

Background and Context

1.1 According to the online Financial Dictionary debt management is “Any strategy that helps a debtor to repay or otherwise handle their debt better...”. To manage debt more effectively, in January 2022 the Cabinet approved a revised Corporate Debt Management Policy (Policy) with effect from 1st April 2022. The Policy aimed to promote and support proper and equitable debt management processes for all major sources of income owed to the Council and to ensure the Council minimises debt and maximises rates of collection. The Policy is published on the Council’s website and is in the public domain.

Scope and Objectives

1.2 The objective of this audit was to review and assess the adequacy of the Council’s debt management arrangements, compliance with the Policy and effectiveness of the Policy. The scope of the assignment included:

- Debt collection and recovery process, including write-offs and credit notes.
- Implementation of ethical elements of the Policy.

Audit Opinion

1.3 Internal Audit obtained ‘**Limited Assurance**’ on the adequacy and effectiveness of the Council’s debt management arrangements and the Policy.

Key Messages and Findings:

1.4 Internal Audit found that positively:

- The Council has published a Policy which provides a unified approach towards income collection.
- Management informed Internal Audit that the Policy would be implemented in full in 2023/24
- The Income Collection and Accounts Receivable teams consist of experienced, knowledgeable staff.
- Staff reallocated to other duties during Covid had returned to income collection duties.

1.5 Internal Audit raised two high priority and six medium priority findings in respect of the following weaknesses:

- The Policy had not been followed in full in 2022/23 due to lack of resource (staff were reallocated to other duties during Covid, returning January 2023) and the need to reconfigure documentation, software, and processes; Internal Audit were informed that the Policy was being followed in full in 2023/24
- The timetable set out in the Policy for various stages of the debt collection process was inconsistent and had not been fully adhered to
- The “soft reminder” stages of debt collection set out in the Policy had not yet been actioned; the Policy was misleading in that it does not indicate that the “soft reminder” stages are discretionary.
- The Policy makes Services responsible for ensuring compliance with the relevant legislation concerning debt collection; however, responsibilities between the Income Collection team and the Service for collection of some debts was unclear.
- The implementation of the Policy had not led to more effective debt management in 2022/23, due to the extended period for which recovery action was suspended.
- The Council had accumulated around £14.75m of debt over two years old, there is a significant risk that most of this aged debt will not be recovered without a change in policy and significant additional resource.
- There was £1.1m (2,335 payments) of unallocated income that required manual matching to debts and hence to customer accounts; of this £209k (630 payments) was received more than one year ago.
- The volume of debt written off in 2022/23 was considerably lower than the debt identified for write off on ABW and was not reported to Audit Committee, as stated in the Policy.

Management Response

1.6 The findings of the report have been accepted by management who have agreed management actions to address them. These were as detailed below and include up to date position statements. Of the 20 agreed management actions, eleven are complete and a further nine are in progress, with one of those on hold.

1.7 The actions in progress are:

- To review resource levels in income collection to ensure they are sufficient for the workload.

This piece of work is in progress with temporary resource being brought on board as an interim measure. Resources will be further reviewed over the remainder of the current financial year.

- An independent review of debt collection process and procedures

A debt action plan has been drawn up for review by senior managers with actions spread over the short, medium and long term. As part of this plan policies and processes are being reviewed to ensure they are fit for purpose to provide an effective and efficient administration which maximises the collection of outstanding monies but supports those suffering financial vulnerability.

- The Policy will be reviewed during 2023/24

Draft of revised Policy is being reviewed.

- Review the write off policy within the Policy (as part of above bullet)

Draft of revised Policy is being reviewed.

1.8 A further four actions are in progress but have missed agreed implementation dates:

- Implementation of soft reminders for ASC (duplicated as noted against two findings)

Automated recovery action due to commence 4 September 2023, revised target date 30 September 2023.

- Work with colleagues to ensure debt recovery for Careline is effective.

This piece of work has commenced but due to leave over the summer period has slipped but will be picked up during September. New target date of 30 September 2023.

- Create a monthly dashboard for Revenues & Benefits Head of Service which will provide an overview of collection activity and a collection profile.

This piece of work is much larger than initially thought and colleagues in the Data & Insight team have not been able to meet the original or revised target dates. Discussions are ongoing and the importance of the delivery of this dataset has been communicated. No target date currently but is being actively worked on.

- One action is on hold - work with colleagues in ASC and ABW Systems to design and implement a service specific invoice template which suits their needs.

This task requires significant rework of existing templates and data manipulation to create a service specific invoice template. Colleagues in ASC have been tasked with providing further data and this action is on hold until that is supplied and the level of work required fully understood. There is no risk to invoicing as that continues using the existing invoice template.

