



4. Avoidance and Fees/Charges Not Currently Being Collected

Two issues emerged from Reviews undertaken across a number of Areas.

1. That payment of fees and charges is being avoided by some members of the public and commercial sector
2. That some charges and fees are not being collected by Administration

4.1 Avoidance

In the last financial year Administration made provision for over \$70,000 of doubtful debts from the Revenue Fund. In addition \$34,826 was provided for doubtful debts from the Healthcare Fund from unpaid levies.

The Norfolk Island Hospital made a provision of \$50,000 for doubtful debts in 2002. Recently the Hospital put in place a new system to deal with recovery of debts and hopes that significant funds will be paid.

While Administration has a basic system of debt recovery large amounts are still owing.

The Focus 2002 Project Management Team discussed some of the reasons payments were not being made on Healthcare levies and discussed ideas to recover monies. One idea involved a linking of information across various Administration Areas. This would allow eg: electricity to be cut off for non payment of a Healthcare Levy after substantial warnings and options for payment had been presented the customer.

These ideas require further discussion and comment on legislative changes required to implement them.

Recommendation 13

That a report identifying a break down on the areas where bad debts are occurring and the residential status of those avoiding payments be completed by the Finance Manager and CMG with suggested ideas for a Debt Recovery Policy to the Finance Minister by the end of March 2003.

It is unlikely that recommendations to curb avoidance of fees and charges can be identified and implemented in time to produce outcomes for this financial year. It would be expected that a reduction of provisions for bad debts could be seen for the 2003/2004 Financial year dependent on the recommendations made.

4.2 Charges Not Being Collected (at point of sale)

There are a number of Administration areas and GBEs that sell or rent products and services. In most of these situations payment for goods is not made at the point of purchase with an invoice being generated from the Accounts Department. Across the areas, there are various practices for sending information to Accounts and it can take time for the information to make its way to this Department.



It was also felt that without a standard system there is also the possibility that sales information may not make its way to Accounts for an invoice to be generated.

This occurs:

- At the Tanalith Plant
- When slaughtering occurs and other stock control activities
- At muster time
- At Forestry
- At the Works Depot
- For Telecom accounts
- For Electricity accounts

In addition, within the Stock area payment for registration of bulls is based on a system that requires bull owners to initiate payment as no invoice is sent at all.

Telecom and Electricity have relatively low bad debtors, primarily due to the repercussions of non-payment ie: telephone and electricity being cut. In the short term there is no reason to change the current billing system in these areas (aside from the issue of multiple bills being sent as previously discussed).

Within the Revenue Fund there is also no process that allows individual areas to be alerted as to who bad debtors are which allows Managers to keep supplying non payers. Unless they have initiated their own internal system, Managers are removed from the invoicing and payment process and have no facility to generate customer sales history, profit and loss or other reports on the state of sales.

Within Revenue Fund areas it would be impracticable to set up individual accounting systems at each site. However the need to establish a system that allows for generation of an invoice and payment at the point of sale could provide the following benefits:

- Reduce bad debtors with more payments made at point of sale
- Faster payment for goods
- Standardised invoicing and payment requirements across Revenue Fund Areas would provide easier internal and external auditing
- Managers would have more immediate information on the income their Area generates
- Encourage greater budgeting responsibility by Managers

Recommendation 14

That a standardised system of invoicing and receipting payments be introduced across all Revenue Fund Areas.