

File no.: 4/2/P  
Reference: 20240209-1591

Financial Accounting Minute: 0003/2024

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

**Subject: Reporting of all invoices received and processed by the WCED offices**

1. The purpose of this minute is to provide guidelines and procedures with regards to critical aspects and the steps that must be taken by all the relevant role players throughout the Western Cape Education Department (WCED) to report on the following:
  - 1.1 Reporting of information on payment of suppliers' invoices as required by the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999), Compliance and Reporting Framework, National Treasury Instruction No. 4 of 2022/2023.
  - 1.2 Reporting of invoices not settled within 30 days to Provincial Treasury, within 10 days after month-end.
  - 1.3 Accruals and payables which are not recognised must be reported on a quarterly basis, electronically, by submitting a fully completed and up-to-date standardised register to the Batch Control Unit, within five calendar days after every quarter. In the case of a zero accrual, a nil return must still be submitted for control purposes.
2. **Legislative framework**
  - 2.1 This minute is issued in terms of the PFMA and must be read together with the PFMA Compliance and Reporting Framework, National Treasury Instruction No. 4 of 2022/2023. Refer to Annexure A for further legislative frameworks relevant to this minute.
  - 2.2 The following minutes are repealed owing to new financial reporting requirements:
    - 2.2.1 Financial Accounting Minute 0001/2020, dated 25 February 2020; and
    - 2.2.2 Financial Accounting Minute 0002/2020, dated 25 February 2020.

### 3. **Annexures**

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

- 3.1 **Annexure A:** Legislative framework
- 3.2 **Annexure B:** Register of all supplier invoices (paid and unpaid) – for analysis of quarterly reporting, unpaid invoices, late payments, and accruals and payments
- 3.3 **Annexure C:** Common errors made

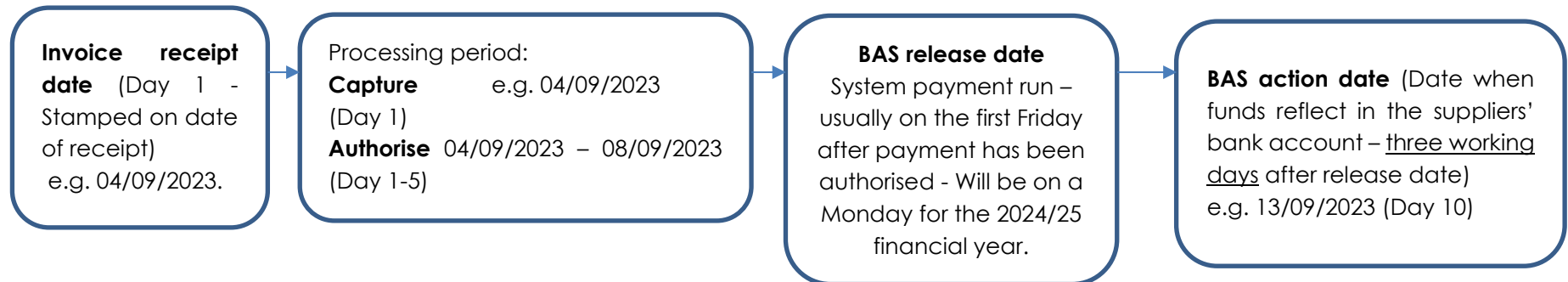
### 4. **Responsibilities**

- 4.1 Delegated officials are responsible for ensuring that Basic Accounting System (BAS) authorisers comply with the requirements set out in this minute.
- 4.2 Officials dealing with payments are responsible for determining the number of days that payment(s) will take for it to be processed on BAS by using the Manual Payment Run schedule. They need to plan sufficiently for final capturing and authorisation on BAS, failing which they have to provide reasons for late payment(s) and implement remedial steps to prevent reoccurrence.

### 5. **Invoices settled after 30 days of receipt**

- 5.1 Officials are hereby reminded of regulation 8.2.3 of the National Treasury Regulations (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 the case of civil claims, from the date of settlement or court judgement.”*
- 5.2 All payments due to creditors both made within 30 days and after 30 days of receipt of the final invoice must be captured on the register for payments, and reasons for late payments must be provided on the attached register. (Refer to Annexure B.)

### 5.3 Process flow for the calculation of days to process payments within 30 days



5.3.1 **NB:** As can be seen from the above example it can take 10 or more days (public holidays will delay BAS release and action dates) for the funds to be paid into the suppliers' bank account after the transaction has been authorised on BAS. Even if a payment is authorised on day 20, it could take the full 30 days for the payment to reflect in the suppliers' bank account. The 30 days granted in terms of regulation 8.2.3 of the NTR include weekends, public holidays, and the days it takes for the funds to reflect in the suppliers' bank account. The payment sections, therefore, need to take into consideration weekends and public holidays when calculating the number of days it takes for the funds to reflect in the suppliers' bank account to avoid payments being made late. Therefore, eight days should be deducted for weekends plus public holidays and the period between authorisation date and the BAS action date should also be deducted from the given 30 days.

5.3.2 Thus, it is recommended that payment offices aim to authorise all payments within seven days of receipt of a valid invoice, to ensure that suppliers receive their funds within 30 days of submitting a valid invoice.

6. **In terms of the PFMA, Compliance and Reporting Framework, the reporting of all payments is required as follows:**

6.1 **Information on payment of suppliers' invoices**

6.1.1 **Valid invoices received**

All valid invoices received must be recorded by all officials receiving invoices, including project managers, directors, Supply Chain Management staff, and pay point officials on Annexure B (Register of all supplier invoices - paid and unpaid). This is for analysis of quarterly reporting, unpaid invoices, late payments, and accruals and payments and must be reported to the Directorate: Financial Accounting's (DFA) Batch Control Unit within one working day after every month end. The offices dealing with invoices and/or payments must record the number on the individual invoices and the total number of invoices.

(a) **Invoices paid within 30 days or agreed period**

On the valid invoices submitted to the DFA, the number on the individual invoices and the total number of invoices that are paid within 30 days must be recorded in Annexure B

(b) **Invoices older than 30 days or agreed period**

For all invoices not paid within 30 days, the number on the individual invoices and the total number of invoices and reasons must be recorded in Annexure B.

(c) **Invoices older than 30 days or agreed period (unpaid and without dispute)**

For all unpaid and without dispute invoices, the number on the individual invoices and the total number of invoices and reasons must be recorded in Annexure B.

(d) **Invoices older than 30 days or agreed period (unpaid and in dispute)**

For all unpaid and in dispute invoices, the number on the individual invoices and the total number of invoices and reasons must be recorded in Annexure B.

6.2 Monthly reporting of these invoice registers in a format required by the PFMA, Compliance and Reporting Framework as per Annexure B, will assist the department's reporting requirements to the Provincial Treasury.

7. **Authorisation date versus payment run/release 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 suppliers' bank account (action date) three working days after the **payment run date**. The Manual Payment Run schedule are circulated by the BAS Systems Controller.

8. **Guidance on how to prevent late payment due to erroneous capturing of dates.**

DESCRIPTION	RULE	OUTCOME
The date of a contract (e.g. learner transport agreement) should not be used as a source for document received date; instead the invoice received date should be used.	In calculating the 30-day rule, the officials should compare the date that the invoice was received by the department against the action date (the date that the payment(s) will reflect in the suppliers' bank account).	This may erroneously result in payment(s) being reported as late.
The invoice date should not be used as an invoice received date.	The invoice date should be captured as per the date that the invoice was created, and <b>the invoice received date should be captured as the date that the invoice was stamped/received by the department.</b>	This may result in payment(s) being reported as late.
The initial invoice receipt date should not be used if the invoice was returned to the supplier for correction.	The date that the invoice was received after correction, should be used as the invoice received date.	This may erroneously result in payment(s) being reported as late.
The claims payable date should not be used as invoice received date.	The invoice received date when the court judgement was passed should be captured and not the claim date.	This may result in payment(s) being reported as late.

9. **Uniform procedures for reporting on accruals and payables**

- 9.1 **Accruals** represent goods or services that have been received or supplied but have not been paid and have not been invoiced or formally agreed on with the supplier, including amounts due to employees.
- 9.2 **Payables** represent goods or services that have been received or supplied and have been invoiced or formally agreed on with the supplier.
- 9.3 Offices dealing with invoices and/or payments must keep and monitor the register for payments (Annexure B) to ensure accuracy for reporting purposes.
- 9.4 Accruals must be reported on quarterly by electronically submitting a fully completed and up-to-date register for payments (Annexure B) to the Batch Control Unit within five calendar days after every quarter end. In case of zero accruals, a nil return must still be submitted for control purposes.

- 9.5 Information on accruals is used by the DFA to compile summarised quarterly reports for submission to Provincial Treasury and this information is included in the disclosure notes of the financial statements.
10. Offices dealing with invoices and/or payments must keep a monthly register of identified late payments (Annexure B), with corresponding reasons as well as remedial steps, to avoid a reoccurrence. They have to report all such late payments as well as all unpaid invoices older than 30 days from receipt of invoice to the DFA's Batch Control Unit by the first working day after every month end.
11. Unpaid invoices older than 30 days and payments settled after 30 days of receipt of the invoice will be viewed 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 could result 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 to deliver goods and services.
12. 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.**
13. It is essential that the contents of this minute are brought to the attention of all officials dealing with the preparation, processing, and authorising of payments and journals of the financial system.

**SIGNED:** LJ ELY

**DEPUTY DIRECTOR-GENERAL: CORPORATE SERVICES**

**DATE:** 2024-03-19