

Saada

Smaller Authorities' Audit Appointments

Debt Recovery Policy

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Debt Recovery Policy

1. Objective

- 1.1. The objective of this policy is to ensure the effective collection of income due to SAAA by collecting all debts owing to it promptly, effectively, efficiently and economically, whilst ensuring unbiased and fair treatment of all debtors.

2. Framework and Purpose

- 2.1. This policy document sets out the procedures for enabling the prompt collection of all sums of money due, and for ensuring that a fair and consistent approach is taken to recover sums that are not paid on a timely basis.
- 2.2. This policy relates to the collection of all forms of revenue including:
 - 2.2.1. Scale fees owing from Smaller Authorities
 - 2.2.2. Sundry debts
- 2.3. Effective debt collection ensures that SAAA maintains a reputation for requiring full and prompt payment from its debtors.
- 2.4. In the event that a debt ultimately becomes uncollectable, owing to the bankruptcy, insolvency or untraceability of the debtor, or where the debt is uneconomic to pursue, the debts will be considered for write-off in accordance with section 10 of this Policy.

3. Roles and Responsibilities

- 3.1.1. The Corporate Services Manager (CSM) will follow best practice and the most up to date legislation to ensure that SAAA maximises the collection of debts and income in the most efficient and cost-effective manner. Relevant legislation includes parts 15 and 16 of the Companies Act 2006
- 3.2. This policy provides clear guidance to the CSM on the:
 - 3.2.1. Organisation and supervision of all income arrangements, including the recording, reporting, recovery and monitoring of income;
 - 3.2.2. Framework and timeframe for debt collection, enabling SAAA to maximise the collection of debts and income in a fair, efficient and cost-effective manner;
 - 3.2.3. Proper accounting for income within SAAA's finance system, and setting an appropriate annual provision for bad debts.

4. Raising Invoices

- 4.1. Invoices will be raised in advance of receipt of the service or goods wherever appropriate to do so, to minimise the financial risk to SAAA.
- 4.2. Invoices will be supported by documentation detailing the service provided and any applicable charges, rents or fees, with VAT charged where applicable.

- 4.3. Invoices will be raised promptly and contain sufficient detail of the service provided, the date/s to which the invoice relates and the due date by which payment should be received. This will be between five and 30 days from the date of the invoice dependent on the type of supply.
- 4.4. Where services are provided over a period, invoices will be raised periodically under the terms of the agreed provision

5. Payment Terms

- 5.1. SAAA's preferred method of payment is by BACS, although payments can also be made by debit or credit card, cheque or standing order.
- 5.2. In the event of a request from a debtor to vary the payment terms applicable to a debt, such as where a debtor is not able to repay the debt completely, either immediately or within a reasonable timescale, then each case will be considered by the CSM in consultation with the CEO with a view to establishing a payment arrangement over a specific period of time.
- 5.3. Where a payment arrangement is made, failure to make regular payments in a timely manner will result in further recovery action and reasonable costs may be added to the debt.

6. Responsibilities of Debtors

- 6.1. Any person, organisation or company that owes money to SAAA, or has a liability to pay, should comply with all legal obligations in respect of the liability by:
 - 6.1.1. Ensuring that payments reach SAAA by the due date.
 - 6.1.2. Following instructions provided to ensure payments are able to be credited correctly against the amount due.
 - 6.1.3. Informing SAAA of any changes in circumstances that may have an impact upon the amount to be paid, or the ability to pay.
 - 6.1.4. Notifying SAAA of any change of address.
 - 6.1.5. Contacting SAAA promptly if it is believed the amount due is incorrect.

7. Debt Collection Process for Sundry Debts

- 7.1. SAAA recognises that there are different types of debt sundry debts arising from the issue of an invoice and scale fee debts arising from non-payment of audit fees by Smaller Authorities.
- 7.2. The procedure followed to ensure sundry debts are dealt with promptly and effectively is:
 - 7.2.1. Invoice is issued clearly stating the due date.
 - 7.2.2. Once the due date has passed, a first reminder is sent requesting payment within 14 days.
 - 7.2.3. If payment is not received, a second reminder is sent requesting payment within seven days.

- 7.2.4. If payment is not received, the debtor is contacted directly to establish the reasons for non-payment and to agree a deadline for receipt of the debt, or where appropriate a payment arrangement.
- 7.2.5. If payment is again not received, SAAA will initiate legal proceedings.
- 7.3. In the case of sundry debts, such proceedings may result in an application to the Small Claims Court unless the debt is deemed irrecoverable. If the claim is upheld, the debtor will be liable for the costs incurred by SAAA in recovering the debt.

8. Debt Collection for Scale Fees.

- 8.1. Scale fees are set by SAAA at the commencement of a contract period and are shown on SAAA's website
- 8.2. Scale fees are payable by Smaller Authorities as fixed audit fees and additional services fees when incurred.
- 8.3. The audit firm will collect scale fees from Smaller Authorities.
- 8.4. The audit firms must use all reasonable endeavours to collect scale fees payable.
- 8.5. In the event of an audit firm being unable to recover payment of fees within three months of the due date despite having used all reasonable endeavours, the audit firm shall (having consulted with SAAA) send a final reminder to the Smaller Authority advising that if payment of fees is not made within 14 days the matter will be referred to SAAA and this may result in legal enforcement actions.
- 8.6. If payment is still not made, SAAA will take the following further steps to secure payment
 - 8.6.1. The CSM will request the audit firm to supply details of the debt and the steps taken by the audit firm to collect fees.
 - 8.6.2. The CSM will contact the Smaller Authority to request prompt and full payment of the debt and ask the Smaller Authority to provide any information to explain why they have not paid to date.
 - 8.6.3. The CEO will review any information provided by the Smaller Authority, refer any queries arising from this to the audit firm and confirm the amount payable.
 - 8.6.4. The CEO will consider whether SAAA's Fee Variation Guidance is applicable to the debt and apply the Guidance if appropriate.
 - 8.6.5. If the debt is confirmed by the CEO and no payment is received within three weeks of SAAA's request, the debt will be passed to SAAA's debt collection agency.
 - 8.6.6. This may result in an application to the Small Claims Court unless the debt is deemed irrecoverable.
 - 8.6.7. If the claim is upheld, SAAA will have the right at its sole discretion to seek to recover or waive any costs that it may have incurred in securing payment.

9. Repayment of Arrears

- 9.1. Where a payment arrangement has been agreed SAAA will seek payment of all outstanding arrears as soon as possible, and by the end of the financial year wherever possible
- 9.2. Payment arrangements will only be considered where such an arrangement is more likely to result in SAAA recovering the payment in full.
- 9.3. A payment arrangement may be refused where the debtor appears to have sufficient assets to pay the debt immediately.

10. Writing Debts Off

- 10.1. **Sundry Debt:** If a sundry debt remains unpaid for more than 12 months, and all appropriate recovery methods have been exhausted, then:
 - 10.1.1. If less than £1,000, consideration will be given to writing off the debt. Such debts can be sanctioned for write-off by the CEO
 - 10.1.2. If more than £1,000, the CEO will make a request to the Board to authorise the debt to be written off.
- 10.2. **Scale Fee Debt:** if a scale fee debt remains unpaid for more than 12 months and all appropriate recovery methods have been exhausted then the CEO will report this to the Board at the earliest meeting for its consideration.

11. Definitions

- 11.1. Arrears – A sum due to SAAA but unpaid by the date on which payment was due.
- 11.2. Debt – A sum payable to SAAA for services received.
- 11.3. Debtor – A person, persons, organisation or other legal entity that owes money to SAAA.