

Debtor Management Policy

FA14-CP v2



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1. Purpose

The purpose of this policy is to provide direction when creating, collecting and providing for/writing off general debts owed to MacDonnell Regional Council (MRC) and to ensure Council manages those debts in such a way that it does not jeopardise the funding of its operations.

2. Scope

This policy applies to Councillors and MRC employees authorised with the responsibility of overseeing debts.

3. Objectives

This policy provides the principals for the:

- a) fair creation, collection and provision for/writing off general debts owed; and
- b) management of those debts in such a way that it does not jeopardise the funding of operations.

4. Statement

MRC commonly enters into transactions where payment is not received on provision of the goods and services. Thus MRC provides credit to those parties from the time that the service or good is provided until they pay the full amount due (or Council decides to forgo the debt). During that time, Council must recognise those parties as debtors (also known as Accounts Receivable).

Credit is issued by way of invoice. An invoice can only be issued when Council is legally entitled to collect the debt.

4.1 Standard Payment Terms

MRC standard payment terms for general debtors are 30 days from date of invoice.

4.2 Reference Checks

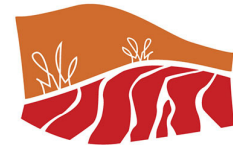
- 4.2.1 Council will allow the issuing of credit terms (creation of debtor accounts) without reference check for all commercial transactions where the total value is less than \$300.
- 4.2.2 Where the value resulting from a commercial transaction exceeds \$300, credit is not normally allowed except for funding bodies and other government organisations.
- 4.2.3 Where credit or a line of credit is required for a commercial transaction then credit checks will be carried out by the Purchasing Officer and approval given by the Chief Financial and Information Officer depending on the result of the credit checks.

4.3 Issuing of Debtor Invoices

The Accounts Receivable Officer will raise all invoices for service fees and charges in accordance with the Statement of Fees and Charges, as required to recover the cost of services rendered or to maintain/replace Council assets and for goods delivered.

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4.4 Collection of Debt

- 4.4.1 Council will undertake all efforts to collect outstanding monies for all services rendered, works completed and good delivered.
- 4.4.2 The manager/supervisor that requests the creation of the debtor and that provides the service is responsible for ensuring that Council is legally entitled to collect the debt when the invoice is raised. Business units must not provide the service until credit reference checks are completed and the debtor has been created (except where credit reference checks are not required).
- 4.4.3 The Accounts Receivable Officer is responsible for debtor follow up and collection of outstanding debts and will liaise with manager/supervisors on outstanding debts.
- 4.4.5 The Accounts Receivable Officer is responsible for providing relevant business units with Aged Debtors Reports each month.
- 4.4.6 The process for collecting overdue debtors' accounts is as follows:
 - 4.4.6.1 After the first 30 days, the business unit that raised the debt must make a reasonable attempt to collect the outstanding balance. The staff member must keep an accurate record of all action taken. The Accounts Receivable Officer will send the monthly statement to the debtor.
 - 4.4.6.2 After 60 days, details of the debt and all action taken to recover it must be referred to the Accounts Receivable Officer for further action. The Accounts Receivable Officer will send a standard letter that explains the particulars of the debt and invites contact and/or payment-in-full by a set date. The letter also warns that, if there is no satisfactory response from the debtor, the matter may be referred to Council's debt collection agency and that legal action may be taken to recover the debt without further notice.
 - 4.4.6.3 After 90 days Council's debt collection agency may be instructed to send a Final Demand Letter in an attempt to prompt a response from the debtor.
 - 4.4.6.4 After approximately 150 working days Council's debt collection agency will refer unpaid debts back to Council for further instructions.
 - 4.4.6.5 At this stage Council must decide on the appropriate course of action. This may be a Field Call or a Complaint depending on the amount of the debt. The relevant department also may wish to have the option of writing off the debt.

4.5 Freeze Credit

- 4.5.1 The Accounts Receivable Officer is responsible for monitoring all outstanding debtor balances. Where debtors do not make payment within 90 days and do not contact the Accounts Receivable Officer to enter special payment arrangements, the Finance Manager is authorized to freeze the debtor's credit with Council.

The business unit manager/supervisor is to be advised immediately and must ensure that no further services are provided to the debtor.

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- 4.5.2 Services may be provided, and credit extended, where debtors with frozen accounts repay the amount outstanding in full and subject to an analysis of the credit.

4.6 Recognition of Bad Debts for Provision or Write-Off

- 4.6.1 Council must assess the probability of collecting long outstanding debts and provide for the possibility of non-receipt of monies or writing off amounts as "Bad Debt". The Finance Manager will undertake this assessment.
- 4.6.2 The Finance Manager will liaise with each business unit manager/supervisor to determine the provision or write off of debt based on the following criteria.
 - 4.6.2.1 All General Debtors sent for debt collection will be reviewed to determine their likelihood of receipt and provided as Doubtful Debt if deemed by the agency as uncertain.
- 4.6.3 Doubtful debts will be raised against the service unit that provided the service. This will show as a cost that offsets their revenue in their budget.
- 4.6.4 Bad Debts will be recognised only after all collection procedures have been exhausted. All debt write-offs will adjust the debtor's account against the provision for doubtful debts.

4.7 Approval and Conditions for Writing-Off Bad Debts

- 4.7.1 One of the following conditions must be satisfied before a debt can be regarded as irrecoverable:
 - 4.7.1.1 The debtor cannot be located;
 - 4.7.1.2 It is uneconomic to finalise recovery action due to the relatively small value of the debt and/or the potential costs of recovery;
 - 4.7.1.3 The medical, financial or domestic circumstances of a particular debtor at that time does not warrant the taking of recovery action or further recovery action;
 - 4.7.1.4 Legal proceedings through the courts have proved, or on legal advice would prove, unsuccessful; and
 - 4.7.1.5 The debtor is bankrupt, in receivership or in liquidation. Further action may be taken if funds subsequently become available.
- 4.7.2 Council will receive a report prepared by the Director Corporate Services as to the nature of the debt, all collection processes undertaken to recover outstanding monies and a recommendation to write off the value.
- 4.7.3 Subsequent collection of all amounts provided for as Doubtful Debts or written off as Bad Debt will be recognised as revenue in the year in which they are received.

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5. Policy Details

Replaces Policy No: (if applicable)	1015
Responsible Directorate/Department:	Chief Financial and information Officer
Approval Date:	13 December 2024
Minutes Reference:	OCM Item # 16.9 - OCM2024-188
Review Cycle:	December 2028 – Review every four (4) years or after changes to relevant legislation.

6. Legislation and References

Related Legislation:	<i>Local Government Act 2019</i> <i>Local Government (General) Regulations 2021</i> Australian Accounting Standards
Related Policies:	Rates Concessions Policy
Associated Documents:	Application for Rates Concession Form Australian Accounting Standards Delegations Register Write-off Procedure

7. Version Control

Version No.	Approval Date	Policy No.	Minutes reference and Resolution number
1.	26 October 2012	1015	OCM Item # 11.10 – Resolution N/A
2.	13 December 2024	FA14-CP	OCM Item # 16.9 - OCM2024-188