

POLICY BRIEF

Issue Revenue - 1: Crimes Victims Assistance (CVA)

Issue :

- *Should a receivable be recognised in relation to CVA debts for accounting purposes?*

Background :

- Crimes Victims Assistance (CVA) receivables relate to monies that the Territory is entitled to recover from an offender equal to the amount of assistance, costs and disbursements paid to victims under the CVA Act. The Territory may recover these monies where an offender is convicted of an offence, and the Territory has paid an amount in respect of the injury or death resulting from the offence.
- Debtors of DOJ totalled \$8.6M (primarily CVA debtors) as at 30 June 2001 and a provision for doubtful debts was raised for around 99.5% of the debt which gives a net debtor of around \$40,000 (\$35,000 as non-current receivables). Approximately 6% of the doubtful debts are written off under section 35 of the *Financial Management Act* as uncollectable during the financial year. Write offs are generally due to offenders being imprisoned for lengthy terms, offenders declared bankrupt or inability to locate offenders. Debtors have increased to \$9.9M as at 31 March 2002. Budgeted CVA receipts are \$120,000 for 2001/02.

Policy :

- AAS 29 and SAC 4 require an asset to be recognised only when it is probable that the future economic benefits embodied in the asset will eventuate and can be reliably measured. Given the nature of CVA receivables and past figures available, it is not considered probable that the future economic benefits (ie: receipt of cash) would eventuate.
- It is therefore proposed that a CVA receivable not be raised for accounting purposes where the receivable is considered unlikely to be recovered (ie: since the recognition criteria for assets will not be met, CVA monies outstanding from offenders will not be recognised as a receivable). Monies recovered will be recognised as revenue when received.
- While a CVA receivable would not be recognised in the Statement of Financial Position, information on CVA receivables will be required for management and accountability purposes and will be required to be disclosed in notes to the financial statements as contingent assets. AASB 1044 requires note disclosure of contingent assets if the probability of obtaining the asset is less than probable but higher than remote. Disclosure of CVA receivables will also need to be made if such information is considered relevant to the users of financial statements.
- Although for accounting purposes, CVA receivables do not meet the recognition criteria for assets, DOJ will still be responsible for the management and accountability of CVA debts (imposed by the courts) and the write off (where appropriate) of such debts in accordance with the requirements of the *Financial Management Act*.

References :

- AAS 29, AASB 1044, SAC 4
- Treasurer's Directions : A2.1 Assets Overview, A2.7 Receivables