



Report of the Director of Corporate Services

Governance and Audit Committee – 17 January 2024

Implementation of Accounts Receivable Internal Audit Service's (IAS) Follow Up Review Recommendations

Purpose:	To provide an update on implementation of the IAS review of the Accounts Receivable function
Policy Framework:	None
Consultation:	Legal, Finance and Access to Services
Recommendation(s):	It is recommended that the contents of the report be discussed and noted.
Report Author:	Rachael Davies (Head of HR and Service Centre) & Michelle Davies (Cash Management & Accounts Receivable Manager)
Finance Officer:	Ben Smith (Director of Finance & S151)
Legal Officer:	Debbie Smith (Deputy Chief Legal Officer)
Access to Services Officer:	N/A

Internal Audit on Accounts Receivable Function – Update January 2024

1. Introduction

- 1.1 In March 2022 Internal Audit undertook a review of the Accounts Receivable function, providing a Moderate assurance rating. The report made 12 recommendations and actions were agreed to address them. A follow up review report was issued in March 2023, which also provided 14 recommendations and a Moderate assurance rating as 3 actions from the previous review were still outstanding.
- 1.2 The Governance and Audit Committee received an update on progress in June 2023. This report provides a further update.

2. Progress summary July 2023 to December 2023

2.1 At the end of December 2023 eight of the fourteen agreed actions had been completed as follows:

- A reminder has been sent to the AR Team to advise them that:
 - all emails from services relating to the reconciliation of their interfaces should be saved on the AR server for evidence
 - Officers should use diary entries on Outlook when dealing with disputed invoices to ensure the timely recovery action is taken
 - the Daily Transaction register should be checked thoroughly to ensure there are no gaps in the invoice numbering and any invoices not in sequential order should be reviewed and recorded in the Deleted Items spreadsheet
 - care needs to be taken create the correct profile in the Customer Account to ensure “Dunning” reminders are issued
 - write-off proformas /email instructions should be saved to the customer’s account on the AR server in all instances
 - invoices on the Oracle AR system should be updated with the Write-Off status in a timely manner,
- The periodic dispute review process has been reviewed and income is being clawed back from a service if a dispute is not resolved within six months,
- Refund approval notes are now always being input on to the “Invoice Notes” screen in the AR system.

2.3 The three other high/medium risk recommendations continue to be progressed, as follows:

- invoices are now being escalated on a timely basis in accordance with established protocols
- Appropriate follow-up procedures with debtors or services and diarising of invoice reviews are being carried out by officers in the AR team as a matter of routine - Debt Recovery Activities (DRA) meetings are held monthly ensuring maintained focus on debt recovery. Priorities are regularly reviewed, and progress is monitored. Where debtors have not paid within the timescales allowed, decisions are being made on whether to refer the invoice to Legal or submit for write-off, focusing on the oldest and highest value debts
- The backlog of unpaid invoices is being worked on as staff capacity allows

2.4 The AR Team is aiming to implement the recommendations in 2.3 in full by September 2024 at the latest, albeit recognising that there will always be a level of overdue debt. Additional staff resources may be required to achieve this, and this will be kept under review.

2.5 Table A presents a monthly breakdown of the council's total outstanding debt profile since the previous Committee update in June 2023.

Table A: July – November 2023 Monthly Analysis of Total Outstanding Debt

2023 (£)	Total O/S debt 30 to >365 Days	> 365 days	120-365 Days	60-119 Days	30-59 Days	0-29 Days
July	8,179,737	2,185,052	3,111,453	2,069,234	813,998	2,817,662
August	7,659,300	2,187,112	3,247,455	1,377,190	847,543	4,129,864
September	5,918,158	2,221,162	1,184,158	702,516	1,810,322	2,792,077
October	6,017,183	2,294,240	1,174,381	1,790,988	757,574	46,228,348
November	7,032,935	2,356,050	1,541,538	1,708,312	1,427,035	52,430,152
Average	6,961,463	2,248,723	2,051,797	1,529,648	1,131,294	

2.6 As Table A shows, reducing outstanding debt continues to fluctuate and to be a challenge due to the impact of the global economic situation as well as limited staff capacity in part due to implementation of the Oracle Fusion system. However, additional staff resource has now been secured for the remainder of the financial year which should help the position in the final quarter.

2.7 The figures shown in the final column of Table 1 represent the value of payments the council expects to receive within the normal expected payment period based on invoices raised and is not therefore considered to be overdue. Overall, the level of overdue debt (i.e., debt of 30 days, to more than 365 days) fell from £8.2 million in July to £7 million in November. While this shows an improving picture since July, the November figures are ten percent higher than the previous 12 months' monthly average.

2.8 Looking at this more closely, the latest debt position:

- Includes a few high value invoices for a small number of customers, as well as a high number of invoices with an average value of £75. The pursuit of these debts are being prioritised in DRA meetings, based on their value and volume.
- Reflects the council's requirement to adhere to the UK Government's Debt Respite Scheme (known as Breathing Space) which provides a debtor with the right to legal protections from their creditors in specific circumstances. The total number of Breathing Space notifications received by Swansea Council has doubled in this financial year (2023/2024) compared to the previous 2 financial years, reflecting the significant impact of the 'Cost of Living' crisis on debt recovery actions in Swansea. Whilst these notifications relate to individuals who have sought official help with problem debt it is indicative of the financial climate for families and small businesses who are struggling to make ends meet.
- Has been impacted by implementation of the Oracle Fusion system. Since June 2023, the AR team has had to learn the new system and to manage some limitations in the software functionality. We are exploring potential system improvements with Oracle and are re-designing the invoice

interface process internally which should in time release more staff capacity to work on debt recovery activity.

- 2.9 Notwithstanding the challenges, the AR team continues to make progress, referring outstanding debts to Legal, with 66 invoices totalling £69,511 being referred between July and December 2023. In addition, outstanding debt of £20,563 in respect of 93 invoices has been written off in the current financial year. There are a small number of disputed invoices and several payment plan agreements in place under which repayments are being made by debtors.
- 2.10 The AR Team, with support from Legal Services, continues to prioritise reducing the aged debt position, within the context of the Council's flexible collection policy and negotiating with debtors wherever possible. It is anticipated that directing additional staff resource solely to support debt recovery activity for the remainder of the financial year, will assist with end of year figures.
- 2.11 The following three remaining low priority actions will be progressed by the AR Team during 2024-25 as resources allow:
- Introduce bi-monthly reviews of invoices with "awaiting evidence" status
 - Undertake a review with officers in Legal Services of all invoices with the status "Referred to Legal"
 - All physical/electronic records must be disposed of in accordance with the Council's official retention policy.

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	Accounts Receivable internal audit report action plan points
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APPENDIX A

Accounts Receivable internal audit report action plan points

Ref	Recommendation	Risk Level	Agreed Action	Lead	Completion Date
Interfaces					
2.1.4	All emails from services relating to the reconciliation of their interfaces should be saved on the AR server for evidence. <i>(Previous audit recommendation)</i>	GP	A reminder will be issued to the AR team	MD	Implemented April 2023
Disputes					
2.2.5	Officers in AR team should use diary entries on Outlook when dealing with disputed invoices to ensure the timely recovery action is taken. <i>(Previous audit recommendation)</i>	LR	A reminder will be issued to the AR team	MD	Implemented April 2023
2.2.6	Income should be clawed back from a service if a "Dispute" is not resolved within six months. <i>(Previous audit recommendation)</i>	LR	The periodic dispute review process will be reviewed to ensure that all disputed invoices are followed up	MD/LB	Implemented June 2023
Invoices					
3.3.1	The Daily Transaction register should be checked thoroughly to ensure there are no gaps in the invoice numbering and any invoices not in sequential order should be reviewed and recorded in the Deleted Items spreadsheet.	LR	A reminder will be issued to the AR team	MD	Implemented April 2023
Debt Recovery					
3.6.4	Staff should be reminded of the importance of creating the correct profile in the Customer Account to ensure "Dunning" reminders are issued.	LR	A reminder will be issued to the AR team	MD	Implemented April 2023
3.6.5	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 submit for write-off. <i>(Previous audit recommendation)</i>	HR	This action is being implemented as quickly as available staff resources will allow. We are aiming for full implementation by September 2024 at the latest.	MD/LB	September 2024
3.6.6	The backlog of unpaid invoices should be addressed at the earliest opportunity. <i>(Previous audit recommendation)</i>	MR	This action is being implemented as quickly as available staff resources will allow. We are aiming for full implementation by September 2024 at the latest.	MD/LB	September 2024

Ref	Recommendation	Risk Level	Agreed Action	Lead	Completion Date
3.6.8	a) Appropriate follow-up procedures with debtors or services and diarising of invoice reviews should be carried out by officers in the AR team as a matter of routine. (Previous audit recommendation)	MR	This action is being implemented as quickly as available staff resources will allow. We are aiming for full implementation by September 2024 at the latest.	MD/LB	September 2024
3.6.8	b) Invoices on "Awaiting Evidence" status should be reviewed on a bi-monthly basis.	LR	Bimonthly reviews will be in place during 2024-25	MD/LB	March 2025
Invoices with Legal					
3.7.3	A review of all invoices with the status of "Referred to Legal" should be carried out with officers in Legal Services. (Previous audit recommendation)	LR	The review will be undertaken during 2024-25	MD/LB	March 2025
Write-Offs					
3.8.2 b)	Write-off proformas/email instructions should be saved to the customer's account on the AR server in all instances.	LR	A reminder will be issued to the AR team	MD	April 2023
3.8.2 c)	Invoices on the Oracle AR system should be updated with the Write-Off status in a timely manner.	GP	A reminder will be issued to the AR team	MD	April 2023
Refunds					
3.9.2	Refund approval notes should always be input on to the "Invoice Notes" screen in the AR system. (Previous audit recommendation)	GP	Investigations revealed that notes were being made on the debit memo rather than the invoice by one member of staff. This has now been corrected	MD	Implemented
GDPR/Data Retention					
3.11. 3	All physical/electronic records must be disposed of in accordance with the Council's official retention policy. (Previous audit recommendation)	LR	The team will work on records management when workloads allow	LB	March 2025