debt repayment.

The new Head of HR and Service Centre commenced employment in mid-June and has been tasked with development of the action plan, progress of which will be reported to the interim Chief Executive and Director of Finance in the coming months. Further reporting to CMT will also be provided as required.

Options for investing in additional resource in the AR function will be explored in order to improve pace of recovery given the current level of activity with existing resources.

A further report to Governance and Audit Committee will be provided in 6 months to demonstrate further progress made against the audit plan.

2. Integrated Assessment Implications

2.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, and must in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Acts.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.
- Deliver better outcomes for those people who experience socio-economic disadvantage
- Consider opportunities for people to use the Welsh language
- Treat the Welsh language no less favourably than English.
- Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

The Well-being of Future Generations (Wales) Act 2005 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language

2.2 An IIA has been undertaken which has identified minimal impacts in relation to this report (Appendix A). The report covers debt recovery strategy and performance. The AR strategy takes into account the ability of the individual to pay the debt and ensures that they are not placed into poverty as a result of debt recovery activities. The strategy also has responsibility to protect the public purse so all activities are appropriate to the individual by taking into account their circumstances whilst aiming to recover monies due to the Authority.

3. Financial Implications

3.1 There are no financial implications other than those set out in the body of the report.

4. Legal Implications

4.1 There are no legal implications other than those set out in the body of the report.

Background Papers: None.

Appendices:

Appendix A	Integrated Impact Assessment Screening Form
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Integrated Impact Assessment Screening Form

Please ensure that you refer to the Screening Form Guidance while completing this form.

Which service area and directorate are you from?

Service Area: HR and Service Centre

Directorate: Resources

Q1 (a) What are you screening for relevance?

- New and revised policies, practices or procedures
- Service review, re-organisation or service changes/reductions, which affect the wider community, service users and/or staff
- Efficiency or saving proposals
- Setting budget allocations for new financial year and strategic financial planning
- New project proposals affecting staff, communities or accessibility to the built environment, e.g., new construction work or adaptations to existing buildings, moving to on-line services, changing location
- Large Scale Public Events
- Local implementation of National Strategy/Plans/Legislation
- Strategic directive and intent, including those developed at Regional Partnership Boards and Public Services Board, which impact on a public bodies functions
- Medium to long term plans (for example, corporate plans, development plans, service delivery and improvement plans)
- Setting objectives (for example, well-being objectives, equality objectives, Welsh language strategy)
- Major procurement and commissioning decisions
- Decisions that affect the ability (including external partners) to offer Welsh language opportunities and services
- Other

(b) Please name and fully describe initiative here:

Accounts Receivable Report to Governance & Audit Committee covering debt recovery strategy and performance

Q2 What is the potential impact on the following: the impacts below could be positive (+) or negative (-)

	High Impact		Medium Impact		Low Impact		Needs further Investigation	No Impact
	+	-	+	-	+	-		
Children/young people (0-18)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Older people (50+)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Any other age group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Future Generations (yet to be born)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Disability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Race (including refugees)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Asylum seekers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Gypsies & travellers	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Religion or (non-)belief	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Sex	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Sexual Orientation	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Gender reassignment	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Welsh Language	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Poverty/social exclusion	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carers (inc. young carers)	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Community cohesion	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Marriage & civil partnership	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pregnancy and maternity	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Human Rights	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Q3 What involvement has taken place/will you undertake e.g. engagement/consultation/co-productive approaches?
Please provide details below – either of your activities or your reasons for not undertaking involvement**

Not applicable

Q4 Have you considered the Well-being of Future Generations Act (Wales) 2015 in the development of this initiative: Yes

a) Overall does the initiative support our Corporate Plan's Well-being Objectives when considered together?

Yes No

b) Does the initiative consider maximising contribution to each of the seven national well-being goals?

Yes No

c) Does the initiative apply each of the five ways of working?

Yes No

d) Does the initiative meet the needs of the present without compromising the ability of future generations to meet their own needs?

Yes No

Q5 What is the potential risk of the initiative? (Consider the following impacts – equality, socio-economic, environmental, cultural, legal, financial, political, media, public perception etc...)

High risk

Medium risk

Low risk

Q6 Will this initiative have an impact (however minor) on any other Council service?

Yes No If yes, please provide details below

Q7 Will this initiative result in any changes needed to the external or internal website?

Yes No If yes, please provide details below

Q8 What is the cumulative impact of this proposal on people and/or communities when considering all the impacts identified within the screening and any other key decisions affecting similar groups/ service users made by the organisation?

(You may need to discuss this with your Service Head or Cabinet Member to consider more widely if this proposal will affect certain groups/ communities more adversely because of other decisions the organisation is making. For example, financial impact/poverty, withdrawal of multiple services and whether this is disadvantaging the same groups, e.g., disabled people, older people, single parents (who are mainly women), etc.)

The report covers debt recovery strategy and performance. The AR strategy takes into account the ability of the individual to pay the debt and ensures that they are not placed into poverty as a result of debt recovery activities. The strategy also has responsibility to protect the public purse so all activities are appropriate to the individual by taking into account their circumstances whilst aiming to recover monies due to the Authority.

Outcome of Screening

Q9 Please describe the outcome of your screening using the headings below:

- **Summary of impacts identified and mitigation needed (Q2)**
Mitigation is already in place to protect individuals who are unable to pay their debts.
- **Summary of involvement (Q3)**
Not applicable
- **WFG considerations (Q4)**
Ensuring prevention of poverty will contribute to all of the WFG goals
- **Any risks identified (Q5)**
No
- **Cumulative impact (Q7)**
No

(NB: This summary paragraph should be used in the **‘Integrated Assessment Implications’** section of corporate report)

Full IIA to be completed

Do not complete IIA – please ensure you have provided the relevant information above to support this outcome

NB: Please email this completed form to the Access to Services Team for agreement before obtaining approval from your Head of Service. Head of Service approval is only required via email.

Screening completed by:
Name: Michelle Davies
Job title: Cash Management & Accounts Receivable Manager
Date: 05/07/2022
Approval by Head of Service:
Name: Rachael Davies
Position: Head of HR and Service Centre
Date: 05/07/2022

Please return the completed form to accesstoservices@swansea.gov.uk