

Classification: UNCLASSIFIED

Internal Audit Report

Sundry Debtors

To: Darren Carter- Director of Finance
Andy Jehan - Exchequer Manager
Jackie Yates - Deputy Chief Executive
Annette Trigg - Chief Accountant

From: Claire Aspell, Senior Auditor

Date: 09 April 2020



**Limited
Assurance**

EXECUTIVE SUMMARY

1. BACKGROUND

- 1.1 Sundry debtors had received a 'limited assurance' or 'no assurance' opinion over the last four annual audit reviews. The project plan produced in 2019 to transfer the accounting arrangements for sundry debtors from Academy to Fusion had only been partially implemented as at the end of 2019 - 2020 financial year. The current 'go live' target date is 1st April 2021, but reliance is on other IT partners to make this possible.
- 1.2 Responsibility for the Sundry debt largely sits with the Accounts and Receivables (AR) Team where most invoices are raised centrally. Adult Social Care (ASC) invoices are mainly raised within three teams, these being FAB, Personal Budgets and Commissioning and Contracts with some being raised within the Deputies Service. Services support the AR Team by assisting in the debt recovery process and by fulfilling their responsibilities as outlined in the revised Corporate Debt Recovery Policy (dated Dec 2020) when raising the debt in the first place.
- 1.3 Adult social care charging and debt management is complex and has specific considerations not present in debt management for other business areas. As this audit was a review of the end to end process of service areas that raised debts through the corporate debtor's system, it includes adult social care debt.

2. OBJECTIVES & SCOPE OF THE AUDIT

2.1 The objectives of this review were:

- To establish and evidence the implementation status of those recommendations made and agreed in the previous recent audit reports and progress of the project plan.
- To establish if invoices had been raised with enough supporting documentation to be able to support debt recovery should the need arise.
- To ascertain whether Service Managers were/should be aware of the impact to their budget should non-payment result in a write off.
- To confirm payments had been auto matched to debtor accounts, and receipts without a valid reference had been posted to and cleared from a suspense account on a regular basis.
- To ensure unpaid invoices had been monitored and chased appropriately. Bad debts had been appropriately authorised and accounted for before being written off.
- To establish whether collection performance had been monitored and reported, and how collection activity had been focussed.

2.2 This audit (and report) was undertaken in accordance with the Public Sector Internal Audit Standards ([PSIAS](#)).

3. CONCLUSIONS

3.1 The Accounts Receivable Team in Corporate Resources is responsible for the higher-level management and control of the Accounts Receivable (Sundry Debtors) system, with service areas responsible for requisitioning the invoice and supporting the Accounts Receivable Team in the debt recovery process. Adult Social Care debts are raised through a MOSAIC workflow from three different service areas through to the Accounts Receivable Team.

3.2 Including Adult Social Care, there were 8,559 unpaid invoices with a total value of more than £20m, as at the end of December 2020. It should be noted that £7.3m is recent debt, under 30 days old. However, the total debt reduces to £9.7m outstanding if large sums due (£10.4m) from other local authorities, NHS trusts and RBC owned companies are disregarded.

3.3 Whilst we recognise there has been some progress in implementing previous audit recommendations, and work is being progressed through the Finance Transformation workstream, much of this is still work in progress.

- 3.4 There are still different procedures followed for the monitoring and chasing of debt, however a revised Debt Recover Policy was agreed at Policy Committee in December 2020, providing much needed direction. However, this has yet to be embedded and thus control weaknesses still remain. These include, but are not limited to, inadequate forms for raising invoices and full recording of the reasoning behind write offs, incomplete information being supplied to the Accounts Receivable Team by services to inform the debt recovery process and large quantities of invoices still being raised for small values.
- 3.5 There is also confusion around responsibilities in the recovery process, particularly within adult social care where many service departments are involved, and many systems are used to record actions. We also believe the reconciliation of Adult Social Care service user accounts between Academy and MOSAIC are delayed, which could impact on collection and also debt provision.
- 3.6 Whilst regular debt reporting is happening at an operational level, there is still a lack of strategic oversight of the Council's debt position. However, the resurrection of the Corporate Debt Group is a positive step.
- 3.7 One common theme that emerges every year is the level of detail on invoices is sometimes inadequate, which in turn generates queries by the debtor, which then results in the Accounts Receivable staff having to act as intermediaries. These are important issues that if addressed, could improve collection performance.
- 3.8 Staff in the central team are tasked to follow up unpaid invoices and recover payment from debtors, although at the time of our audit we found no consistency, priority or direction as to their work, and in particular the order that accounts are worked on. Payments in respect of debtor invoices previously raised are automatically matched each day against debtor accounts. Those receipts which do not have a valid reference, for whatever reason, are posted to a suspense account. These are generally being investigated regularly and quickly cleared in most instances.
- 3.9 The move to transfer the Debtors from Academy to Oracle Fusion is currently on target, despite the short timescale which has meant it has not been possible to sufficiently consider full functionality and potential interfaces with some existing systems. It is our opinion that the added controls within Fusion will improve many aspects of the debtors processes including monitoring and reporting, and authorisation limits, but these responsibilities will need to be allocated. However, some of the existing practices which are intended to continue post migration need to be reconsidered. Through discussion it has transpired that key staff outside of the Accounts Receivables team have not been part of this Academy to Fusion transfer process, and therefore there is a risk that some of the specific idiosyncrasies within the Adult Social Care charging process have not been considered or addressed.

- 3.10 A total of 11 recommendations have been made in respect of this review, of which 3 are considered high priority. The recommendations and corresponding management action plan are attached at Appendix 1.

APPENDIX 3

Management Action Plan

Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
<p>TO ESTABLISH AND EVIDENCE THE IMPLEMENTATION STATUS OF THOSE RECOMMENDATIONS MADE AND AGREED TO IN THE PREVIOUS AUDIT REPORTS AND PROGRESS OF THE PROJECT PLAN</p>					
<p><i>RISK: There is a risk that staff will not have received enough training to perform their jobs at the appropriate and expected level. Or are unable to perform account receivable, charging, and collection tasks. There is a risk that the idiosyncrasies of specific service areas have not been considered and have not been addressed in the process</i></p>					
1	<p>All staff who currently use Academy for debt creation or monitoring should be included and consulted as part of the Academy to Fusion migration project.</p> <p>This should include but not limited to adult social care staff within Commissioning, Charging, Personal Budgets, FAB.</p>	<p>Priority 1</p>	<p>Agreed.</p> <p>The communication of the Accounts Receivable system migration to Fusion has been communicated to the Accounts Receivable system users. Fusion Accounts Receivable system procedure documentation has been sent to direct system users and Teams training has also been provided during March 2021.</p> <p>The system migration from Academy to Fusion “go live” has now been agreed as the 4 May. Communication of this will be provided to Council staff and customers in late March/early April. Staff will be given the opportunity to raise any queries as part of this process.</p> <p>The system changes were not communicated earlier as there was some uncertainty about the migration to Fusion due to IT technical issues.</p>	<p>Financial Systems Accountant</p> <p>Financial Systems Manager /Financial Systems Accountant</p>	<p>31 March 2021</p> <p>9 April 2021</p>

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
<p>INVOICES ARE RAISED WITH ENOUGH SUPPORTING DOCUMENTATION TO BE ABLE TO SUPPORT DEBT RECOVERY SHOULD THE NEED ARISE.</p> <p><i>RISK: Staff that are involved on the sundry debt process are not aware of their responsibilities, this includes all stages of the debtors process from requisition, through collection and write off. There is a risk that invoices are raised with insufficient documentation to support a robust collection process, resulting in writing off the debt and loss of income to the Council.</i></p>					
2	<p>The Debt Recovery Policy must be rolled out to all services and staff that charge for services and are involved in debt collection, so they are aware of their responsibilities and the impact of not collecting debt on their budget.</p>	<p>Priority 2</p>	<p>An awareness a training programme is being developed to support the embedding of the new debt policy and guidance on how to apply it. This will be a targeted awareness programme at officers that are directly involved in the collection and management of debt. Additionally, there will be a more general comms to service managers about the debt policy and applying it to their service.</p> <p>An ASC tailored version of the policy is being developed that is consistent with the corporate policy but reflects issues associated with contributions towards care</p>	<p>Revenues & Benefits Manager</p> <p>Locality Manager Adults</p>	<p>The plan of activity will be agreed in May 2021 and it will be rolled out over the year to target groups.</p> <p>30 June 2021</p>

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
<p><i>RISK: There is no formal justification / acceptance of liability resulting in being unable to collect the debt. There is a delay in the collection process whilst verifying the accuracy of the level of debt owed. Incorrect debt levels are migrated. The Council's bad debt provision is not a true and accurate reflection. The cost of collection out-weighs the potential income / non-compliance with policy</i></p>					
3	<p>The current forms used in the sundry debt process need to be reviewed and amended to reflect the Debt Recovery Policy, Fusion field requirements and to ensure a request is robustly supported.</p> <p>Serious consideration needs to be given to mandating the requirement to provide all supporting evidence at the requisition point, to be held in a central repository for debt recovery purposes, rather than a tick box confirming it is held within the service.</p> <p>This will mean a process to review supporting documentation and authorising its completeness prior to physically raising the debt.</p> <p>The o365 benefits realisation board / smarter working board should be consulted in electronic form creation and approval workflows.</p>	Priority 2	<p>Agreed.</p> <p>Current sundry debt forms will be reviewed and adjusted to be meet the Fusion requirements, Debt Recovery Policy, Fusion information and to request essential supporting information.</p> <p>A review of invoice supporting evidence will be carried out to consider how the departments currently store debt information and how existing arrangements can be improved. In some areas it will not be possible to hold information centrally due to data protection and GDPR requirements, there is also a need to avoid duplicating information/work.</p> <p>The realisation board/smarter working board will be consulted for the production of electronic form creation and approval workflows where possible. The achievement of this recommendation will depend on the realisation board/smarter working board priorities.</p>	<p>Exchequer Manager</p> <p>Exchequer Manager</p> <p>Exchequer Manager</p>	<p>28 May 2021</p> <p>28 May 2021</p> <p>28 May 2021</p>

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
4	<p>Adult social care service users, or their financial representative, should be requested to formally accept liability for the debt of their assessed charge(s) at commencement of a care package.</p> <p>Discussions should also be held with Legal Service to ascertain if the Council can mandate the requirement that all service users must identify a financial representative for when the need arises.</p>	Priority 1	<p>Agreed</p> <p>A set of revised processes and procedures are being developed to support social workers when care is required/needed to be put in place for the first time. These changes will ensure that individuals and families are clearly advised that they may need to contribute towards their care and that a financial assessment will be undertaken to determine how much if any that contribution might be. Steps are being taken to ensure that when a debt does arise that officers advise individuals and families that they have fallen into arrears.</p> <p>ACS will continue to work with legal colleagues to ensure that processes are care act compliant.</p>	Locality Manager Adults	30 June 2021
5	<p>Priority needs to be given to reconciling adult social care debtor accounts to Mosaic, which should ideally be done prior to open invoices being migrated to Fusion and the presentation of year end accounts.</p>	Priority 1	<p>Agreed</p> <p>It is estimated that there are 700 accounts that could be reconciled where 200 have been reconciled. Given the capacity of the PBST it will not be possible to reconcile all accounts prior to going live with Fusion. Consideration will have to be given to prioritising any reconciliations to minimise risks of transferring inaccurate data to Fusion.</p> <p>A review of all account where there is a debt will be undertaken.</p>	Principal Personal Budget Support Officer	<p>30 April 2021</p> <p>30 September 2021</p>

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
6	<p>Fees and charges need to be considered in line with the Debt Recovery Policy, and where charges are below the £50 limit for raising an invoice, and the charge remains below that limit, service should not provide the service without having received payment up front.</p> <p>A report should be run periodically to identify areas of non-compliance to find a solution and to identify training needs.</p>	Priority 2	<p>Agreed.</p> <p>A transaction report of all invoices currently outstanding which have a value below £50 will be run to identify services areas that raise invoices below £50. These service areas will be told not to raise invoices and to collect future payments in advance of providing the service.</p>	Exchequer Manager	30 April 2021
<p><i>RISK: Budgets are not robustly managed/monitored. Written off debts could significantly impact on current year available budget. Budget holders are not aware of the level of debt in their service area or how to monitor the collection. Budget holders cannot be held accountable if they do not have the tools to monitor debt or have been made aware of their financial responsibilities</i></p>					
7	<p>In conjunction with recommendation 2, a Budget Holders Financial Manual needs to be drafted to outline all financial responsibilities with that employment role, including those relating to income, debt monitoring and debt collection.</p>	Priority 2	<p>Agreed.</p> <p>A Budget Holders Financial Manual is currently being drafted and will be issued to Budget Holders once finalised.</p>	Financial Planning and Strategy Manager	28/05/21

ENSURE PAYMENTS ARE AUTO-MATCHED TO DEBTOR ACCOUNTS, AND RECEIPTS WITHOUT A VALID REFERENCE ARE POSTED TO AND CLEARED FROM A SUSPENSE ACCOUNT ON A REGULAR BASIS.

*RISK: Debtors are unaware of the Councils, credit terms and conditions
Debt collection processes must be invoked as debtors are unaware of the Council's terms and conditions, workload pressure on the Collection Team
The Collection Team is unable to prioritise its workload*

8	<p>The standard terms and conditions for payment of an invoice should be included on each invoice issued for goods or services provided by the Council.</p> <p>The invoice template needs to be amended to reflect this.</p>	Priority 2	<p>Agreed.</p> <p>The standard payments terms have been included on the new invoice format for invoices raised in Fusion. The migration of the Accounts Receivable system from Academy to Fusion will take place in May 2021.</p>	Financial Systems Manager	04 May 2021
---	--	------------	---	---------------------------	-------------

UNPAID INVOICES ARE MONITORED AND CHASED APPROPRIATELY. BAD DEBTS ARE APPROPRIATELY AUTHORISED AND ACCOUNTED FOR BEFORE BEING WRITTEN OFF

RISK: The bad debt provision is unrealistic. Reputational risk; aged debts do not become easier to collect with age. Inefficient recovery process due to incoherent and adhoc approach to and where actions and contact has been recorded

9	<p>To be able to provide a realistic Bad Debt provision and to get the number of debtors to a manageable quantity to perform an effective recovery service, a comprehensive/radical approach must be given towards those debts that are most likely not to be recovered, such as:</p> <ul style="list-style-type: none"> • Debts past the statute of limitations • Deceased debtors • Low value, uneconomic for recovery 	Priority 2	<p>Agreed.</p> <p>The debt for Adult Social Care has recently been reviewed and priorities have been assigned in terms of tackling three key areas:</p> <ol style="list-style-type: none"> 1) high value outstanding debts 2) deceased customers debt and 3) low value debts and other non-recoverable debts to be written off. <p>The same exercise will also be completed for general sundry debtors.</p>	Exchequer Manager	30 April 2021
---	---	------------	--	-------------------	---------------

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
10	<p>To assist in the debt recovery process, an agreement must be made with all services as to what information is held in which system, and in what format.</p> <p>It may be worth discussing needs and options with Legal Services.</p>	Priority 2	<p>Agreed.</p> <p>This recommendation will be covered as part of the work completed for recommendation 3 above.</p>	Exchequer Manager	28 May 2021
<p>COLLECTION PERFORMANCE IS MONITORED AND REPORTED. COLLECTION ACTIVITY IS FOCUSED, AND LESS PRIORITY IS GIVEN TO ACCOUNTS WITH AGEING BALANCES WHICH MAY NOT BE 'REAL' RECEIVABLES</p>					
<p><i>RISK: Fraudulent acts go undetected. The cost of collection is unknown and may impact on the minimum invoice values for specific actions. Collection is not proceeded due to lack of response - debt age increases, resulting in an increase that the debt is unlikely to be recovered</i></p>					
11	<p>A process for monitoring collection performance needs to be established to ascertain:</p> <ul style="list-style-type: none"> • Performance is as expected • Identify training needs • The quality of the collection process • To identify collection sticking points within specific accounts • That all accounts are being reviewed • Potential fraud / collusion • The cost of collection • If the focus is appropriate and in line with policy <p>Consideration is needed as to what system reports are required to provide the right information for an overview of collections.</p>	Priority 2	<p>Agreed.</p> <p>The current debt monitoring report information is in the process of being reviewed to put in place a more targeted approach to address the debt levels. This includes monthly reviews of all debts particularly for Adults Social Care debts. The reviews will target significant debt values and older debts first.</p> <p>Monthly debt collection KPIs will be put in place in place to monitor the effectiveness of the debt collection process and the associated costs.</p> <p>Fusion accounts receivable reports to be set up and in place for monthly sundry debt monitoring.</p>	<p>Exchequer Manager</p> <p>Exchequer Manager</p> <p>Financial Systems Manager / Financial Systems Accountant</p>	<p>30 April 2021</p> <p>28 May 2021</p> <p>28 May 2021</p>

4. FINDINGS

4.1 TO ESTABLISH AND EVIDENCE THE IMPLEMENTATION STATUS OF THOSE RECOMMENDATIONS MADE AND AGREED TO IN THE PREVIOUS AUDIT REPORTS AND PROGRESS OF THE PROJECT PLAN

4.1.1 Regular updates are reported to Audit and Governance Committee and documented in the Audit Tracker. There are three recommendations being monitored that relate to the Council’s debt management end to end process.

4.1.2 Audit tracker Ref: 7 /17/18

Recommendation	Latest Update provided on audit tracker
<p>All staff who raise invoices should be reminded that:</p> <ul style="list-style-type: none"> • Invoices should be raised accurately and on a timely basis • Each invoice should bear the necessary information or detail to reduce the likelihood of subsequent customer queries. • As a principle, services should not continue to be provided until outstanding invoices have been paid. • There should be clear supporting records and information concerning the invoice that is easily accessible and understandable in the event of future query or need. 	<p>13 January 2021</p> <p>Cull of inactive suppliers all done. The role of supplier set up and maintenance has moved to procurement who have recruited to the position, they are also undertaking a project to create a preferred supplier list.</p>
<p>Audit Findings:</p>	<p>The management update provided on the 13 Jan 2021 does not relate to debt management, but in fact relates to accounts payables. We can only presume that this was an administrative error.</p> <p>From our enquiries we note that the new debt collection policy outlines these requirements, however the policy has not yet been proactively rolled out to services and to those responsible for creating invoices.</p>
<p>Opinion:</p>	<p>PART IMPLEMENTED</p>

4.1.3 Audit tracker Ref: 8 17/18

Recommendation	Latest Update
<p>It is further suggested that the role and work undertaken by Legal Services in the recovery of unpaid items is reviewed and re-evaluated to ensure it remains appropriate and fit for purpose.</p> <p>Once it is clear what is agreed it is recommended that this is defined in a Service Level Agreement (SLA) between Legal Services and Income & Assessment.</p>	<p>The management update provided on the 13 Jan 2021 recorded that an SLA is being developed to clarify the role of legal in the recovery of unpaid debt.</p> <p>Regular monthly meetings between legal services and income and assessment are underway to finalise the arrangements which will be completed by the end of March.</p>
<p>Audit Findings:</p>	<p>The Debt Collection Policy was approved at Policy Committee in December 2020, but progress in drafting the SLA has yet to commence. The SLA should outline Legal Service’s expectations of Services including required documentation, timescales and likely options and outcomes.</p> <p>Legal has restrictions in what it can do and there must be a legal cause to be able to proceed. These restrictions and causes need to be explained and documented in plain English to improve the working relationship between Legal, Collection Teams and Services. This may aid the Collection Teams to further focus on those debts where legal time constraints or mental capacity deterioration will prevent debt from being collected.</p> <p>Further explanation should be given to explain, what can be long, legal processes such as collecting from deceased accounts and the available options to protect the Councils ability to claim from a financial estate. Improved understanding may bring earlier engagement with Legal Services.</p>
<p>Opinion:</p>	<p>PART IMPLEMENTED</p>

4.1.4 Audit Tracker Ref: 39 18/19

Recommendation	Latest Update
<p>The procedures and processes for managing and monitoring sundry debt needs to be strengthened to actively reduce and prevent the debt. The following areas should be considered: -</p> <ul style="list-style-type: none"> • distribution of aged debtors report should be specific to the service. • all services should promote payment at the point of supply of service etc. • arrears should be analysed to identify services and reasons for arrears so that a targeted approach can be instigated. • services should be required to provide an account of the reasons for their arrears alongside the reasons for their budget variance status as part of the regular budget monitoring process/es. 	<p>The management update provided on the 13 Jan 2021 explained that new processes and procedures for managing the sundry debts are to be introduced when Accounts Receivable is moved from Academy to Oracle Fusion. This will generate specific reports to services which will enable the collection teams to be more efficient. New processes are in place with regards to ASC debt and its collection. This will be addressed as part of the end-to-end AR transformation project. Go live scheduled for April 2021</p>
<p>Audit Findings:</p>	<p>Monthly aged debt reports are created by the AP and AR Team Leader and distributed to various individuals in the finance and recovery teams and Services. The reporting function in Academy is basic, but once transferred to Oracle Fusion there will be more meaningful and a greater variety of management information available going forward. Consideration will need to be given as to which reports are run, for what purpose and how that will fit into the overall debt management process.</p> <p>The New Debt collection policy requires the promotion of payment at the point of supply.</p> <p>There is no Budget Holders Financial Management handbook to explain budget holder responsibilities. Additional functionality will be available to budget holders in Oracle Fusion and these new expectations and responsibilities will need to be documented.</p> <p>The aim is for all Sundry debt accounts, excluding Adult Social Care (ASC) debt, to be reviewed over a month period by two income and recovery officers. The December aged debt showed 797 different accounts.</p> <p>ASC had 1436 different accounts to be reviewed by two job share income and recovery officers. Performance is not monitored. Specific ASC debts which are approaching write off are discussed monthly.</p>
<p>Opinion:</p>	<p>PART IMPLEMENTED</p>

- 4.1.5 From the assessment above we can see that some progress has been made in implementing historic audit recommendations, but the changes are recent and have not been embedded. In addition, existing business processes will need to be reviewed to ensure they are fit for purpose when moving to Oracle Fusion.
- 4.1.6 Work has been done on cleansing the debtor data base which has been uploaded to the test system. At the time of the audit it was envisaged that the upload to the live system would be done imminently. This will result in an element of double tasking when setting up new debtor accounts. Data migration and Access is a significant risk and a critical success factor to ensure staff can access current and historical data for customers, auditors, HMRC, etc. The need to secure access to the past data is essential and therefore it is currently proposed to hold the data in Academy. Further information including access charges is required from Capita before this option can be confirmed as a suitable way forward.
- 4.1.7 Audit has suggested that a final reconciliation occurs before migrating open invoices to Fusion.
- 4.1.8 Staff resources to complete the migration to Fusion in addition to other AR business as usual work and the debt improvements required is also an issue and priorities will need to be agreed.
- 4.1.9 There is also additional Oracle Fusion functionality which has not yet been possible to implement, given the time scale for this project, such as invoice requisitions and an interface with Information at Work (i@w).
- 4.1.10 Fusion should bring about some improved functions within the debtors' process such as:
- Approvals and authorisations
 - Automated workflows
 - Validation and restriction controls aligned with defined access and authorisation rights/ limits
 - A defined automated dunning process that could automatically chase for non-responses and aligned with policy
 - Easy production of statements of accounts
 - Budget holder access to monitor debt
- 4.1.11 The AR team have received some training in using Fusion, but during discussions with other key staff during this audit review, we were advised that staff within ASC have no knowledge of the go live date or how to use Fusion for the debtors process.

See recommendation 1

4.2 INVOICES ARE RAISED WITH ENOUGH SUPPORTING DOCUMENTATION TO BE ABLE TO SUPPORT DEBT RECOVERY SHOULD THE NEED ARISE.

4.2.1 A Debt Recovery Policy was approved at Policy Committee in December 2020, the appendices of which outline the principles of raising and collecting a sundry debt. It has not been established if this policy has been made available to all those involved in providing a chargeable service or those with responsibility to manage debt.

See recommendation 2

4.2.2 Sundry debts are raised centrally in the Accounts Receivables Team (AR) using an electronic invoice request form available via the Dash, accessed from the intranet. Adult social care debts are mainly raised via a mosaic workflow from three ASC service areas, Non-residential and Day Care Services, Personal Budgets and the Finance and Assessment Benefit Team with some being raised by the Deputies.

4.2.3 A review of the electronic invoice request form used for non-ASC invoice requests has identified numerous weaknesses:

4.2.4 Your Details Tab

- The requestors details are automatically populated, but these can be overwritten
- The requestors email does not have to reflect the name field
- There are no validation checks on this tab

4.2.5 Customer Detail Tab

- Whilst the form differentiates between business debtors and individuals and validates the customer ID, it does not validate that the customer ID relates to a business or individual. It merely validates the existence of the customer ID reference.

4.2.6 The Customer Contact Detail Tab

- The telephone number field is a mandatory field, but will accept just one digit
- Any email address is accepted even the same email as the requestors, there are no validation, sensibility checks or format checks
- The additional information field is not mandatory.

4.2.7 The Invoice Details Tab

- Any requestor can quote any Service Department, there are no restrictions linked to the requestor
- Likewise, there are no restrictions for raising specific invoice types, for example Licensing could be quoted in the service department field, with an invoice type of adult social care.
- The income code field does not require a valid code, any 16-digit combination would be accepted, income code, expenditure code, non-existent code.
- PO field for Business invoices is not mandatory

See recommendation 3

- 4.2.8 There appears to be no budget holder authorisation process for raising an invoice.
- 4.2.9 Currently the invoice request is received via a workflow into I@W shared access work-tray and are manually input into academy at which point any errors on the invoice request may be identified, chased and amended. Audit was advised, if all the fields are completed no additional checks are done, including assessing the level of existing debt. We must remember at the time of raising the invoice it is possible that the service has already been provided. It is envisaged that this process will remain following migration to Fusion.
- 4.2.10 There is no control to ensure there is evidence to support the charge and to aid any following collection process at the point of invoice creation. Testing of the collection process found reasons for non-payment included a lack of referencing such as an official purchase order, a contact name, appropriate project or department, all resulting in the need to instigate debt collection processes and a delay in the Council receiving income owed. All of which could have been avoided had complete information been provided.
- 4.2.11 A request for ASC charging usually comes via a mosaic workflow following a financial assessment. The following checks are done prior to raising an invoice:
- FAB letter detailing the maximum weekly contribution is on file
 - Check the service user's contribution is not more than the total care package
 - Confirm the care has commenced
 - Ensure the planning tool has details of the care package, as this is the authorisation to create the charge.
- 4.2.12 The invoice is then raised in Academy, with subsequent automated reoccurring invoices interfaced via Mosaic. Personal Budget (PB) service user accounts are expected to be reconciled on an annual basis between Academy and Mosaic. Accounts are risk assessed to identify the need for a light touch reconciliation or a full reconciliation. The Principal Personal Budget Support officer provided a report of PB user accounts which showed circa 371 accounts had either received a reconciliation or had been closed during 2020-21. One was a full reconciliation (category 1), 52 had been closed, meaning 318 had been light touch reconciled. There were approximately 460 cases due a reconciliation. There was no report available to show when these had last been done or to which reconciliation category they belonged.
- 4.2.13 Audit was informed that a full reconciliation happens upon request or if a query is identified during a light touch reconciliation process.
- 4.2.14 Anecdotally reconciliations are delayed and take a significant amount of time to reconcile due to the manual nature of this task currently. This not only impacts on the collection process, but also on the bad debt provision in the Council's accounts. This is also a potential issue for when 'open' invoices are migrated to Fusion.

See recommendation 5

4.2.15 Whilst the ASC processes support the authorisation to raise an invoice and allocate funding, there is no standard procedure for obtaining signed authorisation / acceptance of financial liability of the service user (or representative) at the commencement of the care package, or when they become financially liable. This issue can be a major stumbling block in the recovery process. The Council needs to maximise the likelihood of being able to recover debt.

See recommendation 4

4.2.16 The Debt Recovery Policy specifies, *'An invoice should not be raised for less than £50.00. For fees and charges less than £50.00 payment must be made prior to the goods or services being provided. However, this excludes legal charges (e.g. ground rent) and arrangements already in place.'*

4.2.17 Audit reviewed the aged debt report for January 2021 provided by the AR and AP Team Leader and made the following observations:

- 581 invoices raised for under £50, the lowest value being £1.76. Included in these 581 invoices are:
- 527 relating to Adult Social Care
- 4 for community hall hire
- 12 for sport pitch hire
- 6 for trade waste or skip permits

4.2.18 There is a similar breakdown for invoices raised between £50 and £100.

4.2.19 The Debt Recovery Policy needs to feed into the fees and charges process, to allow services to be compliant and to maximise and recovery of unpaid debts.¹

See recommendation 6

4.3 SERVICE MANAGERS ARE AWARE OF THE IMPACT TO THEIR BUDGET SHOULD NON-PAYMENT RESULT IN A WRITE OFF.

4.3.1 The Debt Recovery Policy states it is the responsibility of *'Directors and Assistant Directors to make Budget Holders fully aware of their responsibilities'* and *'where debts cannot be recovered, the original credit will be debited from the Service budget by way of a write off.'*

¹ Corporate Debt Recovery Policy - * Level of debt which it is considered uneconomic or inappropriate to carry out the specified action - £50.00 Debt Collection Agency & £250.00 Legal referral

- 4.3.2 Currently there is no Budget Holders Financial Manual which would detail the expectations on budget holders' for managing their allocated budget and the impact of non-collection of income.
- 4.3.3 It is the intention to make the Debt Recovery Policy available to all, but this has yet to happen.
- 4.3.4 As budget holders will be able to access and monitor their own debt in Fusion, the senior management team must decide what it expects of budget holders, document this and ensure budget holders are made aware of their new responsibilities.

See recommendation 7

4.4 ENSURE PAYMENTS ARE AUTO-MATCHED TO DEBTOR ACCOUNTS, AND RECEIPTS WITHOUT A VALID REFERENCE ARE POSTED TO AND CLEARED FROM A SUSPENSE ACCOUNT ON A REGULAR BASIS.

- 4.4.1 Payment options are detailed on the reverse of the invoice and most payments will be auto matched. Payment terms and conditions are not detailed.
- 4.4.2 Unmatched sundry debtor receipts are managed daily by the Bank Reconciliation team and can be found in four payment codes within Civica suspense and in the bank reconciliation suspense codes. Those receipts that are not easily found within Civica are recorded on an unmatched receipt spreadsheet and removed as and when a payment reference is found, and the receipt transferred.
- 4.4.3 The level of unmatched receipts for the current financial year to 26 January is £4,811. The spreadsheet contains unmatched receipts for 6 years plus the current year totalling £28,232.21
- 4.4.4 It is not possible to identify how much of the total value held in the bank suspense account relates to sundry debt. Audit has not reviewed the bank suspense account as part of this audit review.

Recommendation 8

4.5 UNPAID INVOICES ARE MONITORED AND CHASED APPROPRIATELY. BAD DEBTS ARE APPROPRIATELY AUTHORISED AND ACCOUNTED FOR BEFORE BEING WRITTEN OFF.

- 4.5.1 The responsibility to chase sundry debt is independent of the people requesting and raising the debt and is performed by two separate teams of staff covering ASC related and non-ASC sundry debt, but with the assistance of services.
- 4.5.2 The Accounts Receivable and Accounts Payable Team Leader produces and formats a monthly aged debt report from Academy which is distributed to all finance staff including those that are responsible for collections.

4.5.3 The December 2020 aged debt report shows a total sundry debt value of £20,099,358.69, of which:

- £10.4m related to 20 invoices to other local authorities, RBC owned companies and NHS trust
- £1.43m related to 315 deceased debtor accounts
- £13.99m under one year old
- £0.47m over 6 years old
- £40k over 10 years old

	1<>30	31 days - < 1yo	1 - 6 yo	6 - 10 yo	Over 10 yo	Total
Adult Social Care	682,875	1,356,508	2,897,621	417,001	22,007	5,376,014
Chief Exec	5,419,420	4,057,463	1,696,124	487	409	11,173,904
Culture & Sport	101,482	179,851	120,324	16,654	823	419,136
Education & Community Services	0	5,549	59,029	2,509.7	159	67,248
Environment	205,245	438,149	57,193	25,227	1,094	726,911
Ex BCC	0	0	0	0	617	617
Housing DCB	0	0	3,116	-25	0	3,090
Housing GF	0	0	0	625	0	625
Housing HRA	167,450	286,866	554,218	3,901	0	1,012,436
Valuation	754,618	336,551	211,671	2,556	13,976	1,319,373
Total Sundry Debt	7,331,092	6,660,940	5,599,299	468,937	39,087	20,099,358
RBC owned Companies	0	5,000,790	0	0	0	5,000,790
Other LA's	4,928,877	184,637				5,113,515
NHS	325,000					325,000
High value recoverable debt	5,253,877	5,185,427	0	0	0	10,439,305
Adjusted debt value	2,077,215	1,475,512	5,599,299	468,937	39,087	9,660,053
Deceased Debtors	4,717	81,543	999,252	328,579	16,448	1,430,541

4.5.4 The Sundry Debt Policy appendices details the recovery process as:

Stage*	When	How
Reminder notice	31 days from date of invoice	Generated by the debtors system
Telephone reminder	36 days from date of invoice	List generated by the debtors system
Letter before action	46 days from date of invoice	Generated by the debtors system
Request for supporting information for legal action	On decision to take Court action	Manually generated Email to Service requesting proof of debt in 7 days
Legal action	53 days from date of invoice On receipt of full documentation from Service	Legal action taken to recover debt

4.5.5 A sample of 22 sundry debts from the December aged debt report was tested with the following findings:

- Where an invoice was not on hold the reminder letters had been issued in accordance with the stage times above.
- Missing referencing on 3 invoices created in October 2020, such as a purchase order number, email contact, project reference; the debt remains outstanding as these details have either only recently been provided by the initiating Service or are still waiting to receive information.
- Significant delays (2 - 6 months) in services responding to queries raised by the collection teams, as above.
- There is a lack of communication between the various departments involved in the collection, and customer account notes do not appear to be fully maintained within the AR system.

4.5.6 There are some specific issues relating to ASC debts:

- The process to obtain an assessment of mental capacity and present it to the Court of Protection to apply for deputyship is lengthy. Audit has not established what or when the trigger is from an ASC aspect, but it needs to link in with the debt process.
- Service users or their representative are not required to formally acknowledge or provide acceptance of liability of the debt for the service received.
- Instances of family member challenge over the ownership of property assets months and years after commencement of a care package.
- Property having already been sold and funds shared between beneficiaries.

4.5.7 A monthly meeting is held to discuss specific cases of ASC debt, and potential write off accounts. The group is attended by ASC management, financial representatives, FAB, Legal and AR.

4.5.8 Legal Services provide investigative and legal collection services but can only do so if there is a legal basis on which legal action can be taken. All referrals are recorded on IKEN. Recently (13 January 2021) the Senior Legal Assistant provided a referral memo and details to Finance and FAB team of the documentation required when referring a case to Legal.

- A copy of any contract or agreement with the Service user/debtor. This could include a copy of the application to a Care Home.
- Copies of the FAB Assessments relating to our charges and any bank statements or financial information
- Copies of ALL correspondence between RBC and the debtor or his/her Appointee or the person who is dealing with the debtor's finances.
- Copies of any telephone attendance notes
- Copies of information relating to the Office of the Public Guardian, Enduring Power of Attorney, Court of Protection etc

- Copy of the invoices or where there is more than 3 or 4 invoices, a statement of account showing all outstanding invoices.
- Any other relevant documentation, for example, from 3rd parties.

4.5.9 There are a number of issues with this process:

- Academy is not capable of providing a statement of account; therefore, this is a laborious manual process. Statement of accounts can be created in Fusion.
- For ASC a reconciliation of Academy to Mosaic needs to be done to prove the level of debt is accurate. We believe the annual reconciliations are not up to date due to the manual, laborious and time consuming nature, indeed Audit was advised the process to reconcile one account can take 3 days.
- More often than not there is no contract, agreement or acknowledgement of debt ownership with the service user or representative.
- Records are held in numerous places, namely the FAB Team, Mosaic, Academy, I@W, Deputies, Service areas or Legal. It does not appear that responsibility has been allocated to coordinate this process.
- There is a statute of limitations of 6 years for legal action to recover debt either from when the debt was raised, or from the last payment towards it. Allocation of funds needs to be applied to the oldest element of the debt to maximise the statute of limitation period, and that period needs to be in the forefront when considering debt type, value and collection priorities.

See recommendation 10

4.5.10 Audit has been advised the Corporate Debtors Group is in the process of reviewing the write off process.

4.5.11 The AR and AP Team Leader provided a spreadsheet of 45 ASC accounts being considered for write off.

Value	No. of Accounts	No. of Invoices	No. Act Approved for W/o	Total Value
Below £1k	20	37	1	£5,962.02
Between £1k - £20k	17	379	3	£102,035.15
Above £20k	8	123	8	£254,636.10
				£362,633.27

4.5.12 The only approved for write off account to have been actioned is the 'below' £1k account.

4.5.13 It was evident when reviewing Mosaic, i@w and academy that the whole picture is not available from any one system.

4.5.14 The write off form is a manual form and has some areas of weakness:

- Being a manual form with no inbuilt workflow process, reliance is on individuals responding promptly and the email system.
- The age of the debt is not recorded.
- What the debt is for, debt type is not recorded.

4.5.15 Whilst evidence is asked to be attached to the write off request, it did not form part of the email request/authorisation thread provided. Nor was 'evidence' held in i@w to support the write off form. Likewise, the tick boxes indicating what recovery action had been tried, also had not been completed / evidenced.

4.5.16 Making this process electronic with built in workflow and date and time stamped authorisation could make this process more efficient and allocated responsibility and accountability to individuals.

4.5.17 With the current level of aged debt, the Council needs to focus its attention to the likelihood of collecting aged debt over 6 years old and those accounts that are deceased past 1 year. If it is unlikely that a debt is collectable now, it most certainly will not become collectable over time.

See recommendation 9

4.6 COLLECTION PERFORMANCE IS MONITORED AND REPORTED. COLLECTION ACTIVITY IS FOCUSED, AND LESS PRIORITY IS GIVEN TO ACCOUNTS WITH AGEING BALANCES WHICH MAY NOT BE 'REAL' RECEIVABLES.
