

Financial Code of Conduct - Commercial Debtors Procedure

Section 1 - Purpose / Objectives

(1) The purpose of this procedure is to establish a framework that will:

- a. Maximise the collection of monies from the sale of goods and/or services on credit.
- b. Communicate clearly and concisely to all organisational units, matters which are related to the maintenance of credit control.
- c. Provide courteous, efficient and effective services to our debtors.
- d. Maximise the University's cash flow.

(2) The procedure applies to all cases where the University provides goods and services to debtors on credit.

Section 2 - Scope / Application

(3) This procedure applies across university.

Section 3 - Definitions

(4) The following Defined Terms are used throughout this procedure:

- a. Financial Delegation - is the dollar amount to which an officer is authorised to commit and/or make expenditure in respect of an individual transaction.
- b. Organisational Unit - An organisational unit includes, but is not limited to, Colleges, schools, institutes, departments, and business units within the university.
- c. Schedule of Financial Delegations ("the Schedule") - lists the positions within the university that have been assigned a financial delegation for the commitment and/or expenditure of University funds.

Section 4 - Policy Statement

(5) Nil

Section 5 - Procedures

Part A - Roles/Responsibilities

Roles	Responsibility
Director — Finance Systems and Processing	Responsible for the oversight and the effectiveness of this procedure and the implementation and maintenance of this procedure as the Procedure Owner.

Roles	Responsibility
Director — Budget, Consulting & Corporate Finance	Responsible for the oversight and the effectiveness of this procedure from a financial reporting perspective.
Manager Corporate Finance	Responsible for the oversight in the doubtful debt provision and the timing of invoices being raised in the correct period.
Accounts Receivable	Responsible for the receipting of monies towards the correct customers account in a timely manner.
Accounts Receivable- Credit Control Officer	Responsible for pursuing all overdue debt on the commercial debtors ledger as per this procedure.
College Deans, Business Managers & Finance Officers for the Universities Colleges	Responsible for the processing and compliance around invoice and credit notes relating to their cost centre.
All University staff	Responsible for familiarizing themselves with the requirements of this procedure and responsible for acting in compliance with this procedure at all times in their conduct as a staff member.

Part B - Raising Invoices and Credit Notes

Adding or Modifying a Debtor

(6) Before an invoice can be raised on Finance One organisational units will need to ensure that the debtor exists on Finance One.

(7) If the debtor does not exist on Finance One, organisational units must create a new debtor in accordance with the "User Guide to Creating Debtors on Finance One" — located under the "User Manuals" in Finance One. The new debtor form required is located under the Victoria University intranet, Request to Create a Debtor .

(8) The creation and approval of new debtors are to be work flowed through the University's Finance system.

(9) Officers creating new debtors are prohibited from approving those debtors on the Finance system. This means that the person initiating the debtor creation must be different from the person approving the debtor on the Finance system. This is to maintain appropriate segregation of duties.

(10) Once debtor has been established and modifications are required to the email address, postal address, telephone and contact name, an email is required to be sent to the Accounts Receivable- Credit Control Officer to amend accordingly.

Prerequisites to Raising a Debtor Invoice

(11) Organisational units are responsible to ensure that all the following prerequisites are met before raising an invoice:

- a. That the approving officer has the appropriate level of Financial Authorisation / Delegation.
- b. That goods and services have been provided in accordance with the customer's specification/contract/agreement.
- c. That the contract/agreement relating to the goods/services has been signed.
- d. That, if required, an acquittal report has been completed and approved by the appropriate authority.
- e. That correct GST coding has been used. Detailed information is available on the University's tax intranet site As a general guide, use GST code "C" for 10% GST applicable, or GST code "F" for 0% GST free transactions. Codes G or NA are not to be used. If in any doubt, you are required to contact the Tax Compliance team (within Corporate Finance Services) for GST advice.

- f. That the correct income natural account codes that start with a 1xxx must be used to reflect the income source. Do not use expenditure natural account codes to record the income collected through invoices.

Raising Invoices in Finance One

(12) Organisational units are to raise, approve and process all invoices on the University Finance system in accordance with the 'Raising Debtor Invoice Manual — Accounts Receivable', located under the "User Manuals" in Finance One.

(13) Invoices are to be approved in accordance with the Schedule of Financial Delegation .

(14) Officers raising invoices are prohibited from approving those invoices. This means that the person initiating the invoice must be different from the person approving the invoice on the Finance system. This is to maintain appropriate segregation of duties.

(15) In the normal course of events a finance officer will raise an invoice on the Finance system and refer it to their supervisor (subject to the Schedule of Financial Delegation) to be approved.

(16) All debtor invoices are to be raised after goods or services are provided by the University on credit. This allows the University to lay claim for payment. At no point is the invoice to be raised in advance, unless the payment terms are stipulated in a contract/agreement.

(17) It is preferable that a soft copy of the appropriate supporting documentation, for this invoice, should also be attached to the document in Finance One. For example; calculation of charge, hire schedule, relevant email correspondence. This will assist with customer enquiries and debt collection activity.

Invoices Not Approved

(18) Invoices not approved by Approving Officers 30 days from the invoice creation date at the end of each month will be cancelled by the Accounts Receivable- Credit Control Officer and Organisational units will be required to re-enter those invoices on the Finance system the following month. Invoice issue dates and due dates are specified at point of creation; this is why there is a necessity to approve as soon as possible to minimise the impact on period taken to collect university debt.

(19) It is the responsibility of the Officer who raised the invoice, to ensure the invoices have been approved and finalised.

(20) In the event an unauthorised invoice had to be re-raised, the Officer responsible for raising these invoices is to inform the Accounts Receivable- Credit Control Officer via email, that original invoice is to be deleted from the un-posted items list. Details of the replacement invoice must be noted in the email notification before the Finance Department for verification purposes, before the invoice is deleted.

Raising Progress Payments

(21) Requests for progress payments require a separate invoice to be raised in accordance with the completion of each stage of the project or in accordance with the payment schedule agreed between the organisational unit and the customer.

(22) The guidelines for terms of payment for commercial contracts (training, consultancy and research projects) in excess of \$20,000 are as follows:

- a. On signing contract 10%
- b. Progress Payment 1 20%
- c. Progress Payment 2 20%

- d. Progress Payment 3 20%
- e. Final Payment 30%

(23) In respect of contracts with a value exceeding \$50,000 progress payments may be varied to reflect milestones in the project. However, the principle of a payment on contract execution, then at least 3 progress payments and a final payment is to be applied to all contracts.

(24) If these invoices are not paid within the University's trading terms then work on the project should cease until payment is made and satisfaction has been gained that future payments will be made on time.

Raising Credit Notes

(25) If invoices are required to be cancelled or adjusted, organisational units are to process all credit notes on the University Finance system in accordance with the "User Manual — to raise and approve Credit Notes.

(26) When entering credit notes in Finance One, the Officer must select one of the prepopulated "Reason" for the Credit Note. This is for reporting purposes. In addition to this, a soft copy of the appropriate supporting documentation, for this credit note, should also be attached to the document in Finance One. For example; calculation of correct charge or email correspondence. Unless these are attached, F Accounts Receivable- Credit Control Officer, will seek additional information before authorising the Credit Note.

(27) Credit Notes are to be approved in accordance with the Schedule of Financial Delegation .

(28) Officers raising online Credit Note are prohibited from approving those credit notes. This means that the person initiating the credit notes must be different from the person approving the credit notes on the Finance system. Any credit notes over \$500, are then forwarded to Finance (Accounts Receivable Department) for approval. This is to maintain appropriate segregation of duties.

(29) If any outstanding invoices have not had a Credit Note issued against them, it will be assumed that the invoice is due and payable, therefore collection action may be initiated.

Documentation Substantiation

(30) It is the responsibility of organisational units to maintain all the original supporting documentation when raising an invoice or credit note.

(31) As supporting documentation is held by organisational units, all initial enquiries regarding invoices and credit notes will be referred to organisational units for resolution.

(32) As mentioned in paragraphs (12) to (17) & (25) to (29), a soft copy of this supporting documentation should be attached to the document in Finance One.

Part C - Credit Terms

(33) The University's standard credit arrangement with its debtors is that payment will be made within 30 days of the "invoice issued date".

(34) The exception to this when, goods or services is provided throughout a particular month, and the invoice is raised during that same month. For example; an invoice for services provided for the entire month was raised on the 15th, whereby it relates to the 1-31st of the month- payment would not be expected until 30 days from the 31st of the month.

(35) Organisational units are free to make arrangements with debtors for payment of invoices prior to the 'due date', within 30 day terms earlier payment of invoices as appropriate.

(36) Organisational units are prohibited to make arrangements with debtors for payment of invoices outside 30 day terms and/or the contracts/agreements unless approved by the Accounts Receivable- Credit Control Officer.

Part D - Collection

Collection Cycle

(37) Finance will follow the collection cycle below with overdue invoices at the following intervals:

- a. After 30 days of invoice due date: internal first reminder letter.
- b. After 45 days of invoice due date: email/phone call to customer.
- c. After 60 days of invoice due date: internal final notice letter.
- d. After 75 days of invoice due date: email/phone call to customer.
- e. After 90 days of invoice due date: external debt collection action will be instigated for overdue invoices of \$100 (excl. GST) and more.

(38) Overdue invoices of less than \$100 (excl. GST) over the 90 days period will be cancelled with the transaction being reversed against the organisational unit's account. Organisational units will be advised by the Accounts Receivable- Credit Control Officer, when this is about to take place as a last attempt to seek their assistance in collecting the overdue debt.

Steps for Collection

(39) The following steps will be followed when dealing with outstanding debts:

- a. Step 1: Accounts Receivable- Credit Control Officer, will send automated, system generated, reminders letters to debtors at 30 and 60 days. At 45 and 75 days, follow up phone calls and email reminders will be sent in the event the hard copy reminder letters have not been received by the debtor. With international Sponsor debtors, Accounts Receivable- Credit Control Officer will send reminders to organisational units to forward to their debtors with any appropriate correspondence.
- b. Step 2: An "Outstanding Debtor Invoice by Department" report is available to be run on Finance One at any time.

Organisational units are encouraged to review all outstanding invoices in the report, especially in relation to any invoices that are in the 90 days or greater category and advise the Accounts Receivable- Credit Control Officer, if there are any reasons why that invoice should not be sent for collection. If no reason is provided, the account will be sent to a debt collection agency without further consultation.

Collection Agency

(40) All action for the collection of outstanding invoices is to be undertaken by Accounts Receivable- Credit Control Officer.

(41) Accounts Receivable- Credit Control Officer, will advise organisational units of all overdue invoices that have been placed with a debt collection agency.

(42) Accounts Receivable- Credit Control Officer, will also supply organisational units with information concerning debtors who have had a poor trading history with the University, to minimise the re-occurrence of debt recovery action.

Costs of Collection

(43) All costs of collection will be charged to the organisational units cost centre.

(44) Finance will email any update to the current status of the debt to the organisation units in relation to the costs incurred during the debt collection process.

(45) If the collection is successful, all the collection costs will be reimbursed to the organisational units account.

Organisational Unit's Discussions with Debtors

(46) It may be that during the debt collection process organisational units are contacted directly by debtors seeking additional information or wishing to make arrangements for payment, please refer them directly to the Accounts Receivable- Credit Control Officer, once the account is in the hands of debt collector.

(47) All requests from debtors seeking extended periods for payment are to be referred to the Accounts Receivable- Credit Control Officer. This is to ensure that a consistent approach is taken across the University and that Accounts Receivable- Credit Control Officer, is aware of all relevant details.

Compliance

(48) The Manager — Receivables is to review, analyse and report monthly to the Director — Finance Systems & Processing on invoices with outstanding amounts greater or equal to \$50,000 in the 90 plus days category. This is to advise what action has been taken to date and the recovery action planned.

Part E - Doubtful Debts

(49) The provision for doubtful debts will be reviewed on a quarterly basis and adjusted to an amount calculated on the basis of the probability of debt collection of each individual debtor and/or debtors invoice.

Part F - Bad Debts

Bad Debt Procedure

(50) The identification of bad debt write offs will be considered monthly by the Accounts Receivable- Credit Control Officer.

(51) Credit accounts are only to be classified as a bad debt if they meet one or more of the following criteria:

- a. The debtor is insolvent.
- b. The debtor is in liquidation and there are insufficient funds to meet our debt (i.e. the Administrator has established there will be a shortfall after costs of the administration).
- c. In our estimate, there is little or no likelihood of the debt being recovered.
- d. The debtor is deceased and has no remaining assets.
- e. All the avenues for collection from the collection agency have been exhausted. The debt is closed off as recommended by the debt collector.

Authorisation for Writing Off Bad Debts

(52) All bad debt write offs must be supported by the "Write Off for Bad Debts Form" and substantiated with appropriate documentation. The Write Off for Bad Debts Form and supporting documentation is to be forwarded to the Manager — Receivables .

(53) The Manager — Revenue will then seek the approval of the write off in accordance with the following delegations:

Amount per Debtor Account (\$)	Authority
Up to \$50,000	Manager- Receivables

Amount per Debtor Account (\$)	Authority
\$50,001 - \$100,000	Director — Finance Systems & Processing
\$100,001 - \$500,000	Pro Vice-Chancellor — Planning & Finance or CFO
Greater than \$500,001	Council

(54) Upon authorisation the accounts will be written off, costed back to the organisational unit and any GST remitted to the Australian Tax Office claimed back.

(55) The Write Off for Bad Debt Form is to be filed in date order by the Accounts Receivable- Credit Control Officer and retained for audit purposes. In addition the Debtor will be deactivated on the Finance System by the Accounts Receivable- Credit Control Officer and recorded in a register for monitoring purposes.

(56) Under no circumstance should a Request to Raise a Credit Note be raised if the debt is bad.

(57) If debts are recovered, after being written off previously, the amounts should be deposited using the "Deposit Slip" indicating the correct GST code to ensure correct treatment of GST.

Special Delegation to Pro Vice-Chancellor

(58) Where, in the opinion of the Pro Vice-Chancellor, the interests of the University would be best served by immediate or prompt action, the Vice-Chancellor may write off any bad debt after having obtained the endorsement of either:

- a. the Chancellor; or
- b. the Deputy Chancellor; or
- c. the Chairperson of the Resources Committee.

(59) The use of this delegation is to be reported in writing immediately to each member of the Resources Committee and included as an agenda item on the next meeting of that Committee.

Part G -Refunds

(60) A Customer refund will be raised when a customer has:

- a. Overpaid an invoice in error or as a result of a partial credit being granted.
- b. Paid the University.
- c. A duplicate payment has been made.

(61) It is preferable to encourage customers to take up this overpayment (where possible) and apply this to other outstanding invoices.

(62) Credit card refunds can be processed against the credit card in which the original transaction took place. If the refund is required on the same day of the original transaction, the Officer processing the original transaction can refund these monies. If it is after the day in which the original transaction took place, the customer refund requests must come through to the Accounts Receivable Officer for processing.

(63) All other customer refunds whereby the original transaction was made via Electronic Fund Transfer, Cash or Cheque, are to go through Accounts Payable Department via a purchase requisition in Finance One. The customer will then receive a cheque refund.

Part H - Templates

(64) Request to Create a Debtor

(65) Deposit Slip (for debts previously written off)

Section 6 - Guidelines

(66) Nil

Status and Details

Status	Historic
Effective Date	9th December 2014
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Accountable Officer	Trish Roberts Deputy Chief Financial Officer trish.roberts@vu.edu.au
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