ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

Performance Audit Report:

Debt Management

Report no. 01 / 2015

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Chief Minister, Treasury and Economic Development Directorate
Community Services Directorate
Environment and Planning Directorate
Justice and Community Safety Directorate
Territory and Municipal Services Directorate

ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

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Mrs Vicki Dunne MLA
Speaker
Legislative Assembly for the ACT
Civic Square, London Circuit
CANBERRA ACT 2601

Dear Madam Speaker

I am pleased to forward to you a Performance Audit Report titled 'Debt Management' for tabling in the Legislative Assembly pursuant to Subsection 17(5) of the *Auditor-General Act 1996*.

Yours sincerely

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Auditor-General
25 February 2015

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SUMMARY

Overall Conclusion

The ACT Government has not taken the opportunity to determine the best arrangements for debt management across ACT Government entities. In 2007, the then Chief Minister announced a review of debt management, but there is no evidence that it was progressed. A strategic review is needed to identify where a whole-of-government approach would yield efficiencies and improve effectiveness, particularly with respect to debts owed to the Territory by non-ACT Government entities (which includes community members). These debts if not collected are cash leakages.

Debts owed to the Territory by non-ACT Government entities while varying over the last five years have ranged from $307.6 million (30 June 2011) to $534 million (30 June 2013). During 2009-10 to 2013-14, in each year, around 10 percent of this debt has been at risk of not being collected. Debts that are at risk of not being collected are those that are waived, written-off and impaired. In the last five years a total of $72.4 million in debts owed to the Territory by non-ACT Government entities has been waived and written-off. The contribution of impairments was unable to be calculated but its affect is likely to mean the revenue at risk of not being collected is larger than the $72.4 million.

Overdue debts, particularly those of 60 days or more, warrant consideration in the proposed review as the longer a debt is overdue the higher the risk of it not being recovered. While the value of debts of 60 days or more has fluctuated in the last five years, overall there has been a 25 percent increase ($60 million in 2009-10 to $75 million in 2013-14).

While a strategic review is called for, it is acknowledged that the ACT Government entities (Commerce and Works Directorate, Community Services Directorate, Environment and Sustainable Development Directorate, Justice and Community Safety Directorate and Territory and Municipal Services Directorate), which were selected for detailed analysis, had overall sound procedural and administrative arrangements for debt management. There were some issues that require correction and a mechanism is needed for disseminating better practice initiatives across ACT Government entities.

Chapter Conclusions

DEBTS OWED TO THE TERRITORY

Debts owed to the Territory by non-ACT Government entities are particularly important, and if not collected are a cash leakage. Debts which are waived are a cash leakage and those that are written-off and impaired are at risk of not being collected. Debts waived, written-off and impaired represent the total revenue at risk of not being collected.

In 2013-14, $39.4 million in debts were waived, written-off or impaired. This is just over 10 percent of the $381 million in debts, which is 8.4 percent of total Territory revenue for 2013-14, owed by non-ACT Government entities as at 30 June 2014. While this percentage will vary given the nature of debtor management, it has been around 10 percent for each of the last five years (2009-10 to 2013-14).

During this last five years a total of $72.4 million in debts owed by non-ACT Government entities had not been collected due to being waived or written-off. While there is a possibility that some of the debts written-off may be collected in future years, the total amount of cash foregone by the Territory over this period is likely to be larger than the $72.4 million, as this figure does not include debts that have been impaired and also at risk of not being collected.

The longer a debt is overdue, the higher the risk of it not being recovered. Over the last five years the value of debts overdue by 60 days or more that were owed by non-ACT Government entities increased by 25 percent, from $60 million in 2009-10 to $75 million in 2013-14. During this same period, total Territory revenue increased by 14.7 percent and the total value of debts owed by non-ACT Government entities increased by 12.5 percent.

While there was a decrease of 55 percent in the total value of debts overdue by more than 60 days between 2009-10 and 2011-12, from $60 million to $27 million, there was a significant increase of 178 percent between 2011-12 and 2013-14, from $27 million to $75 million.

FRAMEWORK, POLICY AND PROCEDURAL GUIDANCE

Some whole-of-government debt management guidance has been issued by the Chief Minister, Treasury and Economic Development but it is not regularly reviewed and is not readily accessible to all ACT Government entities. ACT Government entities that needed to have had policy and procedural guidance in place for debt management did so, although this varied in scope and coverage.

ACT GOVERNMENT ENTITIES' DEBT MANAGEMENT PROCESSES

ACT Government entities (Commerce and Works Directorate, Community Services Directorate, Environment and Sustainable Development Directorate, Justice and Community Safety Directorate and Territory and Municipal Services Directorate) which were selected for detailed analysis have overall sound procedural and administrative arrangements for debtor management. This places them in a strong position to be able to effectively manage debts owed to the Territory.

While some issues were identified which need to be corrected, what is needed is the consideration of better practice initiatives that have been implemented in some ACT Government entities for use more widely. This may include a greater use of, for example payment incentives, credit checks and external debt collection agencies. While not all debts

owed to the Territory by non-ACT Government entities lend themselves to such initiatives due to social sensitivities, it is important that every effort is made to secure revenue owed. Accordingly, periodically it is important consider how debts could be more effectively prevented and collected.

WHOLE-OF-GOVERNMENT CONSIDERATIONS IN DEBT MANAGEMENT

ACT Government debt management is decentralised, with each ACT Government entity responsible for determining its own policies, procedures and administrative processes. This has lead to a mix of administrative practices across ACT Government entities for debtor management. Some ACT Government entities manage the entire debt management process, while others use Shared Services Finance for administrative assistance for debt recovery actions up to 60 days after a debt is overdue. Such arrangements may not be the most effective. Determining if this is the case is best achieved by a strategic whole-of-government review. Such a review has never been undertaken.

Key findings

DEBTS OWED TO THE TERRITORY

Paragraph

An analysis of debts (receivables) of the Territory shows that: 2.13

- debts (receivables) owed to the Territory by non-ACT Government entities are significant. At 30 June 2014, these debts (receivables) amounted to $381.3 million, which is approximately 8.4 percent of the total Territory revenue for 2013-14. At 30 June 2013, these debts (receivables) amounted to $534 million, which is approximately 12.4 percent of the total Territory revenue for 2012-13. Debts owed to the Territory by non-ACT Government entities are particularly important as they represent cash for the Territory; and
- in the years 2009-10 to 2013-14 there was no correlation evident between debts (receivables) owed to the ACT Government by non-ACT Government entities and total Territory revenue. That is, increases in total Territory revenue in 2010-11, 2012-13 and 2013-14 were not accompanied by similar changes in debts (receivables) balances.

An analysis of impairment allowances of ACT Government entities shows that at 30 June 2014 approximately $26.5 million in debts were considered to be impaired and therefore at risk of not being recovered. This is approximately 7.0 percent of the $381.3 million in total debts (receivables) owed to the Territory by non-ACT Government entities as at 30 June 2014. In previous years it has been as high as 8.8 percent (30 June 2011) and as low as 4.9 percent (30 June 2013). 2.19

An analysis of aging debts (receivables) shows that: 2.22

- between 2009-10 and 2013-14, the total value of debts overdue by more than 60 days increased from $60 million to $75 million (a 25 percent increase). During this same period the total value of debts

(receivables) owed by non-ACT Government entities increased by 12.5 percent and total Territory revenue increased by 14.7 percent;

- there was a significant decrease in the total value of debts overdue by more than 60 days between 2009-10 and 2011-12 (from $60 million to $27 million, a decrease of 55 percent), before a significant increase between 2011-12 and 2013-14 (from $27 million to $75 million, an increase of 178 percent); and
- in 2013-14, the total value of debts overdue by more than 60 days was $75 million, which is slightly below the 2012-13 figure of $79 million. This represented 0.02 percent of total Territory revenue.

The majority of ACT Government entities have not waived any debts owed to the Territory in the five years between 2009-10 and 2013-14. 2.25

In 2013-14 a total of $5.2 million in debts owed to the Territory was waived. These waivers relate to debts managed by three ACT Government entities; Commerce and Works Directorate, the Environment and Sustainable Development Directorate and the Justice and Community Safety Directorate. 2.27

An analysis of debt waivers for 2009-10 to 2013-14 shows that: 2.30

- waivers vary between financial years, with $10.9 million being waived in 2012-13 compared with $5.2 million in 2013-14. This is 2.0 percent and 1.4 percent of debts, respectively, owed to the Territory by non-ACT Government entities;
- the majority of the total amount of debt waivers relate to debts managed by only a few ACT Government entities. For example, in 2013-14 approximately $5.2 million in debts was waived, with all but $271,000 of this relating to debts managed by two directorates (the Commerce and Works Directorate and the Environment and Sustainable Development Directorate); and
- debts (receivables) of the Environment and Sustainable Development Directorate have formed a significant amount of the total debt waived in the three years from 2011-12 to 2013-14. This includes a considerable amount of debt waived in 2012-13 (approximately $9.3 million), which represented 85.1 percent of total debt waived in that year. In 2011-12, 28.5 percent of the total amount of debt waived related to debts managed by the directorate and in 2013-14, 60.0 percent of the total debt waived related to debts managed by the directorate.

Debt waivers may be due to changes in policy. A policy decision may be made not to pursue a previously incurred debt or certain types or class of debts. The policy decision, once made, may then apply to a range of debts (receivables). It is important that such waivers be appropriately disclosed. 2.31

The Environment and Sustainable Development Directorate's 2013-14 financial statements disclosures in relation to variance explanations were considered by the 2.40

ACT Audit Office as needing improvement.

While the Environment and Sustainable Development Directorate's reasons for not having a better disclosure was stated as being due to privacy considerations, it is considered that better disclosures are possible without compromising privacy and would provide greater transparency and accountability. 2.45

An analysis of debt write-offs shows that: 2.52

- the total value of debt write-offs by ACT Government entities significantly increased from 2009-10 to 2012-13, from approximately $5.0 million in 2009-10 to approximately $11.8 million in 2012-13 (an increase of 135.1 percent), before declining to approximately $7.8 million in 2013-14 (a decrease of 34.5 percent);
- debt write-offs by ACT Government entities as a percentage of debts (receivables) owed by non-ACT Government entities has been declining since 2010-11. In 2010-11 debt write-offs represented 2.7 percent of total debts (receivables) owed by non-Government entities, while in 2013-14 it represented 2.0 percent; and
- in 2013-14 the amount of debt written-off by the Justice and Community Safety Directorate for controlled and Territorial funds (approximately $4.4 million) accounted for more than half of the total debt written-off by all ACT Government entities (approximately $7.8 million). The Justice and Community Safety Directorate's write-offs primarily relates to ambulance debt of approximately $1.6 million, traffic and parking fines of approximately $2.4 million and approximately $287 000 in court fees and fines. In 2013-14, total write-offs for the directorate equated to 2.18 percent of non-ACT Government revenue.

FRAMEWORK, POLICY AND PROCEDURAL GUIDANCE

Paragraph

Key legislative requirements for the management of debts by ACT Government entities derive from the *Financial Management Act 1996*, although other specific legislation relating to the business of an entity may affect aspects of how debts are managed. 3.2

Requirements of the *Financial Management Act 1996* with respect to the management of debts (receivables) are general in nature. Accordingly, supporting policy and procedural guidance is important to guide actions. 3.6

Whole-of-government policy and procedural guidance on debt management is provided to some degree by the Chief Minister, Treasury and Economic Development Directorate. 3.9

The Treasury unit in the Chief Minister, Treasury and Economic Development Directorate has developed some procedural and administrative guidance for ACT Government entities through the: 3.12

- ACT Financial Delegations Better Practice Guide; and
- Model Director-General Financial Instructions.

The *Model Director-General Financial Instructions*[1] were developed to assist heads of ACT Government entities meet their responsibilities under section 31 of the *Financial Management Act 1996*. Chief Minister, Treasury and Economic Development Directorate staff advise that the *Model Director-General Financial Instructions* were developed in 2007. 3.16

The *Model Director-General Financial Instructions* provide a model statement of procedural and administrative guidance on a range of financial management issues. After their initial development and release, each ACT Government entity was expected to develop their own version of the *Model Director-General Financial Instructions*, tailored to their own organisational needs. 3.17

The *Model Director-General Financial Instructions* document has basic procedural and administrative guidance for accounts receivable and debt management. However, the *Model Director-General Financial Instructions* document is out of date and not regularly reviewed and updated. In this respect, the *Model Director-General Financial Instructions* : 3.20

- have not been updated since they were initially drafted*;* and
- are no longer directly available to ACT Government entities through the Chief Minister, Treasury and Economic Development Directorate website.

Furthermore the Model Director-General Financial Instructions: 3.21

- do not reflect the role of Shared Services in the debt management process; and
- refer to a set of indicative targets for the debt management process (i.e. the total value of debts to be recovered within different timeframes) which are derived from a 'Chief Executive's Purchase Agreement'. These targets are different to those between Shared Services and ACT Government entities, as provided by the current Services Partnership Agreement.

Chief Minister, Treasury and Economic Development Directorate staff advised that: 3.22

- the *Model Director-General Financial Instructions* were initially issued for the purpose of assisting agencies to establish their own organisation-specific guidance and were not intended to be continuously maintained and/or updated on an ongoing basis; and
- that such an approach accords with the principles of the *Financial Management Act 1996*, specifically section 31, which provides that the head of an entity is responsible and accountable for the

[1] At the time of their development the Model Director-General Financial Instructions were referred to as *Chief Executive Instructions*. The written document referred to throughout this report has not been updated since its initial release and retains the title '*Chief Executive Instructions'*.

management of all financial aspects of the entity.

The majority of ACT Government entities, 21 of the 29 (72.4 percent) which provided a response to the self-assessment survey, identified that they had effective policy and procedural guidance with respect to the management of debts. Six (20.7 percent) provided a neutral response and two respondents (6.9 percent) indicated that they did not have effective policy and procedural guidance. The lack of documented policy and procedural guidance may not be an issue for some ACT Government entities, as there may be a very low risk associated with the management of their debts, due to the nature of their activities or sources of funding. 3.31

There was no clearly identifiable debt management policy or procedural guidance in place for the following entities: 3.33

- Independent Competition and Regulatory Commission;
- ACT Public Cemeteries; and
- Public Trustee for the ACT.

There is a comparatively low risk for the Independent Competition and Regulatory Commission (and the ACT Audit Office) in not having documented policy and procedural guidance for the management of debts. The risk is low as the majority of debts (receivables) balances of these entities are from ACT Government entities. 3.36

There is also a low risk for ACT Cemeteries and Public Trustee for the ACT in not having document debt management policies and procedures as they require up-front payment prior to some services being provided. Although the Public Trustee for the ACT has a large debts (receivables) balance from non-ACT government debtors, these debts relate to the fees charged for the management of accounts on behalf of clients. These debts are collected from the client accounts by the Public Trustee for the ACT on the first working day of the next month. 3.37

ACT GOVERNMENT ENTITIES' DEBT MANAGEMENT PROCESSES

Paragraph

Some ACT Government entities have been able to avoid a debt completely by collecting fees or charges up-front. Such an approach may be able to be more widely applied. All debts should be considered to determine if this approach might be worth pursuing. 4.9

There is minimal use of payment incentives by ACT Government entities. At present, the ACT Revenue Office and the Road Transport Authority (within the Justice and Community Safety Directorate) are the only ACT Government entities that make use of payment incentives. 4.13

The option of providing and accounting for payments incentives such as discounts is currently not able to be accommodated by the Oracle financial management information system used by Shared Services Finance. Accordingly, ACT Government entities currently using Shared Services Finance to assist in the debt management process cannot offer payment incentives for those transactions 4.18

managed on their behalf by Shared Services Finance. Shared Services Finance advised that this is a system issue that may be overcome. Until this system issue is addressed, this is a constraint on the broader implementation and application of payment incentives.

The use of payment incentives for the prompt or early payment of debts warrants broader consideration, other than just in the ACT Revenue Office and the Road Transport Authority. Offering discounts or other payment incentives could promote and encourage customers to pay on time or even earlier. In the case of ACT Government commercial enterprises that compete for business with private sector suppliers, the offer of payment incentives may also offer a competitive advantage. 4.20

The use of credit checks by commercially-focused ACT Government entities varied. Some entities, including Capital Linen Services and the Yarralumla Nursery did not conduct credit checks, although they previously had practices in place whereby referee checks were conducted for larger customers. ACT NoWaste has recently developed processes for conducting credit checks on potential customers. 4.24

The use of credit checks, primarily for ACT Government entities involved in commercial activities, warrants consideration for wider application than just by ACT NoWaste. 4.28

Shared Services Finance has appropriate procedures in place for the recovery of debts on behalf of ACT Government entities, and the implementation of these procedures is appropriately documented. 4.40

ACT Government entities have different strategies for the pursuit and recover debts. Responsibilities for the pursuit of debts also varied within Shared Services Finance depending on the needs of various ACT Government entities. 4.42

The five ACT Government entities (Commerce and Works Directorate, Community Services Directorate, Environment and Sustainable Development Directorate, Justice and Community Safety Directorate and Territory and Municipal Services Directorate) selected for detailed analysis had appropriate and documented strategies in place for the recovery of debts. Documented strategies for the recovery of debts generally included pre-defined follow-up activities at key milestones (e.g. debts overdue by 30, 60 and 90 days), which involved a mix of communication methods, including sending reminder notices or letters, sending emails to the debtor or contacting the debtor by phone. For some of the five ACT Government entities, this was undertaken by Shared Services Finance. 4.43

There was variability in the quality of documentation and record-keeping maintained by ACT Government entities with respect to actions taken to pursue debts. 4.46

There is limited use of external debt collection agencies by ACT Government entities. Only two ACT Government entities currently use external debt collection 4.60

agencies to assist with the recovery of debts:

- the Territory and Municipal Services Directorate; and
- the Environment and Sustainable Development Directorate.

The use of external debt collection agencies to assist with debt recovery needs to be considered for wider application by ACT Government entities. Such an approach, although needing careful consideration, may be appropriate and cost-effective when large debts or a large number of debts of small amounts are economically viable to pursue. 4.69

For the five ACT Government entities selected for detailed analysis in this audit, there was an inconsistent approach to debt management monitoring and reporting. 4.77

For those ACT Government entities that use Shared Services Finance for debt management assistance, the monthly reports from Shared Services Finance provided a basis for ongoing monitoring and reporting, including key data and information and some analysis of the aging of debts. 4.78

The Justice and Community Safety Directorate does not produce whole-of-directorate debt management reports on a regular basis. 4.81

The Environment and Sustainable Development Directorate does not produce regular reports on its debt management activities. While it receives a monthly report from Shared Services Finance it does not supplement this report with its own analysis and reporting of its own debt management activities. 4.84

The Commissioner for Revenue, in the Commerce and Works Directorate, was the only ACT Government entity that had a debt management related performance indicator in its Statement of Performance. The Commissioner for Revenue reports annually on the level of overdue debt as a percentage of tax revenue as an accountability indicator. In 2013-14 the target was 2.5 percent and the result was 2.6 percent. 4.90

Shared Services Finance's performance indicators for the management of debts are a useful basis for ACT Government entities to measure and monitor debt management activities. However, the reports from Shared Services Finance are limited as they do not draw a distinction between internal ACT Government entities' debts and those owed to the Territory by non-ACT Government entities. Providing further targeted reporting on debts owed by non-ACT Government entities would facilitate an understanding of what cash is outstanding due to these debts. 4.94

Each of the five ACT Government entities selected for detail analysis was able to provide evidence to justify the approval of waivers and write-offs. All produced minutes that explained the rationale leading up to the write-off and the delegate approving the write-off. Approvals of waivers by the Treasurer were also provided 4.118

by all entities, where relevant.

WHOLE-OF-GOVERNMENT CONSIDERATIONS IN DEBT MANAGEMENT	Paragraph
The ACT Government's Shared Services was established in 2007 to deliver whole-of-government services across the ACT Government more efficiently and effectively. It provides information and communication technology, procurement, publishing, records services, human resources and finance services to ACT Government entities.	5.3
The ACT Government's shared services arrangements centralise and consolidate some common procedural and administrative aspects for debt management.	5.7
The Services Partnership Agreement establishes the specific roles and responsibilities of ACT Government entities and Shared Services Finance with respect to the management of debts (receivables).	5.13
For debts (receivables) managed by Shared Services Finance, on behalf of ACT Government entities, the Services Partnership Agreement requires *inter alia*: • ACT Government entities to provide relevant information and documentation to Shared Services Finance, including authorised and correctly coded documentation, to facilitate the issuing of invoices to customers; • Shared Services Finance to issue invoices to customers; • Shared Services Finance to undertake debt recovery action for debts that are overdue by up to 60 days old; and • ACT Government entities manage debt recovery action for debts that are overdue by greater than 60 days, including writing off debt where necessary.	5.15
For ACT Government entities who engage Shared Services Finance, the recovery rate for debts (based on the value of debts) that are overdue at 30 days and 60 days is 66 percent and 90 percent, respectively. For ACT Government entities who do not engage Shared Services Finance, the recovery rate for debts that are overdue at 30 days and 60 days is 51 percent and 86 percent, respectively.	5.18
The debt recovery rates of Shared Services Finance and other ACT Government entities that use the Oracle financial management information system exceed the shared key performance indicators for debts overdue at 30 days and 60 days, which is 50 percent and 80 percent, respectively. Shared Services Finance exceeds the key performance indicators by a greater amount.	5.19
For ACT Government entities who engage Shared Services Finance, the recovery rate for debts (based on the volume of debts) that are overdue at 30 days and 60 days is 67 percent and 82 percent, respectively. For ACT Government entities who do not engage Shared Services Finance, the recovery rate for debts that are overdue at 30 days and 60 days is 47 percent and 55 percent, respectively.	5.21

Shared Services Finance has a higher debt recovery rate than other ACT Government entities (based on the volume of debts). There is a 20 percent difference in recovery rates for debts that are overdue at 30 days and a 27 percent difference for debts that are overdue at 60 days. 5.22

A comparison of recovery rates of Shared Services Finance with other ACT Government entities, on both a dollar value and number of debts basis, shows that both Shared Services Finance and other ACT Government entities recover a greater percentage of the value of debt than the number of debts. This suggests that there is a comparatively higher number of smaller value debts that are not recovered. 5.23

In 2007 some ACT Government entities were given the option to use, or not use, Shared Services Finance for the management of debts. The ACT Audit Office was unable to secure information on any business cases or the rationale used to justify using, or not using, Shared Services Finance. 5.25

There is a wide range of arrangements, and combinations of arrangements, in place for the management of debts across ACT Government entities. These include: 5.28

- full responsibility for debt management administrative processes (from issuing invoices to collecting debts up to 60 days overdue) being undertaken by individual ACT Government entities;
- a mix of different practices within a single entity, depending on different business unit practices; and
- the use of Shared Services Finance to manage the recovery of debts up to 60 days overdue before responsibility is transferred to the individual entity.

There is no evidence that the mix of different practices in, and across, ACT Government entities with respect to the use of Shared Services Finance was made on the basis of a strategic analysis of all ACT Government entities and their needs. 5.30

For those ACT Government entities that use Shared Services Finance for debt recovery, under current arrangements, once a debt is 60 days overdue, debt recovery becomes the responsibility of the ACT Government entity that owns the debt. 5.31

Some ACT Government entities advised that the handover of debt management responsibility from Shared Services Finance to ACT Government entities after 60 days was unsatisfactory and was both inefficient and ineffective. ACT Government entities advised that: 5.33

- there was an increasingly unlikely chance that debts greater than 60 days would be satisfactorily recovered. This recognises that the older a debt becomes the more unlikely it is that it would be recovered; and
- it was difficult for entities to resume responsibility for debt recovery after the 60 day period, not having been involved in the intervening period. This recognises that continuity of responsibility, including

continuity of communication with a debtor, is important for effective debt management.

ACT Government entities advised that additional time and effort was expended in taking further action in relation to these older debts for little gain. 5.34

Some ACT Government entities identified that the information provided by Shared Services Finance as part of the handover of outstanding debts was insufficient. These ACT Government entities have suggested that there is a need for further and more detailed information with respect to the replies of the debtors in response to the debt recovery actions undertaken by Shared Services Finance personnel. The ACT Audit Office was advised that the absence of this information makes it difficult for ACT Government entities to assume responsibility for the recovery of the debt after 60 days and undertake appropriate action. 5.37

The demarcation of responsibilities between Shared Services Finance and ACT Government entities, according to defined time periods, does not provide for a seamless management of the debt recovery process. The demarcation of responsibilities creates an accountability flow gap. 5.40

On 8 March 2007 a review of debt management was proposed by the then Chief Minister. 5.45

There is no evidence of the 2007 review called for by the then Chief Minister having been undertaken or progressed in any form. Documented reasons for not pursuing the review were not available. 5.47

Additionally, there is no evidence that debt management across ACT Government entities has been the subject of whole-of-government strategic consideration to identify improvements in debt management arrangements and processes or confirm the current arrangements. 5.48

The Justice and Community Safety Directorate's draft *Debt Management Information Paper* identifies the need to develop a comprehensive debt management strategy for the management of judicial debts. The paper identifies that such an approach would necessitate consideration of: 5.52

- centralisation of debt management responsibility;
- development of a common suite of enforcement sanctions;
- integration of civil and judicial debt recovery practices, including use of legislative mechanisms for civil enforcement measures for non-judicial commercial debts;
- integrated information systems; and
- development of an effective suite of policies, practice and procedures.

The Justice and Community Safety Directorate's paper further notes that 'while the focus of a debt management strategy examined in this paper is primarily conceived in the context of [the Justice and Community Safety Directorate], there is potential 5.53

for the improvements to be expanded or applied in other ACT directorate debt management arrangements, particularly in relation to infringement notice penalty enforcement and recovery.'

Debt management is a small component of the broader engagement that ACT Government entities have with their customers or stakeholders. Many ACT Government entities have a business engagement, or may have an ongoing stakeholder relationship, which includes a transaction(s) that gives rise to the debt requiring collection while considering the circumstances of the debtor. ACT Government entities may need to be sensitive to the management of a relationship with particular customers and/or stakeholders. 5.65

An exercise of clustering debt types was undertaken by the ACT Audit Office to examine what might be key considerations in a strategic review of debt management. Debts collected by ACT Government entities were clustered into four types: 5.69

- **fines, taxes and levies** – e.g. the collection of land tax, general rates tax, stamp duty and levies for training and other regulatory functions;[2]
- **general fees for goods and services** – e.g. charges for the provision of goods and services such as venue hire, maintenance, rent, legal advice, provision for plants, planning and development and ticket sales;
- **healthcare related fees for services** – e.g. charges for the use of hospitals, insurance services, ambulance and disability services; and
- **license fees** – e.g. licenses for car registrations, the sale of liquor, building safety and gambling services.

Key considerations in a strategic review for identifying whole-of-government arrangements is likely to relate to: 5.71

- ACT Government entities' business imperatives;
- debt types;
- legislative requirements; and
- management information systems.

ACT Government entities currently administer widely diverse types of legislation, which is directly relevant to, and impacts on, the management of debts. This is important to recognise because it is likely to inform, and may potentially constrain, processes for the management and recovery of debts. 5.80

ACT Government entities use a range of information systems for the purpose of debt management. Multiple information systems may also be used by a single ACT Government entity for the management of debts. Specific information systems used by ACT Government entities may also serve a broader purpose than financial management and debt management. For example, as well as assisting with the 5.85

[2] The Audit Office's 'fines, taxes and levies' debt is similar to the Justice and Community Safety Directorate's concept of judicial debt, which was the focus of its recent *Debt Management Information Paper*.

debt management process, rego.act (used by the Road Transport Authority) serves a broader purpose as a repository of information relating to motor vehicle registrations and infringement notices.

The use of multiple information systems for debt management by ACT Government entities means that it is very difficult to efficiently produce whole-of-government reports in relation to debt management. 5.86

Nevertheless, when possible, greater congruency and consistency in the use of information systems could offer benefits in efficiently providing information on debts owing to the Territory by non-Government entities. This could include: 5.88

- increasing visibility and transparency on the overall monies owed to the ACT Government;
- reduced risk of errors occurring in transferring data from one system to another for reporting a whole-of-Government position for financial year end statements; and
- readily identifying non-Government entities who have debts owing to multiple ACT Government entities to promote a more effective pursuit of debts and better credit management.

Recommendations

RECOMMENDATION 1 DIRECTOR-GENERAL FINANCIAL INSTRUCTIONS (CHAPTER 3)

The Chief Minister, Treasury and Economic Development Directorate (Treasury) should:

a) periodically review and update the Director-General Financial Instructions; and

b) make the Director-General Financial Instructions readily available to all ACT Government entities to assist them with drafting their own internal policy and procedural guidance.

RECOMMENDATION 2 ORACLE – PAYMENT INCENTIVES (CHAPTER 4)

The Chief Minister, Treasury and Economic Development Directorate (Shared Services Finance) should modify the Oracle financial management information system to facilitate the processing of payment incentives, if technically feasible.

RECOMMENDATION 3 CONSIDERATION OF BETTER PRACTICE INITIATIVES (CHAPTER 4)

ACT Government entities who manage non-ACT Government debts, and do not have a low risk with respect to the collection of this revenue, should assess their debt management practices against better practice, and modify their practices accordingly.

RECOMMENDATION 4	MONITORING AND REPORTING (CHAPTER 4)

The Justice and Community Safety Directorate and the Environment and Sustainable Development Directorate should improve their debt management monitoring and reporting by regularly preparing whole-of-directorate debt management reports.

RECOMMENDATION 5	FINANCIAL REPORTING OF NON-ACT GOVERNMENT DEBTS (CHAPTER 4)

The Chief Minister, Treasury and Economic Development Directorate (Shared Services Finance) should enhance their debt management reporting to ACT Government entities by separately reporting on debts owed by non-ACT Government entities.

RECOMMENDATION 6	PERFORMANCE INDICATORS FOR NON-ACT GOVERNMENT DEBTS (CHAPTER 4)

ACT Government entities that manage non-ACT Government debts, and do not have a low risk with respect to the collection of this revenue, should develop performance indicators for debts owed to the Territory by non-ACT Government entities.

RECOMMENDATION 7	DOCUMENTATION OF CREDIT NOTES (CHAPTER 4)

The Territory and Municipal Services Directorate (Capital Line Services) should appropriately document credit note approvals. The Directorate's standard 'request for credit note' may be appropriate for use.

RECOMMENDATION 8	TRANSFER OF DEBT RECOVERY RESPONSIBILITY FROM SHARED SERVICES FINANCE TO ACT GOVERNMENT ENTITIES DURING THE DEBT RECOVERY PROCESS (CHAPTER 5)

The Chief Minister, Treasury and Economic Development Directorate (Shared Services Finance) should assess the effectiveness and efficiency of arrangements whereby Shared Services Finance transfers to ACT Government responsibility for managing the recovery of debts overdue by 60 days or more and provide guidance on any needed changes.

RECOMMENDATION 9	WHOLE-OF-GOVERNMENT REVIEW OF DEBT MANAGEMENT (CHAPTER 5)

The Chief Minister, Treasury and Economic Development Directorate should undertake a strategic whole-of-government review of debt management arrangements aimed at more effective and efficient debt management across ACT Government entities. The review should, amongst other things, identify whether there are opportunities to:

a) consolidate ACT Government entities' administrative roles and responsibilities for debt management;

b) enhance coordination and/or cooperation in relation to debt collection and recovery practices across ACT Government entities; and

c) identify and develop a mechanism for the sharing of information on better practice initiatives, especially those developed and implemented by ACT Government entities.

Agencies' response

ACT Government agencies were provided with:

- a draft proposed report for comment. All comments were considered and required changes were reflected in the final proposed report;
- a final proposed report for further comment. As part of this process ACT Government agencies were also asked to provide comments for inclusion in the final report in the first summary chapter.

No ACT Government agency provided comments for inclusion in the final report in the first summary chapter.

1 INTRODUCTION

Background

1.1 This audit focuses on debts owed to the Territory by non-ACT Government entities (which include people and organisations). These debts are particularly important as they represent cash for the Territory and if not collected result in a cash leakage.

1.2 Some ACT Government entities provide goods and services to non-ACT Government entities in return for payment. Goods and services provided include, for example:

- education services;
- health services;
- land and property services; and
- public transport services.

1.3 There are some ACT Government entities that levy fines or taxes on non-ACT Government entities. Fines or taxes may be levied for a diverse range of reasons and activities including:

- annual rates;
- speeding and parking fines; and
- payroll and other taxes.

1.4 In some instances payments are not received in a timely manner. Under these circumstances there is an expectation that the ACT Government entities will undertake reasonable action to recover debts that are owed. ACT Government entities may decide to:

- take various actions to recover a debt;
- write-off a debt; or
- waive a debt.

Debtors

1.5 A debtor is 'a person or commercial enterprise that owes a financial obligation'.[3] The financial obligation (referred to as an account receivable) is money owed by an entity to another entity in exchange for goods or services that have been delivered or used, but not yet paid for or to extinguish an obligation.

[3] Collins English Dictionary (Digital Edition), 2012

1.6 Problems may arise that could cause the collection of the debt to be in doubt. Generally, businesses in the private sector can reduce this risk by screening and selecting their customers before providing goods or services. Governments, however, cannot always choose their debtors in this manner.

1.7 Nevertheless, common business processes and better practices associated with the management of debts (receivables) have universal application and may be applied in the ACT Government context. The intent of these processes and better practices would be to avoid a situation where a debtor does not pay the money that is owed.

Audit objective and scope

1.8 The objective of this audit is to provide an independent opinion to the Legislative Assembly on the effectiveness of the management of debts by ACT Government entities.

1.9 The audit included consideration of:

- whole-of-government:
  - policies, procedures and guidance material; and
  - initiatives to improve debt collection processes;
- the internal governance and control framework for ACT Government entities with respect to debt management; and
- a detailed analysis of selected ACT Government entities debt management.

1.10 Sometimes ACT Government entities provide goods and services to other ACT Government entities, e.g. Shared Services ICT in the Chief Minister, Treasury and Economic Development Directorate delivers ICT services to other ACT Government entities. This audit did not consider debts that are owed by ACT Government entities to other ACT Government entities.

Audit criteria, approach and method

Audit criteria

1.11 The effectiveness of the management of debts by ACT Government entities was considered using the following criteria:

- Whole-of-government guidance. This was examined through considering whether there is whole-of-government direction in relation to debt management.
- Governance and control frameworks. This was examined through considering the governance and administrative arrangements for debt management in ACT Government entities.

- Effectiveness of controls. This was examined through a detailed analysis of controls used in selected entities and considering whether these:
  - met whole-of-government policies and practices
  - met public sector better practices
  - facilitated the timely and efficient collection of monies owing to the Territory
  - facilitated effective decision-making in relation to the waiver or write-off of debts owing to the Territory

1.12 Where possible, the audit sought to identify better practices, particularly in individual ACT Government entities, with a view to facilitating the sharing of this information across the whole of the ACT Government.

Audit approach

1.13 The audit adopted the Office's Performance Audit Methods and Practices (PAMPR) and related Policies, Practice Statements and Guidance Papers. These policies and practices have been designed to comply with the requirements of the *Auditor-General Act 1996* and relevant professional standards (including ASAE 3500 – Performance Engagements).

1.14 The audit process included:

- an analysis of internal governance and control frameworks through a self-assessment by the majority of ACT Government entities in the General Government Sector and some Public Trading Enterprises (refer to Appendix A and paragraph 1.19); and
- a detailed analysis of the effectiveness of five ACT Government directorates' controls for debt management in addition to them being part of the abovementioned self-assessment (refer to Appendix A and paragraph 1.22).

Changes to administrative arrangements

1.15 During the course of the audit, there were changes to the administrative arrangements for ACT Government entities that took effect from 7 July 2014. A key change included the amalgamation of the Chief Minister and Treasury Directorate with the Economic Development Directorate. Another change related to the re-naming of the Environment and Sustainable Development Directorate to the Environment and Planning Directorate.

1.16 Much of the audit fieldwork related to administrative practices in place prior to these changes to administrative arrangements. For this reason, and on the basis that there was, at the time of later audit fieldwork in July and August 2014, a lack of clarity with respect to how practical changes to administrative processes for debt management may be affected, the ACT Audit Office has, where relevant, reported findings and conclusions with respect to the administrative arrangements that were in place prior to 7 July 2014.

Units in ACT Government entities

1.17 During the course of the audit it became apparent that in some instances, there were different administrative arrangements and practices in place for different units in the same administrative entity. This was particularly apparent for the Justice and Community Safety Directorate and the Territory and Municipal Services Directorate. Where relevant, the different administrative arrangements and practices that may be apparent in units in these entities was highlighted.

Internal governance and control frameworks

1.18 An understanding of the internal governance and control frameworks for ACT Government entities was achieved through the conduct of a self-assessment survey and examination of key governance and administrative documents. This component of the audit sought to inform an opinion on the appropriateness and effectiveness of governance and control frameworks.

1.19 ACT Government entities who undertook the self-assessment survey were mainly from the General Government sector with a few from Public Trading Enterprises. They included: ACT Insurance Authority; ACT Public Cemeteries; Chief Minister and Treasury Directorate; Commerce and Works Directorate; Community Services Directorate; Cultural Facilities Corporation; Economic Development Directorate; Education and Training Directorate; Environment and Sustainable Development Directorate; Exhibition Park in Canberra; Gambling and Racing Commission; Health Directorate (and their units of Dental, Pathology and Patient Fees); Independent Competition and Regulatory Commission; Justice and Community Safety Directorate; Legal Aid Commission (ACT); Office of the Legislative Assembly; Public Trustee for the ACT; Territory and Municipal Services Directorate (and their units of ACT NoWaste, Capital Linen Services, ACT Property Group, Yarralumla Nursery and Roads ACT); ACTION; Housing ACT; and Land Development Agency (refer to Appendix A).

1.20 Twenty-nine separate survey responses were returned by the above entities.

Detailed analysis

1.21 A detailed analysis of five ACT Government entities sought to determine the effectiveness of debt management by these entities. This included:

- examination of the internal governance and control frameworks;
- examination of management information systems; and
- analysis of the effectiveness of compliance with the internal control governance and frameworks.

1.22 The five entities selected for detailed analysis were:

- Commerce and Works Directorate;
- Community Services Directorate;
- Environment and Sustainable Development Directorate;
- Justice and Community Safety Directorate; and
- Territory and Municipal Services Directorate.

1.23 The above five entities were selected because they are financially significant from a whole-of-government perspective and have either all or some of the following characteristics:

- comparatively sizeable debts (receivables) balances, compared to other ACT Government entities;
- comparatively sizeable write-offs and waivers in recent years; and
- comparatively sizeable debts (receivables) balances owed by non-ACT Government entities and non-government entities.

1.24 The activities of the Chief Minister and Treasury Directorate, specifically the Treasury component, were considered with respect to whole-of-government policy and administrative guidance.

1.25 The five entities were also asked to complete a self-assessment survey and returned 15 survey responses, reflecting the different units in them and the diversity of practices across the directorates.

Nomenclature

1.26 The term ACT Government entity is used throughout the report to recognise that a diverse range of directorates and ACT Government agencies were considered in this audit, as well as separate units in some directorates.

2 DEBTS OWED TO THE TERRITORY

2.1 This chapter analyses debt management information which has been sourced from the financial statements of 33 ACT Government entities (refer to Appendix A), for 2009-10 to 2013-14. Information is presented on the total amount of debts not recovered or at risk of not being recovered with an emphasis on debts owed to the Territory by non-ACT Government entities.

Summary

Conclusions

Debts owed to the Territory by non-ACT Government entities are particularly important, and if not collected are a cash leakage. Debts which are waived are a cash leakage and those that are written-off and impaired are at risk of not being collected. Debts waived, written-off and impaired represent the total revenue at risk of not being collected.

In 2013-14, $39.4 million in debts were waived, written-off or impaired. This is just over 10 percent of the $381 million in debts, which is 8.4 percent of total Territory revenue for 2013-14, owed by non-ACT Government entities as at 30 June 2014. While this percentage will vary given the nature of debtor management, it has been around 10 percent for each of the last five years (2009-10 to 2013-14).

During this last five years a total of $72.4 million in debts owed by non-ACT Government entities had not been collected due to being waived or written-off. While there is a possibility that some of the debts written-off may be collected in future years, the total amount of cash foregone by the Territory over this period is likely to be larger than the $72.4 million, as this figure does not include debts that have been impaired and also at risk of not being collected.

The longer a debt is overdue, the higher the risk of it not being recovered. Over the last five years the value of debts overdue by 60 days or more that were owed by non-ACT Government entities increased by 25 percent, from $60 million in 2009-10 to $75 million in 2013-14. During this same period, total Territory revenue increased by 14.7 percent and the total value of debts owed by non-ACT Government entities increased by 12.5 percent.

While there was a decrease of 55 percent in the total value of debts overdue by more than 60 days between 2009-10 and 2011-12, from $60 million to $27 million, there was a significant increase of 178 percent between 2011-12 and 2013-14, from $27 million to $75 million.

Key findings

	Paragraph
An analysis of debts (receivables) of the Territory shows that: • debts (receivables) owed to the Territory by non-ACT Government entities are significant. At 30 June 2014, these debts (receivables) amounted to $381.3 million, which is approximately 8.4 percent of the total Territory revenue for 2013-14. At 30 June 2013, these debts (receivables) amounted to $534 million, which is approximately 12.4 percent of the total Territory revenue for 2012-13. Debts owed to the Territory by non-ACT Government entities are particularly important as they represent cash for the Territory; and • in the years 2009-10 to 2013-14 there was no correlation evident between debts (receivables) owed to the ACT Government by non-ACT Government entities and total Territory revenue. That is, increases in total Territory revenue in 2010-11, 2012-13 and 2013-14 were not accompanied by similar changes in debts (receivables) balances.	2.13
An analysis of impairment allowances of ACT Government entities shows that at 30 June 2014 approximately $26.5 million in debts were considered to be impaired and therefore at risk of not being recovered. This is approximately 7.0 percent of the $381.3 million in total debts (receivables) owed to the Territory by non-ACT Government entities as at 30 June 2014. In previous years it has been as high as 8.8 percent (30 June 2011) and as low as 4.9 percent (30 June 2013).	2.19
An analysis of aging debts (receivables) shows that: • between 2009-10 and 2013-14, the total value of debts overdue by more than 60 days increased from $60 million to $75 million (a 25 percent increase). During this same period the total value of debts (receivables) owed by non-ACT Government entities increased by 12.5 percent and total Territory revenue increased by 14.7 percent; • there was a significant decrease in the total value of debts overdue by more than 60 days between 2009-10 and 2011-12 (from $60 million to $27 million, a decrease of 55 percent), before a significant increase between 2011-12 and 2013-14 (from $27 million to $75 million, an increase of 178 percent); and • in 2013-14, the total value of debts overdue by more than 60 days was $75 million, which is slightly below the 2012-13 figure of $79 million. This represented 0.02 percent of total Territory revenue.	2.22
The majority of ACT Government entities have not waived any debts owed to the Territory in the five years between 2009-10 and 2013-14.	2.25
In 2013-14 a total of $5.2 million in debts owed to the Territory was waived. These waivers relate to debts managed by three ACT Government entities; Commerce	2.27

and Works Directorate, the Environment and Sustainable Development Directorate and the Justice and Community Safety Directorate.

An analysis of debt waivers for 2009-10 to 2013-14 shows that: 2.30

- waivers vary between financial years, with $10.9 million being waived in 2012-13 compared with $5.2 million in 2013-14. This is 2.0 percent and 1.4 percent of debts, respectively, owed to the Territory by non-ACT Government entities;
- the majority of the total amount of debt waivers relate to debts managed by only a few ACT Government entities. For example, in 2013-14 approximately $5.2 million in debts was waived, with all but $271,000 of this relating to debts managed by two directorates (the Commerce and Works Directorate and the Environment and Sustainable Development Directorate); and
- debts (receivables) of the Environment and Sustainable Development Directorate have formed a significant amount of the total debt waived in the three years from 2011-12 to 2013-14. This includes a considerable amount of debt waived in 2012-13 (approximately $9.3 million), which represented 85.1 percent of total debt waived in that year. In 2011-12, 28.5 percent of the total amount of debt waived related to debts managed by the directorate and in 2013-14, 60.0 percent of the total debt waived related to debts managed by the directorate.

Debt waivers may be due to changes in policy. A policy decision may be made not to pursue a previously incurred debt or certain types or class of debts. The policy decision, once made, may then apply to a range of debts (receivables). It is important that such waivers be appropriately disclosed. 2.31

The Environment and Sustainable Development Directorate's 2013-14 financial statements disclosures in relation to variance explanations were considered by the ACT Audit Office as needing improvement. 2.40

While the Environment and Sustainable Development Directorate's reasons for not having a better disclosure was stated as being due to privacy considerations, it is considered that better disclosures are possible without compromising privacy and would provide greater transparency and accountability. 2.45

An analysis of debt write-offs shows that: 2.52

- the total value of debt write-offs by ACT Government entities significantly increased from 2009-10 to 2012-13, from approximately $5.0 million in 2009-10 to approximately $11.8 million in 2012-13 (an increase of 135.1 percent), before declining to approximately $7.8 million in 2013-14 (a decrease of 34.5 percent);

- debt write-offs by ACT Government entities as a percentage of debts (receivables) owed by non-ACT Government entities has been declining since 2010-11. In 2010-11 debt write-offs represented 2.7 percent of total debts (receivables) owed by non-Government entities, while in 2013-14 it represented 2.0 percent; and
- in 2013-14 the amount of debt written-off by the Justice and Community Safety Directorate for controlled and Territorial funds (approximately $4.4 million) accounted for more than half of the total debt written-off by all ACT Government entities (approximately $7.8 million). The Justice and Community Safety Directorate's write-offs primarily relates to ambulance debt of approximately $1.6 million, traffic and parking fines of approximately $2.4 million and approximately $287 000 in court fees and fines. In 2013-14, total write-offs for the directorate equated to 2.18 percent of non-ACT Government revenue.

Responsibilities of ACT Government entities

2.2 All ACT Government entities are responsible for the management of funds that they directly use to deliver their services and programs. Additionally, some also administer funds on behalf of the Territory. Funds which are directly related to the delivery of an entity's own services and programs are referred to as controlled funds, while those that it administers on behalf of the Territory are referred to as Territorial funds. Regardless of the type of funds, all ACT Government entities to which debts (receivables) are owed are accountable for the processes used to collect all debts (receivables) related to both controlled and Territorial funds.

2.3 The *Readers Guide to the Budget 2014-15* outlines what is considered to be a controlled item:

> An item is considered to be a controlled item if the directorate or agency has:
>
> - capacity to benefit from the use of the asset or funds in the pursuit of its objectives and to deny or regulate the access of others to those assets or funds; or
> - discretion and responsibility for how the funds are spent; or
> - expended funds, incurred a liability, or received free services, related to the operations under its control.

2.4 An example of an ACT Government entity administering controlled funds is Territory and Municipal Services Directorate expenditure associated with the maintenance of road infrastructure. The directorate receives funding from the ACT Government through the budget process and determines how this funding is spent to ensure that road infrastructure is maintained.

2.5 With respect to Territorial funds, the *Readers Guide to the Budget 2014-15* outlines what is considered to be a Territorial item, as follows:

> An item would generally be regarded as a Territorial (administered) item if the agency:
>
> - has restricted or no discretion in relation to the item; or
> - has restricted or no discretion to increase or decrease the item; or
> - has responsibility for the item, but restricted or no authority over its use; or
> - is responsible only for the collection and/or transfer of the item.

2.6 An example of an ACT Government entity administering Territorial funds is the Justice and Community Safety Directorate's collection of parking and speeding fines on behalf of the ACT Government. These funds are monies for the Territory as a whole and are not available for the use of this directorate in the delivery of its programs and services.

2.7 ACT Government entities who manage controlled funds and administer Territorial funds are required to prepare two sets of financial statements. While a distinction is made between controlled and Territorial funds where relevant, importantly and especially given the focus of this audit, ACT Government entities to which debts (receivables) are owed are accountable for the processes used to collect all debts (receivables) related to both controlled and Territorial funds.

Debts (receivables)

2.8 A debt (receivable) represents a legally enforceable claim for payment for goods supplied or services rendered or fines or taxes imposed. An ACT Government entity may deliver services, or impose fines or taxes on behalf of the Territory, to:

- other ACT Government entities, e.g. Shared Services ICT in the Chief Minister, Treasury and Economic Development Directorate delivers ICT services to other ACT Government entities; and
- non-ACT Government entities, e.g. members of the community who have received a fine or who have used a service which requires payment.

2.9 Table 2-1 shows the total debt (receivable) balances and total revenue for the 33 ACT Government entities (refer to Appendix A) considered in this chapter. This information is as at 30 June for each of the five years from 2009-10 to 2013-14. It is combined and used to determine the proportion of debts owed between ACT Government entities and that owed by non-ACT Government entities to the Territory.

Table 2-1 Total debts (receivables) for ACT Government entities (refer to Appendix A) at 30 June 2010 to 2014 and total Territory revenue for the period between 2009-10 and 2013-14

	2009-10 ($'000)	2010-11 ($'000)	2011-12 ($'000)	2012-13 ($'000)	2013-14 ($'000)
Debts (receivables) between ACT Government entities	1 517 685	1 644 293	2 141 248	2 200 103	2 014 487
Debts (receivables) between ACT Government entities – percentage change		8.3%	30.2%	2.7%	-8.4%
Debts (receivables) owed to the Territory by non-ACT Government entities	338 822	307 578	396 229	534 028	381 278
Debts (receivables) owed to the Territory by non-ACT Government entities – percentage change		-9.2%	28.8%	34.8%	-28.6%
Total debts (receivables) for ACT Government entities (refer to Appendix A)	**1 856 507**	**1 951 871**	**2 537 477**	**2 734 131**	**2 395 765**
Total debts (receivables) for ACT Government entities (refer to Appendix A) – percentage change		5.1%	30.0%	7.7%	-12.4%
Total Territory Revenue	**3 957 000**	**4 118 000**	**4 261 000**	**4 321 000**	**4 538 000**
Total Territory Revenue – percentage change		4.1%	3.5%	1.4%	5.0%

Source: ACT Audit Office, data taken from audited financial statements

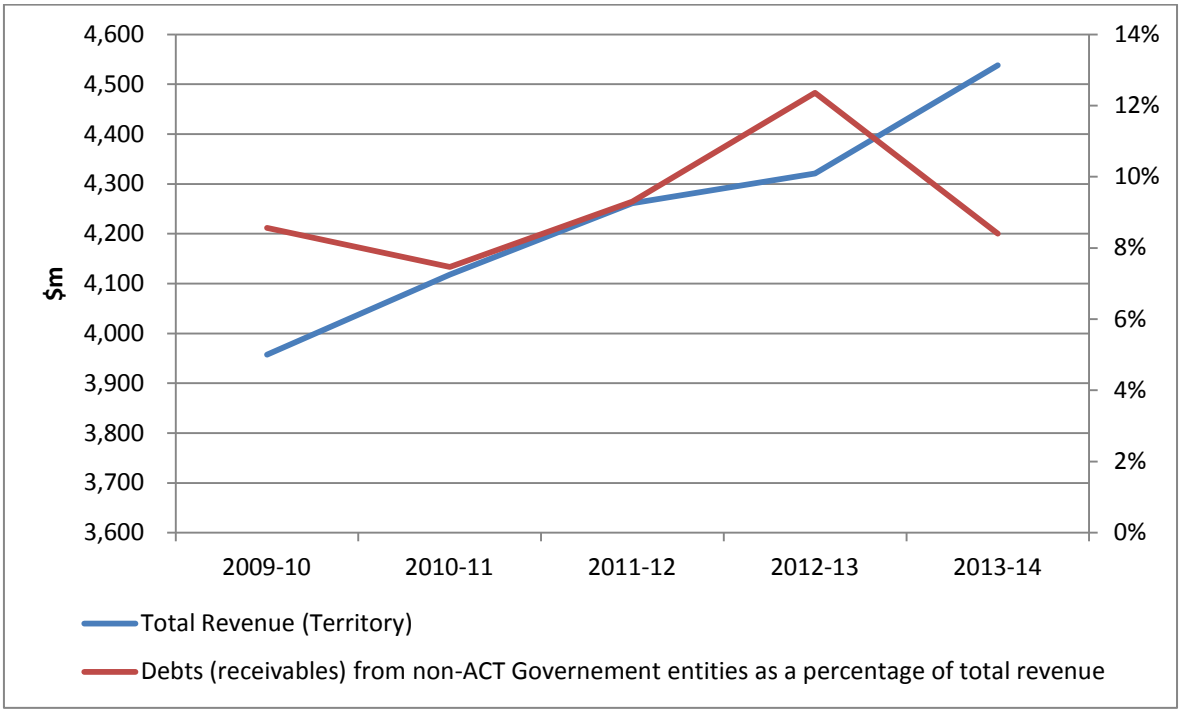
Note: Debts (receivables) balances shown in the table are as at 30 June for each of the financial years. Total Territory Revenue shown in the table is the total revenue received for each of the years.

2.10 As evident from Table 2-1 the majority of debts (receivables) of ACT Government entities relate to transactions between ACT Government entities. For example, in 2013-14 debts (receivables) generated from transactions between ACT Government entities were approximately $2.0 billion in 2013-14 compared to approximately $381.3 million in the same year for debts (receivables) owed to the Territory by non-ACT Government entities.

2.11 While this is the case, the focus in this audit is on debts owed to the Territory by non-ACT Government entities as these present a higher risk with respect to the collection of revenue than those associated with Government to Government debts (receivables).

2.12 Figure 2-1 graphically presents information from Table 2-1 to show the relationship between the Territory's total revenue and debts (receivables) owed to the Territory by non-ACT Government entities.

Figure 2-1 Total Territory revenue for the period between 2009-10 and 2013-14 and debts (receivables) owed to the Territory by non-ACT Government entities as a percentage of Total Territory revenue at 30 June 2010 to 2014



Source: ACT Audit Office, data taken from audited financial statements.

Note: Debts (receivables) percentages shown in the figure are as at 30 June for each of the financial years. Total Territory Revenue shown in the figure is the total revenue received for each of the years.

2.13 An analysis of debts (receivables) of the Territory shows that:

- debts (receivables) owed to the Territory by non-ACT Government entities are significant. At 30 June 2014, these debts (receivables) amounted to $381.3 million, which is approximately 8.4 percent of the total Territory revenue for 2013-14. At 30 June 2013, these debts (receivables) amounted to $534 million, which is approximately 12.4 percent of the total Territory revenue for 2012-13. Debts owed to the Territory by non-ACT Government entities are particularly important as they represent cash for the Territory; and
- in the years 2009-10 to 2013-14 there was no correlation evident between debts (receivables) owed to the ACT Government by non-ACT Government entities and total Territory revenue. That is, increases in total Territory revenue in 2010-11, 2012-13 and 2013-14 were not accompanied by similar changes in debts (receivables) balances.

Impairments

2.14 Each ACT Government entity should annually determine the value of its debts (receivables) that it is unlikely to recover. This unrecoverable amount is referred to as impairment and it is reflected in the balance sheet of financial statements through an impairment allowance.

2.15 An impairment allowance is an accounting treatment that adjusts the carrying amount of an asset, i.e. the receivables balance, to reflect the amount that the entity expects to recover. An impairment allowance does not affect the legal right to take action to recover the debt.

2.16 Table 2-2 shows the total impairment allowance balance for ACT Government entities (refer to Appendix A), as at 30 June for each of the financial years from 2009-10 to 2013-14, and that for ACT Government entities with impairment allowance balances of more than $100 000.

Table 2-2 Total impairment allowances for ACT Government entities (refer to Appendix A) at 30 June 2010 to 2014 and that for ACT Government entities with impairment allowances of more than $100 000 in any of the financial years

		2009-10 ($'000)	2010-11 ($'000)	2011-12 ($'000)	2012-13 ($'000)	2013-14 ($'000)
Total impairment allowances		26 522	26 902	32 092	26 234	26 548
	Financial Statements	**2009-10 ($'000)**	**2010-11 ($'000)**	**2011-12 ($'000)**	**2012-13 ($'000)**	**2013-14 ($'000)**
ACT Public Cemeteries Authority	Controlled	485	445	303	303	472
ACTEW Corporation	Controlled	648	512	779	908	1 135
ACTION	Controlled	91	537	137	69	30
Canberra Institute of Technology	Controlled	253	738	1 184	648	
Commerce and Works Directorate	Controlled				-	1 937
Commerce and Works Directorate	Territorial	-	-	-	4 188	3 070
Community Services Directorate	Controlled	181	131	134	239	233
Education and Training Directorate	Controlled	5	5	5	89	147
Environment and Sustainable Development Directorate	Controlled		19	19	708	1 482
Environment and Sustainable Development Directorate	Territorial		109	229	275	86
Health Directorate	Controlled	1 250	1 601	2 235	2 146	2 800
Home Loan Portfolio	Controlled	3 500	2 934	2 725	1 903	1 649
Housing ACT	Controlled	4 030	4 003	4 811	5 054	5 726
Justice and Community Safety Directorate	Controlled	2 493	2 140	6 476	2 794	2 487
Justice and Community Safety Directorate	Territorial	1 610	5 619	5 095	3 615	3 934
Legal Aid Commission (ACT)	Controlled	160	74	89	89	154
Shared Services	Controlled	300	640	1 045	1 567	

		2009-10 ($'000)	2010-11 ($'000)	2011-12 ($'000)	2012-13 ($'000)	2013-14 ($'000)
Territory and Municipal Services Directorate	Controlled	815	1 147	829	868	617
Territory and Municipal Services Directorate	Territorial	4 006	-	530	689	552
Treasury	Territorial	6 685	6 342	5 392		

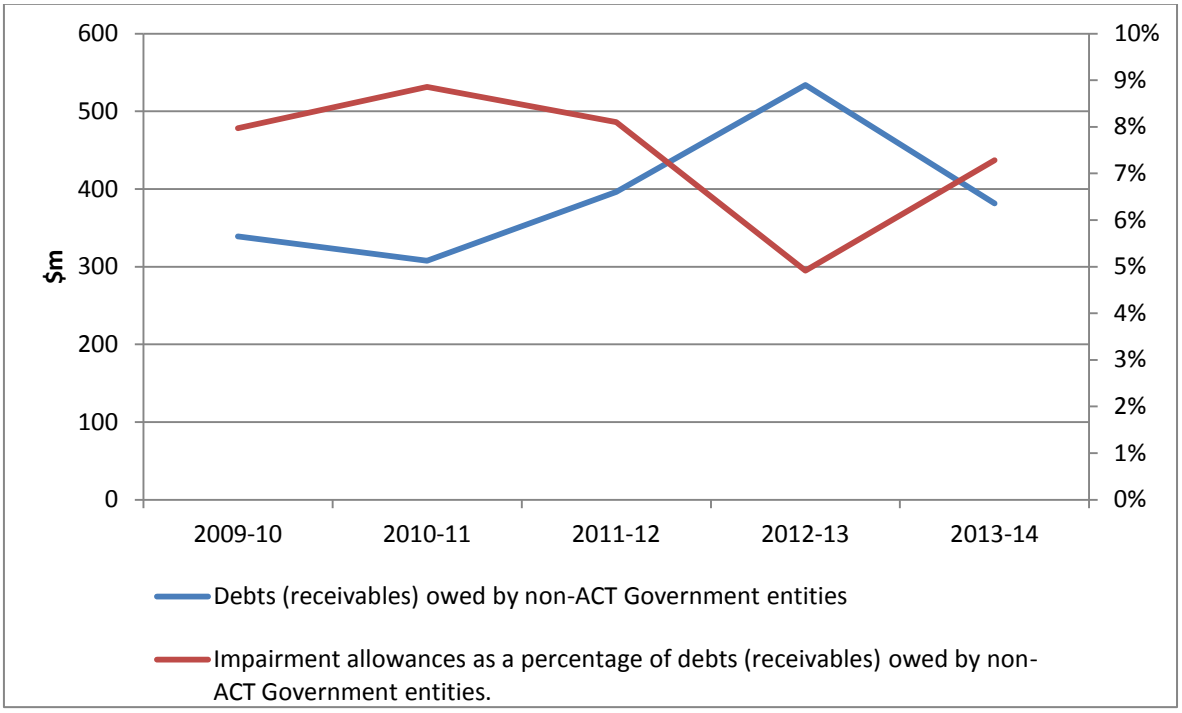
Source: ACT Audit Office, data taken from audited financial statements.

Note 1: The shaded cells in the table above indicate that the entity was not established for either that financial year or was wound up or there is no financial information available for that financial year. The Treasury Directorate was merged with the Chief Minister, Treasury and Economic Development Directorate in 2013-14. Shared Services was merged with the Commerce and Works Directorate in 2012-13.

Note 2: Impairment allowance balances shown in the table are as at 30 June for each of the financial years.

2.17 Figure 2-2 graphically presents information from Table 2-2 to show the relationship between impairment allowances of ACT Government entities and debts (receivables) owed by non-ACT Government entities.

Figure 2-2 Total impairment allowances for ACT Government entities (refer to Appendix A) compared to debts (receivables) owed by non-ACT Government entities at 30 June 2010 to 2014



Source: ACT Audit Office, data taken from audited financial statements.

Notes: Debts (receivables) balances shown in the figure above are as at 30 June for each of the financial years. The impairment allowances percentages of debts (receivables) are at 30 June for each of the financial years.

2.18 Between 2009-10 and 2013-14, total impairment allowances for all ACT Government entities have been inversely correlated with the total debts (receivables) owed by non-ACT Government entities. That is, as debts (receivables) owed by non-ACT Government entities increased, the value of impairment allowances as a proportion of debts (receivables) owed by non-ACT Government entities decreased. Similarly, as debts (receivables) owed by non-ACT Government entities decreased, the value of impairment allowances as a proportion of debts (receivables) owed by non-ACT Government entities increased.

2.19 An analysis of impairment allowances of ACT Government entities shows that at 30 June 2014 approximately $26.5 million in debts were considered to be impaired and therefore at risk of not being recovered. This is approximately 7.0 percent of the $381.3 million in total debts (receivables) owed to the Territory by non-ACT Government entities as at 30 June 2014. In previous years it has been as high as 8.8 percent (30 June 2011) and as low as 4.9 percent (30 June 2013).

Ageing of debts (receivables)

2.20 It is generally understood that the longer a debt is overdue, the harder it is to recover. Aged debts (receivables) balances represent the proportion of debts that are overdue. Table 2-3 shows the aged debts (receivables) balances for ACT Government entities (refer to Appendix A) as at 30 June for each of the financial years from 2009-10 to 2013-14. It also shows the amounts that are impaired and not impaired.

Table 2-3 Aged debts (receivables) owed to ACT Government entities by non-ACT Government entities (at 30 June 2010 to 2014)

Year	Impaired/Not Impaired	Not Overdue	Less than 30 days	30 to 60 days	Greater than 60 days	TOTAL
		$'000	$'000	$'000	$'000	$'000
2009-10	Not Impaired	449 000	19 000	8 000	39 000	515 000
	Impaired	0	0	3 000	21 000	24 000
	TOTAL	449 000	19 000	11 000	60 000	539 000
2010-11	Not Impaired	403 000	13 000	7 000	30 000	453 000
	Impaired	0	0	4 000	19 000	23 000
	TOTAL	403 000	13 000	11 000	49 000	476 000
2011-12	Not Impaired	444 000	11 000	8 000	6 000	469 000
	Impaired	0	0	8 000	21 000	29 000
	TOTAL	444 000	11 000	16 000	27 000	498 000
2012-13	Not Impaired	437 000	17 000	2 000	58 000	514 000
	Impaired	0	0	6 000	21 000	27 000
	TOTAL	437 000	17 000	8 000	79 000	541 000
2013-14	Not Impaired	296 000	15 000	6 000	56 000	373 000
	Impaired	0	0	7 000	19 000	26 000
	TOTAL	296 000	15 000	13 000	75 000	399 000

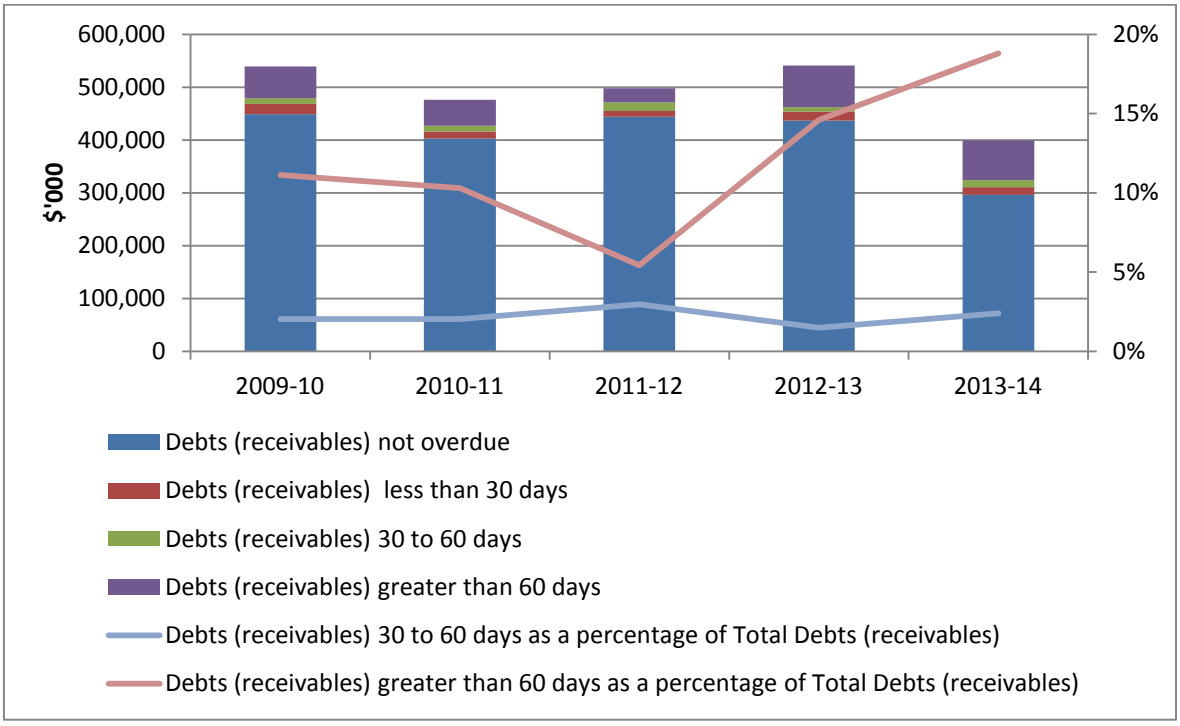
Source: ACT Audit Office, data taken from financial statements for the Territory.

Note 1: The figures presented in this table are taken from the financial statements for the Territory and the totals for each financial year may not agree with the figures presented in other parts of Chapter 2 of this report. The figures presented elsewhere in Chapter 2 are taken from the individual entities' financial statements and only included debts that are owed to the ACT Territory. The figures taken from the individual agencies financial statements may excluded accounting treatments such as accrued revenue. The amounts presented in this table are a total receivables balance, including accounting treatments.

Note 2: Aged debts (receivables) shown in the table are as at 30 June for each of the financial years.

2.21 Figure 2-3 graphically presents the information from Table 2-3.

Figure 2-3 Aging of Debts (receivables) owed by non-ACT Government entities at 30 June 2010 to 2014



Source: ACT Audit Office, data taken from the financial statements for the Territory.

Note: Aged debts (receivables) shown in the figure are as at 30 June for each of the financial years.

2.22 An analysis of aging debts (receivables) shows that:

- between 2009-10 and 2013-14, the total value of debts overdue by more than 60 days increased from $60 million to $75 million (a 25 percent increase). During this same period the total value of debts (receivables) owed by non-ACT Government entities increased by 12.5 percent and total Territory revenue increased by 14.7 percent;
- there was a significant decrease in the total value of debts overdue by more than 60 days between 2009-10 and 2011-12 (from $60 million to $27 million, a decrease of 55 percent), before a significant increase between 2011-12 and 2013-14 (from $27 million to $75 million, an increase of 178 percent); and
- in 2013-14, the total value of debts overdue by more than 60 days was $75 million, which is slightly below the 2012-13 figure of $79 million. This represented 0.02 percent of total Territory revenue.

Waivers

2.23 Section 131 of the *Financial Management Act 1996* allows the Treasurer to waive the right to payment of an amount to the Territory. A waiver is the relinquishment of a legal claim to a debt. The Treasurer has the authority to waive debts and can delegate this authority to staff positions in the ACT Public Service.[4] Debt waivers may occur due to an inability to collect revenue or as a result of changes in government policy.

2.24 Table 2-4 shows ACT Government entities that have not waived any debts between 2009-10 and 2013-14.

Table 2-4 ACT Government entities without recorded debt waivers for the period 2009-10 to 2013-14

ACT Government entities	
ACT Compulsory Third Party Regulator	ACT Executive
ACT Gambling and Racing Commission	ACT Insurance Authority
ACT Local Hospital Network	ACT Public Cemeteries Authority
ACTION	ACTEW Corporation Limited
ACTTAB Limited	CIT Solutions Pty Limited
Community Services Directorate	Cultural Facilities Corporation
Economic Development Directorate	Education and Training Directorate
Exhibition Park in Canberra	Home Loan Portfolio
Independent Competition and Regulatory Commission	Land Development Agency
Public Trustee for the ACT	Superannuation Provision Account
Territory Banking Account	Territory and Municipal Services Directorate

Source: ACT Audit Office, data taken from audited financial statements.

Note: The ACT Audit Office has not reported a debt waiver during this period.

2.25 The majority of ACT Government entities have not waived any debts owed to the Territory in the five years between 2009-10 and 2013-14.

2.26 Table 2-5 shows the total amount of debt ACT Government entities waived in 2013-14.

[4] Delegated Officers at 17 June 2014 include the: Director-General, Chief Minister and Treasury Directorate; Under Treasurer, Chief Minister and Treasury Directorate; Director-General, Commerce and Works Directorate; Executive Director, Finance and Budget Division, Chief Minister and Treasury Directorate; and Director, Revenue Management Division, Commerce and Works Directorate.

Table 2-5 Debt ACT Government entities waived for the year ended 30 June 2014

	Financial Statement	Amount ($'000)
Commerce and Works Directorate	Territorial	1 800
Environment and Sustainable Development Directorate	Controlled	1 839
Environment and Sustainable Development Directorate	Territorial	1 273
Justice and Community Safety Directorate	Controlled	92
Justice and Community Safety Directorate	Territorial	179

Source: ACT Audit Office, data taken from audited financial statements.

2.27 In 2013-14 a total of $5.2 million in debts owed to the Territory was waived. These waivers relate to debts managed by three ACT Government entities; Commerce and Works Directorate, the Environment and Sustainable Development Directorate and the Justice and Community Safety Directorate.

2.28 Table 2-6 shows the total amount of debts waived for each year between 2009-10 and 2013-14, and the ACT Government entities that have waived more than $50,000 in any year during this period.

Table 2-6 Total waivers for all ACT Government entities for the period 2009-10 to 2013-14 and individual ACT Government entities with waivers greater than $50,000

		2009-10 ($'000)	2010-11 ($'000)	2011-12 ($'000)	2012-13 ($'000)	2013-14 ($'000)
Total Waivers		**9 818**	**1 803**	**2 289**	**10 870**	**5 183**
Agency	**Financial Statements**	**2009-10 ($'000)**	**2010-11 ($'000)**	**2011-12 ($'000)**	**2012-13 ($'000)**	**2013-14 ($'000)**
Canberra Institute of Technology	Controlled	110	138	52	88	
Chief Minister and Treasury Directorate	Controlled	4 258	-	-	-	-
Commerce and Works Directorate	Territorial				1 357	1 800
Environment and Sustainable Development Directorate	Controlled		130	536	1 009	1 839
Environment and Sustainable Development Directorate	Territorial		-	116	8 246	1 273

		2009-10 ($'000)	2010-11 ($'000)	2011-12 ($'000)	2012-13 ($'000)	2013-14 ($'000)
Justice and Community Safety Directorate	Controlled	6	16	59	80	92
Justice and Community Safety Directorate	Territorial	21	5	10	75	179
Treasury	Territorial	5 391	1 493	1 508		

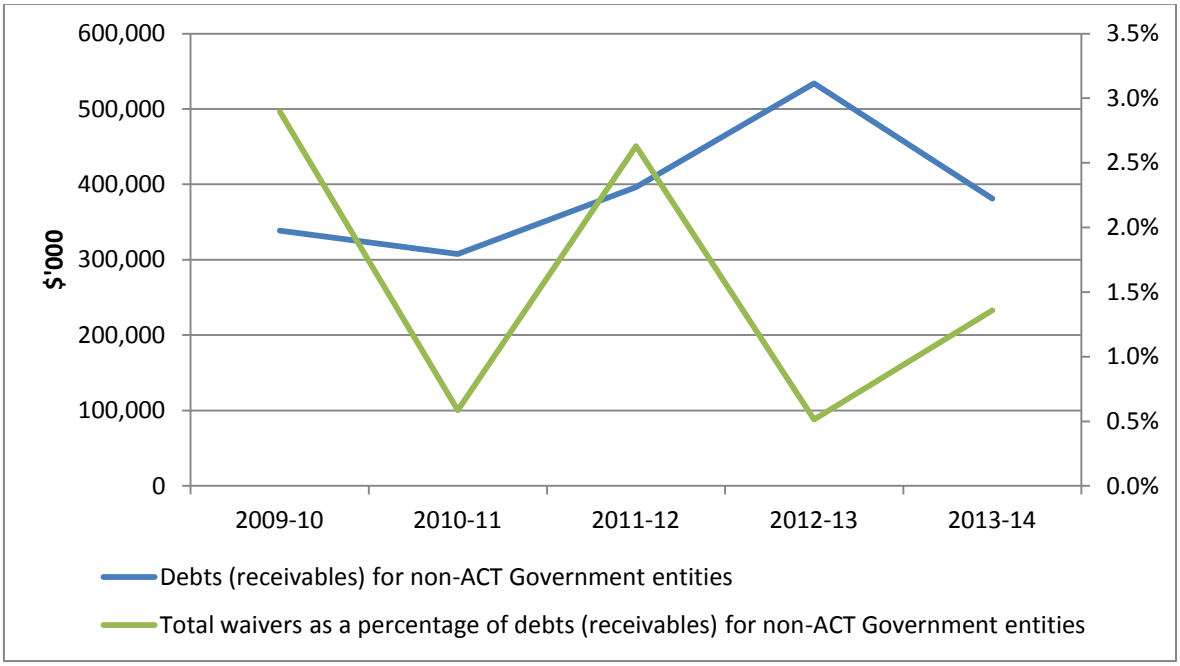
Source: ACT Audit Office, data taken from audited financial statements.

Note 1: The grey cells in the table indicate that the entity was not established for either that financial year or was wound up or there is no financial information available for that financial year. The Treasury Directorate was merged with the Chief Minister, Treasury and Economic Development Directorate in 2013-14. Shared Services was merged with the Commerce and Works Directorate in 2012-13.

Note 2: Waiver balances shown in the table are for the year ending 30 June for each of the financial years.

2.29 Figure 2-4 graphically presents information from Table 2-6 to show the relationship between total waivers for all ACT Government entities and debts (receivables) owed by non-ACT Government entities.

Figure 2-4 Total waivers for all ACT Government entities for the period 2009-10 to 2013-14 compared with debts owed by non-ACT Government entities at 30 June 2010 to 2014



Source: ACT Audit Office, data taken from audited financial statements.

Note: Debts (receivables) shown in the figure are as at 30 June for each of the financial years. The waivers are for the years ending 30 June for each of the financial years.

2.30 An analysis of debt waivers for 2009-10 to 2013-14 shows that:

- waivers vary between financial years, with $10.9 million being waived in 2012-13 compared with $5.2 million in 2013-14. This is 2.0 percent and 1.4 percent of debts, respectively, owed to the Territory by non-ACT Government entities;

- the majority of the total amount of debt waivers relate to debts managed by only a few ACT Government entities. For example, in 2013-14 approximately $5.2 million in debts was waived, with all but $271,000 of this relating to debts managed by two directorates (the Commerce and Works Directorate and the Environment and Sustainable Development Directorate); and
- debts (receivables) of the Environment and Sustainable Development Directorate have formed a significant amount of the total debt waived in the three years from 2011-12 to 2013-14. This includes a considerable amount of debt waived in 2012-13 (approximately $9.3 million), which represented 85.1 percent of total debt waived in that year. In 2011-12, 28.5 percent of the total amount of debt waived related to debts managed by the directorate and in 2013-14, 60.0 percent of the total debt waived related to debts managed by the directorate.

2.31 Debt waivers may be due to changes in policy. A policy decision may be made not to pursue a previously incurred debt or certain types or class of debts. The policy decision, once made, may then apply to a range of debts (receivables). It is important that such waivers be appropriately disclosed.

Reporting of debt waivers

2.32 Subsection 131(3) of the *Financial Management Act 1996* provides:

> A waiver relating to an amount payable to the Territory must be reported in the notes to the financial statements of the relevant directorate that relate to the year in which the right to payment was waived.

2.33 The *Model Financial Statements for Directorates and Territory Authorities for reporting periods ending on 30 June 2014* (Model Financial Statements) provide guidance to directorates on the disclosures required in their financial statements, including disclosures for waivers. The Model Financial Statements are issued annually by the Chief Minister, Treasury and Economic Development Directorate.

2.34 The Model Financial Statements require directorates to explain what a waiver is, and who has the ability to approve it, the number of waivers issued during the reporting period, and the value of the waivers issued. Furthermore, Section 1.7.5 of the Model Financial Statements requires directorates' financial statements to provide concise explanations for significant variances between the significant current and prior year results.

2.35 The reporting of debt waivers for the 2013-14 financial year by the Justice and Community Safety Directorate, the Commerce and Works Directorate and Environment and Sustainable Development Directorate were considered. As shown in Table 2-6, these entities have been responsible for the majority of debt waivers between 2009-10 and 2013-14.

2.36 The Justice and Community Safety Directorate, the Commerce and Works Directorate and the Environment and Sustainable Development Directorate complied with the requirements of both the *Financial Management Act 1996* and the Model Financial Statements.

2.37 Although ACT Government entities may comply with the *Financial Management Act 1996* and the Model Financial Statements, the ACT Audit Office when auditing annual financial statements may indicate that a disclosure is unclear or additional information would assist in understanding the financial statements. These suggestions may or may not be adopted by the entity.

2.38 The Environment and Sustainable Development Directorate reported the following in relation to debt waivers in the notes to its financial statements:

- 2013-14 (financial statements for controlled funds) 'waivers have increased due to the stimulus package released by the Government in March 2014 providing potential exemptions and changes in calculation for determining extension of time to build fees'; and
- 2013-14 (financial statements for Territorial funds) 'the decrease reflects the waiver of revenue related to a large Lease Variation Charge in 2012-13. There were 12 lower value waivers provided in 2013-14 compared to six waivers provided in 2012-13 related to lease variation charge'.

2.39 In its Final Audit Management Report to the Environment and Sustainable Development Directorate on 10 November 2014 in relation to the audit of the 2013-14 financial statements, the ACT Audit Office stated:

> There [were] several instances where variance explanations included in the Directorate's financial statements and accompanying management discussion and analysis, and statement of performance, were not always clear and informative.
>
> This results in a higher risk that users of the financial statements, management discussion and analysis and statement of performance will not be adequately informed about the financial and operating performance of the Directorate.

2.40 The Environment and Sustainable Development Directorate's 2013-14 financial statements disclosures in relation to variance explanations were considered by the ACT Audit Office as needing improvement.

2.41 In conveying this to the Environment and Sustainable Development Directorate, examples were provided which included one in relation to waivers. The Environment and Sustainable Development Directorate's disclosure stated, 'waivers have increased due to the stimulus package released by the Government in March 2014 affecting extension of time to build fees'.

2.42 The ACT Audit Office explained that 'This explanation does not tell the reader what the 'stimulus package' was and how it affected extension of time to build fees. It is not clear how 'stimulus package' caused the increase in waivers'.

2.43 Most recently, as part of discussions associated with this audit, the Environment and Sustainable Development Directorate advised that:

> Due to privacy considerations, the Environment and Sustainable Development Directorate is only able to disclose the number, quantity and nature of waivers provided.

2.44 However, it is considered that, a succinct explanation of the relationship between the 'stimulus package' and extension of time to build fees would enhance understanding without compromising privacy.

2.45 While the Environment and Sustainable Development Directorate's reasons for not having a better disclosure was stated as being due to privacy considerations, it is considered that better disclosures are possible without compromising privacy and would provide greater transparency and accountability.

Write-offs

2.46 When reviewing the likelihood of recovering debts owed, an ACT Government entity should also review debts (receivables) that have been impaired in prior years and, if it is determined that it is highly unlikely that these debts will be recovered, the entity should write the debt off. A write-off removes an amount from an agency's balance sheet. A write-off does not relinquish the legal right to recover the amount in the future.

2.47 As part of this process, the entity would record an impairment loss for the amount that has been assessed as not being recoverable for a particular reporting period and this should be recorded in the entity's statement of comprehensive income as a loss.

2.48 Unlike debt waivers, which are directly provided for by the *Financial Management Act 1996*, debt write-offs are a function of accounting practices.

2.49 Table 2-7 shows the total amount of write-offs by ACT Government entities for each financial year between 2009-10 and 2013-14 and the ACT Government entities that have recorded write-offs of more than $50,000 in any year during this period.

2.50 These write-offs may relate to debts owed to the Territory by non-ACT Government entities or debts owed by ACT Government entities to other ACT Government entities. Notwithstanding that information on a split between non-ACT Government and ACT Government debts was not readily available; the write-offs are more likely to be for debts owed to the Territory by non-ACT Government entities.

Table 2-7 Total write-offs of ACT Government entities (refer to Appendix A) for the period 2009-10 to 2013-14 and individual ACT Government entities with write-offs greater than $50,000

Agency	Financial Statements	2009-10 ($'000)	2010-11 ($'000)	2011-12 ($'000)	2012-13 ($'000)	2013-14 ($'000)
Total write-offs		**5 035**	**8 587**	**9 183**	**11 836**	**7 753**
Agency	**Financial Statements**	**2009-10 ($'000)**	**2010-11 ($'000)**	**2011-12 ($'000)**	**2012-13 ($'000)**	**2013-14 ($'000)**
ACTION	Controlled	-	21	63	35	19
Canberra Institute of Technology	Controlled	58	139	1 308	907	
Community Services Directorate	Controlled	5	15	4	34	83
Exhibition Park Corporation	Controlled	185	-	-	12	8
Gambling and Racing Commission		-	-	-	-	60
Health Directorate	Controlled	1 610	1 281	1 511	762	1 155
Housing ACT	Controlled	1 364	1 461	1 267	1 002	1 865
Justice and Community Safety Directorate	Controlled	1 294	2 200	1 287	4 996	1 657
Justice and Community Safety Directorate	Territorial	488	2 921	3 306	3 222	2 727
Legal Aid Commission (ACT)	Controlled	91	202	60	30	96
Territory and Municipal Services Directorate	Controlled	2	98	139	139	9
Territory and Municipal Services Directorate	Territorial	-	-	214	316	21

Source: ACT Audit Office, data taken from audited financial statements.

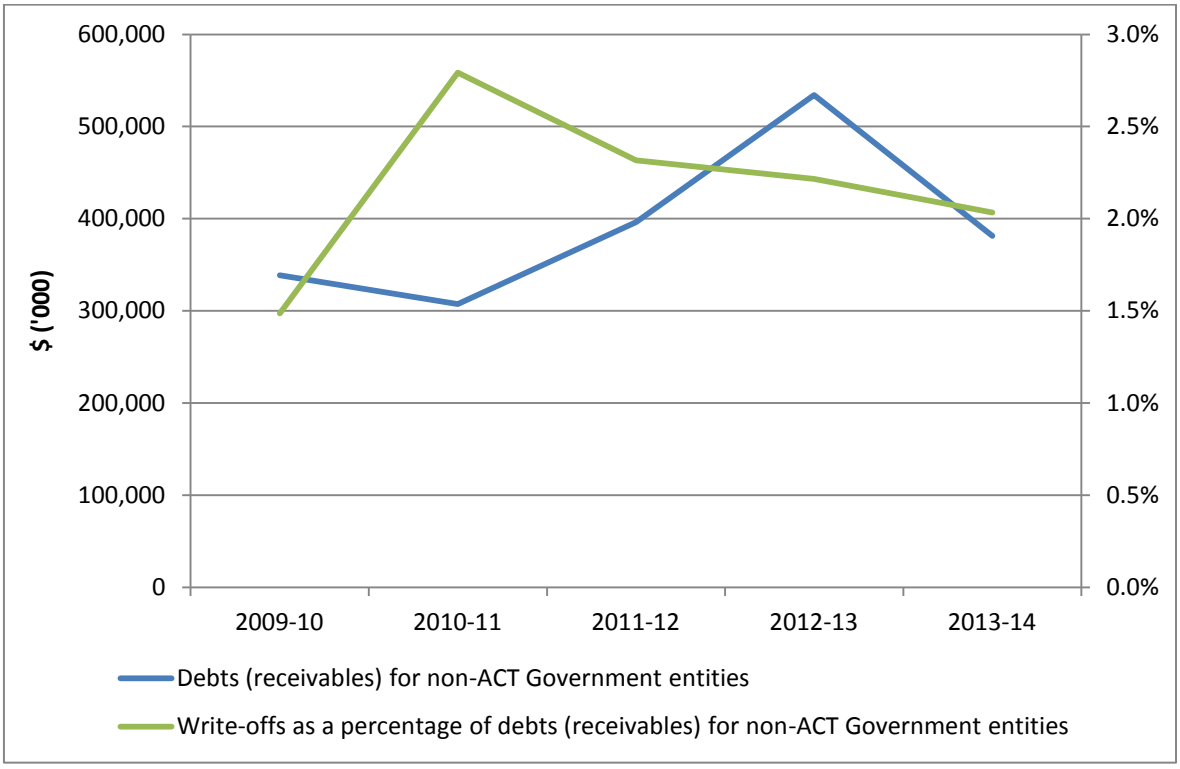
Note 1: The grey cell in the table indicates that there is no financial information available for that financial year.

Note 2: Write-off balances shown in the table above are for the year ending 30 June for each of the financial years.

Note 3: The JACS Controlled write-off for 2012-13 mainly related to a one-off impairment of Commonwealth Fire Payment in 2011-12 that was written off in 2012-13.

2.51 Figure 2-5 graphically presents information from Table 2-6 relating to the relationship between total debt write-offs for all ACT Government entities and debts (receivables) owed by non-ACT Government entities.

Figure 2-5 Total write-offs for all ACT Government entities for the period 2009-10 to 2013-14 compared with debts (receivables) for non-ACT Government entities as at 30 June 2010 and 2014



Source: ACT Audit Office, data taken from audited financial statements.

Note: Debts (receivables) shown in the figure above are as at 30 June for each of the financial years. Write-offs as a percentage are for the years ending 30 June for each of the financial years.

2.52 An analysis of debt write-offs shows that:

- the total value of debt write-offs by ACT Government entities significantly increased from 2009-10 to 2012-13, from approximately $5.0 million in 2009-10 to approximately $11.8 million in 2012-13 (an increase of 135.1 percent), before declining to approximately $7.8 million in 2013-14 (a decrease of 34.5 percent);
- debt write-offs by ACT Government entities as a percentage of debts (receivables) owed by non-ACT Government entities has been declining since 2010-11. In 2010-11 debt write-offs represented 2.7 percent of total debts (receivables) owed by non-Government entities, while in 2013-14 it represented 2.0 percent; and
- in 2013-14 the amount of debt written-off by the Justice and Community Safety Directorate for controlled and Territorial funds (approximately $4.4 million) accounted for more than half of the total debt written-off by all ACT Government entities (approximately $7.8 million). The Justice and Community Safety Directorate's write-offs primarily relates to ambulance debt of approximately $1.6 million, traffic and parking fines of approximately $2.4 million and approximately $287 000 in court fees and fines. In 2013-14, total write-offs for the directorate equated to 2.18 percent of non-ACT Government revenue.

Debts not recovered and at risk of not being recovered

2.53 Debts which are waived are a cash leakage-and those that are written-off and impaired are at risk of not being collected. Debts waived, written-off and impaired represent the total revenue at risk of not being collected

2.54 Table 2-8 shows debts not recovered and at risk of not being recovered that were owing to the Territory by non-Government entities from 2009-10 to 2013-14.

Table 2-8 Debts not recovered and at risk of not being recovered owing to the Territory by non-Government entities as at 30 June 2010 to 2014

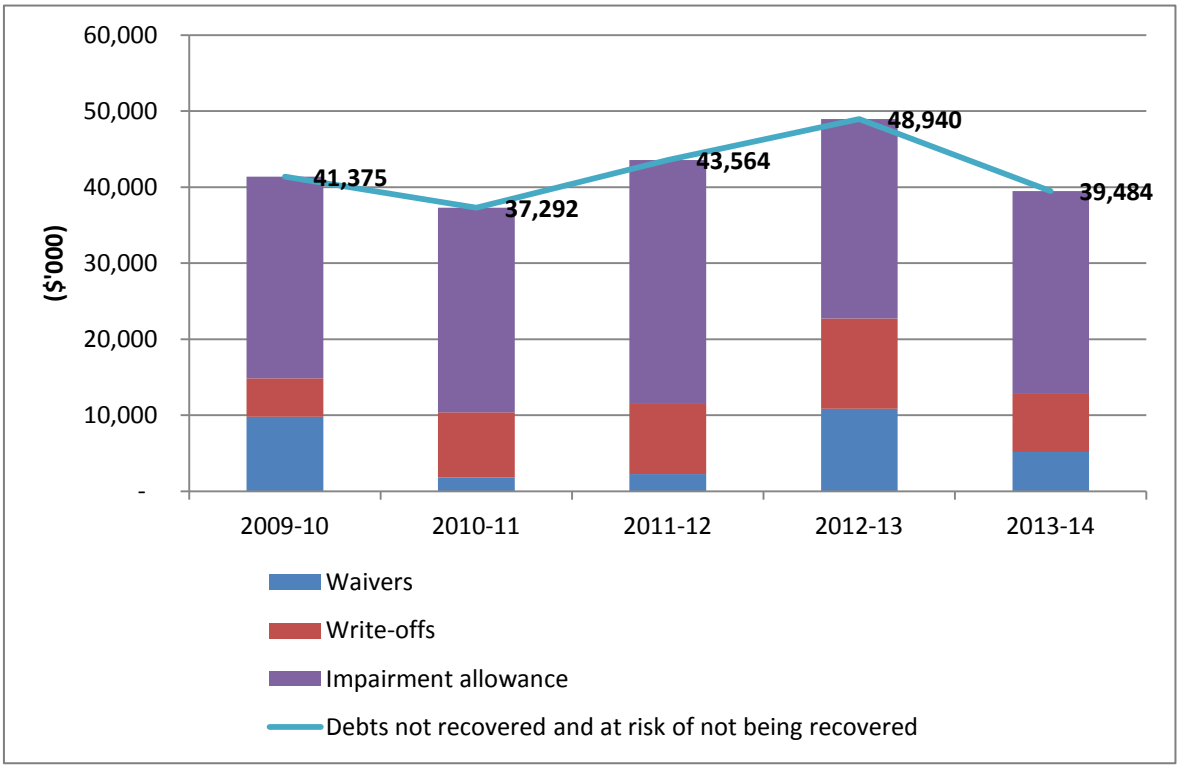
	2009-10 ($'000)	2010-11 ($'000)	2011-12 ($'000)	2012-13 ($'000)	2013-14 ($'000)	TOTAL ($'000)
Debts (receivables) owed to the Territory by non-ACT Government entities	**338 822**	**307 578**	**396 229**	**534 028**	**381 278**	
Waivers	9 818	1 803	2 289	10 870	5 183	**29 963**
Waivers as a percentage of debts (receivables) owed to the Territory by non-ACT Government entities.	2.9%	0.6%	0.6%	2.0%	1.4%	
Write-offs	5 035	8 587	9 183	11 836	7 753	**42 394**
Write-offs as a percentage of debts (receivables) owed to the Territory by non-ACT Government entities.	1.5%	2.8%	2.3%	2.2%	2.0%	
Impairment allowance	26 522	26 902	32 092	26 234	26 548	
Impairment allowance as a percentage of debts (receivables) owed to the Territory by non-ACT Government entities.	7.8%	8.7%	8.1%	4.9%	7.0%	
Total debts not recovered and at risk of not being recovered (waivers, write-offs and impairment allowance)	**41 375**	**37 292**	**43 564**	**48 940**	**39 493**	
Total debts not recovered and at risk of not being recovered as a percentage of debts (receivables) owed to the Territory by non-ACT Government entities.	12.2%	12.1%	11.0%	9.2%	10.4%	

Source: ACT Audit Office, data taken from audited financial statements.

Note: The debts (receivables) and impairment allowance balances shown in the table are as at 30 June for each of the financial years. The waiver and write-off balances are for the year ending 30 June for each of the financial years.

2.55 Figure 2-6 graphically presents information from Table 2-8 for debts that were not recovered (waivers) and at risk of not being recovered (waivers, write-offs and impairments) for the period 2009-10 to 2013-14.

Figure 2-6 Debts not recovered and at risk of not being recovered owing to the Territory by non-Government entities as at 30 June 2010 to 2014.



Source: ACT Audit Office, data taken from audited financial statements

Note: The debts (receivables) and impairment allowance balances shown in the table are as at 30 June for each of the financial years. The waivers and write-off balances are for the year ending 30 June for each of the financial years.

2.56 In 2013-14, $39.4 million in debts were waived, written-off or impaired. This is just over 10 percent of the $381 million in debts, which is 8.4 percent of total Territory revenue for 2013-14, owed by non-ACT Government entities as at 30 June 2014. While this percentage will vary given the nature of debt management, it has been around 10 percent for each of the last five years (2009-10 to 2013-14).

2.57 During this last five years a total of $72.4 million in debts owed by non-ACT Government entities had not been collected due to being waived or written-off. While there is a possibility that some of the debts written-off may be collected in future years, the total amount of cash foregone by the Territory over this period is likely to be larger than the $72.4 million, as this figure does not include debts that have been impaired and also at risk of not being collected.

3 FRAMEWORK, POLICY AND PROCEDURAL GUIDANCE

3.1 This chapter considers policy and procedural guidance for debt management including whole-of-government and that provided by ACT Government entities for their own use.

Summary

Conclusion

Some whole-of-government debt management guidance has been issued by the Chief Minister, Treasury and Economic Development but it is not regularly reviewed and is not readily accessible to all ACT Government entities. ACT Government entities that needed to have had policy and procedural guidance in place for debt management did so, although this varied in scope and coverage.

Key findings

	Paragraph
Key legislative requirements for the management of debts by ACT Government entities derive from the *Financial Management Act 1996*, although other specific legislation relating to the business of an entity may affect aspects of how debts are managed.	3.2
Requirements of the *Financial Management Act 1996* with respect to the management of debts (receivables) are general in nature. Accordingly, supporting policy and procedural guidance is important to guide actions.	3.6
Whole-of-government policy and procedural guidance on debt management is provided to some degree by the Chief Minister, Treasury and Economic Development Directorate.	3.9
The Treasury unit in the Chief Minister, Treasury and Economic Development Directorate has developed some procedural and administrative guidance for ACT Government entities through the: • ACT Financial Delegations Better Practice Guide; and • Model Director-General Financial Instructions.	3.12

The *Model Director-General Financial Instructions*[5] were developed to assist heads of ACT Government entities meet their responsibilities under section 31 of the *Financial Management Act 1996*. Chief Minister, Treasury and Economic Development Directorate staff advise that the *Model Director-General Financial Instructions* were developed in 2007. 3.16

The *Model Director-General Financial Instructions* provide a model statement of procedural and administrative guidance on a range of financial management issues. After their initial development and release, each ACT Government entity was expected to develop their own version of the *Model Director-General Financial Instructions*, tailored to their own organisational needs. 3.17

The *Model Director-General Financial Instructions* document has basic procedural and administrative guidance for accounts receivable and debt management. However, the *Model Director-General Financial Instructions* document is out of date and not regularly reviewed and updated. In this respect, the *Model Director-General Financial Instructions* : 3.20

- have not been updated since they were initially drafted*;* and
- are no longer directly available to ACT Government entities through the Chief Minister, Treasury and Economic Development Directorate website.

Furthermore the Model Director-General Financial Instructions: 3.21

- do not reflect the role of Shared Services in the debt management process; and
- refer to a set of indicative targets for the debt management process (i.e. the total value of debts to be recovered within different timeframes) which are derived from a 'Chief Executive's Purchase Agreement'. These targets are different to those between Shared Services and ACT Government entities, as provided by the current Services Partnership Agreement.

Chief Minister, Treasury and Economic Development Directorate staff advised that: 3.22

- the *Model Director-General Financial Instructions* were initially issued for the purpose of assisting agencies to establish their own organisation-specific guidance and were not intended to be continuously maintained and/or updated on an ongoing basis; and
- that such an approach accords with the principles of the *Financial Management Act 1996*, specifically section 31, which provides

[5] At the time of their development the Model Director-General Financial Instructions were referred to as *Chief Executive Instructions*. The written document referred to throughout this report has not been updated since its initial release and retains the title '*Chief Executive Instructions'*.

that the head of an entity is responsible and accountable for the management of all financial aspects of the entity.

The majority of ACT Government entities, 21 of the 29 (72.4 percent) which provided a response to the self-assessment survey, identified that they had effective policy and procedural guidance with respect to the management of debts. Six (20.7 percent) provided a neutral response and two respondents (6.9 percent) indicated that they did not have effective policy and procedural guidance. The lack of documented policy and procedural guidance may not be an issue for some ACT Government entities, as there may be a very low risk associated with the management of their debts, due to the nature of their activities or sources of funding. 3.31

There was no clearly identifiable debt management policy or procedural guidance in place for the following entities: 3.33

- Independent Competition and Regulatory Commission;
- ACT Public Cemeteries; and
- Public Trustee for the ACT.

There is a comparatively low risk for the Independent Competition and Regulatory Commission (and the ACT Audit Office) in not having documented policy and procedural guidance for the management of debts. The risk is low as the majority of debts (receivables) balances of these entities are from ACT Government entities. 3.36

There is also a low risk for ACT Cemeteries and Public Trustee for the ACT in not having document debt management policies and procedures as they require up-front payment prior to some services being provided. Although the Public Trustee for the ACT has a large debts (receivables) balance from non-ACT government debtors, these debts relate to the fees charged for the management of accounts on behalf of clients. These debts are collected from the client accounts by the Public Trustee for the ACT on the first working day of the next month. 3.37

Legislation

3.2 Key legislative requirements for the management of debts by ACT Government entities derive from the *Financial Management Act 1996*, although other specific legislation relating to the business of an entity may affect aspects of how debts are managed.

Financial Management Act 1996 – general requirements

3.3 Subsection 31(1) of the *Financial Management Act 1996* provides:

> The responsible director-general of a directorate is accountable to the responsible Minister of the directorate for the efficient and effective financial management of the directorate.

3.4 Paragraph 31(2)(e) of the *Financial Management Act 1996* provides:

> ... the responsible director-general of a directorate is responsible, under the responsible Minister, for ensuring—
>
> that adequate control is maintained over the assets of the directorate and assets in the control of the directorate.

Financial Management Act 1996 – requirements for waivers

3.5 Section 131 of the *Financial Management Act 1996* provides

(1) The Treasurer may, in writing, on behalf of the Territory -

(a) waive the Territory's right to payment of an amount payable to the Territory; or

(b) postpone any right of the Territory to be paid a debt in priority to another debt; or

(c) allow the payment by instalments of an amount payable to the Territory; or

(d) defer the time for payment of an amount payable to the Territory.

(2) A waiver relating to an amount payable to the Territory by a person may be expressed to be subject to a condition that the person agrees to pay an amount to the Territory in circumstances specified in the waiver.

(3) A waiver relating to an amount payable to the Territory must be reported in the notes to the Financial Statements of the relevant directorate that relate to the year in which the right to payment was waived.

3.6 Requirements of the *Financial Management Act 1996* with respect to the management of debts (receivables) are general in nature. Accordingly, supporting policy and procedural guidance is important to guide actions.

3.7 Documented policy and procedural guidance is an important element of the control environment for the management of debts (receivables). In its 2001 *Accounts Receivable* audit report, the Australian National Audit Office (ANAO) stated:

> The existence of policies and procedures is a key element for preventing possible control breakdown, should, for example, the organisation experience high turnover in personnel. These mechanisms include the use of Chief Executive's Instructions and procedures, as well as guidelines and detailed process descriptions.

3.8 In considering what policy and procedural guidance was in place with respect to the management of debts, the ACT Audit Office considered:

- whole-of-government policy and procedural guidance; and
- individual ACT Government entity policy and procedural guidance.

Policy and procedural guidance

3.9 Whole-of-government policy and procedural guidance on debt management is provided to some degree by the Chief Minister, Treasury and Economic Development Directorate.

3.10 The Chief Minister, Treasury and Economic Development Directorate:

> ... leads the ACT Public Service and provides strategic advice and support to the Chief Minister, Treasurer and Minister for Economic Development on policy, financial and economic matters, service delivery and whole of government issues.[6]

3.11 The Chief Minister, Treasury and Economic Development Directorate's role is in accordance with *ACT Administrative Arrangements 2014 (No 1)*, through which the Treasurer is responsible for *inter alia*:

- budget process and financial reporting;
- fiscal and economic policy including competition;
- Revenue Office; and
- taxation and revenue policy.

3.12 The Treasury unit in the Chief Minister, Treasury and Economic Development Directorate has developed some procedural and administrative guidance for ACT Government entities through the:

- *ACT Financial Delegations Better Practice Guide*; and
- *Model Director-General Financial Instructions*.

[6] Available at the Chief Minister Directorate website: http://www.cmd.act.gov.au/functions/about

ACT Financial Delegations Better Practice Guide (2007)

3.13 The *ACT Financial Delegations Better Practice Guide* provides information to heads of ACT Government entities on the delegation of their powers.

3.14 The intention of the *ACT Financial Delegations Better Practice Guide* is 'not to cover all possible aspect of delegation, but rather provide broad guidance regarding the management of financial delegations'. The Guide provides templates which can be adopted when powers are delegated.

3.15 The *ACT Financial Delegations Better Practice Guide* provides guidance for delegations relating to specific funds under the *Financial Management Act 1996*, including write-offs of debt and waivers of debt. This guidance relates to the administrative aspects of the exercise of delegations. By way of example, in relation to debt write-offs, the *ACT Financial Delegations Better Practice Guide* states:

> A 'write-off' of a debt may be appropriate where the likely costs of recovery action will exceed the benefits of collection. Before a debt can be written-off from the books, approval is required by a delegated officer. This approval must be in writing.

Model Director-General Financial Instructions (Chief Executive Instructions)

3.16 The *Model Director-General Financial Instructions*[7] were developed to assist heads of ACT Government entities meet their responsibilities under section 31 of the *Financial Management Act 1996*. Chief Minister, Treasury and Economic Development Directorate staff advise that the *Model Director-General Financial Instructions* were developed in 2007.

3.17 The *Model Director-General Financial Instructions* provide a model statement of procedural and administrative guidance on a range of financial management issues. After their initial development and release, each ACT Government entity was expected to develop their own version of the *Model Director-General Financial Instructions*, tailored to their own organisational needs.

3.18 Section 4.1 *Debt Management and Invoicing* of the *Model Director-General Financial Instructions,* provides guidance with respect to debt management. Chief Minister, Treasury and Economic Development Directorate staff advise that this section was intended to provide entities with a starting point, from which to modify and build their own particular requirements and practices in order to address their own particular risks.

[7] At the time of their development the Model Director-General Financial Instructions were referred to as *Chief Executive Instructions*. The written document referred to throughout this report has not been updated since its initial release and retains the title '*Chief Executive Instructions*'.

3.19 The *Model Director-General Financial Instructions* provide procedural and administration principles for the following aspects of debt management:

- responsibilities and accountabilities;
- non-compliance with the procedure;
- invoicing process;
- following-up of debt;
- write-off and write-down of debts;
- waiver of debts; and
- reporting of debt management.

3.20 The *Model Director-General Financial Instructions* document has basic procedural and administrative guidance for accounts receivable and debt management. However, the *Model Director-General Financial Instructions* document is out of date and not regularly reviewed and updated. In this respect, the *Model Director-General Financial Instructions* :

- have not been updated since they were initially drafted*;* and
- are no longer directly available to ACT Government entities through the Chief Minister, Treasury and Economic Development Directorate website.

3.21 Furthermore the *Model Director-General Financial Instructions*:

- do not reflect the role of Shared Services in the debt management process; and
- refer to a set of indicative targets for the debt management process (i.e. the total value of debts to be recovered within different timeframes) which are derived from a 'Chief Executive's Purchase Agreement'. These targets are different to those between Shared Services and ACT Government entities, as provided by the current Services Partnership Agreement.

3.22 Chief Minister, Treasury and Economic Development Directorate staff advised that:

- the *Model Director-General Financial Instructions* were initially issued for the purpose of assisting agencies to establish their own organisation-specific guidance and were not intended to be continuously maintained and/or updated on an ongoing basis; and
- that such an approach accords with the principles of the *Financial Management Act 1996*, specifically section 31, which provides that the head of an entity is responsible and accountable for the management of all financial aspects of the entity.

3.23 Chief Minister, Treasury and Economic Development Directorate staff advised:

> The Territory's decentralised financial management enshrined in the Financial Management Act 1996 (FMA), particularly section 31 of the Act, is that a Director-General of a directorate or a Chief Executive (or Governing Board) of an Authority has management of all financial aspects of their entity. This includes budgets and reporting, contract management, business processes and debt management. This responsibility complements other sections contained in the FMA which provide a high degree of discretion in relation to use of appropriation, and the associated accountability back to the Legislative Assembly of use of that appropriation and output performance.
>
> Flowing from this fundamental tenet of the Territory's financial management, the Government has taken the deliberate approach not to issue whole-of-government guidance on all aspects on an entity's financial management, including debt management. Such an approach allows whole-of-entity management of debts, including the underlying policy, legislation and business processes (including ICT considerations) which impact debt management.

3.24 With respect to the *Model Director-General Financial Instructions*, Chief Minister, Treasury and Economic Development Directorate staff advised:

> [The *Model Director-General Financial Instructions*] were issued in 2007 for the purpose of assisting agencies to establish their own robust [*Director-General Financial Instructions*]. [*Director-General Financial Instructions*] are an important control mechanism for Directors-General to assist them to properly discharge their financial management responsibilities under the FMA...
>
> Agencies were advised to tailor [the *Model Director-General Financial Instructions*] to suit their own specific needs. In relation to tailoring of debt management instructions, agencies should have taken into consideration such matters as agency specific legislation, policy and ICT considerations when finalising their agency specific [*Director-General Financial Instructions*].
>
> It was never the intention...that the [*Model Director-General Financial Instructions*] would be continually updated once they were established and agencies had developed their own tailored [*Director-General Financial Instructions*] to meet their needs and requirements. [*Model Director-General Financial Instructions*] on individual topics...are now only issued on an as needs basis, such as a new topic.

RECOMMENDATION 1 DIRECTOR-GENERAL FINANCIAL INSTRUCTIONS (CHAPTER 3)

The Chief Minister, Treasury and Economic Development Directorate (Treasury) should:

a) periodically review and update the Director-General Financial Instructions; and

b) make the Director-General Financial Instructions readily available to all ACT Government entities to assist them with drafting their own internal policy and procedural guidance.

Australian National Audit Office guidance on policies and procedures

3.25 In 1997 the ANAO released a *Management of Accounts Receivable* guidance document, as an accompaniment to its 1997 audit report *Management of Accounts Receivable*. This document provides guidance on better practice for accounts receivable and debt management.

3.26 The ACT Audit Office used the ANAO's *Management of Accounts Receivable* guidance document as a basis for considering ACT Government entities' policy and procedural guidance for debt management. In doing this, consideration has been given to whether or not the following exists:

1) guidance on financial and management authorisations and delegations for debt management;
2) clearly articulated roles and responsibilities for debt management and collection;
3) a clearly articulated debt recovery strategy, including:
   a) how and when to contact debtors; and
   b) requirements for the documentation of actions taken to recover debts;
4) guidance on options for recovering the debt (e.g. payment instalments);
5) guidance on the use of external debt collection agencies (where applicable);
6) articulation of requirements for the monitoring of debts;
7) articulation of performance measures for the management of debts;
8) guidance on procedures for the write-off and waiver of debts;
9) guidance on processes for the handling of debtor complaints; and
10) clearly articulated requirements for the review of the framework, policy and procedural guidance (e.g. when and by whom).

3.27 ACT Government entities were requested by the ACT Audit Office to complete a self-assessment survey on what policy and procedural guidance they had in place with respect to the management of debts. Twenty-nine responses were received as some ACT Government directorates provided one response as well as providing responses from their various units. A full list of the ACT Government entities (including units in entities) which responded is provided at Appendix A.

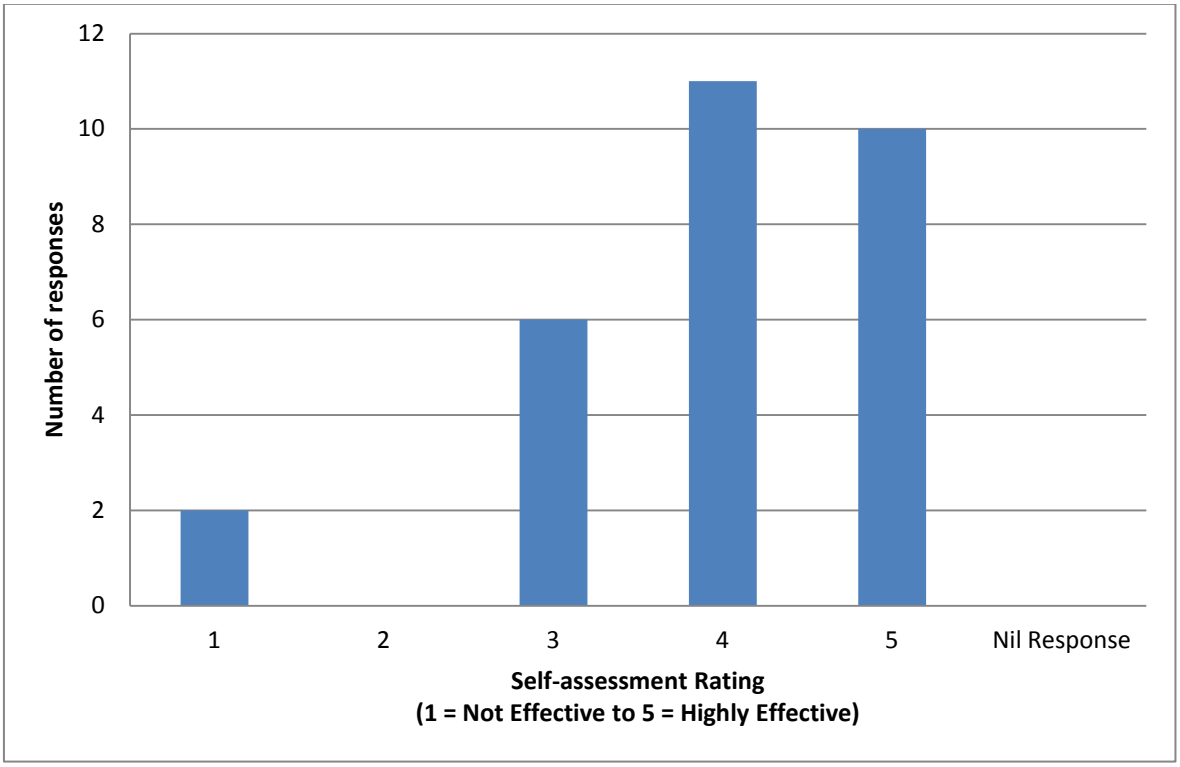
3.28 Using the self-assessment survey and supporting documentation provided, the ACT Audit Office considered whether each ACT Government entity's documented policy and procedural guidance addressed the ten better practice elements listed in paragraph 3.26 of this report.

ACT Audit Office

3.29 The ACT Audit Office did not complete a self-assessment as it would not be appropriate to self-audit. However, for transparency, the ACT Audit Office advises that it does not have policy and procedural guidance in place with respect to the management of debts. The risk profile of the ACT Audit Office in not having policy and procedural guidance for the management of debts is low, as discussed in paragraph 3.36.

3.30 Figure 3-1 graphically depicts the results of the self-assessment of the effectiveness of controls by ACT Government entities.

Figure 3-1 Self-assessment of the effectiveness of policy and procedural guidance by ACT Government entities



Source: ACT Audit Office

3.31 The majority of ACT Government entities, 21 of the 29 (72.4 percent) which provided a response to the self-assessment survey, identified that they had effective policy and procedural guidance with respect to the management of debts. Six (20.7 percent) provided a neutral response and two respondents (6.9 percent) indicated that they did not have effective policy and procedural guidance. The lack of documented policy and procedural guidance may not be an issue for some ACT Government entities, as there may be a very low risk associated with the management of their debts, due to the nature of their activities or sources of funding.

ACT Government entities with no or minimal policy and procedural guidance for debt management

3.32 As part of the survey process, ACT Government entities were asked to provide what policy and procedural guidance that they had in place with respect to debt management.

3.33 There was no clearly identifiable debt management policy or procedural guidance in place for the following entities:

- Independent Competition and Regulatory Commission;
- ACT Public Cemeteries; and
- Public Trustee for the ACT.

3.34 In relation to the ACT Government entities identified in paragraph 3.33, Table 3-1 seeks to provide further information on the risk profile of these entities with respect to the management of debts, taking into account:

- the nature of debts (i.e. debts owed between ACT Government entities are identified as a lower risk of collection compared with debts owed by external non-ACT Government entities);
- year-end accounts receivable balances for 2013-14;
- debt waivers from 2009-10 to 2013-14; and
- debt write-offs from 2009-10 to 2013-14.

3.35 The ACT Audit Office is included in this table for completeness.

Table 3-1 Risk profile of ACT Government entities with no clearly identifiable policy and procedural guidance for debt management

Agency	Nature of debts	Debts (Accounts Receivable) Balance – as at 30 June 2014	Debt waivers for the five years to 30 June 2014	Debt write-offs in the five years to 30 June 2014
ACT Audit Office	ACT Government - 87% Non-ACT Government - 13%	$1 437 000	-	$12 796
Independent Competition and Regulatory Commission	ACT Government – 96% Non-ACT Government – 4%	$432 000	-	-
ACT Public Cemeteries Authority	ACT Government – 79% Non-ACT Government – 21%	$1 167 676	-	$5 000
Public Trustee for the ACT	ACT Government – 11% Non-ACT Government – 89%	$2 528 679	-	$9 000

Source: Agency responses to the survey and agency financial statements

3.36 There is a comparatively low risk for the Independent Competition and Regulatory Commission (and the ACT Audit Office) in not having documented policy and procedural guidance for the management of debts. The risk is low as the majority of debts (receivables) balances of these entities are from ACT Government entities.

3.37 There is also a low risk for ACT Cemeteries and Public Trustee for the ACT in not having document debt management policies and procedures as they require up-front payment prior to some services being provided. Although the Public Trustee for the ACT has a large debts (receivables) balance from non-ACT government debtors, these debts relate to the fees charged for the management of accounts on behalf of clients. These debts are collected from the client accounts by the Public Trustee for the ACT on the first working day of the next month.

3.38 None of these entities have waived any debts in the five years to June 2014 and only two have written off small amounts of debts (receivables) during this period ($5 000 for the ACT Public Cemeteries Authority and $9 000 for the Public Trustee for the ACT).

Policy and procedural guidance based on the Model Director-General Financial Instructions

3.39 Ten ACT Government entities had documented policy and procedural guidance that was based on the *Model Director-General Financial Instructions* that had been developed and promulgated by ACT Treasury (i.e. closely following the same structure and format). These included:

- ACT Insurance Authority (referred to the relevant policy and procedural documents in place within the Chief Minister and Treasury Directorate);
- Legal Aid Commission (ACT);
- Chief Minister and Treasury Directorate;
- Cultural Facilities Corporation;
- Education and Training Directorate;
- Environment and Sustainable Development Directorate;
- Gambling and Racing Commission;
- Health Directorate;
- Justice and Community Safety Directorate; and
- Territory and Municipal Services Directorate (including ACTION, Yarralumla Nursery, Capital Linen Services and ACT Property Group).

Independent development of policy and procedural guidance

3.40 Seven ACT Government entities had developed and implemented policy and procedural guidance that did not appear to be based on *Model Director-General Financial Instructions*. These were:

- Commerce and Works Directorate;
- Community Services Directorate;
- Economic Development Directorate;
- Exhibition Park in Canberra;
- Housing ACT;
- Land Development Agency; and
- Office of the Legislative Assembly.

ACT Government entities policy and procedural guidance

3.41 The ACT Audit Office considered the policy and procedural guidance provided by the ACT Government entities against the better practice elements identified in paragraph 3.26 of this report. The ACT Audit Office considered whether policy and procedural guidance covered the identified better practice elements and the extent to which the policy and procedural guidance were covered.

3.42 Table 3-2 shows the results of the ACT Audit Office's assessment which are discussed in chapter 4.

Table 3-2 Better practice assessment of ACT Government entities policy and procedural guidance

	Better Practice Elements (refer to the key below the table)									
Agency	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Chief Minister and Treasury Directorate	✓✓	✓✓	✓✓	✓	N/A	✓	✓	✓✓	×	×
Commerce and Works Directorate	✓✓	✓✓	✓✓	✓✓	N/A	✓✓	×[1]	✓✓	×	×
Community Services Directorate	✓✓	✓✓	✓✓	✓✓	N/A	×	×	✓✓	×	×
Cultural Facilities Corporation	✓✓	✓✓	✓	×	N/A	✓	×	✓	×	×
Education and Training Directorate	✓✓	✓✓	✓✓	✓	N/A	✓	✓	✓✓	×	×[3]
Economic Development Directorate	✓✓	✓✓	✓✓	✓✓	N/A	✓	×	✓✓	×	×
Environment and Sustainable Development Directorate	✓✓	✓✓	✓✓	✓	N/A	✓	✓	✓✓	×	×
Exhibition Park in Canberra	✓✓	✓✓	✓✓	✓	N/A	✓	✓	✓✓	×	×
Gambling and Racing Commission	✓✓	✓✓	✓✓	✓	N/A	✓	✓	✓✓	×	×
Health Directorate	✓✓	✓✓	✓✓	✓	N/A	✓✓	×	✓✓	×[2]	×[3]
ACT Insurance Authority	✓✓	✓✓	✓✓	✓	N/A	✓	✓	✓✓	×	×
Justice and Community Safety Directorate	✓✓	✓✓	✓✓	✓	N/A	✓	✓	✓✓	×	✓✓
Land Development Agency	✓✓	✓✓	✓✓	✓	N/A	✓	×	✓✓	×	×
Legal Aid Commission (ACT)	✓✓	✓✓	✓✓	✓✓	N/A	✓	×	✓✓	×[2]	×
Office of the Legislative Assembly	✓✓	✓✓	✓✓	✓	N/A	×	×	✓✓	×	×
Territory and Municipal Services Directorate	✓✓	✓✓	✓✓	✓	✓✓	✓	×	✓✓	×	✓✓

Better Practice Elements Key
1. Guidance on financial and management authorisations and delegations for debt management
2. Clearly articulated roles and responsibilities for debt management and collection
3. Clearly articulated debt recovery strategy
4. Guidance on options for recovering the debt
5. Guidance on the use of external debt collection agencies
6. Articulation of requirements for monitoring of debts
7. Articulation of performance measures for the management of debts
8. Guidance on procedures for the write offs and wavier of debts
9. Guidance on process for the handling of debtor complaints
10. Clearly articulated requirements for the review of the policy and procedures guidance.

Source: ACT Audit Office and ANAO *Management of Accounts Receivable* Better Practice Guide

Note 1: The Commerce and Works Directorate's debt management policy and procedural guidance did not reference or articulate performance measures for the management of debts. However, the Commissioner for Revenue in the Commerce and Works Directorate reports annually on the level of overdue debt as a percentage of tax revenue as an accountability indicator in the directorate's Statement of Performance. This is discussed in further detail in paragraph 4.90 of the report.

Note 2: Debt management policy and procedural guidance maintained by the Health Directorate and the Legal Aid Commission (ACT) did not provide any guidance for the handling of debtor complaints. These entities advise that broader agency-wide policy and procedural guidance relating to the management of complaints would apply to specific complaints from debtors.

Note 3: Debt management policy and procedural guidance maintained by the Health Directorate and the Education and Training Directorate did not provide any guidance for the review of policy and procedural guidance. These directorates advise that broader agency-wide policy and procedural guidance relating to the review and update of policies and procedures would apply to the debt management policy.

4 ACT GOVERNMENT ENTITIES' DEBT MANAGEMENT PROCESSES

4.1 This chapter considers debt management practices of ACT Government entities. It is primarily based on a detailed analysis of five ACT Government entities (Commerce and Works Directorate, Community Services Directorate, Environment and Sustainable Development Directorate, Justice and Community Safety Directorate and Territory and Municipal Services Directorate). This chapter also identifies better practice initiatives that have been implemented in ACT Government entities.

Summary

Conclusion

ACT Government entities (Commerce and Works Directorate, Community Services Directorate, Environment and Sustainable Development Directorate, Justice and Community Safety Directorate and Territory and Municipal Services Directorate) which were selected for detailed analysis have overall sound procedural and administrative arrangements for debtor management. This places them in a strong position to be able to effectively manage debts owed to the Territory.

While some issues were identified which need to be corrected, what is needed is the consideration of better practice initiatives that have been implemented in some ACT Government entities for use more widely. This may include a greater use of, for example payment incentives, credit checks and external debt collection agencies. While not all debts owed to the Territory by non-ACT Government entities lend themselves to such initiatives due to social sensitivities, it is important that every effort is made to secure revenue owed. Accordingly, periodically it is important consider how debts could be more effectively prevented and collected.

Key findings

	Paragraph
Some ACT Government entities have been able to avoid a debt completely by collecting fees or charges up-front. Such an approach may be able to be more widely applied. All debts should be considered to determine if this approach might be worth pursuing.	4.9
There is minimal use of payment incentives by ACT Government entities. At present, the ACT Revenue Office and the Road Transport Authority (within the Justice and Community Safety Directorate) are the only ACT Government entities that make use of payment incentives.	4.13

The option of providing and accounting for payments incentives such as discounts is currently not able to be accommodated by the Oracle financial management information system used by Shared Services Finance. Accordingly, ACT Government entities currently using Shared Services Finance to assist in the debt management process cannot offer payment incentives for those transactions managed on their behalf by Shared Services Finance. Shared Services Finance advised that this is a system issue that may be overcome. Until this system issue is addressed, this is a constraint on the broader implementation and application of payment incentives. 4.18

The use of payment incentives for the prompt or early payment of debts warrants broader consideration, other than just in the ACT Revenue Office and the Road Transport Authority. Offering discounts or other payment incentives could promote and encourage customers to pay on time or even earlier. In the case of ACT Government commercial enterprises that compete for business with private sector suppliers, the offer of payment incentives may also offer a competitive advantage. 4.20

The use of credit checks by commercially-focused ACT Government entities varied. Some entities, including Capital Linen Services and the Yarralumla Nursery did not conduct credit checks, although they previously had practices in place whereby referee checks were conducted for larger customers. ACT NoWaste has recently developed processes for conducting credit checks on potential customers. 4.24

The use of credit checks, primarily for ACT Government entities involved in commercial activities, warrants consideration for wider application than just by ACT NoWaste. 4.28

Shared Services Finance has appropriate procedures in place for the recovery of debts on behalf of ACT Government entities, and the implementation of these procedures is appropriately documented. 4.40

ACT Government entities have different strategies for the pursuit and recover debts. Responsibilities for the pursuit of debts also varied within Shared Services Finance depending on the needs of various ACT Government entities. 4.42

The five ACT Government entities (Commerce and Works Directorate, Community Services Directorate, Environment and Sustainable Development Directorate, Justice and Community Safety Directorate and Territory and Municipal Services Directorate) selected for detailed analysis had appropriate and documented strategies in place for the recovery of debts. Documented strategies for the recovery of debts generally included pre-defined follow-up activities at key milestones (e.g. debts overdue by 30, 60 and 90 days), which involved a mix of 4.43

communication methods, including sending reminder notices or letters, sending emails to the debtor or contacting the debtor by phone. For some of the five ACT Government entities, this was undertaken by Shared Services Finance.

There was variability in the quality of documentation and record-keeping maintained by ACT Government entities with respect to actions taken to pursue debts. 4.46

There is limited use of external debt collection agencies by ACT Government entities. Only two ACT Government entities currently use external debt collection agencies to assist with the recovery of debts: 4.60

- the Territory and Municipal Services Directorate; and
- the Environment and Sustainable Development Directorate.

The use of external debt collection agencies to assist with debt recovery needs to be considered for wider application by ACT Government entities. Such an approach, although needing careful consideration, may be appropriate and cost-effective when large debts or a large number of debts of small amounts are economically viable to pursue. 4.69

For the five ACT Government entities selected for detailed analysis in this audit, there was an inconsistent approach to debt management monitoring and reporting. 4.77

For those ACT Government entities that use Shared Services Finance for debt management assistance, the monthly reports from Shared Services Finance provided a basis for ongoing monitoring and reporting, including key data and information and some analysis of the aging of debts. 4.78

The Justice and Community Safety Directorate does not produce whole-of-directorate debt management reports on a regular basis. 4.81

The Environment and Sustainable Development Directorate does not produce regular reports on its debt management activities. While it receives a monthly report from Shared Services Finance it does not supplement this report with its own analysis and reporting of its own debt management activities. 4.84

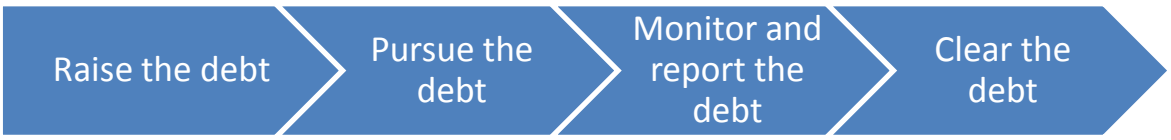
The Commissioner for Revenue, in the Commerce and Works Directorate, was the only ACT Government entity that had a debt management related performance indicator in its Statement of Performance. The Commissioner for Revenue reports annually on the level of overdue debt as a percentage of tax revenue as an accountability indicator. In 2013-14 the target was 2.5 percent and the result was 2.6 percent. 4.90

Shared Services Finance's performance indicators for the management of debts are a useful basis for ACT Government entities to measure and monitor debt management activities. However, the reports from Shared Services Finance are limited as they do not draw a distinction between internal ACT Government entities' debts and those owed to the Territory by non-ACT Government entities. Providing further targeted reporting on debts owed by non-ACT Government entities would facilitate an understanding of what cash is outstanding due to these debts. 4.94

Each of the five ACT Government entities selected for detail analysis was able to provide evidence to justify the approval of waivers and write-offs. All produced minutes that explained the rationale leading up to the write-off and the delegate approving the write-off. Approvals of waivers by the Treasurer were also provided by all entities, where relevant. 4.118

The process for managing debts

Figure 4-1 Process for the management of debts



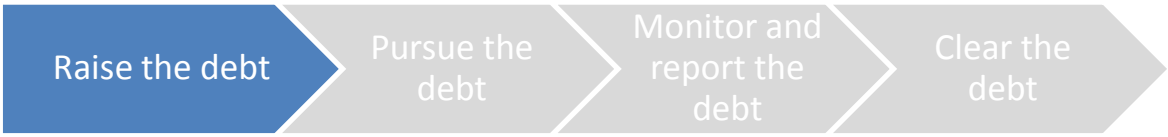
Source: ACT Audit Office

4.2 The purpose of debt management is to ensure that debts owed to the Territory are identified and collected in a reasonable time. To achieve this, ACT Government entities need to undertake appropriate activities aimed at fully collecting debts in a coordinated and timely manner.

4.3 As shown in Figure 4-1, there are four main steps in the process for managing debts:

- raise the debt;
- pursue the debt;
- monitor and report the debt; and
- clear the debt.

Raise the debt



4.4 A debt should be raised for an amount owed for the provision of goods or services or when taxes or fines are imposed. For the provision of goods and services, an invoice should be generated and provided to the customer describing the goods or services provided and specifying the amount and due date for the debt. For the imposition of taxes and fines, a notice should be provided describing the tax or fine with the amount and due date for the debt stated.

4.5 Key better practice activities or initiatives of ACT Government entities discussed as part of this component of the debt management process include:

- not providing credit and seeking up-front payment instead;
- the use of credit checks for potential debtors; and
- the use of payment incentives.

Seeking up-front payment

4.6 Up-front payment is required for a number of different goods and services provided by ACT Government entities, for example:

- the Road Transport Authority in the Justice and Community Safety Directorate requires up-front payment for motor vehicle registration at the time a vehicle is *initially* registered;
- Exhibition Park in Canberra requires up-front payment for the hire of facilities for certain events as a deliberate strategy to avoid the possibility of non-payment; and
- The Public Trustee for the ACT requires up-front payment from clients seeking ad-hoc services such as the preparation of wills;
- the Education and Training Directorate receives payments in advance from international students and the French Australia School; and
- the Community Services Directorate receives payments in advance with respect to the hiring of stalls for the ACT Multicultural Festival.

ACT Multicultural Festival - hiring of stalls to community organisations

4.7 Prior to 2014 the Community Services Directorate had issued invoices to community groups for the hiring of stalls for the ACT Multicultural Festival. This practice lead to an increasing number and amount of debts owed to the Territory from community organisations. The directorate subsequently wrote-off many of these debts, as they were identified as being uneconomical to recover.

4.8 The Community Services Directorate implemented different arrangements for the 2014 ACT Multicultural Festival, whereby an up-front payment was required for the hiring of stalls. This change in practice meant that an invoice was not raised and the debt was avoided altogether. The directorate advised that there was no adverse impact on the number of stalls rented and the revenue was collected in a significantly more effective and timely manner.

Opportunities for collecting monies up-front

4.9 Some ACT Government entities have been able to avoid a debt completely by collecting fees or charges up-front. Such an approach may be able to be more widely applied. All debts should be considered to determine if this approach might be worth pursuing.

Payment incentives

4.10 Payment incentives may take the form of:

- a discount that is offered for prompt or early payment of a debt; or
- a penalty that is imposed for a late payment of a debt.

4.11 The use of payment incentives is predicated on the expectation that an offer of a discount, or the imposition of a penalty, will assist in driving debtor behaviour and ensuring prompt payment.

4.12 It is recognised, however, that payment incentives may, in some circumstances, be inconsistent with policy outcomes or intended behaviours from imposed charges on customers or stakeholders. In this regard, the use of payment incentives must be in the context of broader policy or behavioural outcomes arising from the program or service.

4.13 There is minimal use of payment incentives by ACT Government entities. At present, the ACT Revenue Office and the Road Transport Authority (within the Justice and Community Safety Directorate) are the only ACT Government entities that make use of payment incentives.

ACT Revenue Office use of payment incentives

4.14 ACT property owners pay rates on property to provide funding for a wide range of municipal and other services. By virtue of the *Rates Act 2004* the "owner" includes the registered proprietor of a parcel of land, a mortgagee in possession or a person holding the parcel of land under a sublease from the Territory.

4.15 The ACT Revenue Office offers different payment options to recover rates, including options for full up-front payment or quarterly instalments. Rates payers who choose to pay their rates in full by the first due date receive a 3 percent discount as an incentive.

Road Transport Authority use of payment incentives

4.16 The Road Transport Authority (in the Justice and Community Safety Directorate) provides customers with vehicle registration options of three, six or 12 months registration. Motor vehicle owners who pay for 12 months' registration receive a 2 percent discount on the registration component as an incentive. Additionally, motor vehicle owners incur a $15 surcharge if they seek to register their vehicles for the shorter three or six month periods.

Constraints on the use of payment incentives

4.17 Shared Services Finance (in the Chief Minster, Treasury and Economic Development Directorate) has a role in assisting some ACT Government entities to manage and recover debts. This is discussed in further detail in Chapter 5 of this report.

4.18 The option of providing and accounting for payments incentives such as discounts is currently not able to be accommodated by the Oracle financial management information system used by Shared Services Finance. Accordingly, ACT Government entities currently using Shared Services Finance to assist in the debt management process cannot offer payment incentives for those transactions managed on their behalf by Shared Services Finance. Shared Services Finance advised that this is a system issue that may be overcome. Until this system issue is addressed, this is a constraint on the broader implementation and application of payment incentives.

4.19 Some ACT Government entities have advised that there are legislative constraints on their ability to offer payment incentives. For example, the Gambling and Racing Commission advised that there is no discretion to offer payment incentives for the payment of gambling taxes and levies, as it is a statutory requirement under the *Gaming Machine Act 2004* that all gambling taxes and levies for a month must be paid in full in the following month.

Other opportunities for offering payment incentives

4.20 The use of payment incentives for the prompt or early payment of debts warrants broader consideration, other than just in the ACT Revenue Office and the Road Transport Authority. Offering discounts or other payment incentives could promote and encourage customers

to pay on time or even earlier. In the case of ACT Government commercial enterprises that compete for business with private sector suppliers, the offer of payment incentives may also offer a competitive advantage.

RECOMMENDATION 2 ORACLE – PAYMENT INCENTIVES (CHAPTER 4)

The Chief Minister, Treasury and Economic Development Directorate (Shared Services Finance) should modify the Oracle financial management information system to facilitate the processing of payment incentives, if technically feasible.

Conducting credit checks

4.21 A credit check can be used to determine:

- whether a potential customer should be provided with credit, i.e. given the opportunity to receive goods or services prior to payment; or
- the terms on which credit should be extended to a potential customer, i.e. maximum amounts of credit to be extended at any one time.

4.22 Typically, conducting a credit check involves seeking a detailed analysis from a credit reporting bureau or agency on the credit-worthiness of an entity or person. A credit check report may contain a range of information primarily associated with the payment history (including timeliness) for loans and other debts. Users of credit checks can use the information to determine if an entity, including an individual, may be a risk for repaying its debt. In these instances, informed decisions can be made with respect to whether to offer credit or require up-front payment, impose certain conditions or interest on the transaction or decline to enter a transaction.

4.23 In the private sector, the use of credit checks is a common risk mitigation action to increase the assurance of the collection of debts. The use of credit checks can be more problematic in a government context, noting that in many cases the creation of a debt may not be optional, e.g. fines, taxes and charges. It is also noted that differential credit arrangements for different sectors of the community may be inappropriate from a public policy perspective. Nevertheless, for government business enterprises, where the use of those businesses is optional for the community, there may be an opportunity to use credit checks.

4.24 The use of credit checks by commercially-focused ACT Government entities varied. Some entities, including Capital Linen Services and the Yarralumla Nursery did not conduct credit checks, although they previously had practices in place whereby referee checks were conducted for larger customers. ACT NoWaste has recently developed processes for conducting credit checks on potential customers.

ACT NoWaste use of credit checks

4.25 Since August 2014 ACT NoWaste has engaged a credit agency to conduct credit checks on potential customers. ACT NoWaste previously had practices in place whereby potential customers were asked to provide a list of referees. In contrast to the referee checks that were previously conducted, ACT NoWaste determined that a credit check was a more effective preventative measure for identifying high risk customers who may default on payments. ACT NoWaste now conducts credit checks on all of its customers who seek credit limits.

4.26 For customers who seek a credit limit, an application for credit limit is submitted together with the customer's authorisation for ACT NoWaste to conduct a credit check with an external credit agency. A positive outcome of the credit check will prompt ACT NoWaste to approve the credit limit, whereas a negative outcome will prompt ACT NoWaste to agree to a lower credit limit as indicated by the external credit agency or disallow the credit limit to be applied.

4.27 As ACT NoWaste has only recently implemented this initiative and it is not yet possible to establish its effectiveness.

Other opportunities for conducting credit checks

4.28 The use of credit checks, primarily for ACT Government entities involved in commercial activities, warrants consideration for wider application than just by ACT NoWaste.

Pursue the debt

4.29 A debt becomes overdue when a debtor fails to make payment by the due date. Once a debt becomes overdue, action should be taken to recover the debt.

4.30 In pursuing a debt, ACT Government entities:

- should undertake collection activities for the recovery of debts;
- should maintain supporting documentation and record-keeping associated with actions for the recovery of debts; and
- may (in some instances) use external debt collection agencies for the recovery of debts.

Actions for recovery of debts

4.31 General processes for the recovery of debts would include:

- generating correspondence;
- contacting the debtor;
- negotiating a payment plan (if appropriate); and
- maintaining sufficient records to document these activities.

4.32 The debt collection process can require significant interaction with a debtor, beginning with an analysis of the debtor's situation and continuing through timely, frequent and appropriate contact over the duration of the debt recovery process. When pursuing the debt, an entity should explicitly decide when to contact a debtor, what method to use and how to communicate with them. Understanding a debtor's situation assists in determining alternative methods of payment and recovery of the debt. ACT Government entities may adopt different collection strategies for different types of debts. For ACT Government entities, however, there is an expectation that debt collection processes would be conducted in a manner that is fair, impartial and undertaken in a way that treats debtors in similar circumstances in a consistent manner.

4.33 Notwithstanding the fair and impartial treatment of all debtors, there may be policy reasons that outweigh the need for ACT Government entities to vigorously recover outstanding debts. For example the vigorous pursuit and collection of debts could lead to financial hardship, and such an outcome may be inconsistent with social policy priorities of the Government. This demonstrates the need for careful consideration of priorities by the Government regarding social and fiscal outcomes.

4.34 An entity should also maintain a history of actions taken and collection activities implemented. This is important in order to ensure continuity in terms of collection activities carried out by each administrative officer and to avoid duplication of collection efforts. Evidence of recovery actions can also be important should legal action be taken to recover debts.

4.35 Some ACT Government entities use Shared Services Finance for the recovery of debts. Table 5-3 shows those ACT Government entities who manage the recovery of debts themselves and those who use Shared Services Finance for recovering debts.

Shared Services Finance processes

4.36 Under the Services Partnership Agreement between Shared Services Finance and ACT Government entities, Shared Services Finance is responsible for actions for the recovery of debts up to 60 days from when they are identified as overdue. Under the Services Partnership Agreement, Shared Services has agreed to contact debtors via email, mail and phone to manage the recovery of debts during this period.

4.37 Shared Services Finance has developed a Debt Management Procedure for the purpose of providing detailed guidance to its administrative staff involved in the collection of debts. The procedure was developed in June 2013 and updated in August 2014. It provides guidance in relation to roles and responsibilities; has a process flow chart; and a detailed list of administrative actions to be undertaken, including detailed instruction on the use of the Oracle financial management information system for the management of debts.

4.38 The Debt Management Procedure provides for the following reminder emails or letters to be issued at the following intervals:

- 7 days after the due date of the invoice;
- 21 days after the due date of the invoice;
- 35 days after the due date of the invoice; and
- 45 days after the due date of the invoice.

4.39 It also states that reminder phone calls are to be made to debtors for invoices overdue between 1 to 60 days. Phone calls to debtors are to be made at the following intervals:

- 14 Days after the due date of the invoice;
- 28 Days after the due date of the invoice; and
- 52 days after the due date of the invoice.

4.40 Shared Services Finance has appropriate procedures in place for the recovery of debts on behalf of ACT Government entities, and the implementation of these procedures is appropriately documented.

ACT Government entities' processes

4.41 Table 4-1 compares the collection activities undertaken by ACT Government entities against Shared Services Finance's processes. Some of the information in this table, relating to ACT Government entities that were not subject to detailed analysis as part of the audit, is based on assertions made by the ACT Government entities in their self-assessment survey. The ACT Audit Office has not tested whether these actions were actually undertaken as asserted.

Table 4-1 Debt recovery actions taken by Shared Services Finance and other ACT Government entities

Responsible Party (Nature of Debt)	Actions taken up to 30 days	Actions taken between 30 and 60 days
Shared Services	2 reminder letters issued 2 phone calls made	2 reminder letters issued 1 phone call made
Revenue Office, Commerce and Works Directorate	1 reminder letter 1 phone call	1 letter of demand 1 phone call

Responsible Party (Nature of Debt)	Actions taken up to 30 days	Actions taken between 30 and 60 days
ACT Law Courts and Tribunal, Justice and Community Safety Directorate	1 reminder letter issued	2 reminder letters issued
Road Transport Authority, Justice and Community Safety Directorate	2 reminder letters issued	2 reminder letters issued
ACT Property Group, Territory and Municipal Services Directorate	2 reminder letters issued 2 phone calls made	2 reminder letters issued 1 phone call made
Capital Linen Services, Territory and Municipal Services Directorate	2 reminder letters issued or phone calls made	2 reminder letters issued or phone calls made
Yarralumla Nursery, Territory and Municipal Services Directorate	1 reminder letter issued 1 phone call	1 reminder letter issued 1 phone call
Disability ACT, Community Services Directorate	1 reminder letter Ad hoc actions	1 statement and reminder letter Ad hoc actions
Exhibition Park in Canberra	4 pursuit actions (letters or phone calls)	3 pursuit actions (letters or phone calls) 1 letter of demand issued
Gambling and Racing Commission	1 phone call or letter	1 letter of demand
ACT Long Service Leave Authority	2 attempts of contact	1 reminder letter issued
Cultural Facilities Corporation	1 attempt of contact	1 reminder notice issued
Office of the Legislative Assembly	1 email sent	1 reminder letter issued

Source: ACT Audit Office

4.42 ACT Government entities have different strategies for the pursuit and recover debts. Responsibilities for the pursuit of debts also varied within Shared Services Finance depending on the needs of various ACT Government entities.

4.43 The five ACT Government entities (Commerce and Works Directorate, Community Services Directorate, Environment and Sustainable Development Directorate, Justice and Community Safety Directorate and Territory and Municipal Services Directorate) selected for detailed analysis had appropriate and documented strategies in place for the recovery of debts. Documented strategies for the recovery of debts generally included pre-defined follow-up activities at key milestones (e.g. debts overdue by 30, 60 and 90 days), which involved a mix of communication methods, including sending reminder notices or letters, sending emails to the debtor or contacting the debtor by phone. For some of the five ACT Government entities, this was undertaken by Shared Services Finance.

4.44 Notwithstanding that there were documented strategies in place for the pursuit of debts in the five ACT Government entities selected for detailed analysis, the documentation of these activities and the associated record-keeping varied.

Record keeping

4.45 When undertaking debt management and collection actions, it is important to maintain sufficient documentation to provide evidence and support for the actions taken to collect the debt. Such supporting documentation can be used at a later date if an organisation wishes to transfer the debt to an external debt collector, commence legal action or seek approval to have the debt waived.

4.46 There was variability in the quality of documentation and record-keeping maintained by ACT Government entities with respect to actions taken to pursue debts.

4.47 At a minimum, all ACT Government entities considered for detailed analysis had systems in place to record actions taken to recover the debt. However, Capital Linen Services and the ACT Property Group had more robust documentation and record-keeping associated with actions taken to recover debts.

Capital Linen Services

4.48 Capital Linen Services maintains a 'register of communications' for the recovery of debts, whereby phone conversations and emails made as part of managing and collecting debts are recorded. For each action, the action date is recorded and the response of the debtor is also recorded in some detail.

4.49 The aged debts list is reviewed with the 'register of communications' on a monthly basis. The debt recovery team discusses the aged debts list in relation to the actions taken to pursue the debtors. The discussion concludes with a set of new action items for the pursuit of the debt with the relevant debtor.

ACT Property Group

4.50 Similar to Capital Linen Services, the ACT Property Group maintains a 'register of communications', where actions taken to contact debtors on a monthly basis are recorded. For each action, the date of contact is recorded as well as a description of the action.

4.51 This 'register of communications' is reviewed against the aged debts list on a daily basis to identify the debtors of high risk and debtors who have been successfully contacted. Debts that have been overdue for a long period or have presented difficulties in contacting the debtor are given priority to address the next day.

External debt collection agencies

4.52 For debts that are over a specific threshold and overdue by a long period of time, it is often not effective for an organisation to continue recovery actions on its own. Lengthy overdue periods are often an indicator of increased challenges in collection. This in turn means that typically there is an increased expense of effort and cost in recovering longer outstanding debts on a per dollar basis. In addition to new debts that require attention, resources would be required to maintain regular contact and undertake an analysis of debts where it is apparent that there are difficulties in collection.

4.53 External debt collection agencies offer services to organisations for the pursuit and recovery of debts. The Australian National Audit Office considered the use of external debt collection agencies in its 2011-12 report *The Engagement of External Debt Collection Agencies*, which focused on the Australian Taxation Office's use of external debt collection agencies for the recovery of taxation revenue and superannuation guarantees.

4.54 The Australian National Audit Office report noted that external debt collection agencies may act as:

- mercantile agents: acting as an agent for the original creditor, collecting the debt on their behalf (contingent debts); or
- debt purchasers: purchasing the right to collect the debt at a discount from the face value of the outstanding debt.

4.55 External debt collection agencies have specialised resources that can be dedicated to the analysis and recovery of debts. Although there is typically a fee-for-service arrangement, external debt collection agencies often have a high success rate due to their focus on the role and process and expertise with respect to whether debts are not economical to pursue.

4.56 The Australian National Audit Office report noted that in 2006 the Australian Taxation Office piloted the services of an external debt collection agency as a means of enhancing debt recovery by 'extending the [Australian Taxation Office's] capacity to contact more taxpayers with an outstanding debt, and [attempting] to engage taxpayers with long outstanding obligations.'

4.57 The report states:

> ... the Australian Taxation Office also believed that referring debts to an external debt collection agency would send a clear message to the community that the Australian Tax Office was pursuing taxpayers who failed to meet their obligations.

4.58 The Australian Taxation Office has since entered into a fee-for-service agreement with a number of external debt collection agencies. The Australian National Audit Office report identified that 'individually the debt cases referred to [external collection agencies] are low in value and unlikely to be actioned by the [Australian Taxation Office], but collectively represent significant revenue.'

4.59 The Australian National Audit Office report identified that:

> The [external collection agencies] have collected a significant amount of debt, generating very few taxpayer complaints and there have been no known breaches in the security of taxpayers' data. At the operational level, the [Australian Taxation Office] has successfully implemented a comprehensive arrangement that was, at the time, a new approach to collecting tax and superannuation guarantee charge debt. However, at the strategic level, the [Australian Taxation Office] could more effectively set out how the referral program is integrated with the [Australian Taxation Office's] broader approach to debtor management, and the comparative advantages that underpin the use of [external collection agencies].

4.60 There is limited use of external debt collection agencies by ACT Government entities. Only two ACT Government entities currently use external debt collection agencies to assist with the recovery of debts:

- the Territory and Municipal Services Directorate; and
- the Environment and Sustainable Development Directorate.

4.61 Each of the above-mentioned ACT Government entities separately engaged their respective external debt collection agencies.

Territory and Municipal Services Directorate

4.62 In 2012 the Territory and Municipal Services Directorate engaged an external debt collection agency to assist in the collection of debts. Since 2012 an external debt collection agency has been engaged to recover debts over $2,000 that the directorate has been unsuccessful in collecting but are deemed to be economically viable. For these services the debt collection organisation charges a percentage of the value of the debt. Ultimately, the Territory and Municipal Services Directorate is the owner of the debts, although the debt collection organisation may also make suggestions with respect to the write-off or continued pursuit of the debts.

4.63 Each month the external debt collection agency provides a status report of the outstanding debts that have been assigned to them.

4.64 The Territory and Municipal Services Directorate asserts that its debt recovery rate has improved since it has engaged the external collection agency. However, there is insufficient documented information to validate these assertions.

Environment and Sustainable Development Directorate

4.65 The Environment and Sustainable Development Directorate periodically engages a legal firm to provide legal advice and assistance with respect to the recovery of debts on an as-required basis.

4.66 Specifically, the Environment and Sustainable Development Directorate consults with the legal firm when debts become difficult to collect and when additional legal advice is required. In some instances, the legal firm will handle difficult debts when it is deemed that the directorate can no longer pursue the debt effectively.

Considerations in the engagement of external debt collection agencies

4.67 Key considerations when engaging an external debt collection agency are likely to be:

- the nature of the debt being recovered and the appropriateness or otherwise of an organisation external to the ACT Government acting on behalf of the ACT Government; and
- availability of internal resources that may be used to perform debt collection..

4.68 Table 4-2 presents some advantages and disadvantages to be considered by ACT Government entities, with respect to the engagement of external collection agencies.

Table 4-2 Advantages and disadvantages of using a debt collection agency

Advantage	Disadvantage
External collection agencies offer trained and specialised staff that are able to dedicate the appropriate time to collection activities.	Collection agencies may lack experience with balancing policy and fiscal goals for vulnerable members of the ACT community.
Costly control and supervision of collections activities are transferred to the collections agency.	Collection agencies have little interest in client relationships, making client "reactivation" difficult.
A debtor is often encouraged to pay their debt by the appearance of a new external collection agency.	There may be duplication of effort or contradictions presented to the debtor, with the involvement of both an ACT Government entity and external debt collection agency.
An external collection agency may be more prepared to work through a variety of collections approaches, including call centres, collectors, on-site collection agents, and collection points.	External collections agencies may not adhere to the same ethical standards promoted by the ACT Government agencies when dealing with clients.

Source: ACT Audit Office

Other opportunities for using external debt collectors

4.69 The use of external debt collection agencies to assist with debt recovery needs to be considered for wider application by ACT Government entities. Such an approach, although needing careful consideration, may be appropriate and cost-effective when large debts or a large number of debts of small amounts are economically viable to pursue.

RECOMMENDATION 3	CONSIDERATION OF BETTER PRACTICE INITIATIVES (CHAPTER 4)

ACT Government entities who manage non-ACT Government debts, and do not have a low risk with respect to the collection of this revenue, should assess their debt management practices against better practice, and modify their practices accordingly.

Monitor and report the debt

4.70 Debt management is a very measureable business activity. The amounts of cash collected and debts written-off, amounts within defined aging categories and many other debt (receivables) measurements are all quantifiable and can be captured and reported by financial management information systems.

4.71 Associated with debt management monitoring and reporting is debt management performance measurement and analysis.

Debt management monitoring and reporting

4.72 Regular monitoring and reporting of debt management and collection activities to Executive management can be an important part of an entity's control environment. Appropriate management reporting should provide information such as:

- overall debt raised, which consists of total receivables the organisation has raised over a period of time;
- amount and percentage of debts over 30, 60, 90 and 365 days past due date;
- trends showing debts outstanding over a period of time;
- amount and number of waivers and write-offs; and
- impairment allowance estimations, showing amounts the agency maintains as doubtful accounts for estimated losses resulting from the inability of debtors to make required payments.

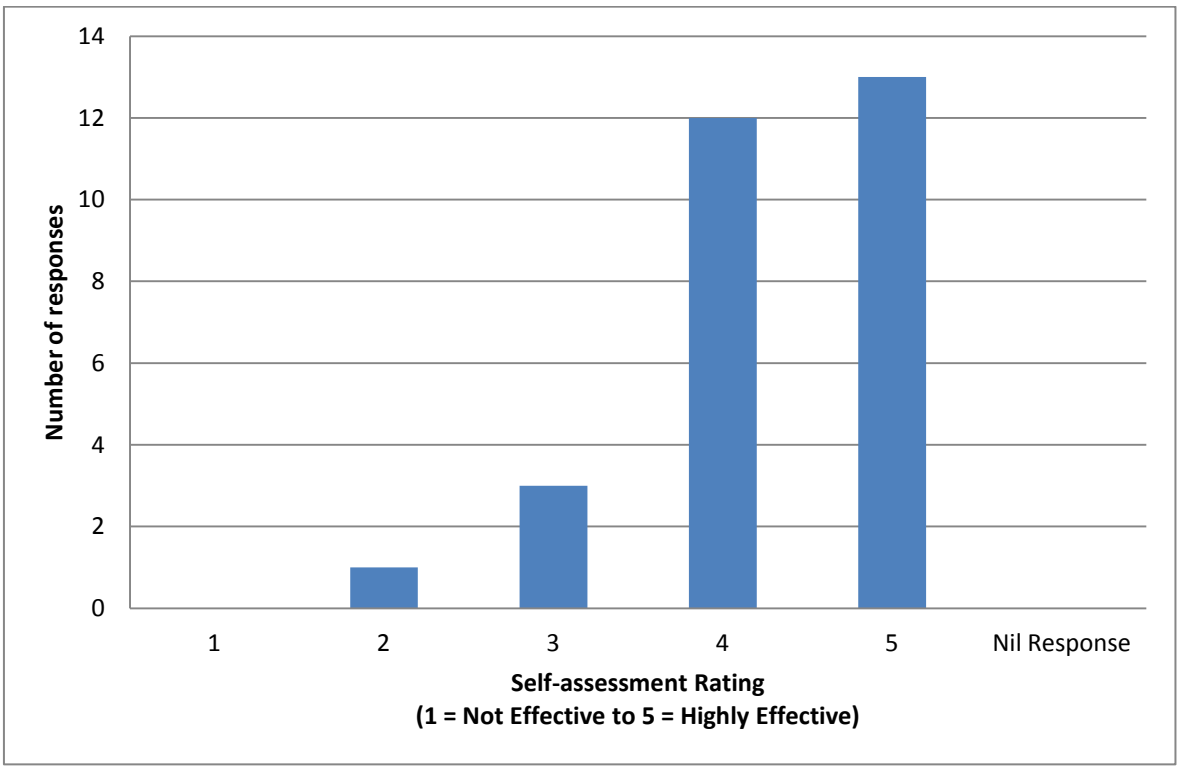
4.73 Regular reporting of this information provides management with a strong basis on which to make informed decisions regarding revenue and debtors. This information is also an effective source of information for measuring the performance of the debt management process. This is discussed further in paragraphs 4.86 to 4.89

ACT Government entities' self-assessment of effectiveness of monitoring and reporting

4.74 As discussed earlier in paragraph 3.27, ACT Government entities identified in paragraph 1.19 (refer to Appendix A) of this audit report were requested by the ACT Audit Office to complete a self-assessment survey on various aspects of the debt management process. Twenty-nine responses were received with some entities providing one response and others providing several responses from their various units. A full list of the entities (including units) which responded is provided at Appendix A.

4.75 As part of the survey process ACT Government entities were asked to provide a self-assessment of the effectiveness of whether 'Employees and management are provided with the information they need to scrutinise the debt management process.' Figure 4-2 graphically depicts the results of the self-assessment of the effectiveness of controls by ACT Government entities.

Figure 4-2 ACT Government entities' self-assessment of the effectiveness of information needed to scrutinise the debt management process



Source: ACT Audit Office

4.76 On a scale of 1 to 5, with 1 being not effective and 5 being highly effective:

- three ACT Government entities provided a neutral response with a rating of 3; and
- 25 ACT Government entities identified that the information provided to employees and management was effective, with 12 providing a response of 4 and 13 providing a response of 5.

4.77 For the five ACT Government entities selected for detailed analysis in this audit, there was an inconsistent approach to debt management monitoring and reporting.

Shared Services Finance reporting

4.78 For those ACT Government entities that use Shared Services Finance for debt management assistance, the monthly reports from Shared Services Finance provided a basis for ongoing monitoring and reporting, including key data and information and some analysis of the aging of debts.

4.79 In addition to the monthly Shared Services Finance reports, some of the ACT Government entities examined as part of the detailed assessment produced additional reports as follows:

- Community Services Directorate - quarterly outstanding debts report. The report provided information on the total amount of debts overdue by 90 days, number of outstanding invoices and the provision for doubtful debts. This information was broken down by the different business units across the directorate and a brief explanation for each of the business units was provided;
- Territory and Municipal Services Directorate - monthly aged debts report. The report provided information on the total amount of debts owed to the directorate, broken down by current, overdue and aged (30, 60 and 90 days) and the provision for doubtful debts. This information was broken down by the different business units across the directorate and some information for each of the business units was provided;
- Commerce and Works Directorate - monthly debt report. The report provided information on the total amount of debts owed to the directorate, broken down by the different type of debt (e.g. rates, land tax and payroll tax) and the provision for doubtful debts; and
- ACT Property Group - monthly debt management report. The ACT Property Group report is comprehensive and represents a better practice approach to the monitoring and reporting of debts. It includes the following information:
  - overall collection activities;
  - status of debts;
  - top ten debtors;
  - trend showing outstanding debts for the financial year;
  - unallocated payments;
  - amounts of credit notes raised;
  - results of overdue debts recovered;
  - impaired receivables;
  - payment plans; and
  - debts written-off.

4.80 There were, however, shortcomings in debt management monitoring and reporting in the Environment and Sustainable Development Directorate and the Justice and Community Safety Directorate.

Justice and Community Safety Directorate

4.81 The Justice and Community Safety Directorate does not produce whole-of-directorate debt management reports on a regular basis.

4.82 The Justice and Community Safety Directorate uses Shared Services Finance to assist with debt management for some of its business units (Emergency Services Agency, ACT Ambulance Service and Office of Regulatory Services) and manages the majority of the debt management process in-house for other business units (ACT Law Courts and Tribunal and the Road Transport Authority). The different business units of the directorate use a variety of information systems to manage its debt management (accounts receivable) process, as follows:

- *MAX* for the ACT Law Courts and Tribunal;
- *rego.act* for the Road Transport Authority; and
- *Oracle* for all remaining units of the directorate.

4.83 The use of multiple information systems in the Justice and Community Safety Directorate presented difficulties for the directorate in producing regular, consolidated whole-of-directorate reports on debt management activities. Instead, it relied significantly on reports produced periodically by its individual units. These reports were not consolidated into regular whole-of-directorate debt management reports. Notwithstanding the difficulties associated with producing and preparing whole-of-directorate reports, Justice and Community Safety Directorate officers advised that they regularly meet with Shared Services Finance staff to discuss debtor management.

Environment and Sustainable Development Directorate

4.84 The Environment and Sustainable Development Directorate does not produce regular reports on its debt management activities. While it receives a monthly report from Shared Services Finance it does not supplement this report with its own analysis and reporting of its own debt management activities.

4.85 Reporting that is better practice facilitates effective monitoring of debtor management. Accordingly, the Justice and Community Safety Directorate and the Environment and Sustainable Development Directorate need to improve their reporting to ensure their debt management is able to be effectively monitored.

RECOMMENDATION 4	MONITORING AND REPORTING (CHAPTER 4)

The Justice and Community Safety Directorate and the Environment and Sustainable Development Directorate should improve their debt management monitoring and reporting by regularly preparing whole-of-directorate debt management reports.

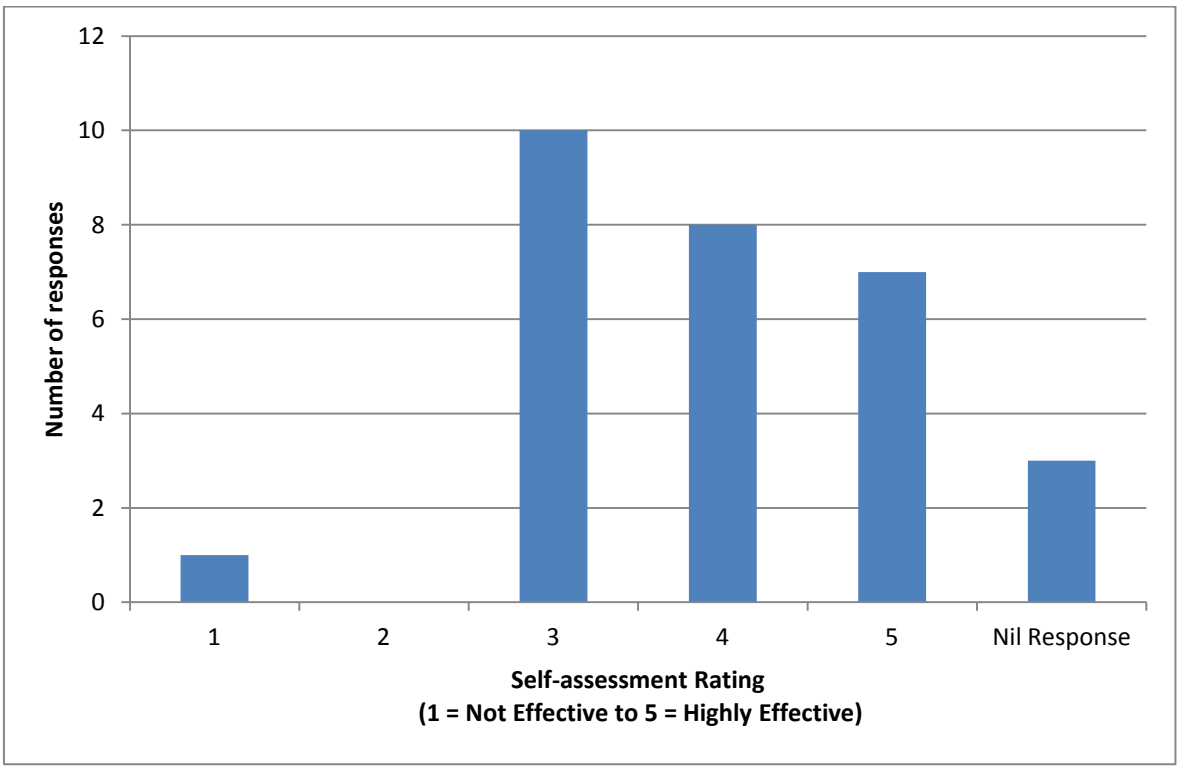
Performance measurement and analysis

4.86 It is better practice to develop and regularly report against identified performance indicators for debt management. Regular reporting against performance indicators enables strategies to be developed to better manage debts and improve the collection and recovery of debts. It also allows management to determine whether the entity is performing in accordance with expectations for the effective management of debts.

4.87 As discussed in paragraph 3.27 of the report, ACT Government entities identified in paragraph 1.19 (refer to Appendix A) of the audit report were requested by the ACT Audit Office to complete a self-assessment survey on various aspects of the debt management process. Twenty-nine responses were received with some entities providing one response and others providing several responses including from their various units. A full list of the entities (including units) which responded is provided at Appendix A.

4.88 As part of the survey process ACT Government entities were asked to provide a self-assessment of the effectiveness of 'performance measures and associated accountability.' Figure 4-3 graphically depicts the results of the self-assessment of the effectiveness of controls by ACT Government entities.

Figure 4-3 ACT Government entities' self-assessment of the effectiveness of performance measures and associated accountability



Source: ACT Audit Office

4.89 On a scale of 1 to 5, with 1 being not effective and 5 being highly effective:

- ten ACT Government entities provided a neutral response with a rating of 3;
- 15 ACT Government entities identified that their performance measures and associated accountability framework was effective, with eight providing a response of 4 and seven providing a response of 5; and
- three ACT Government entities indicated that they did not have performance measures and accountability arrangements in place for the management of debts.

External measures of debt management performance

4.90 The Commissioner for Revenue, in the Commerce and Works Directorate, was the only ACT Government entity that had a debt management related performance indicator in its Statement of Performance. The Commissioner for Revenue reports annually on the level of overdue debt as a percentage of tax revenue as an accountability indicator. In 2013-14 the target was 2.5 percent and the result was 2.6 percent.

Internal measures of debt management performance

4.91 As part of the survey process, ACT Government entities were asked to provide information on what internal performance measures they used to assess the effectiveness of debt management.

4.92 Some ACT Government entities identified that they did not have any performance measures in place for the management of debts. These included:

- ACT Pathology (Health Directorate);
- Dental Health Program(Health Directorate);
- ACT Public Cemeteries Authority;
- Independent Competition and Regulatory Commission;
- Land Development Agency;
- Office of the Legislative Assembly;
- The Public Trustee for the ACT;
- Territory and Municipal Services Directorate; and
- Roads ACT (Territory and Municipal Services Directorate).

4.93 Other ACT Government entities identified that they relied on Shared Services Finance's monthly report as the basis for measuring their debt management performance. By virtue of the Service Partnership Agreement, Shared Services Finance is required to report outstanding debts on a monthly basis to ACT Government entities for which it is undertaking debt management activities. Performance indicators that have been established in the Service Partnership Agreement include:

- 50 percent of total value of accounts, within 30 days from the date the debt fall due;
- 80 percent of total value of accounts, within 60 days from the date the debt fall due;
- 90 percent of total value of accounts, within 90 days from the date the debt falls due;
- average debt days outstanding of 60 days; and
- 3 days taken to receipt identified monies to bank (from date funds received).

4.94 Shared Services Finance's performance indicators for the management of debts are a useful basis for ACT Government entities to measure and monitor debt management activities. However, the reports from Shared Services Finance are limited as they do not draw a distinction between internal ACT Government entities' debts and those owed to the Territory by non-ACT Government entities. Providing further targeted reporting on debts owed by non-ACT Government entities would facilitate an understanding of what cash is outstanding due to these debts.

4.95 Shared Services Finance's debt management reporting is necessarily transactional, focusing on the administrative processing of debts which are the responsibility of Shared Services Finance. Although useful, ACT Government entities' key performance indicators could render better debt management information, by for example segmenting information related debts owed to the Territory by non-Government entities.

4.96 Table 4-3 outlines a range of additional potential performance indicators associated with the debt management process, which could be considered in tailoring indicators to have a focus on debts owed to the Territory by non-ACT Government entities. This should be done only by ACT Government entities who manage such debts and those debts are not considered to be low with respect to the collection of revenue.

Table 4-3 Potential performance indicators for debt management

Key Objective	Outcome Measures	Activity Measures
Reduction of bad debt	Bad debt write-offs as a percentage of total sales	Anticipated amount of uncollected invoices over 60 days past due, by account, by month. Number of invoices and percentage of funds over 180 days past due and number of unapplied credit memos over 180 days old. Top ten list of the ten worst paying accounts, by month. Number of debt write-offs. Percentage of bad debt in accounts receivable. Debt write-offs as a percentage of revenue. Average days past due for accounts receivable.
Accelerated cash flow	Days' Sales Outstanding	Percentage of receivables over 30, 60 and 90 days past due. Percentage of balance due collected, by month. Forecast of funds to be collected before the end of the month. Percentage of invoices containing errors each month. The number of and dollar amount of on-time, full pay accounts. Amount of cash collected in excess of organisational goals.
An accounts receivable process that enhances good customer relationships	The number of customer complaints the company receives regarding credit applications and invoices in a month	The number of overdue invoice balances associated with customer dissatisfaction. The average length of time it takes to resolve customer invoice and payment disputes. The average length of time it takes to process credit applications. Percentage of invoices containing errors each month. Average number of customer complaints per month.
Low cost to collect receivables	Total accounts receivable cost per full-time equivalent employee	The percentage of accounts receivable transactions that move electronically or via other low-cost transaction channels. "Hit rate"—the percentage of payments an automated cash application system is able to match to invoices without employee intervention. Number of days or hours of processing float; that is, the length of time between receipt and posting of payment. Percentage of payments with errors.

Key Objective	Outcome Measures	Activity Measures
Low cost to collect receivables	Average of amount collected per credit and collections representative	Number of active accounts per credit and collections representative. Percentage of time credit and collections representatives spend on the telephone with customers. Average number of days within which past due accounts receive a telephone call. The percentage of customer promises kept regarding payment per credit and collections representative. Lapse of days between the receipt of payments and the posting of payments.

Source: Accounts Receivable, ANAO, Audit Report No. 25, 2001-2002

Opportunities for improving performance measurement and analysis on debt management

4.97 A specific performance measurement or measures on debts owed to the Territory by non-ACT Government entities is considered necessary to facilitate the better assessment of these debts and provide an understanding of what cash is outstanding due to these higher risk debts.

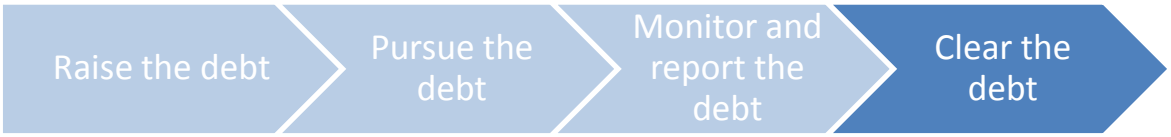
RECOMMENDATION 5	FINANCIAL REPORTING OF NON-ACT GOVERNMENT DEBTS (CHAPTER 4)

The Chief Minister, Treasury and Economic Development Directorate (Shared Services Finance) should enhance their debt management reporting to ACT Government entities by separately reporting on debts owed by non-ACT Government entities.

RECOMMENDATION 6	PERFORMANCE INDICATORS FOR NON-ACT GOVERNMENT DEBTS (CHAPTER 4)

ACT Government entities that manage non-ACT Government debts, and do not have a low risk with respect to the collection of this revenue, should develop performance indicators for debts owed to the Territory by non-ACT Government entities.

Clear the debt



4.98 The process for managing and collecting a debt would typically conclude when a debt is cleared. A debt is cleared when it has been paid by the debtor or when deemed irrecoverable after making sufficient attempts to recover the debt.

4.99 During the debt management process, and particularly at this stage of the process, it is important that there is a segregation of duties. At this stage of the debt management process, it is also important that the following occur:

- receipting payments received for debts;
- issuing of credit notes for incorrect recording of debts; and
- waiver and write-off of debts, if appropriate.

Segregation of duties

4.100 Appropriate segregation of duties for the management of debts is important in establishing an effective control structure. The basic premise underlying this is that no employee or group should be in a position to both perpetrate and to conceal errors or fraud in the normal course of their duties, i.e. no single employee or group of employees has exclusive control over any transaction or group of transactions. In general, the principal the following duties should be segregated:

- authorisation or approval of related transactions affecting goods and services;
- recording or reporting of related transactions; and
- execution of the transaction or transaction activity.

4.101 For small entities, the segregation of duties can be difficult to achieve due to limited personnel. In these instances mitigating controls are often implemented to ensure transactions are handled properly. For example, a single accounting clerk may be responsible for recording and executing transactions, while a supervisor receives transaction activity reports, reviews batch details, and controls system access and additional reconciliation reports for enhanced oversight and review.

4.102 The segregation of the following four key duties in the receipting process was considered for the ACT Government entities selected for detailed analysis (refer to paragraph 1.19 and Appendix A). The four key duties are:

- receipting the transaction;
- applying the transaction to the debt account;
- reconciling the general ledger and bank statements; and
- reviewing the reconciliation.

4.103 All ACT Government entities selected for detailed analysis appropriately defined the roles and responsibilities of individuals in the debt management process for the clearing of debts. These roles and responsibilities were segregated appropriately.

Receipting

4.104 Receipting is the process of receiving the invoiced amounts, checking that the amount is deposited in the bank, applying the amounts to the appropriate debt and reconciling the entity's general ledger accounts with information reflected in the bank statement.

4.105 Entities receive invoiced amounts in various ways which require different methods of reconciliation against the bank account:

- for amounts received by cash or cheque, deposit slips and registers should be retained;
- for amounts received by EFTPOS, settlement receipts need to be retained; and
- for amounts received by electronic funds transfer, screenshots of the debtor account on the financial management system need to be retained.

4.106 All ACT Government entities selected for detailed analysis were appropriately receipting invoices and reconciling general ledger accounts with bank statements.

Credit notes

4.107 A credit note (or credit memo) is a notification that an invoice has been reversed from a debtor's account. In effect, this represents returning cash of the Territory to a customer or stakeholder.

4.108 Credit notes are issued when:

- an entity issues an invoice to the incorrect debt;
- an invoice is issued for the wrong amount;
- products are returned for a refund; and
- duplicate invoices were issued.

4.109 As a credit note foregoes cash or an asset of the Territory, it is important for entities to assign suitable delegations for the approval of credit notes. This is to avoid instances of unauthorised, inappropriate and potentially fraudulent credit notes being issued.

4.110 To support the appropriate approval of a credit note, entities should complete a 'request for credit note' form (or its equivalent). The purpose of the form is to:

- provide information related to the invoice to be credited;
- provide a reason for the credit note to be applied;
- allow the delegate to review the credit and the reason for the credit; and
- allow the delegate to communicate the approval of the 'request for credit note'.

4.111 The five ACT Government entities selected for detailed analysis in the audit adopted broadly similar practices, whereby the authority to approve credit notes was delegated to individuals who had the delegation to issue invoices. This is considered an appropriate delegation to assign.

4.112 Most of the five ACT Government entities selected for analysis, or their units, were able to provide 'request for credit note' forms that were appropriately applied and approved. Capital Linen Services in the Territory and Municipal Services Directorate was an exception, on the basis that it did not have practices in place with respect to the use of 'request for credit note' forms. There was also an instance of non-compliance with existing processes within the ACT Law Courts and Tribunal in the Justice and Community Safety Directorate.

Capital Linen Services

4.113 Capital Linen Services does not use a 'request for credit note' form to document that credit notes were appropriately approved. This is despite a 'request for credit note' form being available on the Territory and Municipal Services Directorate intranet. Capital Linen Services advised that due to the small size of their team, verbal approval for credit notes is provided.

4.114 Despite the team size, verbal approval should not be used as a replacement for documented approval as it cannot be presented as evidence that the credit note was appropriately approved by a delegate. A 'request for credit note' should be used as it is evidence that approval was obtained prior to the credit note being applied and it prevents potential instances of inappropriate credit notes being processed.

ACT Law Courts and Tribunal

4.115 An analysis of ACT Law Courts and Tribunal transactions identified one instance where a write-off for $89 was applied to a duplicate 'administration fee'[8] instead of applying a credit note to reverse the duplicate charged. A credit note should have been applied in these circumstances because an adjustment (reversal) to rectify the duplicate 'administration fee' is the correct method and it also promotes good accounting practice. When the 'administration fee' is written-off, it would incorrectly be accounted for in the ACT Law Courts and Tribunal financial management information system. As this was one instance it does not indicate a systemic issue.

RECOMMENDATION 7	DOCUMENTATION OF CREDIT NOTES (CHAPTER 4)

The Territory and Municipal Services Directorate (Capital Line Services) should appropriately document credit note approvals. The Directorate's standard 'request for credit note' may be appropriate for use.

Waivers and write-offs

4.116 As mentioned in paragraph 2.46 a debt write-off is a process that removes a debt from an entity's balance sheet. It does not release the debtor from the legal obligation to pay, nor does it affect the right of the government to enforce collection in the future. As discussed in paragraph 2.23, a waiver relinquishes the agency's right to legally claim the debt.

4.117 Waivers and write-offs require delegated approval. The *Financial Delegations Policy* of each ACT Government entity should contain a list of the personnel that have the authority to approve a write-off or write-down and the dollar limit they are allowed to authorise. The *ACT Financial Delegations Better Practice Guideline* states that, to write-off irrecoverable debts, the delegate must be satisfied that:

- it is probable that the costs of recovery action will exceed the return; and
- the debt is irrecoverable at law, or the debtor is without funds and there is no reasonable prospect of their financial situation improving.[9]

4.118 Each of the five ACT Government entities selected for detail analysis was able to provide evidence to justify the approval of waivers and write-offs. All produced minutes that explained the rationale leading up to the write-off and the delegate approving the write-off. Approvals of waivers by the Treasurer were also provided by all entities, where relevant.

[8] Administration fee are charged for administration duties which the ACT Court and Tribunal incur when a debtor's make a late fine/court payment.

[9] The purpose of this 'better practice guideline' is to provide information about the delegation of powers within the ACT Government. It primarily focuses on the delegation of Agency Chief Executives powers under the *Financial Management Act 1996* and the *Public Sector Management Act 1994*.

5 WHOLE-OF-GOVERNMENT CONSIDERATIONS IN DEBT MANAGEMENT

5.1 This chapter examines whole-of-government considerations with respect to the management of debts. In doing this, ACT Government entities' use of Shared Services Finance for the management of debts is also considered.

5.2 For the purpose of this report, whole-of-government considerations for debt management have been interpreted as initiatives aimed at:

- the *consolidation* or *coordination* of debt management activities across ACT Government entities; or
- encouraging or enhancing *cooperation* amongst ACT Government entities with respect to debt management.

Summary

Conclusion

ACT Government debt management is decentralised, with each ACT Government entity responsible for determining its own policies, procedures and administrative processes. This has lead to a mix of administrative practices across ACT Government entities for debtor management. Some ACT Government entities manage the entire debt management process, while others use Shared Services Finance for administrative assistance for debt recovery actions up to 60 days after a debt is overdue. Such arrangements may not be the most effective. Determining if this is the case is best achieved by a strategic whole-of-government review. Such a review has never been undertaken.

Key findings

	Paragraph
The ACT Government's Shared Services was established in 2007 to deliver whole-of-government services across the ACT Government more efficiently and effectively. It provides information and communication technology, procurement, publishing, records services, human resources and finance services to ACT Government entities.	5.3
The ACT Government's shared services arrangements centralise and consolidate some common procedural and administrative aspects for debt management.	5.7
The Services Partnership Agreement establishes the specific roles and	5.13

responsibilities of ACT Government entities and Shared Services Finance with respect to the management of debts (receivables).

For debts (receivables) managed by Shared Services Finance, on behalf of ACT Government entities, the Services Partnership Agreement requires *inter alia*: 5.15

- ACT Government entities to provide relevant information and documentation to Shared Services Finance, including authorised and correctly coded documentation, to facilitate the issuing of invoices to customers;
- Shared Services Finance to issue invoices to customers;
- Shared Services Finance to undertake debt recovery action for debts that are overdue by up to 60 days old; and
- ACT Government entities manage debt recovery action for debts that are overdue by greater than 60 days, including writing off debt where necessary.

For ACT Government entities who engage Shared Services Finance, the recovery rate for debts (based on the value of debts) that are overdue at 30 days and 60 days is 66 percent and 90 percent, respectively. For ACT Government entities who do not engage Shared Services Finance, the recovery rate for debts that are overdue at 30 days and 60 days is 51 percent and 86 percent, respectively. 5.18

The debt recovery rates of Shared Services Finance and other ACT Government entities that use the Oracle financial management information system exceed the shared key performance indicators for debts overdue at 30 days and 60 days, which is 50 percent and 80 percent, respectively. Shared Services Finance exceeds the key performance indicators by a greater amount. 5.19

For ACT Government entities who engage Shared Services Finance, the recovery rate for debts (based on the volume of debts) that are overdue at 30 days and 60 days is 67 percent and 82 percent, respectively. For ACT Government entities who do not engage Shared Services Finance, the recovery rate for debts that are overdue at 30 days and 60 days is 47 percent and 55 percent, respectively. 5.21

Shared Services Finance has a higher debt recovery rate than other ACT Government entities (based on the volume of debts). There is a 20 percent difference in recovery rates for debts that are overdue at 30 days and a 27 percent difference for debts that are overdue at 60 days. 5.22

A comparison of recovery rates of Shared Services Finance with other ACT Government entities, on both a dollar value and number of debts basis, shows that both Shared Services Finance and other ACT Government entities recover a greater percentage of the value of debt than the number of debts. This suggests that there 5.23

is a comparatively higher number of smaller value debts that are not recovered.

In 2007 some ACT Government entities were given the option to use, or not use, Shared Services Finance for the management of debts. The ACT Audit Office was unable to secure information on any business cases or the rationale used to justify using, or not using, Shared Services Finance. 5.25

There is a wide range of arrangements, and combinations of arrangements, in place for the management of debts across ACT Government entities. These include: 5.28

- full responsibility for debt management administrative processes (from issuing invoices to collecting debts up to 60 days overdue) being undertaken by individual ACT Government entities;
- a mix of different practices within a single entity, depending on different business unit practices; and
- the use of Shared Services Finance to manage the recovery of debts up to 60 days overdue before responsibility is transferred to the individual entity.

There is no evidence that the mix of different practices in, and across, ACT Government entities with respect to the use of Shared Services Finance was made on the basis of a strategic analysis of all ACT Government entities and their needs. 5.30

For those ACT Government entities that use Shared Services Finance for debt recovery, under current arrangements, once a debt is 60 days overdue, debt recovery becomes the responsibility of the ACT Government entity that owns the debt. 5.31

Some ACT Government entities advised that the handover of debt management responsibility from Shared Services Finance to ACT Government entities after 60 days was unsatisfactory and was both inefficient and ineffective. ACT Government entities advised that: 5.33

- there was an increasingly unlikely chance that debts greater than 60 days would be satisfactorily recovered. This recognises that the older a debt becomes the more unlikely it is that it would be recovered; and
- it was difficult for entities to resume responsibility for debt recovery after the 60 day period, not having been involved in the intervening period. This recognises that continuity of responsibility, including continuity of communication with a debtor, is important for effective debt management.

ACT Government entities advised that additional time and effort was expended in taking further action in relation to these older debts for little gain. 5.34

Some ACT Government entities identified that the information provided by Shared Services Finance as part of the handover of outstanding debts was insufficient. These ACT Government entities have suggested that there is a need for further and more detailed information with respect to the replies of the debtors in response to the debt recovery actions undertaken by Shared Services Finance personnel. The ACT Audit Office was advised that the absence of this information makes it difficult for ACT Government entities to assume responsibility for the recovery of the debt after 60 days and undertake appropriate action. 5.37

The demarcation of responsibilities between Shared Services Finance and ACT Government entities, according to defined time periods, does not provide for a seamless management of the debt recovery process. The demarcation of responsibilities creates an accountability flow gap. 5.40

On 8 March 2007 a review of debt management was proposed by the then Chief Minister. 5.45

There is no evidence of the 2007 review called for by the then Chief Minister having been undertaken or progressed in any form. Documented reasons for not pursuing the review were not available. 5.47

Additionally, there is no evidence that debt management across ACT Government entities has been the subject of whole-of-government strategic consideration to identify improvements in debt management arrangements and processes or confirm the current arrangements. 5.48

The Justice and Community Safety Directorate's draft *Debt Management Information Paper* identifies the need to develop a comprehensive debt management strategy for the management of judicial debts. The paper identifies that such an approach would necessitate consideration of: 5.52

- centralisation of debt management responsibility;
- development of a common suite of enforcement sanctions;
- integration of civil and judicial debt recovery practices, including use of legislative mechanisms for civil enforcement measures for non-judicial commercial debts;
- integrated information systems; and
- development of an effective suite of policies, practice and procedures.

The Justice and Community Safety Directorate's paper further notes that 'while the focus of a debt management strategy examined in this paper is primarily conceived in the context of [the Justice and Community Safety Directorate], there is potential for the improvements to be expanded or applied in other ACT directorate debt 5.53

management arrangements, particularly in relation to infringement notice penalty enforcement and recovery.'

Debt management is a small component of the broader engagement that ACT Government entities have with their customers or stakeholders. Many ACT Government entities have a business engagement, or may have an ongoing stakeholder relationship, which includes a transaction(s) that gives rise to the debt requiring collection while considering the circumstances of the debtor. ACT Government entities may need to be sensitive to the management of a relationship with particular customers and/or stakeholders. 5.65

An exercise of clustering debt types was undertaken by the ACT Audit Office to examine what might be key considerations in a strategic review of debt management. Debts collected by ACT Government entities were clustered into four types: 5.69

- **fines, taxes and levies** – e.g. the collection of land tax, general rates tax, stamp duty and levies for training and other regulatory functions;[10]
- **general fees for goods and services** – e.g. charges for the provision of goods and services such as venue hire, maintenance, rent, legal advice, provision for plants, planning and development and ticket sales;
- **healthcare related fees for services** – e.g. charges for the use of hospitals, insurance services, ambulance and disability services; and
- **license fees** – e.g. licenses for car registrations, the sale of liquor, building safety and gambling services.

Key considerations in a strategic review for identifying whole-of-government arrangements is likely to relate to: 5.71

- ACT Government entities' business imperatives;
- debt types;
- legislative requirements; and
- management information systems.

ACT Government entities currently administer widely diverse types of legislation, which is directly relevant to, and impacts on, the management of debts. This is important to recognise because it is likely to inform, and may potentially constrain, processes for the management and recovery of debts. 5.80

ACT Government entities use a range of information systems for the purpose of debt management. Multiple information systems may also be used by a single ACT 5.85

[10] The Audit Office's 'fines, taxes and levies' debt is similar to the Justice and Community Safety Directorate's concept of judicial debt, which was the focus of its recent *Debt Management Information Paper*.

Government entity for the management of debts. Specific information systems used by ACT Government entities may also serve a broader purpose than financial management and debt management. For example, as well as assisting with the debt management process, rego.act (used by the Road Transport Authority) serves a broader purpose as a repository of information relating to motor vehicle registrations and infringement notices.

The use of multiple information systems for debt management by ACT Government entities means that it is very difficult to efficiently produce whole-of-government reports in relation to debt management. 5.86

Nevertheless, when possible, greater congruency and consistency in the use of information systems could offer benefits in efficiently providing information on debts owing to the Territory by non-Government entities. This could include: 5.88

- increasing visibility and transparency on the overall monies owed to the ACT Government;
- reduced risk of errors occurring in transferring data from one system to another for reporting a whole-of-Government position for financial year end statements; and
- readily identifying non-Government entities who have debts owing to multiple ACT Government entities to promote a more effective pursuit of debts and better credit management.

ACT Government Shared Services

5.3 The ACT Government's Shared Services was established in 2007 to deliver whole-of-government services across the ACT Government more efficiently and effectively. It provides information and communication technology, procurement, publishing, records services, human resources and finance services to ACT Government entities.

5.4 According to the ACT Government's Budget Papers:

> Shared Services consolidates these core administrative functions to achieve economies of scale, standardised and streamlined processes and an overall reduction in costs to the Territory. This enables agencies to better focus on their core business of providing services to the community.

5.5 Since July 2014, Shared Services has been a business unit of the Chief Minister, Treasury and Economic Development Directorate.

5.6 The principle of a shared service function is a well-practiced one in the public and private sector globally. Since the 1990s, organisations in the private and public sectors have considered the use of the shared services model to gain efficiencies and savings in a range of services, primarily related to corporate and administrative functions. Implementation of the shared services model in large and diverse organisations has increased since, and governments across Australia have increasingly considered and adopted the approach.

5.7 The ACT Government's shared services arrangements centralise and consolidate some common procedural and administrative aspects for debt management.

Shared Services Finance

5.8 Shared Services Finance was formed in 2007 by an amalgamation of corporate finance resources from agencies across the ACT Government. It provides the following financial services to ACT Government entities: accounts payable, accounts receivable, asset register management, cash management, financial management information system, finance ledger management, monthly and annual financial statements, taxation management, budgeting and internal management reporting. ACT Government entities have the option of using all or a selection of these services from Shared Services Finance.

5.9 The management of debts is addressed by Shared Services Finance through the accounts receivable function. Shared Services Finance has committed to:

> ... ensure that all debts to ACT Government are managed and recovered effectively to enhance and maximise cash-flow, while maintaining integrity in government debt recovery practices.

Services Partnership Agreement

5.10 In 2007 Shared Services entered into an agreement known as the Single Partnership Agreement with ACT Government departments and authorities.

5.11 A new agreement was established in 2013, which is now known as the Services Partnership Agreement. The new agreement updated the key performance indicators in the Single Partnership Agreement, introduced additional support services to all units and recognised changes in the structure of the ACT Government.

5.12 Not all ACT Government entities use Shared Services Finance for the management of debts. Table 5-2 provides a breakdown of ACT Government entities' use of Shared Services Finance for the purpose of debt management.

Roles and responsibilities

5.13 The Services Partnership Agreement establishes the specific roles and responsibilities of ACT Government entities and Shared Services Finance with respect to the management of debts (receivables).

5.14 The roles and responsibilities of Shared Services Finance and other ACT Government entities are outlined in Table 5-1.

Table 5-1 Debt management roles and responsibilities of ACT Government entities and Shared Services Finance

Roles and Responsibilities	ACT Government entities	Shared Services
Authorise and correctly code documentation for invoicing of customers, credit memos, adjustment notes and write-offs	✓	
Provide accurate customer details (as per the Request for Customer form) together with the correct supporting documentation	✓	
Check invoice requests, credit memos and adjustment notes for Accounts Receivable 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 Accounts Receivable		✓
Provide invoices, supporting documentation, and issue of receipts upon request to debtors in a timely manner		✓
Co-ordinate and respond to Accounts Receivable queries where the required information is held in Oracle system or in Shared Services Finance		✓
Maintain Directorate specific business systems	✓	
Update the General Ledger and reconciling the Accounts Receivable to General Ledger interface		✓
File source documentation		✓
Load payment data into the Accounts Receivable module and match receipts to invoices		✓
Management of customer account records in Oracle Financials Accounts Receivable		✓
Debt collection for Directorate managed debts	✓	
Initiate debt recovery action for overdue accounts up to 60 days (for Shared Services managed debts)		✓
Provide monthly report of outstanding debts including all action of debt recovery undertaken by Shared Services		✓
Recommend write-off of unrecoverable debts		✓
Approve write-off of bad debts where necessary	✓	

Source: Services Partnership Agreement

5.15 For debts (receivables) managed by Shared Services Finance, on behalf of ACT Government entities, the Services Partnership Agreement requires *inter alia*:

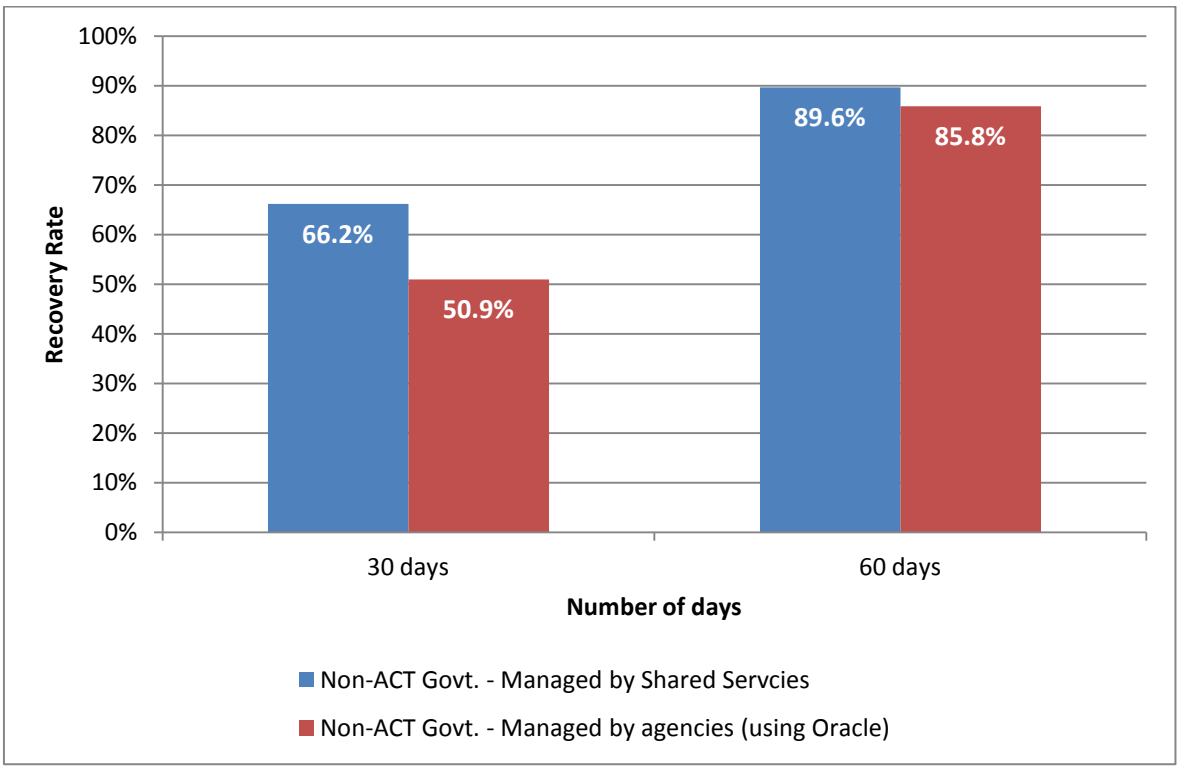
- ACT Government entities to provide relevant information and documentation to Shared Services Finance, including authorised and correctly coded documentation, to facilitate the issuing of invoices to customers;
- Shared Services Finance to issue invoices to customers;
- Shared Services Finance to undertake debt recovery action for debts that are overdue by up to 60 days old; and
- ACT Government entities manage debt recovery action for debts that are overdue by greater than 60 days, including writing off debt where necessary.

Shared Services Finance debt recovery performance

5.16 As discussed in paragraph 4.93 of the report, Shared Services Finance has developed shared key performance indicators as part of its Services Partnership Agreement with ACT Government entities. Figures 5-1 and 5-2 show the respective recovery rates for debts that are managed by Shared Services and those managed by the ACT Government entities, for debts overdue at 30 days and those overdue at 60 days. The analysis focuses on debts owed to the ACT Government by non-ACT Government entities and is based on information stored in the Oracle financial management information system. Comparable information on debt recovery rates was not readily available for ACT Government entities that do not use the Oracle financial management information system.

5.17 Figure 5.1 shows recovery rates based on the dollar value of debts recovered.

Figure 5-1 Comparison of recovery rates - Shared Services Finance and other ACT Government entities (value of debts)



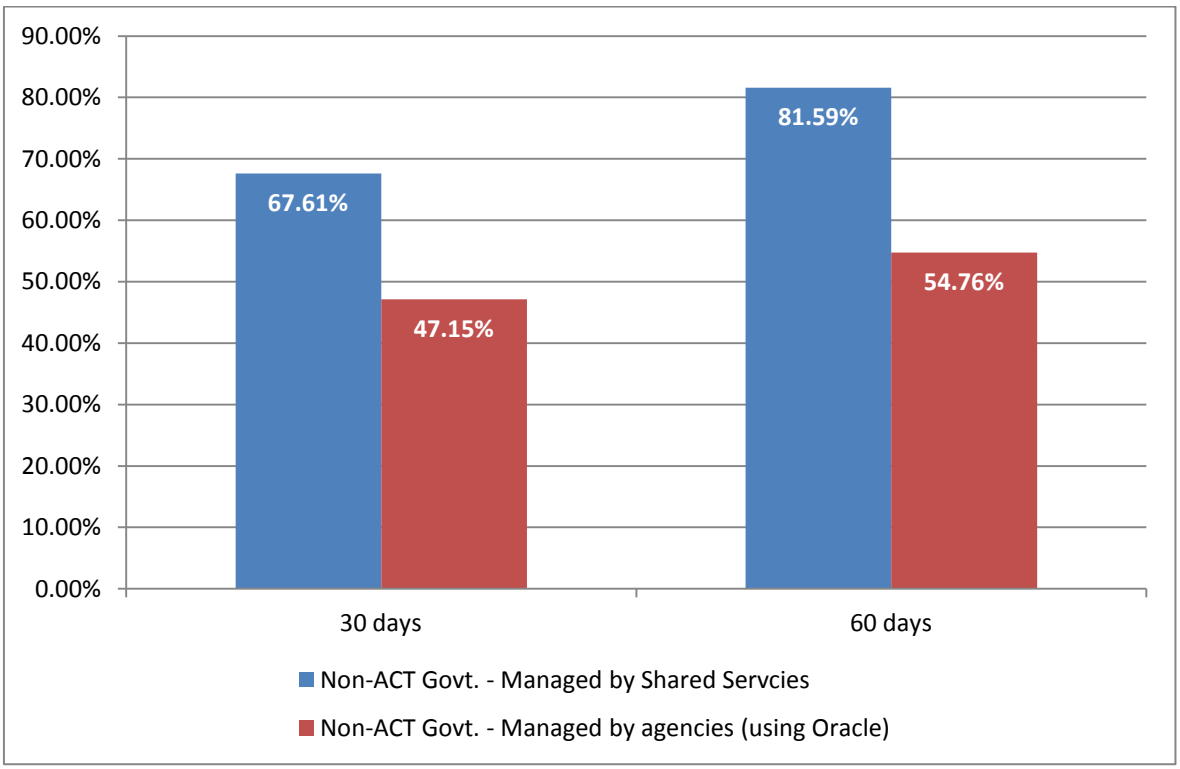
Source: ACT Audit Office analysis of Oracle financial management information system data

5.18 For ACT Government entities who engage Shared Services Finance, the recovery rate for debts (based on the value of debts) that are overdue at 30 days and 60 days is 66 percent and 90 percent, respectively. For ACT Government entities who do not engage Shared Services Finance, the recovery rate for debts that are overdue at 30 days and 60 days is 51 percent and 86 percent, respectively.

5.19 The debt recovery rates of Shared Services Finance and other ACT Government entities that use the Oracle financial management information system exceed the shared key performance indicators for debts overdue at 30 days and 60 days, which is 50 percent and 80 percent, respectively. Shared Services Finance exceeds the key performance indicators by a greater amount.

5.20 Figure 5-2 shows recovery rates for debts based on the number of debts recovered. As with respect to information presented in Figure 5-1, the analysis is on debts owed to the Territory by non-ACT Government entities and is based on information in the Oracle financial management information system.

Figure 5-2 Comparison of recovery rates - Shared Services Finance and other ACT Government entities (volume of debts)



Source: ACT Audit Office analysis of Oracle financial management information system data

5.21 For ACT Government entities who engage Shared Services Finance, the recovery rate for debts (based on the volume of debts) that are overdue at 30 days and 60 days is 67 percent and 82 percent, respectively. For ACT Government entities who do not engage Shared Services Finance, the recovery rate for debts that are overdue at 30 days and 60 days is 47 percent and 55 percent, respectively.

5.22 Shared Services Finance has a higher debt recovery rate than other ACT Government entities (based on the volume of debts). There is a 20 percent difference in recovery rates for debts that are overdue at 30 days and a 27 percent difference for debts that are overdue at 60 days.

5.23 A comparison of recovery rates of Shared Services Finance with other ACT Government entities, on both a dollar value and number of debts basis, shows that both Shared Services Finance and other ACT Government entities recover a greater percentage of the value of debt than the number of debts. This suggests that there is a comparatively higher number of smaller value debts that are not recovered.

5.24 While useful, this analysis does not take into account the nature or types of debts recovered, or the relative difficulties associated with recovering a particular debt.

ACT Government entities' use of Shared Services Finance

5.25 In 2007 some ACT Government entities were given the option to use, or not use, Shared Services Finance for the management of debts. The ACT Audit Office was unable to secure information on any business cases or the rationale used to justify using, or not using, Shared Services Finance.

5.26 An ACT Government entity advised the ACT Audit Office that ACT Government entities that were resourced to run their own business systems or were not using Oracle based systems were not considered for inclusions in the initial creation and implementation of the shared services arrangements for debt management. However, this advice could not be readily verified.

5.27 Table 5-2 shows current arrangements across ACT Government entities with respect to the use of Shared Services Finance for the management of debts.

Table 5-2 Debt management roles and responsibilities - distribution of responsibility at each age of debt

	Issuing invoices	1 – 30 days overdue	31 – 60 days overdue	61 days+ overdue	Waivers and write-offs
ACTION	Shared Services	Shared Services	Shared Services	Internal management External debt collector	Internal management
Health Directorate	Shared Services	Shared Services	Shared Services	Internal Management	Internal management
ACT Insurance Authority	Internal Management	Internal Management	Internal Management	Internal Management	Internal management
ACT Public Cemeteries	Internal Management	Internal Management	Internal Management	Internal Management	Internal management
Public Trustee for the ACT	Internal Management	Internal Management	Internal Management	Internal Management	Internal management
Chief Minister and Treasury Directorate	Shared Services	Shared Services	Shared Services	Internal Management	Internal management
Commerce and Works Directorate	Internal Management	Internal Management	Internal Management	Internal Management	Internal management
Community Services Directorate					
Housing ACT	Internal Management	Internal Management	Internal Management	Internal Management	Internal management
artsACT	Shared Services	Shared Services	Shared Services	Internal Management	Internal management

	Issuing invoices	1 – 30 days overdue	31 – 60 days overdue	61 days+ overdue	Waivers and write-offs
Disability ACT	Internal Management	Internal Management	Internal Management	Internal Management	Internal management
Office for Children Youth and Family Support	Shared Services	Shared Services	Shared Services	Internal Management	Internal management
Office of Multicultural, Aboriginal and Torres Strait Islander Affairs	Shared Services	Shared Services	Shared Services	Internal Management	Internal management
Cultural Facilities Corporation	Internal Management	Internal Management	Internal Management	Internal Management	Internal management
Economic Development Directorate	Shared Services	Shared Services	Shared Services	Internal Management	Internal management
Education and Training Directorate	Shared Services	Shared Services	Shared Services	Internal Management	Internal management
Environment and Sustainable Development Directorate (Note 1)	Shared Services	Shared Services	Shared Services	Internal Management External debt collector	Internal management
Exhibition Park in Canberra	Internal Management	Internal Management	Internal Management	Internal Management	Internal management
Gambling and Racing Commission	Internal Management	Internal Management	Internal Management	Internal Management	Internal management
Independent Competition and Regulatory Commission	Internal Management	Internal Management	Internal Management	Internal Management	Internal management
Justice and Community Safety Directorate					
ACT Ambulance Service	Shared Services	Shared Services	Shared Services	Shared Services	Internal management
ACT Courts and Tribunal (Note 2)	Internal Management	Internal Management	Internal Management	Internal Management	Internal management
Emergency Services Agency	Shared Services	Shared Services	Shared Services	Internal Management	Internal management
Office of Regulatory Services	Shared Services	Shared Services	Shared Services	Internal Management	Internal management

	Issuing invoices	1 – 30 days overdue	31 – 60 days overdue	61 days+ overdue	Waivers and write-offs
Road Transport Authority	Internal Management	Internal Management	Internal Management	Internal Management	Internal management
Land Development Agency	Internal Management	Internal Management	Internal Management	Internal Management	Internal management
Legal Aid Commission (ACT)	Internal Management	Internal Management	Internal Management	Internal Management	Internal management
Office of the Legislative Assembly	Internal Management	Internal Management	Internal Management	Internal Management	Internal management
Territory and Municipal Services Directorate					
ACT NoWaste (Note 3)	Internal Management	Internal Management	Internal Management	Internal Management External debt collector	Internal management
ACT Property Group	Internal Management	Internal Management	Internal Management	Internal Management	Internal management
Capital Linen Services	Internal Management	Internal Management	Internal Management	Internal Management	Internal management
Roads ACT	Internal Management	Internal Management	External debt collector	External debt collector	Internal management
Yarralumla Nursery	Internal Management	Internal Management	Internal Management	Internal Management	Internal management

Source: ACT Audit Office

Note 1: While most of the Environment and Sustainable Development Directorate's debt transactions are administered by Shared Services Finance, rental transactions are fully administered by the directorate.

Note 2: While most of the ACT Courts and Tribunal's debt transactions are administered by the agency, transactions relating to trade debts are administered by Shared Services Finance.

Note 3: While most of ACT NoWaste's debt transactions are administered by the entity, a small proportion of debt transactions relating to additional bin services are managed on its behalf by Shared Services Finance.

5.28 There is a wide range of arrangements, and combinations of arrangements, in place for the management of debts across ACT Government entities. These include:

- full responsibility for debt management administrative processes (from issuing invoices to collecting debts up to 60 days overdue) being undertaken by individual ACT Government entities;
- a mix of different practices within a single entity, depending on different business unit practices; and
- the use of Shared Services Finance to manage the recovery of debts up to 60 days overdue before responsibility is transferred to the individual entity.

5.29 Some ACT Government entities have indicated that the decision to retain responsibility for the administration of the debt process represents a deliberate and appropriate decision, which reflects their operating requirements. For example, commercial enterprises in the Territory and Municipal Services Directorate, including the Yarralumla Nursery, ACT Property Group and Capital Linen Services, stated that there were commercial objectives that necessitated an ongoing relationship with debtors across the whole debt management cycle. Similarly, Housing ACT in the Community Services Directorate also advised of the need to maintain an ongoing relationship with its debtors, which are primarily public housing tenants.

5.30 There is no evidence that the mix of different practices in, and across, ACT Government entities with respect to the use of Shared Services Finance was made on the basis of a strategic analysis of all ACT Government entities and their needs.

Transfer of debt recovery responsibilities from Shared Services to ACT Government entities after 60 days

5.31 For those ACT Government entities that use Shared Services Finance for debt recovery, under current arrangements, once a debt is 60 days overdue, debt recovery becomes the responsibility of the ACT Government entity that owns the debt.

5.32 To facilitate the handover of responsibility, Shared Services Finance provides a report to the ACT Government entity outlining the actions it has taken in relation to the process for recovering the debt. This information is provided to the entity to allow it to continue the recovery process.

5.33 Some ACT Government entities advised that the handover of debt management responsibility from Shared Services Finance to ACT Government entities after 60 days was unsatisfactory and was both inefficient and ineffective. ACT Government entities advised that:

- there was an increasingly unlikely chance that debts greater than 60 days would be satisfactorily recovered. This recognises that the older a debt becomes the more unlikely it is that it would be recovered; and
- it was difficult for entities to resume responsibility for debt recovery after the 60 day period, not having been involved in the intervening period. This recognises that continuity of responsibility, including continuity of communication with a debtor, is important for effective debt management.

5.34 ACT Government entities advised that additional time and effort was expended in taking further action in relation to these older debts for little gain.

Information provided by Shared Services Finance after 60 day period

5.35 By virtue of its Services Partnership Agreement with ACT Government entities, Shared Services Finance is required to provide information on outstanding debts including all debt recovery actions. The report provided by Shared Services outlines the debts outstanding and actions taken to send reminder letters and phone calls made to the debtors on the given dates. Brief details of the responses from the debtors are also recorded in the report. The report is presented in a Microsoft Excel spreadsheet.

5.36 The reports provided by Shared Services Finance to ACT Government entities complied with the requirements of the Services Partnership Agreement. Information was provided with respect to the recovery actions undertaken for each debt in a chronological sequence with the following details: customer name and number; address; transaction number; outstanding amount; days late; percentage unpaid; date of recovery action; and description of recovery action.

5.37 Some ACT Government entities identified that the information provided by Shared Services Finance as part of the handover of outstanding debts was insufficient. These ACT Government entities have suggested that there is a need for further and more detailed information with respect to the replies of the debtors in response to the debt recovery actions undertaken by Shared Services Finance personnel. The ACT Audit Office was advised that the absence of this information makes it difficult for ACT Government entities to assume responsibility for the recovery of the debt after 60 days and undertake appropriate action.

5.38 There are two key issues that need to be considered. The first is the apparent expectation gap between what some ACT Government entities expect of Shared Services and what it is delivering under the Services Partnership Agreement. While Shared Services Finance currently complies with the Services Partnership Agreement in the information that it provides, it is also recognised that more detailed information provided at the conclusion of the 60 day period would assist ACT Government entities in undertaking actions to recover the debt. In saying this, however, it is recognised that there are additional time and cost implications of providing more detailed information.

5.39 The second issue for consideration is the appropriateness of the demarcation of responsibilities for debt management in the debt recovery continuum, particularly the handover of debts from Shared Services Finance to an ACT Government entity at the 60 day period.

5.40 The demarcation of responsibilities between Shared Services Finance and ACT Government entities, according to defined time periods, does not provide for a seamless management of the debt recovery process. The demarcation of responsibilities creates an accountability flow gap.

RECOMMENDATION 8	TRANSFER OF DEBT RECOVERY RESPONSIBILITY FROM SHARED SERVICES FINANCE TO ACT GOVERNMENT ENTITIES DURING THE DEBT RECOVERY PROCESS (CHAPTER 5)

The Chief Minister, Treasury and Economic Development Directorate (Shared Services Finance) should assess the effectiveness and efficiency of arrangements whereby Shared Services Finance transfers to ACT Government responsibility for managing the recovery of debts overdue by 60 days or more and provide guidance on any needed changes.

Whole-of-government considerations for debt management

5.41 Since 2011 a *One Government* (whole-of-government) approach has been adopted to guide the conduct of ACT Government practices, when appropriate. This approach was adopted following the 2011 review of the ACT public sector structures and capacity, *Governing the City State One ACT Government – One ACT Public Service* (Hawke Review).

5.42 With respect to whole-of-government approaches to public administration, the Hawke Review report (February 2011) stated:

> Whole of government thinking and working relies on officials being prepared to cross portfolio boundaries in pursuit of a clearly articulated government priority. The same approaches apply regardless of what those boundaries are called - even within a single agency, there is a risk of silos between divisions just as there can be across agencies. It is through skills development, cultural change, embedding new ways of working, and the creation of institutional imperatives that the benefits of this way of working are unlocked.

5.43 The Hawke Review report also stated:

> Despite its inherent appeal to common sense, and alignment with the desires and needs of the citizenry, joined up government is difficult to achieve. It takes time, it takes energy, and if it is to be successful, is dependent on a culture of collaboration among officials which, even though they might approach an issue from different perspectives, are unified by a clear goal, and common sense for public value.

5.44 The creation of Shared Services in 2007 may be viewed as an example of a whole-of-government approach to debt management, as it consolidated some aspects of the debt management process into a single administrative entity. At present, Shared Services Finance undertakes some administrative aspects of the debt management process on behalf of some ACT Government entities.

2007 proposed review of debt management

5.45 On 8 March 2007 a review of debt management was proposed by the then Chief Minister.

5.46 The associated press release stated:

> Chief Minister Jon Stanhope has directed that an inter-departmental committee be established to look at ACT Government debt recovery procedures, and to advise on a whole-of-government approach to debt collection.
>
> The review, to be headed by the Commissioner for ACT Revenue...will look at the processes currently employed by different government agencies and suggest improvements.
>
> Among the issues to be looked at are the possibility of involving the private sector in routine collection activities, the adoption of 'time to pay' arrangements for those experiencing financial hardship, and the potential for consolidating debt recovery under a single administrative body.
>
> "The Government is keen to conduct its essential debt recovery activities in a manner that is not only effective and efficient, but that provides the greatest degree of procedural fairness and sensitivity to individual circumstance," Mr Stanhope said today.
>
> "The Revenue Office has an extremely effective debt recovery program, which has kept the level of debtors in arrears to less than 2% of budgeted tax revenue for the past three financial years, but the Government is always keen to find ways of improving its processes and performance and I think a review of existing procedures is in order."
>
> Mr Stanhope said perhaps the most challenging area of debt recovery related to traffic and parking infringement notices.
>
> "All jurisdictions experience difficulty in recovering a proportion of the penalties imposed under infringement notice schemes, and the ACT is no exception," the Chief Minister said.
>
> "That said, there may be areas in which we can lift our recovery rates, and there may be procedures in one part of government that could successfully be applied in others. That is what the review will uncover."

5.47 There is no evidence of the 2007 review called for by the then Chief Minister having been undertaken or progressed in any form. Documented reasons for not pursuing the review were not available.

5.48 Additionally, there is no evidence that debt management across ACT Government entities has been the subject of whole-of-government strategic consideration to identify improvements in debt management arrangements and processes or confirm the current arrangements.

5.49 It is noted that the Justice and Community Safety Directorate is currently conducting a review with respect to the management of debts arising from penalties and court-imposed fines (referred to by the directorate as judicial debts). While this indicates that a

strategic consideration is underway for a particular type of debt, it is not a whole-of-government strategic overview.

Review of judicial debt management by the Justice and Community Safety Directorate

5.50 The Justice and Community Safety Directorate has produced a draft *Debt Management Information Paper* for discussion, which notes that:

> ... fines, penalties and other monetary orders imposed through the criminal justice system are subject to multiple administrative and legislative arrangements which impede the efficient, effective and consistent collection of debts and enforcement of sanctions. This is especially problematic where disincentives to payment have become part of the collection process, resulting in uneven fine collection performance. In consequence, the credibility of the justice system can be undermined, revenue lost, the cost of pursuing fine collection and enforcement expensive, and outcomes for those who have defaulted worsened.

5.51 The draft paper also notes:

> Unlike all other jurisdictions, the ACT does not collect or enforce court-imposed fines and other monetary orders, and infringement notice penalties within a harmonised legislative framework, and through whole-of-government centralised arrangements. In the ACT, there is no dedicated administrative structure, common procedural approach, shared business system and ICT platform, or reporting structure through which payment and enforcement arrangements for the various fines, order or infringement penalties are managed.

5.52 The Justice and Community Safety Directorate's draft *Debt Management Information Paper* identifies the need to develop a comprehensive debt management strategy for the management of judicial debts. The paper identifies that such an approach would necessitate consideration of:

- centralisation of debt management responsibility;
- development of a common suite of enforcement sanctions;
- integration of civil and judicial debt recovery practices, including use of legislative mechanisms for civil enforcement measures for non-judicial commercial debts;
- integrated information systems; and
- development of an effective suite of policies, practice and procedures.

5.53 The Justice and Community Safety Directorate's paper further notes that 'while the focus of a debt management strategy examined in this paper is primarily conceived in the context of [the Justice and Community Safety Directorate], there is potential for the improvements to be expanded or applied in other ACT directorate debt management arrangements, particularly in relation to infringement notice penalty enforcement and recovery.'

New South Wales State Debt Recovery Office

5.54 In its draft paper on the management of judicial debt, the Justice and Community Safety Directorate noted:

> In New South Wales and Queensland, fine collection is co-located with other state revenue collection functions in the treasury portfolio, while Victoria, South Australia, Western Australia, the Northern Territory, Tasmania and New Zealand locate the function in the justice portfolio. All jurisdictions other than the ACT have whole-of-government arrangements in place for the recovery of unpaid court-ordered fines and other monetary orders, and of infringement notice penalties, and all but Victoria have a single centralised agency or administrative unit responsible for this function.

5.55 The New South Wales State Debt Recovery Office is one model of a whole-of-government approach to debt management for fine collections. The State Debt Recovery Office was established in January 1998, initially as part of the New South Wales Attorney General's Department. In 2002 the State Debt Recovery Office became part of the New South Wales Office of State Revenue, which has since become a business unit of the New South Wales Office of Finance and Services.

5.56 The State Debt Recovery Office:

> ... receives and processes fines issued by various government departments, including local councils, Police and Maritime Services. It also operates the fine enforcement system to collect unpaid fines.

5.57 The State Debt Recovery Office operates the fines system in order to 'influence behaviour by ensuring that individuals take responsibility when they break the law. It also means people can satisfy minor penalties through the payment of a monetary penalty without going to court.' The State Debt Recovery Office achieves this through issuing enforcement orders, in addition to the fines or infringements initially issued and, if the enforcement order is not paid:

- suspending a person's licence to drive or car registration; or
- authorising the New South Wales Sheriff to take goods or possessions or take money from wages or bank accounts through garnishee arrangements.

5.58 In administering the recovery of debts, the State Debt Recovery Office also handles the dispute and withdrawal of fines, as well as other options for the payment of fines including:

- payment by instalment arrangements; and
- entry into a Work and Development Order, which allows a person to satisfy the payment of a fine through unpaid work or certain courses and treatment.

New South Wales Auditor-General Report

5.59 In April 2002 the New South Wales Auditor-General tabled a report in the New South Wales Parliament in relation to the operations of the New South Wales State Debt Recovery Office. The *Collecting Outstanding Fines and Penalties* report found:

> [The State Debt Recovery Office] SDRO deals well with very high volumes and collects substantial sums of money. However, there are a number of factors which limit the effectiveness of the fine enforcement process and affect the SDRO' capacity to recover debt.
>
> SDRO is confronted with conflicting roles as both law enforcer and debt collector. As a law enforcement agency, SDRO treats all matters the same. But as a debt collector, other approaches could be pursued which would recover more outstanding dollars.
>
> About one in every three of the unpaid fines referred to SDRO for action is successfully collected. As at June 2001, over $460 million remained to be recovered, with SDRO treating $334 million of this as unlikely to be collected.
>
> Many of the factors which inhibit SDRO's ability to collect unpaid fines are beyond its control and require legislative change or a coordinated inter-agency response. Until these problems are fixed, the credibility of the fine enforcement process, and people's willingness to pay outstanding fines, will continue to be undermined.

5.60 As part of the 2013-14 annual report of the New South Wales Department of Finance and Services, the Office of State Revenue reported the following achievements against key performance indicators:

- cost to administer $100 fines - $9.42 (target ≤ $10.25);
- cost to resolve $100 debt (Fines debt) - $8.91 (target ≤ $13.00);
- percentage of fines finalised within a year - 82 % (target ≥ 80%); and
- collectable debt as a percentage of revenue collected (tax) - 1.10% (target ≤ 1.50%).

Whole-of-government strategic review of debt management

5.61 ACT Government debt management is decentralised, with each ACT Government entity responsible for its own debt management policy and administrative processes. An exception to this is Shared Services Finance, and its use by some ACT Government entities for some debt management administrative activities.

5.62 The largely decentralised approach to debt management reflects section 31 of the *Financial Management Act 1996*, which provides that 'the responsible director-general of a directorate is accountable to the responsible Minister of the directorate for the efficient and effective financial management of the directorate.' Commensurate with an emphasis on ACT Government entities' responsibility and accountability for their own financial management practices is minimal whole-of-government policy and procedural guidance, leadership and direction with respect to debt management.

5.63 A strategic whole-of-government review is needed to determine the best arrangements for debt management across ACT Government entities. Such a review needs to examine whether greater consolidation and coordination of debt management activities is warranted and how this might be achieved. Considerations such as ACT Government entities' debt types; legislative commitments; and management information systems, should be used to inform the review. Furthermore, the review needs to provide guidance on issues such as which entities should be responsible for what parts of the debt management continuum for debts owed to the Territory by non-Government entities, and identify where greater cooperation across ACT Government entities might be pursue

5.64 A whole-of-government strategic overview should be undertaken with respect to debt management across ACT Government entities. While such an overview could be undertaken in various ways, an exercise was undertaken the ACT Audit Office to identify what such a review might involve and what might be some key considerations. This involved consideration of:

- ACT Government entities' business imperatives;
- debt types;
- legislative requirements; and
- management information systems.

ACT Government business imperatives

5.65 Debt management is a small component of the broader engagement that ACT Government entities have with their customers or stakeholders. Many ACT Government entities have a business engagement, or may have an ongoing stakeholder relationship, which includes a transaction(s) that gives rise to the debt requiring collection while considering the circumstances of the debtor. ACT Government entities may need to be sensitive to the management of a relationship with particular customers and/or stakeholders.

5.66 Notwithstanding these considerations, within the broader engagement that ACT Government entities have with their customers/stakeholders, debt management has a relatively procedural process, albeit one that involves ongoing contact with customers and stakeholders of an entity. The business model of a central debt management function, e.g. through a shared services arrangement, is based on the procedural nature of the administration process, and the ability to apply it to a wide range of debts and revenue types.

5.67 One of the reasons promoted by ACT Government entities for not engaging with Shared Services Finance through the Services Partnership Agreement for debt management was due to the perceived unique nature of their debts. For example, the ACT Law Courts and Tribunal has determined that imposing court ordered fines requires internal management action and responsibility due to the fluid nature of court cases with cases being reopened,

overturned or added.[11] Similarly, Disability ACT in the Community Services Directorate has determined that providing disability services and the recovery of associated debt should be treated sensitively by internal staff due to existing client relationships. Similarly, the ACT Revenue Office treats the collection of taxes as a unique business circumstance because the organisation is bound by the *Taxation Administration Act 1999*, which is legislation that does not apply to other entities.

5.68 While noting the various concerns expressed, a strategic review, as was indicated in the 2007 review that was announced by the then Chief Minister could confirm or not the need for particular debt types to be managed as they are currently undertaken.

Debt types

5.69 An exercise of clustering debt types was undertaken by the ACT Audit Office to examine what might be key considerations in a strategic review of debt management. Debts collected by ACT Government entities were clustered into four types:

- **fines, taxes and levies** – e.g. the collection of land tax, general rates tax, stamp duty and levies for training and other regulatory functions;[12]
- **general fees for goods and services** – e.g. charges for the provision of goods and services such as venue hire, maintenance, rent, legal advice, provision for plants, planning and development and ticket sales;
- **healthcare related fees for services** – e.g. charges for the use of hospitals, insurance services, ambulance and disability services; and
- **license fees** – e.g. licenses for car registrations, the sale of liquor, building safety and gambling services.

5.70 Debts may also be categorised in other ways, for example:

- **type of debtor** - the debtor may be a business or commercial entity, a community group or organisation or an individual member of the community. Individual members of the community may also be recognised as vulnerable members of the community, for whom a different debt recovery approach may be necessary;
- **commercial or non-commercial arrangements** - a debtor may enter into a strictly commercial arrangement with an ACT Government entity for the provision of goods and services, e.g. the purchase of goods from Yarralumla Nursery. This contrasts with non-commercial debts related to the delivery of public administration services;

[11] In saying this, it is noted that ACT Law Courts and Tribunal trade debtors are managed through Shared Services Finance.

[12] The Audit Office's 'fines, taxes and levies' debt is similar to the Justice and Community Safety Directorate's concept of judicial debt, which was the focus of its recent *Debt Management Information Paper*.

- **type of transactions** - a debt may relate to the imposition of a fine, for which a debtor would not willingly enter the transaction, or relate to the delivery of public administration services, for which the debtor willingly enters the transaction in the knowledge that a benefit is received, e.g. registration of a motor vehicle or renewal of a licence; and
- **sanctions that may be available to ACT Government entities in the case of non-payment** - sanctions may be provided for by legislation for some debts, e.g. there may be an opportunity for an ACT Government entity not to enter into any further transactions with the debtor, particularly with respect to commercial arrangements, or alternatively there may be limited or no sanctions available to the ACT Government entity in the event of non-payment. The Commissioner for Revenue, in the Commerce and Works Directorate, has specific sanctions available under different legislation, such as the *Land Tax Act 2004* and the *Rates Act 2004*. For example, the land tax and rates payable on a parcel of land are a charge on the interest held by the owner. This charge takes priority over subsequent dealings associated the land, such as a sale, transfer or mortgage. The Commissioner also has an opportunity to apply to a court for an order to sell all or part of the parcel of land. These measures provide a safeguard for the collection of debts owed to the Commissioner for Revenue.

5.71 Key considerations in a strategic review for identifying whole-of-government arrangements is likely to relate to:

- ACT Government entities' business imperatives;
- debt types;
- legislative requirements; and
- management information systems.

5.72 On the basis that to some degree the use of Shared Services Finance by some ACT Government arrangements reflects a whole-of-government approach to debt administration (as outlined in paragraph 5.69), the use of Shared Services Finance with respect to the above debt types was considered.

5.73 Table 5-3 shows the results of the analysis of the number of ACT Government entities that did or did not use Shared Services Finance in relation to the four main types of debts outlined in paragraph 5.69.

Table 5-3 ACT Government entities that use Shared Services in relation to different types of debts

Type of debt	Entities who use Shared Services	Entities who do not use Shared Services
Fines, taxes and levies	Nil	• ACT Law Courts and Tribunal (Justice and Community Safety Directorate) • Revenue Office (Commerce and Works Directorate) • Road Transport Authority (Justice and Community Safety Directorate) • Gambling and Racing Commission
General fees	• ACTION • ACT NoWaste (Territory and Municipal Services Directorate) • Community Services Directorate • Economic Development Directorate • Environment and Sustainable Development Directorate	• ACT Public Cemeteries Authority • Capital Linen Services (Territory and Municipal Services Directorate) • Cultural Facilities Corporation • Exhibition Park in Canberra • Land Development Agency • Legal Aid Commission (ACT) • Office of Legislative Agency • Roads ACT (Territory and Municipal Services Directorate) • Yarralumla Nursery (Territory and Municipal Services Directorate)
Healthcare related fees	• ACT Emergency Services Agency • ACT Health Directorate	• ACT Insurance Authority • Disability ACT (Community Services Directorate)
License fees	• Office of Regulatory Services (Justice and Community Safety Directorate)	Nil

Source: ACT Audit Office

Fines, taxes and levies

5.74 As shown in Table 5-3, ACT Government entities that collect fines, taxes and levies also primarily manage the associated debt collection. ACT Government entities advised that the rationale for this primarily relates to the legislative powers that are associated with the collection of these debts. The ACT Audit Office was advised that the officers of the entities that impose and collect fines, taxes and levies have specialised knowledge of relevant legislation and powers.

General fees

5.75 General fees are charged for the provision of goods and services such as venue hiring, plants, professional services and linen services. The general premise of the process is similar in that an entity invoices their customer after providing them with a good or service. As shown in Table 5-3, five ACT Government entities use Shared Services Finance, while nine entities did not.

Healthcare related fees

5.76 Healthcare related fees have been interpreted as charges for the use of hospitals, insurance services, ambulance and disability services.

5.77 As shown in Table 5-3, there is an even split in the engagement of Shared Services Finance by ACT Government entities for healthcare related debt collection services. Shared Services Finance maintains responsibility for two of the biggest client bases for healthcare services (Health Directorate and the ACT Emergency Services Agency in relation to ambulance services), while responsibility for other health-care related services are maintained by other ACT Government entities (e.g. the ACT Insurance Authority and Disability ACT).

License fees

5.78 License fees are charged by ACT Government entities for the registration of motor vehicles and particular services such as the provision of alcohol and food.

5.79 As shown in Table 5-3, one ACT Government entity uses Shared Services Finance with respect to the administration of license fees.

Legislative requirements

5.80 ACT Government entities currently administer widely diverse types of legislation, which is directly relevant to, and impacts on, the management of debts. This is important to recognise because it is likely to inform, and may potentially constrain, processes for the management and recovery of debts.

5.81 In this respect, the diverse legislation may provide for:

- different legislated sanctions that may be applied to debtors, including civil and criminal sanctions; and
- alternative arrangements for the payment of debts. For example, Division 3.2A of the of the *Road Transport (General Act) 1999* allows for the development and agreement of infringement notice management plans, which allow for flexibility in the payment of debts by debtors. This includes undertaking community work or social development programs as an alternative to the repayment of the debt.

5.82 As discussed in paragraph 5.70, the Commissioner for Revenue, in the Commerce and Works Directorate, has specific sanctions available under different legislation, such as the *Land Tax Act 2004* and the *Rates Act 2004*. These measures provide a safeguard for the collection of debts owed to the Commissioner for Revenue and are a unique opportunity not available to other ACT Government entities.

Management information systems for debt management

5.83 Information systems are used to account for, and maintain data for, the purpose of assisting management make sound decisions for the management of debts.

5.84 Table 5-4 shows the main information systems that are in use by ACT Government entities for the purpose of managing debts.

Table 5-4 Information systems used for debt management

Financial management information system	Number of entities	Entities
Oracle	13	ACT Health Directorate Economic Development Directorate Education and Training Directorate ACTION Chief Minister and Treasury Directorate Justice and Community Safety Directorate (excluding the majority of ACT Law Courts and Tribunal and Road Transport Authority) Environment and Sustainable Development Directorate Community Services Directorate (ACT Housing) Territory and Municipal Services Directorate (Roads ACT)
MYOB	6	ACT Public Cemeteries Authority Exhibition Park in Canberra Gambling and Racing Commission Independent Competition and Regulatory Commission Office of the Legislative Assembly Public Trustee for the ACT

Financial management information system	Number of entities	Entities
Others	11	ACT Insurance Authority (ACCPAC) ACT NoWaste (NWS - Newcastle Weighbridge System) Land Development Agency (Microsoft Excel) Legal Aid Commission (ACT) (Visualfiles and Finance One) Capital Linen Services (LinenWeb) Cultural Facilities Corporation (ACCPAC) ACT Revenue Office (Territory Revenue System and Community 2011) ACT Law Courts and Tribunal (MAX) Road Transport Authority (rego.act) Yarralumla Nursery (Pronto) ACT Pathology (Kestral) Health Directorate – Hospital (Platypus 2) Health Directorate – Dental Health Program (Dental Titanium)

Source: ACT Audit Office

5.85 ACT Government entities use a range of information systems for the purpose of debt management. Multiple information systems may also be used by a single ACT Government entity for the management of debts. Specific information systems used by ACT Government entities may also serve a broader purpose than financial management and debt management. For example, as well as assisting with the debt management process, rego.act (used by the Road Transport Authority) serves a broader purpose as a repository of information relating to motor vehicle registrations and infringement notices.

5.86 The use of multiple information systems for debt management by ACT Government entities means that it is very difficult to efficiently produce whole-of-government reports in relation to debt management.

5.87 While there may be benefits in as many directorates and authorities as possible using the same information system it is recognised that this may be cost prohibitive for small entities and impractical for others, depending on overall business needs that are served by the specific information system.

5.88 Nevertheless, when possible, greater congruency and consistency in the use of information systems could offer benefits in efficiently providing information on debts owing to the Territory by non-Government entities. This could include:

- increasing visibility and transparency on the overall monies owed to the ACT Government;
- reduced risk of errors occurring in transferring data from one system to another for reporting a whole-of-Government position for financial year end statements; and

- readily identifying non-Government entities who have debts owing to multiple ACT Government entities to promote a more effective pursuit of debts and better credit management.

Whole-of-government strategic review

5.89 Guidance is needed on how best to manage the diverse range of debts from a whole-of-government debt management perspective. In providing such guidance, consideration needs to be given to the factors identified in paragraphs 5.65 to 5.86 of the report, i.e key considerations.

5.90 Such considerations could be used to guide a strategic review to identify which entities should be responsible for what parts of the debt management continuum, for debts owed to the Territory by non-Government entities.

5.91 If a particular type of debt is centralised or clustered, consideration will need to be given as to whether or not specific legislative powers are needed to:

- consolidate ACT Government entities' administrative roles and responsibilities for debt management; and
- provide for greater coordination or cooperation in relation to debt collection and recovery practices.

RECOMMENDATION 9	WHOLE-OF-GOVERNMENT REVIEW OF DEBT MANAGEMENT (CHAPTER 5)

The Chief Minister, Treasury and Economic Development Directorate should undertake a strategic whole-of-government review of debt management arrangements aimed at more effective and efficient debt management across ACT Government entities. The review should, amongst other things, identify whether there are opportunities to:

a) consolidate ACT Government entities' administrative roles and responsibilities for debt management;

b) enhance coordination and/or cooperation in relation to debt collection and recovery practices across ACT Government entities; and

c) identify and develop a mechanism for the sharing of information on better practice initiatives, especially those developed and implemented by ACT Government entities.

APPENDIX A: SOURCES OF DATA

Reporting Entities required to produce financial statements	Analysis using financial statements data (Chapter 2)	Detailed analysis (Chapters 3 and 4)	Self-assessment survey (Chapter 3)
General Government Sector			
ACT Compulsory Third Party Regulator	√		
ACT Executive	√		
ACT Insurance Authority	√		√
ACT Local Hospital Network	√		
ACT Public Cemeteries Authority	√		√
Canberra Institute of Technology	√		
Chief Minister and Treasury Directorate	√		√
Commerce and Works Directorate	√	√ Note 1	√
Community Services Directorate	√	√	√
Cultural Facilities Corporation	√		√
Economic Development Directorate	√		√
Education and Training Directorate	√		√
Environment and Sustainable Development Directorate	√	√	√
Exhibition Park in Canberra	√		√
Gambling and Racing Commission	√		√
Health Directorate	√		√ Note 2
Home Loan Portfolio	√		
Independent Competition and Regulatory Commission	√		√
Justice and Community Safety Directorate	√	√ Note 3	√
Legal Aid Commission (ACT)	√		√
Office of the Legislative Assembly	√		√
Public Trustee for the ACT	√		√
Shared Services	√		

Reporting Entities required to produce financial statements	Analysis using financial statements data (Chapter 2)	Detailed analysis (Chapters 3 and 4)	Self-assessment survey (Chapter 3)
Superannuation Provision Account	√		
Territory and Municipal Services Directorate	√	√ Note 4	√ Note 5
Territory Banking Account	√		
Treasury	√		
Public Trading Enterprises			
ACTEW Corporation	√		
ACTION	√		√
ACTTAB Limited	√		
CIT Solutions	√		
Housing ACT	√		√
Land Development Agency	√		√

Note 1: Detailed analysis focused on the ACT Revenue Office.

Note 2: Four separate survey were received from the Health Directorate. This included a response from the directorate and the Dental, Pathology and Patient Fees units.

Note 3: Detailed analysis included the ACT Courts and Tribunals, Emergency Services Agency and the Office of Regulatory Services.

Note 4: Detailed analysis included the ACT NoWaste, Capital Linen Services, ACT Property Group and Yarralumla Nursery and Roads ACT units.

Note 5: Six separate surveys were received from the Territory and Municipal Services Directorate. This included a response from the directorate and ACT NoWaste, Capital Linen Services, ACT Property Group and Yarralumla Nursery and Roads ACT units.

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Audit reports

Reports Published in 2014-15	
Report No. 07 – 2014	2013-14 Financial Audits
Report No. 06 – 2014	Annual Report 2013-14
Reports Published in 2013-14	
Report No. 05 – 2014	Capital Works Reporting
Report No. 04 – 2014	Gastroenterology & Hepatology Unit, Canberra Hospital
Report No. 03 – 2014	Single Dwelling Development Assessments
Report No. 02 – 2014	The Water and Sewerage Pricing Process
Report No. 01 – 2014	Speed Cameras in the ACT
Report No. 08 – 2013	Management of Funding for Community Services
Report No. 07 – 2013	2012-13 Financial Audits
Report No. 06 – 2013	ACT Auditor-General's Office Annual Report 2012-13
Report No. 05 – 2013	Bushfire Preparedness
Reports Published in 2012-13	
Report No. 04 – 2013	National Partnership Agreement on Homelessness
Report No. 03 – 2013	ACT Government Parking Operations
Report No. 02 – 2013	Executive Remuneration Disclosed in ACTEW Corporation Limited's (ACTEW) 2010-11 Financial Statements and Annual Report 2011
Report No. 01 – 2013	Care and Protection System
Report No. 10 – 2012	2011-12 Financial Audits
Report No. 09 – 2012	Grants of Legal Assistance
Report No. 08 – 2012	Australian Capital Territory Public Service Recruitment Practices
Report No. 07 – 2012	Annual Report 2011-12
Report No. 06 – 2012	Emergency Department Performance Information
Reports Published in 2011-12	
Report No. 05 – 2012	Management of Recycling Estates and E-Waste
Report No. 04 – 2012	Development Application and Approval System for High Density Residential and Commercial Developments
Report No. 03 – 2012	Early Childhood Schooling
Report No. 02 – 2012	Whole-of-Government Information and ICT Security Management and Services
Report No. 01 – 2012	Monitoring and Minimising Harm Caused by Problem Gambling in the ACT
Report No. 06 – 2011	Management of Food Safety in the Australian Capital Territory
Report No. 05 – 2011	2010-11 Financial Audits
Report No. 04 – 2011	Annual Report 2010-11

These and earlier reports can be obtained from the ACT Auditor-General's website at http://www.audit.act.gov.au.