



AUDIT COMMITTEE REPORT

Report Title	Debtors Audit recommendations
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AGENDA STATUS: PUBLIC

Audit Committee Meeting date:	17/05/2010
Policy Document:	No
Directorate:	Finance and Support
Accountable Cabinet Member:	Councillor David Perkins

1. Purpose

- 1.1 At the Audit Committee on the 22nd March 2010 the committee reviewed a number of internal audit reports that have attracted limited or no assurance ratings. One of these reports related to the internal audit of our debtors systems and procedures. This report addresses those areas relating to the debt recovery team managed by the revenues and benefits Department and also the Finance Section aspects of the report.

2. Recommendations

- 2.1 That the Audit Committee review the comments relating to the areas highlighted for action during 2010 / 11.

3 Issues and Choices

3.0 Report Background

- 3.1 The corporate debt recovery team is responsible for the recovery of all overdue debt across the Council. Initially requests for payment should be requested from individual service areas, with the appropriate reminder notices issued to ensure income is collected as soon as possible. Where this has been completed and debts are still outstanding the debt is then passed to the

Council's recovery team in order to seek payment of the debt. The recovery team have responsibility for recovery of overdue debt as follows:

- Council Tax
- Business Rates (NNDR)
- Business improvement district levy (NNDR)
- Council Tenants
- Former Council Tenants
- Service Charges for leaseholders
- Re-chargeable repairs – current tenants
- Re-chargeable repairs – former tenants
- Housing benefit overpayments
- Sundry debts (i.e. Council services)

3.2 The debt recovery team have begun to liaise with all service Department to ensure that income collection and debt avoidance practices are incorporated across the Council. This will ensure that the quality of debts passed to the section is of a high quality and that the requirements of the Councils Debt recovery policy can be followed in a timely manner.

4 4.0 Issues

4.1 Three issues were raised, which require an action from the revenues and benefits Department. These in summary were as follows:

- Lack of collection of income due to the Authority – HIGH RISK,
- There is a risk that instalment plans may not be appropriate – MEDIUM RISK,
- There is a risk that the debt is having its potential recoverability impeded by its age – HIGH RISK

4.2 The issue identified relating to a lack of collection of income was in relation to the IBS system. It was identified that for some classes of debt no new cases have been put into recovery in 2009-10. This was due to a system problem on IBS because the Pay Point cash paying function is incapable of producing bar-coded invoices for old rents. The revenues and benefits department agreed they would liaise with housing services in order to get the issue resolved immediately. Progress to date is as follows:

- All current progression rules relating to outstanding debt received with IT consultant on the 5th April 2010.
- First full progression of debt completed 24th April 2010,
- Barcodes are now available on all letters in order to ensure payments can be made on outstanding debt

4.3 The second issue identified during the audit identified that for all three-debtor systems there is no system of prior approval or review of instalment plans where debtors have been struggling to repay their debts and have agreed alternative arrangements with the Council. It was also pointed out that Instalments are negotiated on the telephone by members of the debtor's team and then input onto the system without any authorisation. It was recommended that additional

controls were required for instalment plans with debtors. As a result we have now implemented the following:

- A review of the existing arrangement process has now taken place and is consistent with behaviours of recovering outstanding debt already undertaken for Council Tax and Business Rates
- Practices recommended were in place last financial year, however they were not formalised or actively monitored
- All arrangements not require team leader sign off prior to being input to the system
- Monthly monitoring of instalment plans will also continue
- A learning log has also been introduced in order to monitor errors and feed into training plans

4.4 The last area identified by the audit related to a risk that debt is having its potential recoverability impeded by its age. It was noted during testing that 14 out of 30 cases in recovery were not being pursued according to the timetables set out by the authority. It was also noted that 64.9% of the Authority's debt is over 90 days old. As a result the following actions have been taken:

- Efforts are being made by the recovery team to improve collection, with particular attention being made on older debt.
- This is a high priority action for the Recovery Team and will not be resolved instantly. An action plan, detailing prioritisation, standards of delivery and milestones is now in place.
- This plan will be monitored through Performance Plus and reported as part of the Revenues and Benefits performance framework. It will concentrate on debt reduction, write-off activity and percentage of debt being managed to demonstrate delivery.
- We are also looking to recruit additional resource, which will be managed against deliverables in this plan.
- Continued analysis of debt by year will form part of the plan for 10/11 to ensure that aged debt is in progress. This will be done by breaking down debts by service area, recovery profile and age to better demonstrate activity, trends and customer behaviours.

4.5 Audit risks identified for the Finance Section, highlighted there were two high risks, recommendations 8 and item 9. There were also five other additional items which were highlighted as low these items were 2, 3, 4,5 and 7.

4.6 Following the audit recommendation to have a timely approach to the raising of invoices and supporting documentation to be retained, in relation to item 8 on the Debtors review, the following was concluded.

4.6.1 All service areas have been contacted to inform them to raise invoices within five days of providing the service or the goods.

4.6.2 All users of the IRAS system have to complete a user form every six months to authorise them to use the system for a period of up to six months. This form needs to be authorised by the users line manager. Failure to complete the updated form will result in access being revoked for the IRAS system.

- 4.6.3 Following the audit recommendation a form was compiled please refer to Appendix one for the authorisation to raise an invoice. Upon investigating the feasibility of implementing this form, it has been concluded it will generate more work and take more officer time, at a time when the Council is trying to implement efficiencies and streamline operations. There are some areas of the council, which raise multiple invoices on a daily basis. This could delay the raising of invoices if authorised signatories have to keep authorising invoices especially when managers are on leave or are sick, when the line managers have already signed the six monthly authorisation form in the first place. Investigations are currently being undertaken to assess if invoices above a certain value £10,000.00, £5,000.00 and £1,000.00 Please refer to Appendix two for a copy of the Authorisation to use the IRAS system.

4.7 Aged Debt Management

- 4.7.1 Recommendation 9 for Finance: During the financial year 2008/2009 advice was being sought by the Management Accounts team within Finance for guidance in relation to Aged Debt provision, to establish CIPFA protocol in relation to Aged Debt. The Management Accounts team at Northampton Borough Council sought advice from external audit (KPMG) March 2009. No response or guidance was given in relation to this matter. This is a yearly exercise, a further exercise is being undertaken on 4th June 2010 to ensure a robust mechanism is in place for further Aged debt provision for following future years.

4.8 Other Outstanding Items on the report for Finance

- 4.8.1 Item 2, Management may be out of touch with salient information regarding the debtors function. Risk Rating Low. Line Managers of officers who receive monthly outstanding arrears reports will receive copies of the reports as well as the individual officers. This is being introduced in May 2010.
- 4.8.2 Item 3, Improper amendments may be put through or amendments, which have taken place may not be properly evidenced. Risk Rating low. A Memo has been constructed and when price increases occur these must be signed and authorised by the appropriate department please refer to Appendix three.
- 4.8.3 Item 4, There is a risk that performance targets such as timely turnaround of invoices which have been set by the debtors team are unenforceable to other departments. Risk Rating low. New updated procedures are in place, which detail the responsibilities of the user. Also Financial instructions are currently in draft format which detail the requirements of users to ensure invoices are raised in a timely manner, no later than five working days. Emails have been sent to users reminding them that invoices should be raised within five working days.
- 4.8.4 Item 5, There is a risk that evidence of user removal requests will be lost. Risk Rating low. A six monthly purge of the system occurs, all users, which do not complete updated user forms are removed from the system. There is also a monthly starters and leavers list, which is forwarded from payroll each month, and this information is checked to ensure that the leavers are removed from the system.

4.8.5 Item 7, Credit extended to individuals may represent a possible bad debt risk. Risk Rating Low. There are many services which the council is duty bound to provide, whilst this is a good idea in principle, the council will be in breach of providing statutory services to the public if statutory services are withdrawn. However agreed that it could potentially be useful for non-statutory services and this will be investigated, this investigation will be concluded by September 2010.

4.9 Choices (Options)

4.9.1 No choices identified.

5 Progress in 2009/10

5.6 Action to address debt was highlighted as a priority in 2009 / 2010. As a result a new corporate debt recovery team was set up to address historic issues in recovering overdue debt. As a result of setting up this team an improvement action plan was developed. The initial plan aimed to:

- Minimise debt occurring in the first place, particularly through the timely assessment of benefits,
- Ensuring that services by the Council are paid up front where possible i.e. housing repairs, rental of meeting rooms etc.
- Ensuring the completion of housing benefit forms IRO temporary accommodation,
- Maximising benefit through prompt completion of benefit forms at tenancy sign-ups,
- Completion of processes and procedures between Departments and debt recovery team to ensure all debt referred / showing as overdue is accurate i.e. all appropriate reminders, efforts to ensure prompt payment, reconciliation of actual payments have been completed prior to referral / when picked up as overdue by the debt recovery team.

5.7 As a result of this plan the following has been implemented or is in progress:

- The formalisation of debt recovery processes (overdue debt) through the creation of a corporate debt policy,
- Data cleansing and action against old debt held on the systems is underway. An analysis of progress in debt reduction within the IRAS system is shown below:

Year	Mar-09	Mar-10	Diff
pre 00	9,036	6,698	- 2,338
00/01	32,757	22,769	- 9,988
01/02	19,463	12,962	- 6,501
02/03	45,342	34,876	- 10,466
03/04	103,987	78,312	- 25,675
04/05	94,161	68,714	- 25,447
05/06	337,296	237,467	- 99,829
06/07	247,229	152,097	- 95,132
07/08	300,853	225,881	- 74,972

08/09	455,977	344,995	- 110,982
	1,646,101	1,184,771	- 461,330

Between March 2009 and March 2010 aged debt within IRAS has been reduced by £461,330.

5.8 This has been achieved through existing recovery, write off and new arrangements being made. Last year officers were focused on reviewing and addressing debt for years 05/06 and 06/07, where the bulk of the debt existed. The years prior to this have also been reviewed and analysis indicates that the majority of this debt is in recovery, although the arrangements in place are for nominal payment arrangements either weekly and in some cases monthly.

- A new set of fair debt principles that promote debt avoidance and recovery of single indebtedness has been created,
- Liaison meetings scheduled and partially delivered to 17 service areas to address issues with income collection. These meeting are aimed at working towards reducing debt becoming overdue in the first place and to ensure we collect income efficiently.
- Initial equalities screening of the corporate debt policy. This has included completion of a data merging exercise that looks at debts across the Councils system in a single view. This has enabled us to complete necessary data cleansing, alongside starting work on overlaying debtor information on geographical maps. These maps will then allow us to target areas for benefit take up / debt advice etc.
- The compilation of a corporate debt matrix that monitors the %age of debt not currently managed within the Council. The aim over the coming year is to reduce this figure and ensure that all debt is managed. By managed we mean either in recovery, with a collection agency, lodged with the court, waiting write off etc. The percentage of unmanaged debt within our debtors systems when we commenced work in October 2010 was 45.89%. As at the end of March 2010 this figure has reduced to 40.93%.
- A medium term plan to recruit an additional officer to focus on recovery in 2010 / 11 has been agreed. This post will aim to increase collection in order to meet the cost of the additional post and realise an overall increase in collection across debts.
- Resource within revenues and benefits has been shifted to add a further full time post to focus on recovery. This post is likely to focus on housing benefit overpayments. Due to the huge increases in caseload throughout the recession this area has seen an associated rise in overpayments occurring and therefore requires an additional resource.
- Proposed changes to the Councils write off instructions. This would aid a speedier process in writing off debts owed to the Council.
- Write offs in 2009/10 totalled £765,963. In 2008/09 write-offs totalled £382,584. The increase represents an increase in work to review debt and ensure it has gone through all processes prior to referral for write off.

6. Choices (Options)

N/A

7. Implications (including financial implications)

7.1 Policy

7.1.1 Corporate Debt Policy as detailed to be agreed at cabinet meeting in July 2010

7.1.2 Write off financial instruction reviewed as part of process

7.2 Resources and Risk

7.2.1 Existing corporate debt team and managers within the revenues department will continue to work towards the effective management of debt within the Council. Service areas across the Council will be required to improve processes and procedures.

7.3 Legal

None

7.4 Equality

None

7.5 Consultees (Internal and External)

None

7.6 Implications

None

8. Background Papers

None

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**NORTHAMPTON
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Northampton Borough Council

Invoice Request Form

Name of person raising order	
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Authorisation of line manager (this must match the line manager who has authorised your access for Sundry Debtors)	Name in CAPS Signature:
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Quantity	Reference	Description	Price Each £	Total Price £

Customer Name:

Customer Address:

Establishment Code:

Invoice Number(S) (When you have raised the invoice) If you are entering more than one invoice per day you can put all on this one form per day.

PLEASE RETAIN THIS FORM IN YOUR FILING SYSTEM, AUDIT WILL CHECK FORMS HAVE BEEN COMPLETED FOR EACH INVOICE

(IRAS)
SUNDRY DEBTORS SYSTEM

This form is to be completed by all users of the Sundry Debtors System. The form needs to be completed twice a year for all users of the sundry debtors system.

Part 4 of Credit Notes and Write offs forms – Originating Officer

User Full Name:

User Job Title:.....

User Section/Department:.....

User Tele No:.....

User Establishment Codes.....

User Yellow pc number:.....

User Signature:.....

Please tick appropriate boxes: -

Raise one off invoices:	Raise Recurring Charges:
View customer direct debits:	View system only:

Part 4 of Credit Notes and Write Offs forms

Authorised by (Team Leader or Manager)

Authorised Full Name:.....

Authorised Job Title:.....

Authorised Tele No:.....

Authorised Signature:.....

Please print off and return signed form to:-

Income Section box

Matthew Lee
Exchequer Team Leader
Cliftonville House
Northampton
NN4 7NR
Tele ext 8530

Signed:
Date:
Email IT: Iras SD Live icon



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Sundry Debtors Price Increase Form

Name of person requesting price change	
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Authorisation of line manager (this must match the line manager who has authorised your access for Sundry Debtors)	Name in CAPS Signature:
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Description of Price Unit (Charge)	Current Price	Price Code (IRAS)	New Price per unit	Effective From	Establishment Code

Please ensure that price increase notifications are sent 20 days prior to Unit Price change.

(Exchequers Services Section Only) Increase Memo No:	
Received in Exchequers Services Section	Name and Date of person amending the price file

