

TREASURER'S INSTRUCTION 11

PAYMENT OF CREDITORS' ACCOUNTS

Reissued: 1 January 2019

Effective: 1 January 2019

Scope

11.1 This instruction applies to all public authorities unless otherwise stated.

Objective

11.2 To prescribe the policy for the payment of creditors' accounts by public authorities including, where required under the *Late Payment of Debts (Interest) Act 2013*, the payment of interest on overdue accounts.

11.3 To require public authorities' to report account payment performance information to the Department of Treasury and Finance.

11.4 To enable public authorities to charge other public authorities interest on overdue accounts.

11.5 To prohibit payment for goods not received and services not rendered.

Interpretation and Definition

11.6 This instruction should be interpreted and applied in accordance with Treasurer's Instruction 1 *Interpretation and Application*.

11.7 For the purposes of this instruction:

- (a) "designated contract" has the same meaning as "designated contract" defined in section 3 of the *Late Payment of Debts (Interest) Act 2013*.
- (b) examples of where an invoice or claim, or an account, may be disputed include (but are not limited to) cases where –
 - (i) an invoice is not accurate in relation to GST; or
 - (ii) goods have not been received or services have not been rendered; or
 - (iii) an amount that is charged is not consistent with a quote, purchase order or contract; or
 - (iv) the quality or quantity, or delivery, of goods or services is not in accordance with a quote, purchase order or contract.

- (c) “not-for-profit organisation” means an organisation of that meaning under the Premier and Cabinet Circular 044 South Australian Funding Policy for the Not for Profit Sector.

Instruction

Payment of creditors' accounts

- 11.8 For any public authority that is not a public authority for the purposes of the *Late Payment of Government Debts (Interest) Act 2013* the Chief Executive of each public authority shall ensure that undisputed creditors' accounts are processed promptly.
- 11.8.1 Where a commercial discount is offered by a creditor for payment within a specified period, payment should be made within the period specified.
- 11.8.2 Where a creditor's invoice or claim is submitted in connection with a written contract between a public authority (including a Minister) and the creditor, payment should be made in accordance with the terms specified in the contract.
- 11.8.3 For all other undisputed invoices or claims, payment should be made within thirty days of:
- (a) the date the GST compliant invoice is first received by the public authority.
 - (b) where account payment functions and responsibilities are subject to an outsourced service arrangement, the date the GST compliant invoice is first received by either the public authority or the service provider, which ever comes first.
- 11.9 Public authorities must not withhold payment, beyond the timeframes set out in clause 11.8, of undisputed creditors' accounts on cash management grounds without the approval of the Treasurer or the Treasurer's delegate.
- 11.10 The Chief Executive of each public authority must develop, document, implement and maintain policies, procedures, systems and internal controls relating the payment of creditors' accounts.
- 11.11 An invoicing public authority may charge a public authority, where payment is not received within 30 days, based on the Official RBA cash rate plus a penalty of five percent per annum on the daily outstanding balance.
- 11.12 Subject to clause 11.12.1, public authorities that are administrative units must not make payments in advance for goods that have not been received or for services not yet rendered.
- 11.12.1 Payments in advance for goods that have not been received or for services not yet rendered may only be made as follows:
- (a) it is in the ordinary course of business to make such payments; or
 - (b) it is deemed by the Under Treasurer or the Under Treasurer's delegate to be a payment in accordance with clause 11.12.1(a); or

- (c) the payment is made via a purchase card or stored value card governed by TI 12 *Government Purchase Cards and Stored Value Cards* and the payment does not exceed \$2,000 (inclusive of GST) and it is in the ordinary course or manner of business to make such payments; or
- (d) the payment represents a deposit of 10% or less of the total value of goods to be received; or
- (e) the Treasurer has provided express approval for the payment to be made; or
- (f) where the payment does not exceed \$25,000 (inclusive of GST) and the Chief Executive considers it to be in the best interest of the SA Government to make a payment in advance for goods that have not been received or for services not yet rendered – then the payment may be made with the express approval of the responsible Minister; or
- (g) unless otherwise approved by the Chief Executive, the payment, being no more than 25 percent of the annual payment amount, is being made to a not-for-profit organisation under the terms of an agreement that is in the form approved by the Department of Treasury and Finance (as varied, in a particular case, by the Crown Solicitor, or with the approval of the Department of Treasury and Finance).

11.13 Subject to clause 11.13.1, public authorities that are not administrative units must not make payments in advance for goods that have not been received or for services not yet rendered.

11.13.1 Payments in advance for goods that have not been received or for services not yet rendered may only be made as follows:

- (a) it is in the ordinary course of business to make such payments; or
- (b) it is deemed by the Under Treasurer or the Under Treasurer's delegate to be a payment in accordance with clause 11.13.1(a); or
- (c) the payment is made via a purchase card or stored value card governed by TI 12 *Government Purchase Cards and Stored Value Cards* and the payment does not exceed \$2,000 (inclusive of GST) and it is in the ordinary course or manner of business to make such payments; or
- (d) the payment represents a deposit of 10% or less of the total value of goods to be received; or
- (e) the Treasurer has provided express approval for the payment to be made;
- (f) where the payment does not exceed \$25,000 (inclusive of GST) and the Chief Executive considers it to be in the best interest of the SA Government to make a payment in advance for goods that have not been received or for services not yet rendered – the payment may be made with the express approval of the responsible Minister; or
- (g) unless otherwise approved by the Chief Executive, the payment, being no more than 25 percent of the annual payment amount, is being made to a not-for-profit organisation under the terms of an agreement that is in the form approved by the Department of Treasury and Finance (as

varied, in a particular case, by the Crown Solicitor, or with the approval of the Department of Treasury and Finance).

11.14 For the purposes of clause 11.12.1(a) and 11.13.1(a), payments in advance for items such as insurance, leases where the agreement states that payments must be made monthly in advance, motor vehicle registrations, subscriptions, telephone rental, water rates and similar would be considered to be in the ordinary course of business.

Reporting of account payment performance

- 11.15 (1) The Chief Executive of a public authority must, within 21 days after the end of each month, forward to:
- (a) the Department of Treasury and Finance; and
 - (b) the Minister with responsibility for the public authority,
- a report detailing in relation to the month that has just ended:
- (c) the public authority's account payment performance by volume and value in a form determined by the Department of Treasury and Finance; and
 - (d) an analysis/explanation of the public authority's account payment performance including action taken or to be taken; and
 - (e) unless a report is provided under subclause (2), the total value of interest paid by the public authority and the number of creditors' invoices/claims on which the interest was paid.
- (2) The following information must be included in a report under section 8 of the *Late Payment of Government Debts (Interest) Act 2013* in relation to the month to which the report applies:
- (a) the number of payments of interest made under the Act; and
 - (b) the amount of each interest payment and the total amount of interest paid for the month; and
 - (c) in the case of a payment that has been made after the resolution of a dispute under the Act – information about the nature of the dispute and the dispute resolution process.
- (3) In a case where the report under section 8 of the *Late Payment of Government Debts (Interest) Act 2013* is furnished to the governing body of a public authority under section 8(2)(b) of that Act, a copy of the report must also be furnished to the Minister with responsibility for the public authority.
- (4) A copy of a report under subclause (2) must be provided to the Department of Treasury and Finance at the time that it is provided to an entity under section 8 of the *Late Payment of Government Debts (Interest) Act 2013*.
- (5) The information provided in a report under this clause must be certified correct by the Chief Finance Officer of the public authority.

Invoice Requirements

11.16 For the purposes of the *Late Payment of Government Debts (Interest) Act 2013*, an invoice or claim under section 5(1)(c) of the Act must set out:

- (a) the name and address of the creditor;
- (b) the creditor's ABN (if any);
- (c) the invoice number or claim number, or a unique identifier; and
- (d) the name and address of the public authority to which the good or service was provided to.

For queries relating to TI 11 contact:
Department of Treasury and Finance

Advisory and Professional Development
Telephone No. (08) 8226 9529

For queries relating to interest being paid on the late payment
of debts under the *Late Payment of Debts (Interest) Act 2013*
contact:

Shared Services SA
Telephone No (08) 8462 1304