



Australian Government

**Office of the Australian Building and
Construction Commissioner**

Finance Direction 21

Debt Management

Process Owner: Chief Financial Officer
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Change History

Update the following table as necessary when this document is changed:

Date	Nature of Change
June 2007	Procedure Drafted
December 2007	Approved version
January 2011	Position titles amended
August 2011	Procedure Updated for New Organisational Structure

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1. Commissioner's Instructions (CI)

A Delegated Official has responsibility to ensure that the recovery of debts is pursued in accordance with the Finance Directions.

2. Introduction & Objectives

The purpose of this direction is to outline the ABCC's debt management processes.

ABCC debts generally arise in relation to employee entitlements owed by another government agency and also overpayments made to a supplier or employee.

3. Supporting Information

3.1 Related References & Pronouncements

FMA Act 1997:	<ul style="list-style-type: none"> Sections 11, 12, 34, 44, 47 and 48
FMA Regulations:	<ul style="list-style-type: none"> N/A
Related Finance Directions:	<ul style="list-style-type: none"> Finance Direction 21 – Debt Management
Other References:	<ul style="list-style-type: none"> ANAO Better Practice Guide: Cash Management, 1999

3.2 Responsible Officers and Contacts

Position/Title	Level	Responsibility
Director, Finance	EL2	Overall responsibility for reviewing debtor reconciliations and overdue debts. The preparation of monthly debtor reconciliations and notify Business Services of accounts over 30 days.
Executive Director, People, Learning and Culture	SES1	Prepare a "Request for Invoice" and forward to Business Services for processing.
Assistant Director, Business Services	EL1	Overall responsibility for the accurate and timely preparation of Tax Invoices. Follow up outstanding debts greater than 30 days.

3.3 Forms

The following forms are required:

Report/Form:	Contact	Location:
Request for Invoice	People, Learning and Culture	Calculations prepared by People, Learning and Culture and forwarded to Business Services.

3.4 Definitions & Terms

Term	Definitions
Debt	<p>Due to the nature of the organisation, outstanding debts are generally limited to:</p> <ul style="list-style-type: none"> ■ Other Commonwealth agencies for employee entitlements for employees transferring to the ABCC; ■ Salary overpayments; ■ Excess credit card cash withdrawal by employees; ■ Inappropriate expenditure by an employee; ■ Vendor returns of over payment or charge.

4. Guidelines

4.1 Recovery of Debt

- 4.1.1 Business Services have a responsibility ensure that proper records of debts and to pursue recovery of those debts.
- 4.1.2 PLC will send a “Request for Invoice” form to Business Services to initiate recovery of any employee related debt that is not able to be recovered through the pay system.
- 4.1.3 All other debts will be notified to Business services by a manager within the ABCC.
- 4.1.4 The credit terms for repayment of debt are:
- Other Commonwealth Government agencies – for employee entitlements - 30 days after the employee becomes an ongoing ABCC employee;
 - Debts owing by employees - 14 days after formal notification;
 - Other debts - 30 days, unless otherwise agreed.
- 4.1.5 Business Services responsibilities include:
- Ensuring that the debtor is setup as a customer in SAP;
 - Raising the Tax Invoice according to the credit terms; and
 - Following up with debtor when payment is overdue.

4.2 Recovery of Outstanding Debt

- 4.2.1 When a debt has not been paid by the due date, Business Services is to undertake the following action:
- Day following due date, initiate contact to remind the debtor, eg. phone call to person in charge; and
 - Issue 1st reminder letter referring to the reminder conversation, amount owing, reason for debt, due date for payment and Business Services contact details.
- 4.2.2 The credit terms available after due date is:

- Debts owing by employees – 7 days from reminder letter; and
 - All other account receivables – 14 days from reminder letter.
- 4.2.3 If the debt is not repaid after 1st reminder, Business Services must contact the debtor and issue a 2nd reminder letter with similar credit terms as above.

4.3 Recovery After Reminders Issued

- 4.3.1 If a debt is not paid after both reminder notices, the matter is to be referred to the Chief Financial Officer to determine the course of action. This may include:
- escalating the matter to an ABCC manager or higher authority in other government agencies; or
 - offsetting the debt against an employees salary entitlement; or
 - referring the debt to the ABCC's solicitor for recovery action.
- 4.3.2 The Chief Financial Officer should also consider Part 12 of the Financial Management and Accountability (Finance Minister to Chief Executives) Delegation 2010 which covers cases of hardship, repayment by instalments and interest to be charged.
- 4.3.3 A debtor/employee may request to repay a debt in instalments by sending a letter to the Delegated Official for consideration. The request should include:
- Debtor/Employee Name;
 - Amount Owing;
 - Date debt occurred;
 - Follow up action and correspondence with debtor to date;
 - Reason for requesting repayment by instalments;
- Plus for employees:
- It is preferable that repayments be made within the same financial year to avoid taxation complications; and
 - If a deduction from salary is agreed.
- 4.3.4 Following a decision by the Delegated Official the debtor is to be advised in writing.

4.4 Overpayments

- 4.4.1 Overpayments occur when there is a payment made to an employee or supplier in excess of their legal entitlement.
- 4.4.2 Managers are to notify PLC immediately they have knowledge that an employee intends to resign, retire or accept a promotion or transfer to another agency to prevent an overpayment to that employee. If salary overpayments occur PLC is required to advise the appropriate action to be taken.
- 4.4.3 Salary overpayments are to be offset against the employee's remaining salary entitlement on last pay run before their departure. This action is to be communicated to the employee in writing before deduction.

- 4.4.4 When an overpayment is made to a debtor, the ABCC should consider offsetting overpayments against future invoices/payments. Business Services are to agree with debtor the offsetting arrangement and terms, if any.

4.5 Approval of Non-Recovery of Debts

- 4.5.1 Only a Delegated Official may approve non-recovery of a debt.
- 4.5.2 Before considering the non-recovery of a debt the Delegated Official is to appoint a Committee to examine all the circumstances surrounding the debt. The Committee is to prepare a report for the delegate that considers why the debt arose, procedures to be put in place to prevent a recurrence and whether non-recovery of the debt is recommended.
- 4.5.3 The Delegated Official might approve non-recovery on the grounds that:
- Debt is not legally recoverable after all reasonable action has been taken to recover the debt (ref s47 (1) of the FMA Act 1997);
 - The likelihood of the recoverability of debt is unlikely if the matter went to court;
 - The recovery of the debt would leave the Commonwealth financially worse off than if no recovery is taken, the debt could be regarded as uneconomical to pursue and non-recovery approved (ref s47 (1) of the FMA Act 1997).
- 4.5.4 If the debt not to be recovered, the Delegated Official is to ensure that all details of the non-recovery are placed on an official file and the non-recovery recorded within SAP.

4.8 End of Month Debtors Reconciliation

- 4.8.1 A monthly Debtors Reconciliation is prepared by Accounting Services and reviewed by the Director, Finance. All outstanding debts over 30 days are forwarded to Business Services for follow up action.