Purpose

The purpose of this procedure is to set out the processes for managing the University’s general debtors.

Scope

To facilitate the recovery of all general debtor related debt owing to the University.

Legislative Context

- Financial Management Act 1994

Definitions
### Terms and Definitions

<table>
<thead>
<tr>
<th>Terms</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Receivable(AR)</td>
<td>Money due or owed to a business by a customer for products and/or services provided by the business.</td>
</tr>
<tr>
<td>Agreement</td>
<td>A legally binding arrangement between two or more parties usually involving the provision of goods or services in return for payment.</td>
</tr>
<tr>
<td>Bad Debt</td>
<td>An accounts receivable (AR) amount owing that has been clearly identified as not being collectable.</td>
</tr>
<tr>
<td>Conflict of Interest</td>
<td>Is assessed in terms of the likelihood that members of the University community possessing a particular interest could be improperly influenced, or might appear to be improperly influenced, in the performance of their duties.</td>
</tr>
<tr>
<td>Credit Note</td>
<td>A document that a seller gives to a buyer who returns a product, pays too much for something, etc., which the buyer may use at a later time to pay for something else, or clear off their existing debt.</td>
</tr>
<tr>
<td>Customer</td>
<td>Any individual, corporation, company, institution, Government Agency, etc. that has been provided with goods/services by the university under credit arrangements. Customers can also include persons who have made overpayments or received overpayments such as salary or allowances.</td>
</tr>
<tr>
<td>Debt</td>
<td>Something owed, such as money, goods, or services.</td>
</tr>
<tr>
<td>Debt Recovery</td>
<td>When an entity is able to collect payment for a debt.</td>
</tr>
<tr>
<td>Dispute</td>
<td>To question the validity of the charges incurred.</td>
</tr>
<tr>
<td>Doubtful Debt</td>
<td>An amount shown in a financial statement representing amounts formally classified as a receivable that will probably be written off as a bad debt.</td>
</tr>
<tr>
<td>General Debtors</td>
<td>Clients, Company or student related debt administered outside of the primary student management system that owes money to the University.</td>
</tr>
<tr>
<td>Instalment</td>
<td>One of the portions, usually equal, into which a debt is divided for payment at specified intervals over a fixed period.</td>
</tr>
<tr>
<td>Invoice</td>
<td>A detailed list of goods provided or services rendered, with an account of all costs; an itemised bill.</td>
</tr>
<tr>
<td>Period of Credit</td>
<td>The University’s credit terms for general debtors related invoices e.g.: 30 days from date of invoice.</td>
</tr>
<tr>
<td>ABN</td>
<td>Australian Business Number: Single identifier for business dealings with the ATO and other government agencies.</td>
</tr>
<tr>
<td>Dunning</td>
<td>The process of methodically communicating with customers to ensure the collection of overdue accounts receivable. In this instance, dunning refers to the system where standard reminder letters are sent automatically when invoices become a certain numbers of days overdue.</td>
</tr>
<tr>
<td>GST</td>
<td>Goods and Services Tax.</td>
</tr>
<tr>
<td>Purchase Orders</td>
<td>A formal document initiated by a buyer and forwarded to a supplier normally used to form the basis of approval for the supplier to raise an invoice for the supply of goods/services to the buyer.</td>
</tr>
<tr>
<td>Write off</td>
<td>To cancel from accounts as a loss.</td>
</tr>
</tbody>
</table>

### Actions

Warning - Uncontrolled when printed! The current version of this document is kept on the FedUni website.


CRICOS Provider Number: 00103D
In managing debtors the University must:

- Ensure that proper accounts and records are maintained for each debtor of the University.
- Promptly bring all debtors to account in the accounting records of the University; and instigate debt recovery processes if the debt is not paid within the University’s normal terms of trade.

General Information

- Officers of the University may be liable for all or part of any loss suffered by the University due to their deliberate or serious disregard of a reasonable standard of care.
- Failure by staff to comply with these procedures may be regarded as a deliberate or serious breach of their statutory duty and may lead to disciplinary action.
- University accounting records are maintained in Australian dollars.
- It may be possible to vary the procedures in this document for specific situations. Any such variations must have the prior written approval of the Chief Operating Officer/Chief Financial Officer.

General debtors may arise by any means including the following:

1. The provision of goods or services or the disposal of University assets without prior receipt of full payment in cash or its equivalent;
2. The dishonor of cheques or declined EFTPOS transactions (credit/debit card) payments used to purchase assets, goods or services from the University;
3. Overpayments to staff members or contractors of the University;
4. Unpaid rent and other non-teaching charges for services or penalties;
5. Payments due to the University (for example grants) from organisations including Governments and their agencies; and
6. All other monies due to the University by private individuals and businesses, including corporations.

Considerations prior to providing goods or services

Staff must consider and comply with the Conflict of Interest Policy and Procedure prior to entering into transactions with new or existing clients or suppliers.

An agreement needs to be signed by all parties and filed in the University's Legal Office before goods and services are provided by the University. These agreements must be approved by the University's Legal office prior to signing. A register of these agreements is maintained by the University's Legal Office.

There are approved categories of agreements that do not need to be filed in the University's legal Office e.g.:
- Employment agreements, independent contractor fixed rate agreement (ICFRA), student accommodation agreements. A register of these approved categories of agreements is maintained by Financial Services.

General debtors are invoiced preferably when a Purchase Order has been received or the amount has been agreed by all parties in writing.

Creating a new Customer or change of existing Customer details

Nominated Finance officers have the ability to access the customer database in the University Finance System. Prior to creating a new or altering an existing customer, the customer risk assessment checklist must be completed.

If the customer exists you will be able to locate them in the customer listing, if not, nominated finance officers have the ability to create/alter new customers.
A New Customer Application/*Change of Customer Details Form is required prior to any changes along, with the Risk assessment checklist and Trade References (if applicable).

Customer Account Risk Assessment

Customer risk assessments for new clients should be undertaken for the following:

- Non-Government agencies with a value of $20,000 or greater
- 2 Trade References must be provided
- Standardised checklist form to ensure risk assessment has been completed and documented accordingly

For current existing customers an internal risk assessment should be undertaken to identify any outstanding amounts and/or bad debts according to their payment history. This should be reflected under the customer credit profile risk status and prior to generating any new debt. Staff must ensure that the standardised checklist form to ensure risk assessment has been completed and documented accordingly.

Request to Raise an Invoice

A standard tax invoice is to be raised via myFinance. Upon the provision of services, the receipt of a purchase order or signed contract/agreement (whichever is appropriate) should occur.

- Invoices may only be requested when the University is contractually entitled to do so.
- The Finance team is responsible for issuing all Invoices upon the request of the incurring Portfolio, Faculty or Section.
- Confirmation that delivery in full has taken place, or where partial delivery has taken place, indicate what proportion of completion.
- Include any supporting documentation such as an attachment.

1. Evidence of a fully executed contract or formal agreement between the University and the client or reference number; and details of any contract changes since the previous Invoice was raised;
2. Purchase order raised by the debtor;
3. Copies of emails or other communications with the debtor where a contract or formal agreement is not in existence; and/or
4. Other relevant documentation from the debtor.

- Include cost centre and line item detail for revenue allocation.
- Invoice requests with a GST coding other than C (including GST) must be submitted to the Finance Officer, Taxation & Treasury for authorisation prior to processing to the University's finance system.
- Before issuing an Invoice, the Finance team must be satisfied that: At the time an Invoice is issued, it must be entered on the University's finance system without any unreasonable delay.

Each Invoice must:

1. Contain details of the service or goods provided and the amount owing;
2. Contain information of the University's normal terms of credit including the requirement for the debt to be paid in full on or before the due date.
3. Provide account contact details for any information.
4. Provide payment details and payment methods.
5. Satisfy all GST legislation requirements.
6. The value (excluding GST) of the Invoice will be raised as revenue for the initiating area in the University's financial accounts at the time the Invoice is raised into the finance system. If payment is not received, or a credit note is subsequently issued, the revenue will be reversed.

Request to Raise a Credit Note

If a standard tax invoice has been provided to the customer, where the terms and conditions of the original Invoice have changed, a Credit Note to reflect the changes may have to be issued. Changes that may necessitate the issue of a Credit Note may include:

- Reduction in Invoice amount (for example due to incomplete delivery under the original agreement).
- If agreement has been revised by the debtor or the University, sighting of the fully executed revised agreement, including reason for revision.
- If the University failed to meet the terms of the agreement, a written explanation of what the failure was.
- Reversal of the original Invoice due to incorrect details, dispute; or
- Where the originally agreed Invoice amount is to be increased requiring the original Invoice to be cancelled and to be replaced by a new Invoice.
- Requests to issue a Credit Note must be completed and submitted via the Finance system. Approval Authority must be from both the incurring area and the Finance team, any documentation supporting the request must be attached to the form. The Manager Financial Services or delegate must be satisfied with the reason for issuing a Credit Note. Where doubt exists, the request must be referred to the Chief Operating Officer/Chief Financial Officer or nominee.
- All credit notes must be processed promptly in the University's finance system.

Follow up of Unpaid Invoices

The University's standard terms for general debtors are payment in full within 30 days from date of invoice. Terms in excess of 30 days must be approved in advance by the Chief Operating Officer/Chief Financial Officer or nominee. Reports about aged debts will be provided to management on a monthly basis for review. Follow up will include telephone contact and written correspondence requesting settlement of debt. The debt may be placed with a debt collection agency or the University Legal Office for further action.

If standard term invoices remain unpaid after invoice due date, Accounts Receivable, Finance team, will instigate the following dunning process:

1. If an Invoice issued still remains outstanding after a further 7 days from invoice due date the Finance system will generate a Reminder Notice with payment due date within 7 days from notice.
2. If an Invoice issued still remains outstanding the Finance system will generate an Overdue Notice with due date as immediate payment.
3. A final notice (Legal Letter) will be generated for payments not received after reminder and overdue notices have been sent.
4. Approval for recovery proceedings must be referred to the Chief Operating Officer/CFO or nominee.

The finance system will continuously send statements of account to the customer on a monthly basis until the debt is cleared.

Accounts receivable team or nominee will continue to follow up outstanding debts via phone, email etc. and record conversations, terms etc. on the Aged analysis spreadsheet within Finance. Areas from which the invoice was raised will also receive an updated listing on outstanding invoices and the actions taken for debt recovery.

All Debt recovery must be carried out promptly and vigorously.
Under some circumstances it may not be cost effective for the University to pursue outstanding debt, including in the following circumstances:

1. The debtor has moved address and cannot be located;
2. The medical, financial or domestic circumstances of a particular debtor have made the debt unrecoverable even though legal action is available;
3. The cost of further action will exceed the debt likely to be recovered; or
4. The debtor is already bankrupt or gone into liquidation.

Small Balance Debits/Credits

If a debit or credit balance of less than $10.00 (excluding GST) remains outstanding on an account and it is not economically viable to recover the debit or refund the credit, the balance will be written off or credited to the University wide cost centre.

Refunds

For audit purposes, all requests for refunds must be received in writing and signed by the customer (if possible) and 2 staff members (authoriser and approver). Supporting documentation must be attached with the reasons for the refund being processed.

Repayment of Debt by Instalment

There may be situations, where it is not possible for an amount to be paid in full immediately eg: where full and immediate repayment could lead to financial hardship for the customer. At this stage a delegated officer within the accounts receivable team may agree to the recovery of debt by instalments. An instalment plan is to be negotiated between the University and the customer, once approved the terms of the agreement must be signed by all parties.

If customers default on their mutually agreed repayments under an instalment plan, action will be taken to recover in full the balance of the debt owing.

Debts incurred without Prior Approval

There may be occasions when the University has no prior opportunity to approve a debt for example, overpayment of wages, reimbursements, allowances, dishonor of payments already receipted. There is no requirement to obtain prior approval for these debtors.

Deductions of overpayment or monies owing by Employee

The University will advise and consult with a staff member when an overpayment has been identified. The University will write to the staff member to inform them about the amount of the overpayment and the options available for repayment. As part of this, the staff member may authorise the University to deduct an amount or amounts from the staff member’s salary payments. The timeline for repayment shall be of reasonable length, having regard to the particular circumstances, including the size of the overpayment.

Where an outstanding amount remains upon termination or resignation of a staff member, the University may deduct the outstanding amount from an amount or amounts payable to the staff member upon termination or resignation. Nothing in this procedure is intended to prevent the University from using debt recovery processes to recoup the outstanding amount.
Doubtful Debts

The provision for doubtful debts will be reviewed every quarter and adjusted accordingly to reflect the risk of non-recovery of outstanding monies.

Debt-Write Offs

The University will write-off any bad debts annually after all attempts have been pursued vigorously and all legal options considered except, at the discretion of the Chief Operating Officer/Chief Financial Officer, if:

1. It is not cost effective to pursue the debt further;
2. The debtor is already bankrupt, in receivership or in liquidation; or
3. Where legal proceedings have established, or legal advice is obtained, the debt that is unrecoverable.

Costs of debts written off will be charged to the initiating Portfolio, School or Section's cost centre.

Where the University becomes aware of a change of circumstances for a debt written off the Chief Operating Officer/Chief Financial Officer may reactivate the debt. Should the debt be recovered, the amount recovered will be credited to the initiating Portfolio, Faculty or Section's cost centre.

A register will be maintained of all debts written off and must include:

1. Last known details of the debtor;
2. Amount written off including costs;
3. Minutes from Approving Authority approving write-off as per 1.4.1 Account or Cost Centre Restrictions - Senior Deputy Vice-Chancellor, Deputy Vice-Chancellor, Director of Finance/CFO under the Delegations - Contract, Financial, Staffing and Tender Policy;
4. Details of subsequent reinstatement of debt and result of any recovery action.

Supporting Documents

- Debt Management (General) Policy
- Revenue, Cash & Cash Equivalent Policy and Procedures
- Delegations-Contract, Financial, Staffing and Tender Policy and Procedures
- Delegations Limits Table
- Conflict of Interest Policy and Procedure
- New Customer Application/*Change of Customer Details
- Request for Trade Reference
- Risk Assessment Checklist

Responsibility

Chief Operating Officer/CFO- <$5,000 Bad Debt Write Off
Chief Operating Officer/CFO - >$5,000 Bad Debt Write Off, once recommended to Finance Committee & approved by Council

Register of General debtors-

At the end of each month, the University’s finance system will produce both an aged analysis listing of all General Debtors and an individual statement for each General Debtor of all transactions during that month.

The statements for individual General Debtors with transactions during the current month will be dispatched via email/mail to the debtor by the second working day of the next month.

The Manager Financial Services must reconcile the total of the General Debtors with the General Ledger within five working days of the close of each accounting month. The reconciliation must be reviewed and certified by the Associate Director Financial Accounting & Systems, after completion of the reconciliation.

Implementation and Communication

The Debt Management (General) Procedure will be communicated throughout Federation University via:

1. Announcement on the FedNews website;
2. ‘Recently Approved Documents’ webpage to alert the University-wide community of the approved Policy;
3. Information/Training Sessions; and/or
4. Inclusion in the University’s online Policy Library;
5. Distribution of e-mails to relevant University Staff and Stakeholder.

Forms/Record Keeping

Records Disposal

<table>
<thead>
<tr>
<th>Title</th>
<th>Location</th>
<th>Responsible Officer</th>
<th>Minimum Retention Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agreement</td>
<td>Legal Office</td>
<td>University General Counsel</td>
<td>7 years after contract has expired</td>
</tr>
<tr>
<td>Agreement (Other)</td>
<td>Within specific Faculties/</td>
<td>Directors/Business managers</td>
<td>7 years after contract has expired</td>
</tr>
<tr>
<td></td>
<td>Directorates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invoice/Credit Note</td>
<td>Finance Office</td>
<td>Chief Operating Officer/CFO</td>
<td>7 years</td>
</tr>
<tr>
<td>New Customer Application/</td>
<td>Finance Office</td>
<td>Chief Operating Officer/CFO</td>
<td>7 years</td>
</tr>
<tr>
<td>*Change of Customer Details</td>
<td>Finance Office</td>
<td>Chief Operating Officer/CFO</td>
<td>7 years</td>
</tr>
<tr>
<td>Trade Reference</td>
<td>Finance Office</td>
<td>Chief Operating Officer/CFO</td>
<td>7 years</td>
</tr>
<tr>
<td>Risk Assessment Checklist</td>
<td>Finance Office</td>
<td>Chief Operating Officer/CFO</td>
<td>7 years</td>
</tr>
</tbody>
</table>

Warning - Uncontrolled when printed! The current version of this document is kept on the FedUni website.


CRICOS Provider Number: 00103D