

DEBT MANAGEMENT

POLICY

EPD has implemented this policy to fulfil the Director-General's responsibility to ensure the effective financial management of the Directorate.

To ensure effective debt recovery, all services undertaken by EPD must be invoiced in a timely manner.

Officers with responsibility for the recovery of debts must pursue all debts for which the Director-General is responsible, except for debts which are irrecoverable, uneconomical to pursue, or are waived.

Rationale for Policy

Amounts owing to the Directorate should be paid in full immediately they become due and payable. There may be situations, however, where it is not possible for an amount to be paid in full immediately, e.g. where full immediate repayment would lead to unreasonable financial hardship on the debtor. In such circumstances authorised officers may consider approving repayments by instalment.

RESPONSIBILITIES AND ACCOUNTABILITIES

The primary responsibilities and accountabilities in relation to debt management rests with the following:

Position	Responsibility
Chief Finance Officer	<ul style="list-style-type: none"> • ensure that appropriate procedures are in place for pursuing, monitoring, control and collection of debtors accounts; and • approve write-off of bad debts where necessary.
Executive	<ul style="list-style-type: none"> • debt management, beyond 60 days when notified by the Chief Finance Officer; and • correctly code documentation for invoicing of customers, credit memos, adjustment notes and write-offs.
Shared Services Finance	<ul style="list-style-type: none"> • the recovery of debts; • prepare requests for debt write-off and update debt write-off in ORACLE; • check invoice requests, credit memos and adjustment notes for AR processing of invoices to customers, ensuring correct coding and delegate approval; • enter and validate invoices, credit memos, adjustment notes and write-offs in Oracle Financials AR; • provide invoices, supporting documentation, and issue of receipts upon request to debtors in a timely manner; • update the General Ledger (GL) and reconciling the AR to GL interface; • file source documentation; • load payment data into the AR module and match receipts to invoices;

	<ul style="list-style-type: none">• management of customer account records in Oracle Financials AR;• initiate debt recovery action for overdue accounts up to 60 days (for SSC managed debts);• provide monthly report of outstanding debtors including all action of debt recovery undertaken by SSC; and• Other matters as specified in the SS Finance specifications.
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NON-COMPLIANCE

Failure to comply with these procedures may result in the Directorate not recovering all money owing to it.

Staff are therefore accountable to the Director-General for the fulfilment of their responsibilities under these procedures. Non-compliance will be taken as a serious matter and may result in disciplinary action or be reflected in performance reviews.

TARGET USERS

These procedural rules are for all officers responsible for invoicing and for the recovery and waiving of debts.

PROCEDURES

The following procedures are addressed by these guidelines:

- invoicing;
- debt management; and
- reporting.

Invoicing

Relevant Branches within the Directorate advise EPD Finance when an invoice needs to be raised. The Accounts Officer follows up these debtors. The Accounts Officer attempts recovery including letters of demand. They will be referred back to the Branches when it becomes apparent that the debt is doubtful. Branches will then instigate recovery. If this fails, further actions such as further letters of demand, legal action and writing off debts will be considered by the Chief Finance Officer.

Debt Management

Debts are any monies owing to the Directorate and include amounts owing from the provision of services by the Directorate e.g. hire of buildings, recovery of cost contributions from other Directorates, and the recovery of salary overpayments.

The process for debt management involves up to three stages:

- following-up of debts;
- the write off / write down of debts;
- waiver of debts; and
- reporting.

Following-up of debts

All debtors should be recognised as soon as the Directorate is owed a debt. The purpose of debtor management is to ensure that all debts owing to the Directorate are brought to account and then collected in a reasonable time.

Step	Action
1	Once payments are overdue, they are captured in the ORACLE aged debtors report. This report is printed monthly.
2	All debtors over 30 days late are provided with a reminder. Evidence of follow up (file note etc) is filed.
3	Debtors must be followed up every 30 days and an audit trail of follow-ups maintained. 30 days – reminder statement. 60 days – further reminder statement. 90 days – letter of demand. 120 days – refer for legal action. Note: Where necessary, negotiations should be made with debtors to institute an arrangement to pay by instalments.

Debtors accounts should be collected in line with the following targets:

- 70% of total value of accounts, within 30 days from the date of the formal advice;
- 90% of total value of accounts, within 60 days from the date of the formal advice;
- 100% of total value of accounts, within 90 days from the date of the formal advice; and
- where a debt is more than 90 days overdue and an arrangement for repayment by instalment has not been approved, the matter should be referred to the Chief Finance Officer to determine further action.

Waiver of Debts

A waiver of monies owing to the Directorate has the effect of setting aside the Territory's entitlement to collect the debt. Waiver of debts would occur only under exceptional circumstances.

The waiver of recovery of overpayments will only apply where recovery would lead to inequity or unreasonable hardship. Waiver of recovery of a debt is not appropriate where debts are regarded as being irrecoverable at law or uneconomic to pursue, as these situations relate to the write-off of debts and not the waiver of debts.

Section 131 of the *Financial Management Act 1996* requires the approval of the Treasurer for the waiver of debts or specified senior staff within Treasury may approve Act of Grace payments.

All submissions requiring the Treasurer's consideration are to be sent through the Financial and Budget Division and require the Director-General's sign off.

No member of the Directorate should assume or imply that a write-off or a waiver will be approved.

Further guidance is provided in DGFI - Act of Grace Payments.

Write-off or write-down of debts

A write-off of monies or assets occurs when either it is considered that it is impossible or uneconomical to recover monies owing to the Directorate, or assets that have been stolen or lost. A write-down occurs when it has not been possible to recover the full amount of monies owing to the Directorate and partial repayment of the debt is received.

Step	Action
1	The likelihood of the successful collection of the debt is considered.
2	A submission may be prepared requesting that the debt be written off. The submission is reviewed by the Chief Finance Officer.
3	The submission is provided to the appropriate delegate for consideration.
4	If the debt is approved by the delegate the debt is written off in Oracle.

Write-offs and write-downs may only be initiated after a rigorous pursuit of the debt or other loss. Write-off should only be considered where it can be demonstrated that the costs of pursuing a debt outweighs the benefits. As the costs of implementing legal action are approximately \$200 per debt, this is considered the benchmark.

Reporting

An officer responsible for recovery of debts should report progress against performance targets, to her or his immediate supervisor every three months. This report is to include an explanation of any variances (under and over) against performance targets, and details of corrective action.

The *ACT Model Financial Statements* requires details of write-offs, write-downs and waivers to be reported as part of the Directorate's annual financial report. The write-off, write-down or waiver of any public monies is a serious matter and as a result has approval requirements separate from those for normal expenses.

The *ACT Model Financial Statements* also requires disclosure of the aging of debtors. This requirement provides a measure of the Directorate's performance, in regard to the recovery and management of debtors.

REFERENCES

Source	Description
FMA	s131
FMA Regs/FMOs	n/a
Other legislation/regs	n/a
Related DGFIs	Act of Grace Payments
Related Guidelines	n/a