

Opera House Policy

Title:	Debtor Management Policy		
Policy Number:	SOH144		
Effective Date:	13 March 2017	Next Review:	13 March 2020
Authorisation:	Chief Executive		
Authorisation Date:	13 March 2017		
Superseded Policy:	Credit Control and Debtor Management Policy 2001		
Accountable Director:	Chief Financial Officer		
Responsible Officer:	Manager, Financial Operations		

1. CORE PROPOSITION

This Policy aims to ensure that the Opera House effectively manages and reports all debts owed to it. It includes standard practices for issuing credit notes and managing risks associated with debts and credit control.

2. SCOPE

This Policy applies to all business units within the Opera House, and has specific application to all those responsible for invoicing and debt recovery.

3. DEFINITIONS

- 3.1. **Credit account** – agreement between the Opera House and a customer in which goods and/or services are provided and the customer may pay in full at a later time.
- 3.2. **Customer account** – agreement between the Opera House and a customer that enables the supply of goods and/or services between the parties.
- 3.3. **Debtor** – person or company that owes money (debt) to the Opera House.
- 3.4. **Financial offset arrangement** – where a venue hirer sells event tickets through the Opera House ticketing system and these funds are held to offset any liability owing to the Opera House.
- 3.5. **Payment arrangement** – agreement between the Opera House and a debtor, setting out when periodic payments towards settlement of debt will occur.

4. CUSTOMER AND CREDIT ACCOUNTS

- 4.1. Applications for Customer accounts must be approved prior to trading.
- 4.2. Customer accounts may be established as Credit accounts, or alternatively without credit in which case the Debtor must pay before receipt of the goods or services.
- 4.3. For Credit accounts, credit terms will be 7, 14, or 30 days, depending on customer type. Generally the underlying agreement will specify the terms.
- 4.4. The Opera House may establish a Credit account where the following apply:
 - It is market practice;
 - The customer agrees to pay the account when due as set out within the existing contract or specific terms of the Customer account;
 - The customer provides information that allows for a complete credit assessment; and
 - The Opera House sets a credit limit and is satisfied that the customer will be able to pay its debts when they fall due, as confirmed by a credit assessment where required.
- 4.5. Credit applications must be completed and submitted to the Accounts Receivable function in Finance (hereafter referred to as **Accounts Receivable**), allowing at least five working days for processing.
- 4.6. Each Credit account must be approved by the relevant authorised officer in accordance with the *SOH Financial Delegations*, and endorsed by the Manager, Financial Operations before being established. This may include obtaining a credit report from a third party credit agency.

5. VENUE HIRE CLIENTS

- 5.1. Credit accounts are not required for venue hire clients with a financial offset arrangement, typically resident companies, presenting partners and commercial hirers.
- 5.2. Where it is anticipated that ticket proceeds will not cover the cost of the venue hire and associated costs, or the event is non-ticketed, all estimated costs must be covered by a deposit or bank guarantee. Alternatively, the client may apply for a credit account as per the above process.

6. RAISING INVOICES

- 6.1. Finance raises all invoices for the Opera House. The exception is Tours, which raises invoices through Tessitura.
- 6.2. A Request to Raise Invoice (RTRI) [form](#) must be completed and provided to Accounts Receivable with supporting documentation, including the necessary approvals.
- 6.3. Supporting documentation may include purchase orders, contracts and payment schedules, and any work papers and calculations to support the invoice (including recharges and invoices for percentage shares of revenue or turnover).
- 6.4. Exemptions from completing RTRIs apply to:
 - Revenue from a transaction in Ungerboeck (venue hire including resident companies) or Tessitura; or
 - A regular monthly charge covered by a signed contract.
- 6.5. As stated above, in the absence of a Credit account, the Debtor must pay all invoices before receipt of the goods or services.
- 6.6. Accounts Receivable will manage customer queries regarding invoices and outstanding balances. The business representative will be consulted regarding any actions to be taken.

7. AGEING AND RECOVERY OF DEBTS

- 7.1. Customers will be recorded as Debtors as soon as a debt is incurred. Debts will be aged and reported on based on the invoice due date, from current (not past due), to 30, 60, 90, 180 and >180 days past due. The table below describes the actions taken as debt ages:

Timeframe	Action	Responsibility
Invoice date	Invoice sent directly to Debtor; business representative copied in for information.	Accounts Receivable
<30 days (current)	Customer statement issued at month end.	Accounts Receivable
30 days	Reminder notice issued to Debtor outlining outstanding amounts; business representative copied in for information.	Accounts Receivable
60 days	List of overdue Debtors sent to business representative, Business Analyst, and responsible Director. Reminder notice issued to Debtor; business representative and Legal copied in for information.	Accounts Receivable Manager, Financial Operations.
90 days	'Stop credit' notice or formal Letter of Demand may be issued in line with section 9 of this Policy; see below.	Accounts Receivable in consultation with business representative, responsible Director and Head of Legal.
120 days	Legal recovery action may be initiated where the amount owed warrants such action.	At discretion of Chief Financial Officer in consultation with Head of Legal.

- 7.2. Monthly aged debtor reports setting out the amounts outstanding for each Debtor will be provided to department managers, in line with 14.5 below.
- 7.3. Finance will provide standard templates and forms to be used for all correspondence with Debtors for the recovery of monies owed.

- 7.4. All recovery actions will be recorded in the Debt Recovery Action Log, which is maintained by Accounts Receivable.

8. EXTENSION TO NORMAL CREDIT TERMS

- 8.1. Where a customer requests a temporary extension of credit terms, payment arrangements may be developed following consultation between the customer, business representative, and Business Analyst.
- 8.2. Any payment arrangements must contain:
- Customer reference points;
 - Details of the customer's temporary business arrangements with the Opera House, including any funding difficulties, expected cash flows, and other business considerations;
 - Repayment plan and timeframe for returning to normal credit levels;
 - Maximum value of credit to be provided including an estimate of future costs that may be incurred by the Opera House in its business dealings with the customer while the extended credit period is in operation.
- 8.3. Approval of the credit extension amount requires approval by the relevant authorised officer and Finance in accordance with the *SOH Financial Delegations*.

9. SUSPENSION OF TRADING

- 9.1. Debtor accounts outstanding past 90 days may have a 'stop credit' notice placed on the account. This may be instigated by Finance following consultation with the relevant business representative, the responsible Director and the Head of Legal. Where a stop credit notice is not practical, a Letter of Demand may be issued.
- 9.2. 'Stop credit' notices mean that customers are not entitled to any further services on credit until the accounts are brought back to satisfactory terms.
- 9.3. Following the issue of a 'stop credit' notice legal recovery action may commence, at the discretion of the Chief Financial Officer in consultation with the Head of Legal.

10. APPLICATION OF PAYMENT

- 10.1. Payments will be applied to outstanding invoices within two days of receipt, where the payment description enables identification and allocation.
- 10.2. Where a payment cannot be matched to an invoice it will be unallocated. An unallocated receipts list will be circulated regularly to business representatives.

11. INTEREST

Where permitted by the underlying customer contract interest will be charged on late paid invoices.

12. CREDIT NOTES

- 12.1. The Opera House will issue credit notes:
- Where a processing error occurs e.g. where a wrong tour is booked;
 - To record an adjustment in value to an invoice raised;
 - Where short payment occurs due to bank fees from overseas operators; or
 - At the Opera House's discretion in specific circumstances e.g. cancellations.
- 12.2. Issue of credit notes requires the approval of the relevant authorised officer and Finance in accordance with the *SOH Financial Delegations*.

13. IRRECOVERABLE DEBTS

- 13.1. Debts will be reviewed on a monthly basis and assessed for recoverability. The Chief Financial Officer will be notified of potentially irrecoverable debts as they are identified.
- 13.2. Irrecoverable debts will be recognised in the financial accounts on a regular basis.
- 13.3. Writing off irrecoverable debt requires the approval of the relevant authorised officer and Finance in accordance with the *SOH Financial Delegations*.
- 13.4. Before writing off a debt as irrecoverable, the delegates must be satisfied that:
- Recovery action is uneconomical due to the small value of debt;

- The Debtor cannot be located;
- Debt recovery is unsuccessful as a result of legal proceedings; or
- The medical, financial or geographic location or circumstances of a particular Debtor do not warrant taking further recovery action.

14. MONITORING AND REPORTING

- 14.1. All Debtor details will be maintained, including full records of debt write-off approvals and supporting documentation.
- 14.2. Accounts Receivable will assess payments received against the payment terms extended in order to monitor debtors that consistently send payments outside of the stipulated payment terms.
- 14.3. Finance will retain monthly aged Debtor reports with notations of follow-up actions taken, for audit review purposes.
- 14.4. The Chief Financial Officer will receive a monthly aged debt report, covering all Debtors. This will include the status of customers with extended credit terms and all recovery actions taken.
- 14.5. The Executive and relevant managers will receive monthly reports covering the status of outstanding Debtors, customers with extended credit terms, and written off debts.
- 14.6. Finance will conduct reasonableness checks on a monthly basis to ensure the integrity of information and issuing processes.

15. ACCOUNTABILITIES

- 15.1. All departments are accountable for managing their contracts and ensuring all debtor management activities are carried out in accordance with this policy.
- 15.2. Finance staff with debtor management responsibilities are accountable for:
 - Ensuring the integrity of procedures, information and reporting;
 - Ensuring annual Consumer Price Index (CPI) and other contracted increases are correctly reflected in invoices;
 - Identifying when increases to bank guarantees held as security are to occur and liaising with business representatives to upgrade;
 - Issuing authorities for credit notes;
 - Authorising invoices; and
 - Reviewing reports and identifying issues as required.
- 15.3. The Chief Financial Officer is responsible for implementation, review and monitoring of this Policy.

16. REFERENCES

Public Finance and Audit Act 1983
NSW Treasurer's Directions – TD93/4
SOH Delegations of Authority Policy
SOH Financial Delegations

APPROVED



Chief Executive

Date: 13 March 2017