

Debt Management Receivables Procedure

Policy Code: FN1856

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Purpose

The purpose of this procedure is to set out the processes for managing the University's receivable debtors. To ensure that monies owed to the University are collected in a timely manner and in accordance with legislative requirements in order to maintain University cashflows and to minimise "bad debt".

Scope

To facilitate the recovery of all receivable debtor related debt owing to the University. This procedure does not apply to student fee debtors (administered through the Student Management System) which are processed via student enrolment rules and processes, or accommodation debtors which are processed through the University Accommodation system.

Legislative Context

- Financial Management Act 1994

Definitions

Term	Definition
ABN	Australian Business Number: Single identifier for business dealings with the ATO and other government agencies.
Accounts Receivable (AR)	Money due or owed to a business by a customer for products and/or services provided by the business.
Agreement	A legally binding arrangement between two or more parties, usually involving the provision of goods or services in return for payment.
Bad Debt	Is an accounts receivable (AR) amount owing that has been clearly identified as not being collectable.
Conflict of Interest	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.
Credit Note	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.
Customer	Any individual, corporation, company, institution, Government Agency, etc. that has been provided with goods or services by the university under credit arrangements. Customers can also include persons who have made overpayments or received overpayments such as salary or allowances.
Debt	Something owed, such as money, goods, or services
Debtors	Client, Company or student related debt, administered outside of the primary student management system who owes money to the University.
Debt Recovery	Is when an entity is able to collect payment for a debt.
Dispute	To question the validity of the charges incurred.
Doubtful Debt	An amount shown in a financial statement representing amounts formally classified as a receivable that will likely be written off as a bad debt.
GST	Goods and Services Tax.
Instalment	One of the portions, usually equal, into which a debt is divided for payment at specified intervals over a fixed period.
Invoice	A detailed list of goods provided or services rendered, with an account of all costs; an itemised bill.
Legal Letter	System generated notice of overdue sums of money which have not been paid 14 days later on the date of payment they should of been paid and only after an overdue notice has been issued.
Overdue Notice	System generated notice of overdue sums of money which have not been paid 7 days later on the date of payment they should of been paid.
Period of Credit	The University's credit terms for receivable debtor related invoices eg: 30 days from date of invoice.
Purchase Orders	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.
Statement	The process of methodically communicating with customers to ensure the collection of overdue accounts receivable. In this instance, statement refers to the system where standard reminder letters are sent automatically when invoices become a certain numbers of days overdue.
Write off	To cancel from accounts as a loss.

Actions

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.

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.

Receivable 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, School 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.
 - There is not financial delegation applicable to the approval of debtor invoices, however financial delegation applies to the signing of any initial contracts.

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 Associate Director, Financial Operations and Student Finance or nominee.
- All credit notes must be processed promptly in the University's finance system and must reference an invoice and have appropriate supporting documentation.

Debt Recovery

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 Associate Director, Corporate Finance 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 remains outstanding after a further 7 days from invoice due date the Finance system will generate an Overdue Notice along with a copy of the invoice with payment due date, please pay now.
2. If an Invoice issued remains outstanding 14 days from the invoice due date and 7 days from an overdue notice generated the Finance system will generate a legal letter with due date as immediate payment.
3. If the invoice remains outstanding the Manager, Financial Services in conjunction with the Legal Office, may proceed with a Garnishee Order and;
4. Approval for recovery proceedings must be referred to the Associate Director, Financial Operations 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 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.

Smaller 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- Payment Plan

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. A payment 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 a payment 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, dishonour 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 Associate Director, Corporate Finance, 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 Associate Director, Corporate Finance may reactivate the debt. Should the debt be recovered, the amount recovered will be credited to the initiating Portfolio, School 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 Resources Committee approving debt write-off above \$20K as per 2.4 of Delegations Band Value Limit Table;
4. Details of subsequent reinstatement of debt and result of any recovery action;
5. Approval of debt write off up to \$20k as per 2.4 of Delegations Band Value Limit Table.

Supporting Documents

[Debt Management Receivables Policy](#)

[Revenue, Cash and Cash Equivalent Collection Policy](#)

[Revenue, Cash and Cash Equivalent Collection Procedure](#)

[Delegations - Contract, Financial, Staffing and Tender Policy](#)

[Delegations - Contract, Financial, Staffing and Tender Procedure](#)

[Conflict of Interest Policy](#)

[Conflict of Interest Procedure](#)

[Accounts Receivable Request](#)

Request for Trade Reference

Risk Assessment Checklist

Forms.

- [Delegation Band Value Limit Table](#) (PDF 109.1kb)

Responsibility

- Associate Director, Financial Operations (as the Approval Authority) is responsible for monitoring the implementation, outcomes and scheduled review of this procedure.
- Manager, Financial Services (as the Policy Sponsor) is responsible for maintaining the content of this procedure as delegated by the Associate Director, Financial Operations.

Associate Director, Corporate Finance - Individual value up to \$5,000 (with annual limit up to \$750,000)

Director, Finance - Individual value up to \$20,000 (with annual limit up to \$1,000,000)

Resources Committee will receive annual write-off reports of bad debt broken down between <>\$5,000. In addition, approval of bad debt written off in excess of other delegated powers

Register of Receivable debtors-

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

The statements for individual Receivable 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 Receivable 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 Corporate Finance, after completion of the reconciliation.

Implementation and Communication

This 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

Title	Location	Responsible Officer	Minimum Retention Period
Agreement	Legal Office	University General Counsel	7 years after contract has expired
Agreement (Other)	Within specific Schools/Directorates	Directors/Business managers	7 years after contract has expired

Title	Location	Responsible Officer	Minimum Retention Period
Accounts Receivable Request	Financial Services HUB	Manager, Financial Services	7 years
Risk Assessment Checklist	Financial Services HUB	Manager, Financial Services	7 years