

Argyll and Bute Council

Internal Audit Report

April 2023

Final

Management of Debt/ Debt Recovery

Audit Opinion: Reasonable

	High	Medium	Low	VFM
Number of Findings	0	4	3	1

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1. Executive Summary

Introduction

1. As part of the 2022/23 internal audit plan, approved by the Audit & Scrutiny Committee in March 2022, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to the Management of Debt/Debt Recovery.
2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed. The findings outlined in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily all the issues which may exist. Appendix 1 to this report includes agreed actions to strengthen internal control however it is the responsibility of management to determine the extent of the internal control system appropriate to the Council.
3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

Background

4. Argyll and Bute Council (the Council) has a legal duty to ensure cost effective billing, collection and recovery of all sums due, through raising charges for a wide range of services provided, as well as collecting local taxes. A corporate debt policy is in place providing general principles to be applied consistently within all Council Services in relation to debt recovery.
5. The Council's ability to continue in the delivery of services within our communities depends heavily on its success in collecting revenues, however, this needs to be balanced in the approach taken and the ability to pay when undertaking debt recovery. The approach to recovery must be sensitive to individual circumstances and take into account all debts owed to the council, namely; Council Tax, Housing Benefit overpayments, Non-Domestic Rates and Sundry Debtor Accounts.
6. The key objectives of the Corporate Debt Policy are as follows:
 - to seek to address debt issues as early as possible with a strong emphasis on arrears prevention in order to minimise overall indebtedness and improve collection rates across all debt categories;
 - to ensure that customers have a clear understanding of their responsibility to pay and the associated consequences of deliberate non-payment especially when they are able to pay;
 - to operate in a fair and equal way when recovering debt;
 - to work in partnership with customers and their representatives to agree realistic payments based on their circumstances;
 - to ensure that all council staff and council appointed debt collection agents and sheriff officers work together efficiently and effectively and provide a single co-ordinated approach in dealing with council debtors;
 - to support debtors in becoming reliable payers in the future through referral to appropriate advice agencies;

- to ensure that all debtor accounts are issued as accurately as possible and are updated for any relevant changes in circumstances in accordance with the timescales within the Council's Customer Charter;
- debtors are advised of all relevant benefit entitlements and assistance is provided in accessing these benefits.

7. Last year, Argyll and Bute Council has written off the following value of debts:

Source	2019-20 £000	2020-21 £000	2021-22 £000
Council Tax	317.5	137	800
Non-Domestic Rates	213.5	85	338
Sundry Debtors	150	75	101
Housing Benefit Overpayments	0	0	134
TOTALS	681	297	1,373

Audit Scope

8. The scope of the audit was to assess the controls in place for the management of debt and assess compliance with procedures as outlined in the Terms of Reference agreed with the Revenue and Benefits Manager 29 June 2022.

Risks

9. The risks considered throughout the audit were:
- **ORR08:** Failure to achieve budgeted income from local taxes and / or other income
 - **Audit Risk 1:** Council systems and processes are not effective in maximising debt recovery

Audit Opinion

10. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.
11. Our overall audit opinion for this audit is that we can take a reasonable level of assurance. This means that internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
12. This review covered the management and recovery of debt over four areas – Council Tax, Non Domestic Rates, Housing Benefit Over Payments and Sundry Debtors, which are invoices raised by Services. We found no significant issues in relation to processes and procedures for Council Tax, Non Domestic Rates and Housing Benefit Over Payments, most of which are covered by legislation and are working well. The contents of this report largely covers findings regarding the management and recovery of Sundry Debtors.

Recommendations

13. We have highlighted five medium priority recommendations, three low priority recommendations and one value for money recommendation, where we believe there is scope to strengthen the control and governance environment. These are summarised below:
- The Corporate Debt Policy requires to be updated to reflect the Councils organisational structure and current working practices.
 - The Debtors Procedure Manual is not up to date and does not reflect current working practices. A full review of the processes and procedures for Sundry Debtors relating to the management, arrears, follow-ups and bad debt write offs should be carried out, prior to updating the manual.
 - There are only two templates for the issuing of invoices and reminders, Argyll General and Argyll CS, but there are seven different recovery routes. In consultation with Legal Services a review should be undertaken to ensure the stated terms and conditions match the recovery routes.
 - Performance monitoring and reporting measures set out in the Corporate Debt Policy are not currently in place. These should be re-introduced and consideration given to which committees and meetings should receive reports regarding the management and recovery of Sundry Debtors.
 - Non Domestic Rates information on the Council's website and leaflets should be updated to provide details of the consequences for non-payment, the timescales and steps that the Council will take to recover amounts due, and any charges for these.
 - The current review of the Housing Benefit procedures should be completed.
 - Concerns have been raised regarding a lack of resilience within staff involved in the management and recovery of debt. This is a known issue which will be addressed during the Business Process Review and restructuring of the Revenues and Benefits Service.
 - Consideration should be given to whether it is possible to issue text message reminders for Non Domestic Rates missed payments as is available within other systems.
14. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

15. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	Link to Risk	Assessment	Summary Conclusion
1	A debt recovery procedure been established which specifies the types of action to be taken and timescales for such	ORR08 Audit Risk 1	Reasonable	<ul style="list-style-type: none"> • The Corporate Debt Policy and the Debtors Procedure Manuals have not been updated since 2017 and do not reflect the current Council organisational structure nor current working practices. • Procedures for Council Tax and Non Domestic Rates are in place and up to date.

				<ul style="list-style-type: none"> • The Housing Benefits Procedures are in the process of being updated to reflect current working practices. • Information published on the website would benefit from being updated. • A Business Process Review (BPR) is currently being undertaken, this includes a review of debt management and recovery policies and procedures.
2	Debt management, arrears follow-up procedures and bad debt write offs are properly controlled	ORR08 Audit Risk 1	Reasonable	<ul style="list-style-type: none"> • Debt management, arrears follow-up procedures and bad debt write offs are properly controlled for Council Tax, Non Domestic Rates and Housing Benefit over Payments. • Our overall conclusion is that debt management and arrears follow-up procedures relating Sundry Debtor invoices are not carried out in accordance with procedures. • Testing identified a number issues which are detailed in the body of report. • A full review of the processes and procedures for Sundry Debtors relating to the management, arrears, follow-ups and bad debt write offs should be carried out.
3	There is appropriate monitoring and reporting of debts and write offs	ORR08 Audit Risk 1	Reasonable	<ul style="list-style-type: none"> • Performance measures are in place to monitor the collection rates for Council Tax and Non Domestic Rates. • Performance Measures are in place to monitor the maximisation of helping people to access benefits. • There are no performance measures in place to monitor recovery of Sundry debt. • Quarterly meetings with Legal Services to discuss recovery of Sundry Debtors were postponed during the pandemic, these have not been re-instated. • The value of debt being actively managed is not easily quantifiable. • Management information relating to Sundry Debtors is not made widely available; <ul style="list-style-type: none"> - Outstanding Debt reports are issued on the 1st of the month to the Health and Social Care Partnership, Finance, Housing, Development and Infrastructure Services, Legal Services and Live Argyll, aged debtors reports are sent to Services who ask;

				<p>- Reporting is only to the Financial Services Management Team via Highlight Reports.</p> <ul style="list-style-type: none"> • Provisions for Bad Debt are set in accordance with procedures.
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16. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

A debt recovery procedure been established which specifies the types of action to be taken and timescales for such

17. Argyll and Bute Council's (the Council's) Corporate Debt Policy (the Policy) links to the Council's corporate priorities and outcomes and is governed by and takes cognisance of the Council's Financial and Security Regulations. It is an over- arching document which provides a framework to collect council debt from debtors effectively and efficiently but with due sensitivity to the circumstances of individuals. Specific recovery procedures for each individual debt type are contained in separate manuals and procedures notes. It outlines roles and responsibilities of council officers and management that naturally provide for segregation of duties. It also emphasises the need for good customer service, communications, payment and recovery options.

18. The Policy is published on the Council's website but has not been reviewed since 2017 and does not reflect the Council's current organisational structure, nor current working practices. In particular the Performance and Monitoring requirements outlined in the Policy, refers to targets no longer in place and reporting of Sundry Debtors, that has not been fully implemented and meetings that have been reinstated since the pandemic halted recovery actions.

19. The Revenues and Benefits Manager is currently undertaking a Business Process Review (BPR) of the Revenues and Benefits Service. As part of this, a working group, led by the Head of Legal and Regulatory Services, will be reviewing the Council's Corporate Debt Policy, processes and procedures relating to the management and recovery of debt.

Action Plan 1

20. There are currently three main systems used in the management and recovery of Debt;

- Council Tax and Housing Benefit Over Payments are collected and administered using the OpenRevs system;
- NDR is collected and administered using the Northgate NDR system; and
- Services use the Debtors Civica Financial System to raise invoices.

21. There are manuals in place providing staff with clear step by step instructions on how to use the systems and there are separate procedural manuals detailing the processes, tasks and actions required for the management and recovery of the four types of debt. The processes relating to Council Tax, NDR and Housing Benefit Over-Payments are primarily set out in legislation. The Council Tax and NDR processes are comprehensive and robust and have contributed to the consistently high levels of collection levels of 96.25% for Council Tax and 96.52% for NDR for the financial year 2021 -2022.

22. The Housing Benefit procedures, while comprehensive, are being updated by the Corporate Debt Recovery Team Leader to reflect the revised working practices which have resulted in the excellent recovery rate of 149% of Housing Benefit Over Payments for the year 2021-2022. This process has not been prioritised due to staffing issues.

Action Plan 6

23. The Sundry Debtors processes are set out in the Debtors Procedure Manual using the framework of the Corporate Debt Policy. This document has not been reviewed since 2017 and does not reflect the current Council organisational structure or current working practices. While some of the issues raised can be classed as housekeeping issues, we acknowledge that the manual will be reviewed as part of the Business Process Review. However, there are references to key processes which are not being carried out, in particular;

- There are no targets for the recovery of Sundry Debt;
- Reporting of performance is limited to discussions at Financial Services Team Meetings via highlight reports;
- Management information, in the form of outstanding invoices, should be provided on a monthly basis to a Single Point of Contact in each Service. This is not happening, currently only those Services who request the information are being sent the reports.
- Quarterly meetings with Legal Services to discuss issues regarding the recovery of debt were postponed during the pandemic as all recovery procedures were put on hold, these have not resumed.
- There are currently seven separate recovery routes to meet with specific Service requirements, the manual only refers to two.

Action Plan 4 and 2

24. During the time taken to carry out the review there were staff absences in different areas, for a variety of reasons including, illness, maternity cover, holidays and staff required to cover other deadlines. It was noticed that this has had an effect, in part, on the timely progress of the review, and to find information. Conversations with the Revenues and Benefits and Legal Services Managers and with officers involved in the recovery and management of debt have raised concerns over a lack of resilience in this area. Although there is cover for key tasks, any reduction in staffing levels has had a noticeable impact upon the workload for other staff within the teams. While this is a known issue, which will be addressed during the Business Process Review and restructuring of the Revenues and Benefits Service, this represents a potential business continuity risk.

Action Plan 7

Debt management, arrears follow-up procedures and bad debt write offs are properly controlled

25. To establish whether debt management and arrears follow-up procedures are carried out in accordance with Council Tax and NDR procedures, a sample of 30 records each, were selected from Petitions to Sherriff Courts for testing. For both of these, recovery up to this Sherriff stage, is built into the systems which generate reminders to issue by post, as required by legislation. Processes up to this stage are handled with by the respective teams, while processes from Sherriff Officer onwards are dealt with by the Corporate Debt Recovery Team.
26. The Council, via its website, provides information to the public regarding its Corporate Debt Policy and how it collects and recovers Council Tax and Non Domestic Rates income. The Council Tax web page details how to pay and what help is available to those finding it difficult to pay. This is open and transparent and clearly sets out what happens if you don't pay your Council Tax,

detailing the steps that the Council will take to recover the amounts due and the timescales, listed on the Recovery Timetable, and charges for these.

27. To aide recovery, where the Council has a customer mobile phone number, a text reminder is issued 3 days prior to the dates that the letters must be issued. This had proved successful as it prompted customers to pay. All 30 records were found to follow these procedures and timescales, with notes added to evidence help provided to customers during the processes.

Action Plan 8

28. In April 2022, there was a significant change to the collection of Non Domestic Rates (NDR), with a move from paying the annual amount over two payments in a year, to collection monthly over 10 payments. This information is published on the Business Rates webpage which provided details of how to pay, what reliefs, discounts and help are available. There is no information on the consequences of not paying nor any details of the steps that the Council will take to recover the amounts due and the timescales and charges for these. A review of the information leaflets sent out with annual bills found no mention of the NDR recovery process although it is detailed on the back of reminders issued when an instalment is missed.

Action Plan 5

29. Testing of the NDR records found that all 30 records were processed in line with procedures-
30. Sundry Debtors testing was carried out using a sample of 47 records selected from the Aged Debtors reports and covering the seven recovery routes, 44 of the invoices were raised during the current financial year. The recovery process is built into the system with invoices automatically progressing to the next stage in line with the timeframes detailed in the recovery routes and reminder notices generated by the system using a standard template which details when payment is due, the consequences for non-payment and the timescales. The arrears process is administered by the Sundry Debtors team up until the recovery stage of 'Passed to Legal' at which point the invoices are passed to Legal Services to start formal recovery processes.
31. Our overall conclusion is that debt management and arrears follow-up procedures relating Sundry Debtor invoices are not carried out in accordance with procedures. A number of issues were identified during testing, these included:
- One invoice raised inappropriately for the drawdown of grant monies;
 - Three invoices raised with the incorrect recovery route.
 - There are only two standard templates for the issuing of Council invoices in relation to Sundry Debtors. This is used for all invoices regardless of the recovery routes. The issue arising from this is the recovery route timescales built into the system does not always match that detailed on invoices, reminders and final reminders.
 - Five of the invoices are outstanding but have not been passed to Legal Services because the specific recovery route used means that debt management and follow up should be handled by the Services. We found no notes or evidence on the Debtors system that demonstrates any Service involvement or proactive steps being taken to recovery these monies.

Action Plan 3

32. The Debtors system automatically produces a daily report with a list of invoices which have reached the 'Passed to Legal' timescales, this is emailed to Legal Services on a daily basis. Legal

Services have a flow chart depicting their debt management process using the 'Iken system' which does not interface with the Debtors system.

33. Currently Legal Services have approximately a three month backlog and are working on reports sent to them in December 2022. This primarily stems from staff secondment to duties relating to the Council's Covid Pandemic Response due to the suspension of debt recovery.
34. When invoices are passed to Legal Services, recovery may be hampered due to lack of customer telephone and email contact details being entered when the Debtors records are created by Services. A check on these fields does not form part of the spot checks carried out by the Sundry Debtors team. However, it should be mandatory to complete these fields.

Action Plan 3

35. The value of debt currently being managed by Legal Services is not accurately quantifiable for a number of reasons:

- Invoices are raised using the Debtors system which does not interface with the Iken System used by Legal Services;
- The 'Passed to Legal' is the final stage on the Debtors system but not all invoices are moved to this stage e.g. Community Services invoices;
- Not all debtors are managed by Legal Services (e.g. Commercial Waste issued and managed by Roads and Infrastructure Business Support Team and the Income Maximisation Team in Finance)

Action Plan 4

36. The Corporate Debt Recovery Team are responsible for writing off debt for Council Tax, Non-Domestic Rates and Housing Benefit over Payments (HBOP). Testing undertaken on 10 records, for each of the three types of debt, selected from the accounts written off this current financial year established that all 30 cases complied with the write off processes. There is evidence of supervisory checks on all recommendations passed for consideration for write off and good back up evidence retained to support the decision. Authorisation of the accounts and amounts to be written off was granted as per the Council's Financial Standing Orders prior to the team actioning the write off.

37. While observing staff keying the HBOP write off on the system, it was noticed that there is only one spreadsheet for each category used throughout the whole process, from gathering information to gaining authorisation then keying. Given the time taken to receive authorisation there are occasions where the actual amounts written off are lower than authorised as a payment may have been received. Where this occurs the amount on the spreadsheet is altered to the lower value and actual total amount written off is annotated on the front of the signed authorisation sheet. This means that the original data is not preserved. Staff were made aware of the need to retain original data and immediately added additional amount keyed column to spreadsheets.

Action Plan 7

38. For Sundry Debtors, the current working practice for write offs does not match the Debtors Procedure Manual. Currently, on a quarterly basis, the Sundry Debtors team run an Aged Debt Report and account that fit the criteria of Prescribed Debt or Deceased Customers, are selected for possible write off. This report is then checked to see if there are any recent payments being made before it is then passed to Legal Services to check, as in some cases it may be deemed not financially viable to recover the sums. Where Legal Services believe recovery is still possible they

remove the accounts from the list. The report is then passed to the appropriate signatories as detailed in the Council's Financial Standing Orders for approval and authorisation, and passed back to the Sundry Debtors Team for keying.

39. A reconciliation and check was undertaken on the Sundry Debtor accounts written off for three of the quarters in this current financial year. We found that overall, Sundry Debtors write off is not carried out in accordance with procedures. We identified a number of issues including:

- For all four quarters, Sundry Debtors accounts have been keyed as written off on the system before authorisation has been received.
- In some cases the write off has been created by the NDR and Income Manager and approved by lower graded staff.
- There is insufficient evidence to determine whether all Services receive details of the invoices and amounts being written off;
- Insufficient evidence to conclude whether appropriate supporting back up evidence of what is being written off is retained, leading to concerns that full records may not be retained;
- While there is a 'pdf' version showing the authorisation and the spreadsheets containing the individual invoices, there are concerns that different sources of data are being used during the write off process as there is more than one version of the write off spreadsheet which increases the risk of error.
- The Debtors Procedure manual states that the Revenues and Benefits Manager will have oversight of the accounts to be written off, this is not the current working practice.

Action Plan 2

40. During our discussions with the Revenues and Benefits Manager, we were advised that the practice of writing off debt in the Debtors System before authorisation had been received has now been rectified with immediate effect. It is understood that the team who carried out the action were trying to streamline the process for departments by providing reports that contained, debt deemed recoverable information only, there was no malicious intent. Furthermore, the reason some debt was recently entered as written off by a Manager and approved by a more junior member of staff was due to the pressures arising from Non-Domestic Rates (NDR) annual billing and the need to prepare the NDR database as part of yearend procedures. We have been assured by the Revenues and Benefits Manager that it is imperative that strict adherence to the Council's Financial Standing Orders in respect of the write-off process is maintained at all times and this has already been made clear to the team

There is appropriate monitoring and reporting of debts and write offs

41. The Debtors Procedure Manual does not mention that the keying of the Sundry Debtors Write Offs has two separate stages - first is the creating and approving of invoices as written off on the Debtors system and second is the manual journals to be processed to account for the VAT element of the invoices written off. The journal processed in February 2023 did not contain all of the invoices that had been written off. This caused a difference in the debtors' element of the VAT return. While this was small in value it raises concerns as to whether there is appropriate processes in place to ensure monitoring and oversight of the balancing of the write off, back to the authorised invoices and values.

42. As noted in paragraph 22 in the report above, process detailed within the Debtors Procedure Manual relating to the reporting are not being carried out and there is insufficient reporting and monitoring of Sundry Debtors. While we are aware that these processes will be reviewed as part of the Business Process Review, we recommend that the undernoted be re-instated;

- The provision of reports to Services providing details of the invoices outstanding;
- Meetings between Senior Managers and staff involved in the debt management and recovery process to discuss issues arising;
- Appropriate performance measures for the recovery of Sundry Debtors.

Action Plan 4

43. Discussions with the Revenues and Benefits Manager confirms that the annual process for the setting of Bad Debt Provisions is carried out in accordance with the procedures.

Appendix 1 – Action Plan

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
Medium	1	<p>Corporate Debt Policy The Document has not been updated since 2017 and does not reflect the current Council Organisational Structure nor current working practices.</p>	<p>Policies are not up to date and do not reflect current working practices.</p>	<p>The Revenues and Benefits Manager will review the Corporate Debt Recovery Policy and submit it to a working group led by the Head of Legal Services reviewing the Sundry Debt process for consultation. The final document will proceed to October P&R via the Head of Financial Services and Executive Director Kirsty Flanagan’s DMT.</p>	<p>Revenues and Benefits Manager 31 December 2023</p>
Medium	2	<p>Debtors Procedure Manual and Processes Finding: The Debtors Procedure Manual has not been reviewed since 2017 and does not reflect the current Council Organisational Structure or current working practices.</p> <p>Recommendation: A full review of the processes and procedures for Sundry Debtors relating to the management, arrears, follow-ups and bad debt write offs should be carried out., then the Debtors Procedure Manual should be updated .</p>	<p>Procedures are not up to date and do not reflect current working practices.</p> <p>And</p> <p>Council systems and processes may not be effective in maximising debt recovery</p>	<p>A working group (“the working group”), led by the Head of Legal and Regulatory Services, will review the Sundry Debt Procedure Manual, processes and procedures relating to the management and recovery of Sundry debt.</p> <p>This document will progress through the Council’s DMT to SMT/ELT in a similar timescale to the Corporate Debt Recovery Policy going to P&R (see action 1 above).</p> <p>This working group review of Sundry Debt will include the key issue of reporting, this aspect of the process will be vastly improved in the future. A suite of reports will be developed, the identification departmental debt</p>	<p>Revenues and Benefits Manager 31 December 2023</p>

No	Finding	Risk	Agreed Action	Responsibility / Due Date
	<p>Finding: Management information, detailing outstanding invoices, should be provided on a monthly basis to a Single Point of Contact in each Service. This is not happening, currently only those Services who request the information are being sent the reports.</p>		champions reinstated and quarterly meetings setup for all relevant stakeholders.	
	<p>Recommendation: Reports should be provided to all Services.</p>			
	<p>Finding: There are now seven separate recovery routes to meet with specific Service requirements, the manual only refers to two.</p>		All recovery routes to be reviewed as part of working group duties and be rationalised as far as it is possible to do so. Each remaining recovery route will have an end that ensures that formal action is being taken on any debt that is not recovered where this is Council debt.	<p>Suite of reports, September 2023</p>
	<p>Recommendation: The manual should be updated.</p>			<p>Revs and Bens Manager/ Legal Manager Meetings with services/identified stakeholders by 31 March 2024</p>
	<p>Finding: For all four quarters, Sundry Debtors accounts have been keyed as written off on the system before authorisation has been received.</p>		Agreed, already actioned	<p>Revs and Bens Manager 31 March 2024</p>
	<p>Recommendation: This should never happen, authorisation must always be received prior to keying.</p> <p>Finding: In some cases the write off has been created by the NDR & Income Manager and approved by lower graded staff.</p>		Agreed, already actioned	

No	Finding	Risk	Agreed Action	Responsibility / Due Date
	<p>Recommendation: To avoid the risk of imposition the approver should be a higher or equal grade than the creator.</p>		<p>Agreed, already actioned</p>	<p>Revs and Bens Manager 20 April 2023</p>
	<p>Finding: The Debtors Procedure manual states that the Revenues and Benefits Manager will have oversight of the accounts to be written off, this is not current working practice</p>		<p>A thorough review of Sundry Debt write-off procedure to be carried out by the working group as part of the overall update of the Sundry Debt Procedures.</p>	<p>Revs and Bens Manager 31 December 2023</p>
	<p>Recommendation: Consideration should be given to introducing this overview.</p>		<p>Reporting and communication with stakeholders is being reviewed by the working group. It is anticipated that reports of debt written off will be sent to departments as part of a standard suite of reporting for discussions at quarterly meetings this will be confirmed within the reviewed Sundry Debt Procedure Manual.</p>	
	<p>Finding: There is insufficient evidence to determine whether all Services receive details of invoices being written off.</p> <p>Recommendation: Services should be sent this information.</p>		<p>Back up evidence re write-off should be retained, the write-off lists and any backup documentation held together in MS Teams group for example. This could be further enhanced if we can use EDMS for storage of the information. If we can move this onto Civica's Electronic Document Management System</p>	<p>Revs and Bens Manager 31 December 2023</p> <p>Civica EDMS System Admin Discussion with Supplier May 2023</p>

No	Finding	Risk	Agreed Action	Responsibility / Due Date
	<p>Finding Insufficient evidence to conclude whether supporting back up evidence of invoices being written off is retained, leading to concerns that full records may not be retained.</p> <p>Recommendations: Checks should be carried out to ensure that appropriate back up is retained.</p> <p>Finding: While there is a pdf version of the authorisation and the spreadsheets containing the individual invoices, there are concerns that different sources of data are used during the write off process as there is more than one version of the write off spreadsheet.</p> <p>Recommendation: Checks should be carried out to ensure that Original Data is retained with records kept of any alteration to the Source Data.</p>		<p>(EDMS) Comino this will make collation of information, document retention and disposal so much easier and more efficient. Discuss with Civica, re the use of the Electronic Document Management System for these purposes and overall case management. Improve the file structure within the network with the supporting documentation.</p> <p>There must only be one version of the write-off spreadsheet. This can be shared between Finance and Legal Services on MS Teams. Changes can be made to the document by Legal or Finance before it is presented to senior management for final consideration.</p>	<p>Revs and Bens Manager Evaluation of options July 2023 Revs and Bens Manager Development and Implementation of Solution March 2024 NDR and Income Manager to review the file structure on the network.</p> <p>Revs and Bens Manager 31 December 2023</p>

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
		<p>Finding: The Debtors Procedure Manual does not mention that the keying of the Sundry Debtors Write Offs has two separate stages - first is the creating and approving of invoices as written off on the Debtors system and second is the manual journals to be processed to account for the VAT element of the invoices written off. The journal processed in February did not contain all of the invoices that had been written off. This caused a difference in the debtors' element of the VAT return. While this was a small value it raises concerns as to whether there is appropriate monitoring and oversight of the balancing of the write off, back to the authorised invoices and values.</p> <p>Recommendation: Checks should be carried to ensure that there is appropriate monitoring and oversight of the balancing of the write off, back to the authorised invoices and values. The Debtors Procedure Manual should be updated to reflect all stages of the write off.</p>		<p>This can be added to the revision of the procedure manual which will be finalised in December 2023. NDR and Income Manager will ensure the write-offs in the Debtors system are fully reconciled with the general ledger position each quarter.</p>	<p>Revs and Bens Manager 31 December 2023</p>
Medium	3	<p>Raising of invoices and Recovery Routes Finding: Invoice inappropriately raised for the drawdown of grant monies. Legal Services confirm this is not a one off.</p> <p>Recommendation: Services should be reminded that Debtors invoices should not be raised for the drawdown of grant monies nor to recover income</p>		<p>These examples should be collated and used to support some internal training that will be delivered to launch the new Sundry Debt Procedure Manual. Training will be delivered by Finance and Legal Services to all users of the Sundry Debt System. Consideration will be given to the format of the training, ie:- mandatory e-training for all current users and new users or something delivered via MS Teams.</p>	<p>Revs and Bens Manager/Legal Manager 30 June 2024</p>

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
		<p>Finding: There are only two templates for the issuing of invoices and reminders, Argyll General and Argyll CS, but there are seven different recovery routes. This is used for all invoices regardless of the recovery routes. The issue with this is that the recovery route timescales built into the system do not always match that detailed on the standard templates for invoices, reminders and final reminders.</p> <p>Recommendation: In consultation with Legal Services a review should be undertaken to ensure the stated terms and conditions match the recovery routes and reflecting the appropriate consequences for not paying.</p> <p>Finding: Legal Services recovery is hampered due to lack of customer telephone and email contact details being entered when the Debtors records are created by Services.</p> <p>Recommendation: Phone number and email fields should be mandatory</p>		<p>Training to be delivered to all users by June 2024.</p> <p>Recovery Routes to be reviewed by working group. Rationalised where possible. A process will be put in place whereby new recovery routes should be signed off by senior officers in Finance and in Legal Services in the future.</p> <p>Speak to System supplier about making these fields mandatory for users to complete if raising a debtor account.</p>	<p>NDR and Income Manager 31 October 2023</p> <p>NDR and Income Manager 30 June 2023</p>
Medium	4	<p>Performance Monitoring and Reporting Findings</p> <ul style="list-style-type: none"> There are no performance measures in place to monitor recovery of Sundry debt Quarterly meetings with Legal Services to discuss recovery of Sundry Debtors were postponed during the pandemic, these have not been re-instated. 	<p>Council systems and processes may not be effective in maximising debt recovery</p> <p>And</p>	<p>Performance monitoring and reporting will be a key part of the Sundry Debt review undertaken by the working group led by the Head of Legal Services.</p> <p>It is anticipated that proposals for quarterly meetings and the reporting</p>	<p>Revenue and Benefit Manager 31 March 2024</p>

No	Finding	Risk	Agreed Action	Responsibility / Due Date
	<ul style="list-style-type: none"> • Management information relating to Sundry Debtors is not made widely available; <ul style="list-style-type: none"> ○ Aged debtors reports are only sent to Services who ask; ○ Reporting is only to the Financial Services Management Team via Highlight Reports. <p>Recommendations: Appropriate performance measures should be put in place to monitor recovery of Sundry Debt. The meetings with Legal Services should be re-instated and consideration given to which committees and meetings should receive reports regarding the management and recovery of Sundry Debtors.</p> <p>Finding: The value of debt currently being managed by Legal Services is not accurately quantifiable.</p> <ul style="list-style-type: none"> • The Passed to Legal is the final stage on the Debtors system but not all invoices are moved to this stage e.g. Community Services Invoices • Not all debtors are managed by Legal Services (e.g. Commercial Waste issued and managed by Roads and Infrastructure Business Support Team and the Income Maximisation Team in Finance) • Invoices are raised using Civica Debtors system which does not interface with the Iken System used by Legal Services <p>Recommendation: Consideration should be given to whether it is practical/ cost effective to add other stages to the Debtors system e.g. Legal Letter 1 or Passed to Sherriff etc</p>	<p>Debt management, arrears follow-up procedures and bad debt write offs may not be properly monitored and reported.</p>	<p>suite will be developed and implemented by March 2024</p> <p>The process for the raising of and the recovery Commercial Waste debt and Residential Care debt will be considered as part of the Review of Sundry Debt. There was efforts made previously by staff in D&I and Finance to integrate Commercial Waste onto the Sundry Debt system but it failed</p> <p>The ongoing work of the working group will examine the possibilities of adding legal recovery stages to the Sundry Debt system.</p>	<p>Head of Legal and Regulatory Services</p> <p>31 March 2024</p> <p>NDR and Income Manager to implement new recovery stages, 31 December 2023</p>

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
Low	5	<p>Non Domestic Rates Recovery</p> <p>Finding: Information published on the website and sent out in the NDR information leaflets does not detail the consequences for non-payment nor details of the steps that the Council will take to recover the amounts due and the timescales and charges for these.</p> <p>Recommendation: The website and information leaflets should be updated</p>	Customers' expectations are not managed which may lead to failure to achieve budgeted income from local taxes	Website to be updated alongside the leaflet issued annually to ratepayers.	<p>NDR and Income Manager</p> <p>30 September 2023</p>
Low	6	<p>Housing Benefits Procedures</p> <p>Findings: The Housing Benefit procedures, while comprehensive, are being updated by the Corporate Debt Recovery Team Leader to reflect the revised working practices. This process has not been prioritised due to staffing issues.</p> <p>Recommendation: Complete the revision of the Housing Benefits Procedures</p> <p>Finding: The HBOP write off original data is not maintained.</p> <p>Recommendation: Either the original spreadsheet is printed to pdf when being passed for authorisation or the original data tab be copied to a new tab titled Keyed.</p>		Revision of HBOP recovery procedures to be updated and the write-off procedure updated to reflect the fact that if there is movement in the amount of debt to be written off during the period that the write-off is being considered by senior management the these individual debts will be removed from the current write-off process, have their circumstances reviewed and be reconsidered for write-off in a future quarter. However if the reason for the change is that a debtor has started to pay then the expectation is that the debt will not be presented for write-off in the near future. If the reason for the change is a backdated adjustment to benefit entitlement then this could possibly be represented to the Executive Director in future write-off	<p>Corporate Debt Recovery Team Leader</p> <p>31 December 2023</p>

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
				if the reason for the write-off action remains unchanged. Whatever the circumstances the individual debt will be removed from the existing write-off exercise and reviewed before the appropriate course of action is taken.	
Low	7	Resilience Although there is cover for key tasks, any reduction in staffing levels has a noticeable impact upon the workload for other staff within the teams. This is a known issue, which will be addressed during the Business Process Review and restructuring of the Revenues and Benefits Service	Potential business continuity risk	Issue of resilience continues to be reviewed as part of the overall Revs and Bens BPR. 1 FTE has been added to the team permanently, the rest of the roles are currently under review.	Revenues and Benefits Manager 31 March 2024
VFM	8	Sharing of good practice Consideration should be given to whether it is possible to issues text message reminders for Non Domestic Rates missed payments.	No risk – this has proved successful at prompting Council Tax customers to pay.	The service would like to look at the possibility of E-billing and text reminders for NDR in the future. There will be a cost to this, given that NDR income is pooled by the government it has never been our highest priority. That being said it would introduce improvements for our businesses. We will approach the systems supplier, Northgate (Orbis) and get quotes for this work. At that point a business case will need to be considered before any other progress can be made.	NDR and Income Manager Quote to be requested by June 2023.

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.
VFM	An observation which does not highlight an issue relating to internal controls but represents a possible opportunity for the council to achieve better value for money (VFM).

Appendix 2 – Audit Opinion

Level of Assurance	Definition
High	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
Substantial	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
Limited	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.