



## Report of the Interim Director of Corporate Services

Governance and Audit Committee – 14 June 2023

### Accounts Receivable

<b>Purpose:</b>	To provide an update for the Service Centre, Accounts Receivable Function.
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Legal, Finance and Access to Services
<b>Recommendation(s):</b>	It is recommended that the Governance and Audit Committee notes the content of the report.
<b>Report Author:</b>	Rachael Davies (Head of HR and Service Centre) & Michelle Davies (Cash Management & Accounts Receivable Manager)
<b>Finance Officer:</b>	Ben Smith (Director of Finance & S151)
<b>Legal Officer:</b>	Debbie Smith (Deputy Chief Legal Officer)
<b>Access to Services Officer:</b>	Catherine Window (Equalities Policy Development Officer)

#### Internal Audit on Accounts Receivable Function – Update June 2023

##### 1. Introduction

- 1.1 An internal audit follow up review of the Accounts Receivable (AR) was carried out in Quarter 1 2023 and the report was issued in March 2023. An assurance level of Moderate was again given. The detail below summarises the reasons and progress since January 2023 to date.
- 1.2 There were 14 action points arising from the review including 1 High Risk and 2 Medium Risk action points. Appendix B sets out all of the outstanding action points and work to complete these will be undertaken over the coming months, however implementation of the Oracle Fusion system will continue to take priority for the next few months. Appendix B shows the expected completion dates for the actions except for those discussed below which will take longer. These are detailed below:

Action point reference	Risk rating	Detail
3.6.5	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 submit for write-off. (Previous audit recommendation)
3.6.6	MR	The backlog of unpaid invoices should be addressed at the earliest opportunity. (Previous audit recommendation)
3.6.8	MR	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)

1.3 The Cash Management and Accounts Receivable Manager has reported to the Governance & Audit Committee periodically over the last 3 years and all Committee actions have been implemented.

1.4 The last report to the Governance and Audit Committee was in January 2023.

## 2.0 Progress summary January to May 2023

2.1 The three audit recommendations and actions undertaken to address them are detailed below:

2.2 **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.**

This recommendation has been implemented – debt recovery activities (DRA) 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.

The AR team continues to make progress with referring outstanding debts to Legal with a further 51 invoices totalling £102,889 referred to Legal in the period January to May 2023.

All write offs as at February 2023 have been approved and closed on the Accounts Receivable system. This includes the pending write offs that were referred to in the January 2023 committee meeting. In addition, the debt write-off procedure in Part 4.6 (Financial Procedure Rules) of the Council’s

constitution has been reviewed and approved in March 2023. The AR total amount of outstanding unpaid debt that has been written off in the financial year 2022/2023 is £606,678.47 in respect of 583 invoices. Of this annual total £409,398.38 was written off in March 2023 following the Council constitution change approved in the Cabinet meeting of 30<sup>th</sup> March 2023.

**2.3 3.6.6 The backlog of unpaid invoices should be addressed at the earliest opportunity.**

The aged debt position is detailed below. The previously reported figure has been left in for comparison to the current reported figure. The Committee is asked to note the following points:

- The Oracle Fusion system cutover in April has impacted the ability of the AR Team to carry out debt recovery activities. This is for a number of reasons including the system blackout period, undertaking system training and a requirement to check all process and functionality thoroughly as well as being involved in the resolution of the system early-life issues.
- Despite the above challenges a static position has been maintained in the category of debt over 365 days old.
- Although there is an increase of 14% of debt in the category 60-365 days old, 75% of the value of this debt is younger than 4 months old (119 days)
- All aged debt figures are snapshots and the outstanding debt position changes daily.

Month	Total Due	>365 Days	60 - 365 Days	0 - 59 Days
Nov 2022	11,176,168	2,270,466	1,184,328	7,721,374
		20% of Total Due	11% of Total Due	69% of Total Due
May 2023	10,261,317	2,124,290	2,591,259	5,545,768
		20% of Total Due	25% of Total Due	55% of Total Due

**2.4 3.6.8 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.**

As outlined earlier in the report, **debt recovery activities (DRA) 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.

Directors and Heads of Service receive a monthly report on outstanding debt that is older than 60 days and are issued with instructions on guidance on how to address.

### **3.0 Challenges remaining:**

- 3.1 The implementation of Oracle Fusion continues to impact the performance of the AR team as the staff are continuing to learn the new system as well as supporting the wider system user community. They are also involved in identifying and testing technical issues. In addition there are also some functionality features that Oracle provided in the previous system that are not currently available in the new system that is causing longer processing times and decreased flexibility. This latter point is primarily restricted to invoices being collected by direct debit payment method. It is hoped that this functionality will be provided in future releases on the software product.

The global economic situation continues to impact the Council's ability to collect outstanding debts and this is expected to have far-reaching impacts. The AR section continues to apply a flexible collection policy and seeks to negotiate with all debtors wherever possible.

The implementation of the Statutory Debt Repayment Plan (under the Breathing Space regulatory umbrella) has been delayed following creditor consultation but is still expected to impact creditors once implemented. The likely implementation date is now 2024 so this remains a future challenge.

## **4. Integrated Assessment Implications**

- 4.1 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

- 4.2 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.

## **5. Financial Implications**

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

## **6. Legal Implications**

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

**Background Papers:** None.

**Appendices:** Appendix A – IIA Form.  
Appendix B – Accounts Receivable Internal Audit Report Action Plan Points.

## APPENDIX A

### 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: Corporate Services

#### 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:

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.

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

Impact	High Impact		Medium Impact		Low Impact		Needs further No Investigation
	+	-	+	-	+	-	
Children/young people (0-18)	<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 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 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 checked="" type="checkbox"/>

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

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

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

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**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

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

Yes  No If yes, please provide details below

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

Yes  No If yes, please provide details below

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**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.)*

#### Outcome of Screening

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

- Summary of impacts identified and mitigation needed (Q2)
- Summary of involvement (Q3)
- WFG considerations (Q4)
- Any risks identified (Q5)
- Cumulative impact (Q7)

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.

(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.

<b>Screening completed by:</b>
<b>Name: Michelle Davies</b>
<b>Job title: Cash Management &amp; Accounts Receivable Manager</b>
<b>Date: 26/05/2023</b>
<b>Approval by Head of Service:</b>
<b>Name: Rachael Davies</b>
<b>Position: Head of HR &amp; Service Centre</b>
<b>Date: 26/05/2023</b>

Please return the completed form to [accesstoservices@swansea.gov.uk](mailto:accesstoservices@swansea.gov.uk)

## APPENDIX B

### Accounts Receivable internal audit report action plan points

REPORT REF	RECOMMENDATION	CLASS (HR; MR; LR; GP)	AGREED ACTION/ COMMENTS	RESPONSIBILITY FOR IMPLEMENTATION	IMPLEMENTATION DATE
<b>Interfaces</b>					
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	April 2023
<b>Disputes</b>					
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	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	June 2023
<b>Invoices</b>					
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	April 2023
<b>Debt Recovery</b>					
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	April 2023

REPORT REF	RECOMMENDATION	CLASS (HR; MR; LR; GP)	AGREED ACTION/ COMMENTS	RESPONSIBILITY FOR IMPLEMENTATION	IMPLEMENTATION DATE
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.  (Previous audit recommendation)	HR	This area of work will be given priority once the Oracle Fusion project has been implemented and bedded in. However it should be noted that progress levels will depend on the available resource on the AR team	MD/LB	
3.6.6	The backlog of unpaid invoices should be addressed at the earliest opportunity.  (Previous audit recommendation)	MR	This area of work will be given priority once the Oracle Fusion project has been implemented and bedded in. However it should be noted that progress levels will depend on the available resource on the AR team	MD/LB	
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 area of work will be given priority once the Oracle Fusion project has been implemented and bedded in. However it should be noted that progress levels will depend on the available resource on the AR team	MD/LB	
3.6.8	b) Invoices on "Awaiting Evidence" status should be reviewed on a bi-monthly basis.	LR	This area of work will be given priority once the Oracle Fusion project has been implemented and bedded in.	MD/LB	March 2024
<b>Invoices with Legal</b>					

REPORT REF	RECOMMENDATION	CLASS (HR; MR; LR; GP)	AGREED ACTION/ COMMENTS	RESPONSIBILITY FOR IMPLEMENTATION	IMPLEMENTATION DATE
3.7.3	A review of all invoices with the status of "Referred to Legal" should be carried out with officers in Legal Services.  <i>(Previous audit recommendation)</i>	LR	This area of work will be given priority once the Oracle Fusion project has been implemented and bedded in. However it should be noted that progress levels will depend on the available resource on the AR team and the Legal Debt Recovery team	MD/LB	March 2024
<b>Write-Offs</b>					
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
<b>Refunds</b>					
3.9.2	Refund approval notes should always be input on to the "Invoice Notes" screen in the AR system.  <i>(Previous audit recommendation)</i>	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
<b>GDPR/Data Retention</b>					
3.11.3	All physical/electronic records must be disposed of in accordance with the Council's official retention policy.  <i>(Previous audit recommendation)</i>	LR	The team will work on this area of work when workloads allow	LB	March 2024