

Oldham Council Audit and Counter Fraud Team

2024/25 Fundamental Financial Systems

Debt Recovery

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2024/25 Fundamental Financial Systems

Debt Recovery

1 Background

- 1.1 In line with the Annual Audit Plan a review of the Council's Debt Recovery systems has taken place. Audit and Counter Fraud will collaborate with our External Auditors, Mazars, to support their year-end audit planning to ensure that the agreed audit programme for each financial system reflects key risks, internal controls, and is delivered in accordance with Public Sector Internal Audit Standards.
- 1.2 The systems examined in this review relate to Sundry Debtors, Council Tax and Non-Domestic Rates (NDR). Council Tax, NDR and Sundry debts are reviewed as part of their own separate system audits, but the debt relating to those areas has been summarised within this report, which attempts to provide a Council wide view of debt and assurance opinion in relation to the Council's overall levels of debt, and its systems and processes in place to address this issue.

2 Objectives and Scope

- 2.1 The objective of the audit was to review and test the operation of the system, including controls, to ensure that appropriate procedures and controls are in place and operating effectively. This review has been conducted in accordance with the Global Internal Audit Standards (GIAS) 2024, and the Chartered Institute of Public Finance (CIPFA) Local Government Application Note (LGAN) 2024.
- 2.2 The key system controls examined relate to follow-up and recovery of outstanding debts in line with agreed procedures.
- 2.3 Our approach involved:
 - Follow up of previous recommendations made in the 2023/24 review.
 - Walkthrough testing to ensure that processes and controls are operating as expected.
 - Compliance testing of key controls.

3 2024/25 Draft Audit Opinion

- 3.1 The overall audit opinion is that the controls in place provide **Limited** assurance. The findings leading to this opinion are discussed below.

4 Findings

Total outstanding debt

- 4.1 A summary of the outstanding levels of debt for Council Tax, NNDR and Sundry Debts is as follows:

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Council Tax	£28.427m	£32.889m	£33.56m	£34.40m	£38.24m	£43.12m
NNDR	£7.611m	£9.236m	£9.384m	£8.51m	£7.80m	£10.02m
Sundry Debtors (inc. ASC debtors)	£15.764m	£18.161m	£23.57m	£23.44m	£27.46m	£28.67m
Total	£51.80m	£60.29m	£66.51m	£66.35m	£73.50m	£81.81m
Number outstanding invoices (Sundry Debtors)	14,765	17,334	20,654	23,177	25,337	28,134

The debt related recommendations discussed and made in the 2024/25 Council Tax and NDR reports are reproduced at Section 6 of this report for completeness.

Adult Social Care Debt

- 4.2 In respect of Adult Social Care debt, which forms part of the Sundry Debtors figures in the table above, on 31 March 2020 the total service debt outstanding was £7.752m. By 31 March 2025 the total debt in connection with the Community Health and Adults Social Care has increased to £18.844m.

	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25
Debt by Type	£	£	£	£	£
Companies	246,270	433,044	2,693,211	2,869,734	3,362,395
Individuals	7,638,446	8,776,775	10,330,708	12,462,060	15,363,485
Public Bodies	1,651,847	1,414,507	53,614	101,044	118,842
Total Debt	9,536,563	10,624,326	13,077,533	15,432,838	18,844,722

See Recommendation 1 in Section 6 below.

Council Tax Debt

- 4.3 As with previous reviews, a sample of longstanding Council Tax debts were monitored to ensure all were being followed up in line with agreed procedures and in a timely manner. Some of these debts had been monitored in previous reviews. From the debts selected during this review, it was found:

- Four debts had Charging Orders placed on the debts and were in various stages of being progressed through Legal Services, while a fifth debt was being progressed to an Order for Sale.
- The Council was in discussion with one debtor in respect of another debt, but progression of the case was protracted as the company owning the property had been dissolved but was still shown as owning the property at Companies House. The

case had been passed to Legal Services. The previous action for this debt was 13/08/2024.

- One debt was awaiting combining the Council Tax debt with the clients NNDR debt in order for a Liability Order to be served. This had not progressed since 21/08/2024.
- A further debtor had requested their property be taken out of the banding list as the property was derelict and uninhabitable. This debt had not progressed since 05/08/2024.

A copy of the spreadsheet used to administer those cases being referred to the Debt Panel was reviewed. Three columns on the spreadsheet require input by Legal Services staff, the columns being the date the cases had been sent to the Court for a hearing, the date of the hearing, and the subsequent action from the hearing. As was the case for the 2023/24 review, many of these cases had no information in these columns detailing progress being made in securing the debt through the courts, with the columns remaining empty. The spreadsheet is on a shared drive.

See Recommendation 2 in Section 6 below.

- 4.4 A review of the three Orders for Sale which had been progressed in the previous year showed that two of the three Orders had been completed, and the properties had been sold and the debts cleared. The third sale had been delayed when a buyer had pulled out at the conveyancing stage, but two new offers had since been received, and it was considered this sale would move to completion.

It was agreed following last year's review that, in order to formalise better monitoring and review processes to help ensure progression of Charging Orders to Orders for Sale, there would be more active involvement in this area by the Debt Panel.

Despite the success in progressing two of the three previous Orders for sale, no further Orders for Sale appear to be being progressed.

See Recommendation 3 in Section 6 below.

- 4.5 A sample of twenty Council Taxpayers with either an Attachment of Earnings or an Attachment of Benefits Order was reviewed to ensure payments were being received in a timely manner in line with the terms of the respective attachments.

Attachment of earnings:

- Of the seventeen debts reviewed with Attachment of Earnings, one had only been recently had the Attachment of Earnings served and no payments had yet been received, whilst six showed that payments were being received.
- In four cases payments were not being made and contact was needed with the employer in order to ascertain the latest status of each debtor. In one of these cases payment had not been received since July 2024, whilst in each of the other three cases payments had not been received since August 2024.
- Of the others, some had absconded and were out for trace, whilst some had been processed by different methods of enforcement.
- The total debt for the seventeen debts reviewed was £120,060.66.

Attachment of Benefits:

- Of the three debtors reviewed for which an Attachment of Benefits had been obtained, two were now being followed up via other methods of enforcement, whilst one was linked to another debt for which an Attachment of Benefits was already in place.

The total debt for the three Attachment of Benefits reviewed was £10,254.20.

See Recommendations 4 in Section 6 below.

NDR Debt

4.6 In line with previous reviews, a selection of longstanding debts was also reviewed for NDR debts to ensure they were being followed up proactively in line with agreed follow-up procedures:

- One debt had received no payments since 24/09/2024 despite an arrangement for monthly payments being on file.
- One debt was with external solicitors awaiting further action.
- One debt was awaiting progression of a liability order.
- One debt was awaiting the legal outcome of a dispute between a landlord and tenant.
- One debt was with the official Receiver as a winding up order had been granted.
- Three debts were awaiting write-off.
- One debt was with external solicitor exploring the viability of bankruptcy.

The total amount for the debts reviewed was £1,090,908.67.

See Recommendations 5 in Section 6 below.

Sundry Debtors

4.7 A report of Sundry debts currently being processed by the Legal section was reviewed. In total there were 685 cases held within Legal with a total debt of £796.5k which had increased slightly from the 2023/24 review which had 667 cases with a total debt of £750.3k. Of this debt £380.3k relating to 131 cases was over 10 years old compared with £357.4k for 122 cases the previous year. The oldest debt had its invoice raised on 30/05/1991, and this debt had not changed in the previous year despite this client being deceased.

VAT on bad debts can be reclaimed once the debt is over six months old (from the date the payment was due) and is less than four years and six months old. In order to reclaim the VAT must have been paid over to HMRC and the debt must have been written off in the accounts.

The total amount of invoices for which VAT could not be reclaimed due to the debt being over four years and six months old was £617.9.

Whilst a spreadsheet advising progress for each of these debts had been recommended in last year's review, this spreadsheet did not appear to have been formulated.

A review was also undertaken of a sample of ten debts that had been previously passed to Legal for debt follow-up through the Legal System. Of those ten, eight had been subject of a similar review last year. The total value of the ten debts was £328.1k.

Two of the debts were awaiting feedback from the Council's external solicitors, but this had not progressed since they had been subject of review in last year's audit. The total debt for these two cases was £142k.

Two debts also reviewed last year totalling £60.9k had received no further payments and emails had been sent requesting payments to resume. Of the other six cases, Judgment had been obtained on one, a Charging Order on another and one was in dispute. One had regular payments being made, and another had been paid in full.

See Recommendations 6 - 8 in Section 6 below.

5 Way Forward

- 5.1 An Action Plan is included in **Section 6**. The Action Plan contains three separate tables. The tables contain recommendations as part of other Fundamental Systems reviews which are included in order to provide an overall view of the Council's Debt Recovery Processes. The recommendations made as part of other Fundamental Systems reviews, and reproduced here, are as follows:

- First table, Recommendation 1 - Proposed ASC Debt Recovery Process, arose from the Adult Social Care reviews of Direct Payments and Residential Care 2023/24.
- Second table in its entirety contains Debt Recovery Recommendations from 2024/25 Final Council Tax Review.
- Third table in its entirety contains Debt Recovery Recommendations from 2024/25 Final NNDR Review

Progress against the agreed recommendations will be reviewed as part of an agreed timetable.

- 5.2 We would like to thank officers in the department for their help in this review. In the meantime, once the report has been finalised, we would be grateful if you would complete the Customer Service Questionnaire so that we can continuously review our service delivery.

5.3 Disclaimer

This report is made solely as an internal management report to the Officers of the Council identified on the report distribution list as an aid to the effective management of Council resources, and for no other purpose. Our audit work has been undertaken in accordance with the Global Internal Audit Standards (GIAS) 2024, and the Chartered Institute of Public Finance (CIPFA) Local Government Application Note (LGAN) 2024. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than those Officers for whom the report was produced, for our audit work, for this report, or for the opinions we have formed.

6 2024/25 Final Action Plan

The table below shows the recommendations for the findings arising from our audit review. We have prioritised the recommendations to provide you with an indication of the importance for each nominated officer. If an officer disagrees with the prioritisation, they should discuss this with the auditor as part of the finalisation process.

High Priority	- Significant risk to the Council or Service, the recommendation is essential for sound or effective control.
Medium Priority	- Moderate risk to the Service it is important that the recommendation is completed.
Low Priority	- Small risk to the Service it would improve control if the recommendation were to be completed.

No	Recommendation	Priority	2023/24 Management Comments	2024/25 Management Comments	Who / When	Progress update October 2025
1	<p>Proposed ASC Debt Recovery Process</p> <p>The action plan to address outstanding debt presented to DMT in July 2021 should be progressed.</p> <p>Brought forward from previous years.</p>	High	<p>Agreed.</p> <p>An Income and Prevention Officer was recruited in December 2022 to focus on ASC debts. As of January 2024 they had collected £237k of outstanding debts with a further £76k on arrangement.</p> <p>A trial has also commenced working with ASC specialist Solicitors on outstanding cases to seek opinion on whether</p>	<p>An Adult Social Care Debt Policy has been introduced which has helped provide guidance to Officers and streamline decision making</p> <p>The Income and Prevention Officers fixed term ended in December 2024.</p> <p>For 2025/26, we are planning a comprehensive review of Revenues and Benefits, including, Accounts Receivable and Adult social Care</p>	Assistant Director Revenues and Benefits	<p>Complete.</p> <p>The Adult Social Care Debt policy continues to provide guidance and support to officers in decision-making, helping to endure consistency and transparency. Following the end of the Income and Prevention Officer post in December 2024, casework has been absorbed into the wider service.</p> <p>The 2025/26 review of Revenues and Benefits including the Accounts Receivable, and Client Finance teams are now underway. This review will assess current processes, resourcing and governance arrangements.</p> <p>This work has commenced already. Regular debt panel meetings are in progress where cases are reviewed and</p>

No	Recommendation	Priority	2023/24 Management Comments	2024/25 Management Comments	Who / When	Progress update October 2025
			to undertake legal action on a number of cases.	Client Financial assessment function.		decisions regarding recovery action are being taken.
2	Bad Debts: The spreadsheet maintained for Debt Panel Debts should be updated and maintained by Legal Services when cases are passed through to them, including: <ul style="list-style-type: none"> the date a Court hearing date was received, the date of the hearing, and the subsequent action from the hearing should all be updated. 	Medium	No previous comments received.	Legal services will be able to update the debt recovery spreadsheet including the dates when the matter is issued at court and any other relevant required dates. Implementation date will be 15 th December 2025.	Director of Legal Services	Legal have created a central debt recovery spreadsheet that includes all cases sent from debt panel. This is being updated by the legal assistant in legal.

No	Recommendation	Priority	2023/24 Management Comments	2024/25 Management Comments	Who / When	Progress update October 2025
3	Orders for Sale: A process should be implemented to ensure there is continuous monitoring and progression of Charging Orders to Orders for Sale where this is appropriate.	Medium	Agreed: This will form part of the debt panel discussions on an ongoing basis.	The Council successfully enforced sale against 3 properties and recovered Council Tax arrears. Potential further cases have been identified. The learning from these cases will feed into identifying suitable cases going forward.	Interim Head of Revenues)	<p>The Process has been implemented and embedded within business-as-usual debt panel reviews.</p> <p>Monthly Debt Panel Meetings are scheduled in line with the requirements of the Councils Charging Order and Insolvency Policy. Monthly reviews are also in place to monitor ongoing cases with solicitors acting on the Councils behalf.</p> <p>No new Order for Sale cases has been enforced since April 2025, but a number of cases with secured arrears are under review. These instances include where owner occupiers are asset rich but cash poor, and others where owners have tenanted their properties. Careful consideration is being given to avoid action that could lead to making residents homeless.</p> <p>The review of potential charging orders and Order for Sales are now treated as business as usual.</p> <p>Learning from the three initial order for sale cases have highlighted that disposal is a costly and length process, with additional risks such as disputed ownership, undisclosed occupation, and property disrepair. While costs have been</p>

No	Recommendation	Priority	2023/24 Management Comments	2024/25 Management Comments	Who / When	Progress update October 2025
						<p>recovered, this experience is being used to refine case selection.</p> <p>It is anticipated that legal action on occupied properties would be significantly more costly, and the Council would seek to enforce a payment arrangement in the first instance there is the courts would be required to enforce an order for sale increasing the risk of homelessness for any potential debtors.</p>
4	<p>Attachment of Earnings / Benefits:</p> <p>All existing Attachment of Earnings / Benefits should be monitored on an ongoing basis. In addition to pursuing those debtors where the relevant attachments are not being applied, those with existing debts should be reviewed to ensure they don't fall into further arrears.</p>	Medium	<p>Agreed: This information is now available withing the Destin Vision tool and will be progressed accordingly.</p>	<p>AOB and AOE payments have one FTE working 1 day a week identifying where no payments have been received, chasing payment and where not possible an alternative form of recovery. However, this is ongoing as new deductions are added all the time</p>	Interim Head of Revenues	<p>The Process has been implemented and embedded within business-as-usual processes</p> <p>This area continues to be managed as business as usual, with reports generated from the Council Tax administration system and reviewed by the debt recovery team.</p> <p>National issues remain with attachment of benefits, including significant delays with the DWP and cases where insufficient benefit remains following other deductions already in place to allow any further deductions. There remain instances where employers are slow to commence deductions from attachment to earnings. Where delays or barriers arise, cases are</p>

No	Recommendation	Priority	2023/24 Management Comments	2024/25 Management Comments	Who / When	Progress update October 2025
						<p>escalated quickly to alternative recovery methods.</p> <p>It is also recognised that deductions rarely clear Council Tax arrears within the financial year, which means debt often increases when a new year bill isn't paid. Council policy prevents the use of enforcement agents in Council Tax Reduction cases, which restricts the range of recovery options available.</p>
5	<p>Bad Debt Follow-Up and Enforcement:</p> <p>All bad debts should be routinely monitored and actioned promptly when arrangements are not maintained.</p>	Medium	<p>New Recommendation.</p>	<p>Automations within the administration system help identify cases where payments have stagnated, and payments defaulted and move them onto the next stage of recovery.</p> <p>However, for older debts that have not seen recent activity, or recovery appears to have been exhausted, a comprehensive review is required to identify debts that remain recoverable and appropriate to pursue and those that are</p>	Interim Head of Revenues	<p>Full implementation will take time to complete due to the scale of historic debt and limited review capacity. Current focus is on prioritising debts that remain recoverable and progressing these through appropriate enforcement.</p> <p>Automations within the administration system continue to help identify cases where payments have stagnated or defaulted moving them onto the next stage of recovery. Monthly records are maintained to track arrears, costs and fees, amounts collected, and amounts written off.</p> <p>For older debts, work is being scoped under the Ready for the future programme to carry out a comprehensive review. This will include a refresh of the write of procedure to endure clarity and transparent, moving away from the historic</p>

No	Recommendation	Priority	2023/24 Management Comments	2024/25 Management Comments	Who / When	Progress update October 2025
				not. This work is being scoped as part of the Ready for the future programme.		<p>approach still in place from when the service was contracted out.</p> <p>Progress is constrained by limited resource to review significant arrears, particularly as much of the debt is not coded on the system for write off. This makes the identification of irrecoverable debts resource-intensive, requiring assurance before authority to write off can be requested,</p>
6	Debts in Legal: All debts currently with Legal Services should be reviewed on a continuous basis to ensure follow-up on each debt is progressing in line with debt recovery policy.	Medium	No previous management comments.	The relevant date for this will be added to the spreadsheet that is being created at recommendation (2) above.	Interim Director Legal Services	<p>The legal service have one member of staff (legal assistant who is responsible for progressing charging order applications for council tax as well as issuing all sundry debts and managing the process and progressing all debt recovery for any other service. The member of staff is continuing with business as normal but has created a spread sheet of all new debts sent to legal and is working on adding historical debts which unfortunately requires manual data entry.</p>
7	Debts in Legal: A spreadsheet should be maintained detailing progress on pursuing debts through legal action.	Medium	Agreed: All new debts passed to Legal will be recorded on a spreadsheet and all follow-up recorded.	The relevant date for this will be added to the spreadsheet that is being created at recommendation (2) above.	Interim Director Legal Services	<p>All new debts are added to a spreadsheet and this is updated and being added to on a regular basis. This is now in effect.</p> <p>Due to the high level of debt that is escalating, just having a spreadsheet will not be sufficient to tackle the level of debt. It is advised that senior officers from Council tax, business rates and adult social care client finance and</p>

No	Recommendation	Priority	2023/24 Management Comments	2024/25 Management Comments	Who / When	Progress update October 2025
						commissioning form a working group to establish how the debt levels can start reducing. If it is necessary for legal services to hire another debt recovery legal assistant to take the lead on tackling the backlog this can be arranged and would be a spend to save appointment.
8	Debts in Legal: Debts in Legal that are inclusive of VAT should be reviewed prior to the ability to claim VAT expiring, and, where applicable, written-off	Medium	No previous management comments.	The relevant date for this will be added to the spreadsheet that is being created at recommendation (2) above.	Interim Director Legal Services	The spreadsheet has various dates on and legal can assist and liaise with finance about VAT dates but finance can also be provided with a copy of the spreadsheet.