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Enquiries: HC Burger

Financial Accounting Minute: 0001/2020

To: Superintendent-General, Deputy Directors-General, Chief Directors, Directors (Head Office and district offices), and Heads of all subdirectorates and divisions, and finance personnel

Subject: In-year monitoring of invoices not settled within 30 days after receipt

1. The purpose of this minute is to provide guidelines and procedures with regards to the critical aspects and steps that must be taken by all the relevant role players throughout the Western Cape Education Department (WCED) to report on invoices not settled within 30 calendar days from the date of receipt, to Provincial Treasury within 10 days after month end.

2. Legislative framework

This minute is issued in terms of the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999), and must be read together with:

- 2.1 Regulations 8.1 and 8.2 of the National Treasury Regulations (NTR), issued on 15 March 2005, in terms of section 76 of the PFMA;
- 2.2 National Treasury Circular, dated 26 March 2018, on the timeous payment of invoices and claims;
- 2.3 Chapter 8.1 of the Provincial Treasury Instructions (WCPTI), issued on 02 November 2009, in terms of section 18(2)(a) of the PFMA; as well as
- 2.4 Provincial Treasury Circular 0035/2014, dated 27 August 2014, with regard to financial reporting on late payments, unpaid invoices and reporting on accruals and payables.

3. **Background**

- 3.1 Financial Accounting Minute 0004/2012, dated 06 September 2012, is hereby repealed and replaced in its totality owing to new financial reporting requirements.
- 3.2 Provincial Treasury Circular 0035/2014, dated 27 August 2014, requires departments to report **monthly** on invoices paid after 30 days of receipt and invoices that have not been paid.

4. **Annexures**

The following annexures provide guidance on payments, completion of input forms and supporting documents:

- 4.1 **Annexure A:** Register of late payments
- 4.2 **Annexure B:** Register of unpaid invoices
- 4.3 **Annexure C:** Common errors made

5. **Delegated officials are responsible for ensuring that BAS authorisers comply with the requirements spelled out in this minute.**

6. **Invoices settled after 30 days of receipt**

- 6.1 Officials are hereby reminded of Regulation 8.2.3 of the NTR, 2005, which states that *“Unless determined otherwise in a contract or other agreement, all payments due to creditors must be settled within 30 days from receipt of an invoice or, in case of civil claims, from the date of settlement or court judgement.”*
- 6.2 If a payment due to a creditor is made after 30 days of receipt of the final invoice, the reason for the delayed payment must be provided on the attached register of late payments (see **Annexure A**).
- 6.3 All relevant dates (e.g. “source document date”, “source document receipt date”) must be captured correctly on the financial system. These dates are crucial for ageing purposes, because these dates are used in the automated systems report (e.g. KITSO) to determine whether an invoice was settled within the prescribed period of 30 days or not by evaluating the invoice receipt date and the date the settlement reflects in the supplier’s bank account (action date). Authorisation date cut-offs for specific payment runs and action dates can be obtained from the BAS Systems Controller in the manual payment release (MPR) dates document. Invoices should be date stamped on the date of receipt for the same purpose. It is important to note that when an invoice received is referred back to a creditor for correction, the new date of receipt of the corrected invoice should be captured under “source document receipt date” and not the date when the original invoice was received. If

the aforementioned is not done, the payment would be marked as a “late payment” and remedial actions and action plans will be required from the responsible official(s).

6.4 If a new payment is prepared as a replacement, the cancelled voucher number should appear on it – thus creating a link between the cancelled voucher, the replacement voucher and the supporting documentation.

7. **Authorisation date vs. payment run date**

7.1 **Authorisation date**

The authorisation date refers to the date that the payment is authorised on the relevant system (i.e. BAS/LOGIS) by the relevant official.

7.2 **Payment run date**

The payment run date refers to the scheduled payment release dates governed and established by Provincial Treasury whereby the system automatically releases payments. NB: Remember that the payment will only reflect in the supplier's bank account (action date) three working days after the **payment run date**. The MPR dates are circulated by the BAS Systems Controller.

8. The date of a contract (e.g. learner transport agreement) should not be used as a source document received date instead of the invoice received date, as this may erroneously result in payments being reported as late payments.

9. Offices dealing with invoices and/or payments must keep a monthly register of identified late payments, with corresponding reasons as well as remedial steps to avoid a reoccurrence, and report all such late payments as well as all unpaid invoices older than 30 days from receipt of invoice to the Directorate: Financial Accounting's Batch Control Unit by the **first working day after every month end (Annexure A)**.

10. Unpaid invoices older than 30 days and payments settled after 30 days of receipt of the invoice will be seen in a serious light and only valid reasons for late payments will be accepted in such instances. A delay in the processing of the invoices results in interest being incurred on the account. Interest is categorised as fruitless and wasteful expenditure according to section 1 of the PFMA. Delays in payments also impact negatively on the cash flow of service providers, and to a larger extent, on the capacity of emerging suppliers and small, medium and micro-enterprises (SMMEs) to deliver goods and services.

11. In terms of National Treasury Circular, dated 26 March 2018, officials responsible for the late or non-payment of suppliers commit financial or ordinary misconduct and the relevant authorities must institute disciplinary steps against those employees.

12. It is essential that the contents of this minute is brought to the attention of all officials dealing with the preparation, processing and authorising of payments and journals on the financial system. Your cooperation is appreciated.

SIGNED: LJ ELY

DEPUTY DIRECTOR-GENERAL: CORPORATE SERVICES

DATE: 2020-02-25

COMMON ERRORS MADE

	COMMON ERRORS	CORRECTIVE MEASURES
1	INVOICES: Suppliers not paid timeously (late payments to suppliers result in penalties and interest being charged)	Suppliers must be paid within 30 days of receipt of their invoices (NTR 8.2.3). Invoices must be stamped with a date stamp on the day of receipt.
2	INVOICES: Source document receipt dates not changed when incomplete information is received from suppliers	The compiler should change/re-enter the source document receipt date if information was missing from the supplier's invoice.
3	INVOICES: Invoice dates captured incorrectly	Be careful not to capture the invoice date under the source document received date. Source document received date refers to the date the invoice was received by the WCED. Use the "received" date stamp date.
4	SOURCE DOCUMENT RECEIVED DATE VS. INVOICE DATE	Source document received date: The date upon which the physical or soft copy invoice is received by the WCED. Invoice date: Date upon which the invoice was created by the supplier. This date will be reflected on the actual invoice.
5	SOURCE DOCUMENT RECEIVED DATE: Incorrect date used as source document received date	The official who is capturing the invoice must ensure that he/she captures the date the invoice was received and not the date on the invoice (e.g. check the "received" date stamp on the payment voucher).
6	PAYMENT RELEASE AND ACTION DATE	30 days are calculated from the source document received date captured on BAS up to the action date. Authorisers should therefore be mindful of these dates and authorise their payments before the relevant payment run date, which will ensure that the action date falls within the 30 day requirement.
7	BAS RUN DATES: Manual payment release dates	BAS payment release dates are sent to all BAS users, indicating when payments will be released. NB!! Take note of action dates as it represents the date the monies will reflect in suppliers' bank accounts.