

BAD DEBTS PROCEDURE (FMPM)



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1 PURPOSE

- 1.1 The purpose of this document is to outline University procedures to staff on the management, provision for and write off of bad debts.

2 SCOPE

- 2.1 This policy and procedure applies to all CQUniversity staff involved with the management, provision for and write off of bad debts.

3 PROCEDURE

Write Offs

- 3.1 Debts will be written off only when the recovery procedures as specified in the University's [Collection Policy and Procedure](#) have proven unsuccessful and further action is either not cost effective or highly unlikely to succeed.
- 3.2 The decision to write off individual debts should include consideration of the cost of recovery action versus the amount of the debt being pursued.
- 3.3 The Finance Operations Manager or their delegate will recommend to the Vice-Chancellor and President as appropriate debts to be written off together with supporting documentation via a submission to the Executive Management Committee meeting.

Delegation of Powers

- 3.4 Under the Delegation of Authority Policy, all write off of bad debt must be approved by the Vice-Chancellor and President.

Administration and Management

- 3.5 The Finance Operations Manager or their delegate will maintain a register of debts that have been written off. The register will record the details of the debt, the authority for write off and any subsequent action to reinstate.
- 3.6 To prevent unauthorised bad debts journal entries, access to both the cash receipt function and the bad debts recording function are to be restricted with no journal adjustments to take place on the debtors' module without specific approval, as specified above.
- 3.7 An independent reconciliation between approved adjustments and actual adjustment should be made. It will serve as further assurance of the validity of the accounting data. The Finance Operations Manager will perform a monthly review of debtors' accounts to ensure that bad debts are written off in a timely manner.
- 3.8 The Finance Operations Manager will ensure that the General Ledger Accounts Receivable Balances are reconciled on a monthly basis to the debtor balances in the Financial Management System.
- 3.9 The register of bad debts will be reviewed quarterly by the DVC (Finance and Planning) or their delegate.

Provision for Bad Debts

- 3.10 The provision for bad debts will be reviewed periodically to recognise any doubt as to the collectability of debts and the potential for a current debt to deteriorate and become bad.

Potential Risks for Non-Compliance

- 3.11 The potential risks of non-compliance include:
 - continued provision of goods and services to students, staff and other debtors who do not pay
 - staff and students who receive travel advances that are not acquitted will continue to remain outstanding in contravention of the requirements of the Financial and Performance Management Standard 2009 and may become irrecoverable. Staff and students may leave the University without settling these outstanding debts
 - staff who make inappropriate use of University Corporate cards may become debtors of the University and these outstanding acquittals will continue to remain outstanding in contravention of the requirements of the Financial and Performance Management Standard 2009 and may become irrecoverable. Staff may leave the University without settling these outstanding debts
 - by not employing recovery procedures, debts that may otherwise have been recoverable may need to be written off
 - steps would be taken to recover debtors with insignificant account balances, where costs of recovery including manpower, postage and collection agent fees outweigh any possible benefit that could be obtained in return
 - unauthorised write off of bad debts
 - a cashier who has access to both cash and accounts receivable may take cash and could hide the fact by false bad debt journals
 - failure to write off bad debts could overstate operating profit and
 - debtors could be overstated due to insufficient provision for bad debts.

4 RESPONSIBILITIES

Compliance, monitoring and review

- 4.1 The Finance Operations Manager is responsible managing the implementation of this policy and for ensuring that its provisions are adhered to and applied consistently across the University.
- 4.2 Compliance and monitoring will be assessed through monthly reconciliations and regular analytical reviews.

Reporting

- 4.3 The Finance Operations Manager or their delegate will maintain a register of debts that have been written off which will be reviewed quarterly by the DVC (Finance and Planning).

Records management

- 4.4 All communication and documentation pertaining to bad debts will be maintained by Financial Services Division for audit review.
- 4.5 Staff must maintain all records relevant to administering this procedure in a recognised University recordkeeping system.

5 DEFINITIONS

- 5.1 Terms not defined in this document may be in the University [glossary](#).

6 RELATED LEGISLATION AND DOCUMENTS

Related Legislation and Supporting Documents

[Financial and Performance Management Standard 2009](#)

[Collection Policy and Procedure](#)

7 FEEDBACK

- 7.1 University staff and students may provide feedback about this document by emailing policy@cqu.edu.au.

8 APPROVAL AND REVIEW DETAILS

Approval and Review	Details
Approval Authority	Council
Advisory Committee to Approval Authority	Planning and Resources Committee
Administrator	Deputy Vice-Chancellor (Finance and Planning)
Next Review Date	4/10/2019

Approval and Amendment History	Details
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