

## **Partial Audit – Debt Management Covering Report**

Service Director: Kevin Nacey, Director of Finance and Performance

Lead Officer: Martin Gerrish, Strategic Manager – Financial Governance

Author: Martin Gerrish, Strategic Manager – Financial Governance

Contact Details: tel (01823) 355303 or e-mail: mgerrish@somerset.gov.uk

Cabinet Member: David Hall

Division and Local Member: All

### **1. Summary/link to the County Plan**

- 1.1. This is a covering report in relation to the Partial audit on Debt Management (money owed to the County Council), which highlights some of the key points raised and the management actions that have been put in place.
- 1.2. The achievement of good performance in this area is linked to the County Plan in relation to “bring in more funding and resources”.

### **2. Issues for consideration**

- 2.1. Members are asked to consider the management progress with responding this audit, and to note the actions that have been undertaken.

### **3. Background**

- 3.1. Officers within the Finance function asked for this particular audit.

There has been sufficient audit work on the Accounts Receivable (debtors) system itself to provide confidence (Reasonable Assurance was achieved previously). However, there has always been anecdotal evidence from the officers concerned that compliance with the system, and with debt management in particular, was variable.

With the Accounts Receivable function returning from South West One, and having gone through a restructure and a reduction of staff as a MTFP saving, it was appropriate to review the function, and the audit could help inform that process.

Finance managers were also aware that the previous Income Code of Practice was out of date and did not provide definitive guidance to those officers who have a responsibility to chase debts.

- 3.2.** It was originally envisaged that the management response to this Partial audit would have come back to the June or July 2017 Audit Committee meeting. Unfortunately, as was reported to the June meeting, our timetable was put back due to a Pre-Action Protocol issued by the courts that was to come into force from 1<sup>st</sup> October 2017.

(As a reminder to members, this Protocol was designed to reduce the amount of debt cases coming before the courts, by requiring all alternatives to be completed and exhausted, and with more detailed evidence shared, before court action can be taken against individuals or sole traders. The further documentation requirements and further stages introduced by the Protocol will inevitably slow down our ability to collect debts from individuals. It is possible under the Protocol for individuals to delay payments to the County Council by several months without us being able to undertake legal actions.

It was therefore decided to re-write sections of the Income Code of Practice to incorporate the Pre-Action Protocol, rather than have to re-issue the Code a few months later with these changes).

Officers can confirm that our debt management case system (Norwell) now allows us to be consistent with the requirements of the Pre-Action Protocol in terms of the necessary communications required.

- 3.3.** Whilst the findings from the audit were obviously of a serious nature, confirming officers' thoughts in many cases, members are reminded that the Accounts Receivable service as a whole is performing well.

As was reported to the June Audit Committee meeting, we collected 99.86% of the net debt raised on the system in 2016/2017, which is consistent with previous years. Although there are some exceptions, payments are generally collected in a timely manner, and our average time to pay statistic has remained consistently below 30 days.

However, officers have taken on board where the processes could be improved, as can be seen in the individual comments to the Final Audit (attached).

## **4. Consultations undertaken**

- 4.1.** Not directly applicable to the audit report, although some key users were consulted on the draft Income Code of Practice.

## **5. Implications**

- 5.1.** A number of key measures have been highlighted by the audit, which will become additional indicators for Finance managers to consider the performance of the Accounts Receivable service.

## **6. Background papers**

- 6.1.** Draft Income Code of Practice (also on this agenda).

**Note** For sight of individual background papers please contact the report author