



Periodic Reporting on Payment of Invoice Against Credit Term Procedure

1. Guiding Principles

Treasurer's Instruction (TI) 323 requires commercial invoices to be paid within 30 days from the *date of claim*, unless the underlying contract specifies otherwise, or a discount is available.

Section 613 of the [Financial Management Manual](#) (FMM) specifies the rules that apply to creditor terms of payments for purchases made through Accounts Payable processes. It does not apply to purchases made through petty cash or purchasing cards; in such cases, [s621](#) FMM and [s625](#) FMM apply respectively.

According to [s613](#) FMM, creditor terms of payment are to be set at 30 days, unless:

- the contractual terms agreed with the creditor specify alternative terms of payment
- a discount is available for early payment
- the creditor falls within one of the exempt categories specified in Appendix [613-A](#) FMM
- otherwise approved by the Group Director System Finance (Department of Health).

Timely payment of accounts was tested by Ernst & Young when they conducted the WA Country Health Service (WACHS) 2017 Financial Control Health Checks. It was found that about 1/3 of sampled transactions were not paid within 30 days. This finding represents potential compliance breaches with [s613](#) FMM and [TI 323](#).

In response to the audit finding, WACHS management has agreed to undertake periodic reporting using Oracle data to determine whether the "last payment date" was made within the credit term applied to the invoice.

Requirement

Effective immediately, all regions are required to undertake the process/procedure described below, to identify and address any anomalies or key trends of failure of paying creditors within the credit term. This checking is to be carried out at least monthly, if not more frequent.

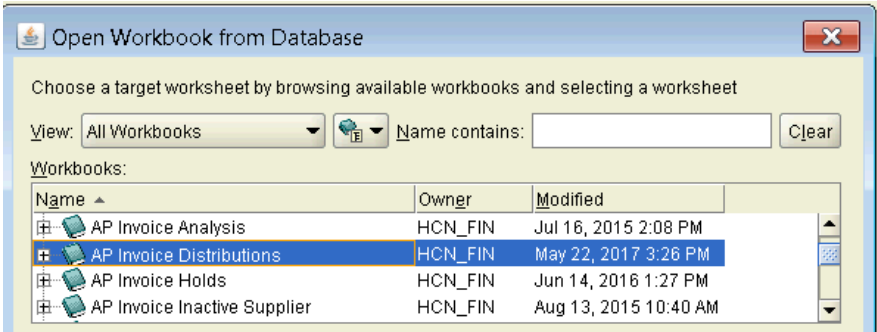
Evidence of compliance with this procedure must be maintained by Regional Finance Managers, with the detail of action taken to ensure timely payment to creditors. This can be achieved by saving the relevant reports and detailed action taken on the various items documented therein.

Follow up e-mails sent to various incurring officers to obtain invoices not received by Finance to be saved and retained. These will also serve as an audit trail to evidence the action taken by Finance and other departments to ensure that payment terms of creditors are adhered to.

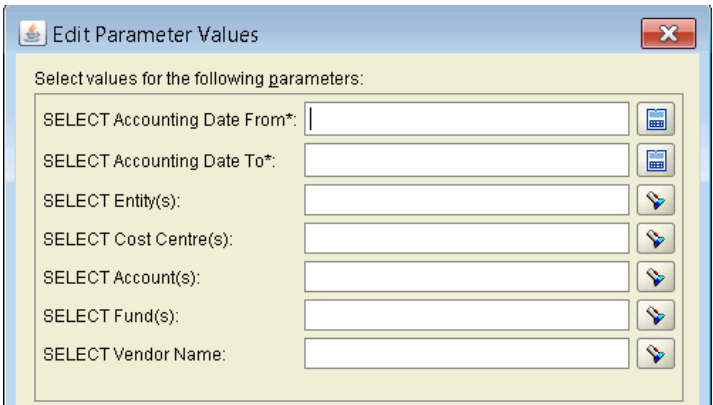
2. Procedure

2.1 In Oracle Discoverer, perform the undermentioned steps to generate a report that would reflect the status of payment on invoices recorded in the system. This will enable the review of actual performance against the credit term for each creditor.

a) Log on to Oracle Discoverer and select report “AP Invoice Distributions”.

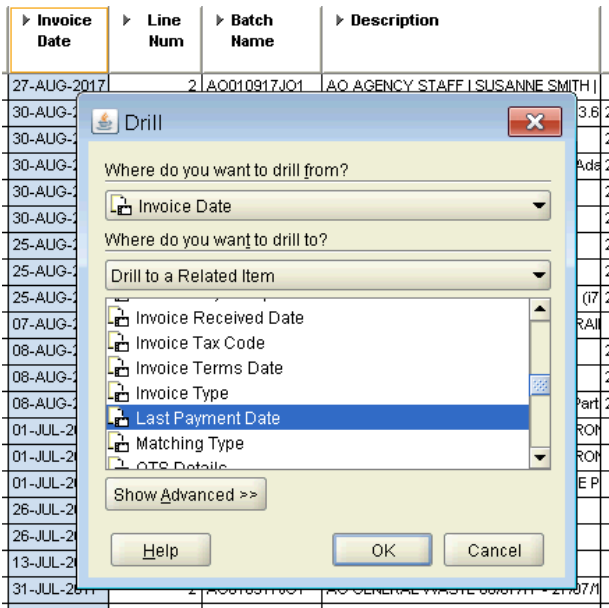


b) Enter report parameters:



Please note the scope of this process include both entity 080 and 180.

c) When the report is generated, right click on “Invoice Date” and drill down to “Last Payment Date”



An additional column with heading “Last Payment Date” will be inserted next to “Invoice Date”

Invoice Date	Last Payment Date	Line Num	Batch Name
27-Aug-2017	21-Sep-2017	1	GOV102886

d) Export the report to Excel.

- 2.2 When an invoice contains multiple line items or the expenditure is split among multiple cost centres, each line is shown separately in the above report with the invoice number repeated more than once. These duplications need to be removed to avoid counting error.

Open the Excel report and select all rows. From the menu bar,

Select Data => Remove duplicates => Unselect all => select Invoice number => OK

- 2.3 Insert two columns after “Last Payment Date” and label them “Days until paid” and “Within credit term (1 = yes, 0 = no)”

Invoice Date	Last Payment Date	Days until paid	Within credit term? (1 = yes, 0 = no)	Line Num	Batch Name

- 2.4 To calculate the number of days between invoice date and last payment date, enter the following formula in “Days until paid”

= last payment date – invoice date

- 2.5 Assuming the vendor is on a 30 days credit term, enter the following formula in “Within credit term?” to check if the vendor is paid on time

=IF (Last payment date="", "Not yet paid", IF (Days until paid<30,1,0))

E.g.

Vendor Name	Invoice Number	Invoice Date	Last Payment Date	Days until paid	Within credit term? (1 = yes, 0 = no)
GEL GOV GROUP PTY LTD	GOV102886	27-Aug-2017	21-Sep-2017	26	1

- 2.6 Pivot table and other detail analysis can then be carried out to identify anomalies or trends of failing to pay vendors by credit term.

E.g.

	Data	
Within credit term? (1 = yes, 0 = no)	Count of Invoice Number	Count of Invoice Number2
0	85	32.20%
1	87	32.95%
Not yet paid	92	34.85%
Grand Total	264	100.00%

- 2.7 Anomalies and trends identified in [2.6](#) above (including those invoices in the category of 'Not yet paid' as they could be either not yet due for payment or past due) need to be investigated and addressed. Actions taken include sending reminder to relevant staff, reviewing workflow in approving invoices, and escalation to senior management.
- 2.8 On a monthly basis the information derived from the above process must be summarised into the Template as provided in [Appendix 1 - Summary Review of Invoice Payments Report](#) and sent through to WACHS Central Office Finance (Policy and Statutory Reporting). The information must be submitted by the tenth day for the preceding month i.e. if reporting on 10 November, the data is required to be supplied for the September month end. This will provide regional managers adequate time to obtain information behind possible delayed payments and take necessary follow up action.
- 2.9 WACHS Central Office is to prepare a consolidated report to WACHS Executive as part of the monthly information reporting to Senior Management. This report is to be submitted along with other finance reports included in the reporting package.

Important note

1. Not all vendors are on 30 days credit term. Please refer to Appendix [613-A Categories of Exempt Creditors](#) of FMM for vendor categories that have a credit term of less than 30 days.
2. For Categories of Exempt Creditor, the formula in [2.5](#) above needs to be adjusted in accordance with the credit term of individual category to accurately reflect if payment is made on time.

3. Roles and Responsibilities

As described above.

4. Compliance

Failure to comply with this procedure may constitute a breach of the WA Health Code of Conduct (Code). The Code is part of the [Employment Policy Framework](#) issued pursuant to section 26 of the [Health Services Act 2016](#) (HSA) and is binding on all WACHS staff which for this purpose includes trainees, students, volunteers, researchers, contractors for service (including all visiting health professionals and agency staff) and persons delivering training or education within WACHS.

WACHS staff are reminded that compliance with all policies is mandatory.

5. Evaluation

Monitoring of compliance with this document is to be carried out by Policy and Statutory Reporting function information submitted through the monthly reporting process and template provided.

6. Standards

[EQuIPNational Standards](#) - Standard 15.8

7. References

Treasurer's Instruction 323 [Timely Payment of Accounts](#)

8. Related WA Health Policies

[Financial Management Manual](#)

9. WA Health Policy Framework

[Financial Management Policy Framework](#)

10. Appendix

[Appendix 1 - Summary Review of Invoice Payments Report](#)

**This document can be made available in alternative formats
on request for a person with a disability**

Contact:	Senior Accountant, Policy and Statutory Reporting (K.Gunasekara)		
Directorate:	Business Services / Finance	TRIM Record #	ED-CO-17-64858
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