

DEBTOR VIABILITY PROCEDURE

SCOPE

This procedure applies to staff who are engaging with new or existing debtors for all commercial, consulting and research contracts and services agreements at all Monash University locations.

PROCEDURE STATEMENT

Monash University is committed to undertaking comprehensive due diligence for all new and existing debtors when entering a new research contracts and or service agreements to mitigate potential financial and reputational risks.

This procedure outlines the requirements for undertaking a debtor viability assessment on an external company or individual who may be entering into a research contract or services agreement with the University.

1. Requirements for a debtor viability assessment

- 1.1 To support the University's cash flow and financial position, the capacity of new and existing debtors to meet their financial obligations to the University will be reviewed and assured in accordance with the requirements outlined in this Procedure.
- 1.2 Research & Revenue Accounting Services (R&R) in Australia and the Revenue Finance Team (RFT) in Malaysia are responsible for coordinating debtor viability assessment(s) and overseeing the ongoing monitoring of the financial viability of University debtors to minimise the risk of bad debt.
- 1.3 A debtor viability assessment must be requested by the staff member who is leading the contract negotiations before the University will enter into an agreement with a new debtor for research contracts and service agreements. Debtor viability checks may also be undertaken on existing University debtors as set out at [3.1-3.2].
 - 1.3.1 An assessment is not required for agreements with domestic and international government agencies and/or departments or agreements with other universities.
 - 1.3.2 An assessment may be requested, but is not required, if the contract value does not exceed AUD\$100,000 or RM100,000.
 - 1.3.3 All prospective research agreements deemed to be Tier 2 or Tier 3 research agreement(s) in accordance with the [Research Costing and Research Pricing Policy](#) and [Research Pricing Procedure](#), must be referred to R&R or RFT for a debtor viability assessment. For more information on the Tiered Pricing Model, staff should refer to the [University's Research Costing and Research Pricing Intranet Page](#).

Requesting an assessment

- 1.4 The staff member responsible for entering and/or negotiating the agreement or contract must request a debtor viability assessment via [the Debtor Viability Assessment Request Form - *forthcoming*] email to R&R or RFT at least five working days prior to contract execution.
- 1.5 When requesting an assessment, the following information must be provided:
 - name of company and ABN/CCM (if applicable);
 - company address;
 - estimated contract value; and,
 - where possible, the cost centre and fund for the assessment to be charged to.
 - 1.5.1 For assessments made in Malaysia, upon request further supporting evidence may be required for the RFT to ensure the viability of the debtor.

2. Undertaking viability assessments of new debtors

- 2.1 R&R or RFT will facilitate the debtor viability assessment, including a credit check review to inform the financial position of the individual or company, assigning a risk rating and providing further advice to staff involved in the contract negotiations and potential implications for the contract. Once all information is received, advice will be provided:
- For Australian or Malaysian companies, within 2-3 business days from receiving the request.
 - For international companies, within 5-7 business days from receiving the request.
- 2.2 The staff member responsible for negotiating an agreement should also take steps to ensure that the debtor is not a sanctioned individual or entity based in a sanctioned country. For more information, staff should refer to [the finance intranet site](#).

Existing debtors

- 2.3 Where an existing debtor is identified as potentially entering into an additional contract with the University, R&R or RFT should be contacted to conduct a debtor viability assessment prior to the contract being executed.
- 2.4 If requested, R&R will undertake and provide a review of the debtors payment history in SAP and credit history review from CreditorWatch.

3. Assessment outcomes

- 3.1 R&R or RFT will review the sourced information and reports to assess the financial position of the prospective debtor and whether any mitigation strategies should be implemented to reduce the risk of default or bad debt.
- 3.2 Based on the assessment, R&R or RFT will provide advice to staff members involved in negotiations and/or contract execution on whether risk mitigation strategies should be implemented, for example, where a high risk debtor is identified. Risk mitigation strategies may encompass proposals for upfront payments (deposits), milestone and/or payment plans which may need to be included in the agreement.
- 3.3 The staff member responsible for deciding on the implementation of risk mitigation strategies must inform R&R or RFT for the agreed risk mitigation strategy to be documented.
- 3.4 R&R or RFT is responsible for recording the applicable risk mitigation strategy provided.

4. Monitoring and reporting


- 4.1 R&R or RFT monitors invoices and payments received in accordance with the [Accounts Receivables Procedure](#).
- 4.2 R&R or RFT maintains payment history and credit analysis of debtors and may provide this information to staff on request.

DEFINITIONS

ABN	Australian Business Number
CCM	Companies Commission of Malaysia
Credit Check	Review of a prospective debtor's credit report / financial history to understand financial behaviour and assess whether payments will be made in accordance with contractual obligations.
Trade reference check	Form of credit check undertaken for international debtors.

GOVERNANCE

Parent policy	Cash & Financial Management Policy
Supporting schedules	N/A
Associated procedures	Accounts Receivable Procedure Research Pricing Procedure
Legislation mandating compliance	N/A
Category	Operational
Approval	Chief Financial Officer and Senior Vice-President



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