

Our Ref: D/001693

Circular Memorandum No 3/00

TO ALL AGENCIES

PROTOCOL FOR INTER-AGENCY DEBT COLLECTION

Purpose

The purpose of this memorandum is to inform agencies of procedures for inter-agency debt collection to ensure prompt settlement of debts.

Background

Currently, there are limited mechanisms in place to penalise late payment of inter-agency debts and to encourage prompt payment between agencies. This has resulted in some agencies experiencing problems settling inter-agency debts.

Treasurer's Instruction 515 allows agencies to set and charge interest on overdue accounts with other agencies provided that agencies are made aware of the trading terms and conditions. Credit conditions are also set out under the *Taxation Administration Act 1996* for State based taxes, as well as the Tasmanian Accumulation Scheme Trust Deed for superannuation.

At its meeting on 22 March 2000, Budget Committee was appraised of difficulties being experienced by agencies that provide services on a commercial basis to other agencies in securing timely settlement of outstanding invoices. Budget Committee, by Decision No 185, endorsed by Cabinet Decision 703 of 3 April 2000, requested Treasury to develop a protocol to ensure timely payment of inter-agency charges and invoices.

This protocol has been developed to bring the payment of inter-agency debt in line with the arrangements applying to the private sector. Agencies should treat the payment of debts to other agencies with the same urgency as other accounts. Departments rely on the timely receipt of funds for the smooth functioning of their activities and it is, therefore, essential that agencies pay their inter-agency accounts promptly. This protocol will apply to all fees and charges not currently captured through legislation or other governing requirements.

Collection of debt

All inter-agency accounts should be treated as due for payment at 30 days unless otherwise agreed. Any account unpaid after this period will incur penalty interest unless otherwise agreed between agencies. Interest should be charged at the sum of the 30 day Bank Bill rate plus a premium rate of 4.0 per cent.

The 30 day Bank Bill Swap Rate (BBSW), as published in *The Australian Financial Review* on the last working day of the previous month, should be used to calculate interest for any given month.

Agencies should attempt to resolve any dispute over an account before 30 days.

If payment has not been received within 60 days of the due date and the account is not in dispute, the matter should be forwarded to the Department of Treasury and Finance. Treasury will deduct the amount of the debt plus accumulated penalty interest from the debtor agency's Treasurer's Expenditure Control Authority (TECA) and credit the amount to the TECA of the creditor agency.

Should the account be in dispute, the matter should be forwarded to the Secretary of Premier and Cabinet for arbitration. If the Secretary of Premier and Cabinet determines that the account should be paid, the debtor agency will be given a 10 day period of grace to pay the account before the account is forwarded to the Department of Treasury and Finance and the amount and accumulated penalty interest is deducted from the debtor agency's TECA.

The Secretary of Premier and Cabinet may determine that a lesser amount be paid or that no amount be paid, and the debtor agency will be issued with a revised account for the correct amount.

The attached flowchart outlines the process.

Contact

If you have any queries relating to this memorandum, please contact your Treasury Budget Analyst.

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SECRETARY

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