

Category:	Finance
Adoption:	CEO
Review period:	Four years
Responsible Manager:	Manager Financial Services

CEO Signature



Date 17 November 2016

Purpose / Objective:

The Purpose of this Policy is:

- To ensure that Council pays its suppliers for goods and services in accordance with documented processes; and
- To provide a framework for the payment of suppliers for goods and services in accordance with the Local Government Act 1989 and the Building and Construction Industry Security of Payment Act 2002.

Scope of this Policy:

This policy applies to all staff who are involved in the processing of purchase orders and invoice payments to suppliers. The policy also has requirements for Council's suppliers, who should read this policy in conjunction with Council's standard purchasing terms and conditions.

Background / reasons for Policy:

To provide a consistent approach to creditor management for staff and suppliers, as well as ensuring that suppliers receive proper authorisation from Council to supply goods and services in accordance with Council's terms and conditions.

Policy content:

Purchase Orders

When making a purchase, Council is entering into a contract of sale even if no formal agreement exists. Therefore it is extremely important that a purchase order is issued which adequately describes the goods and/or services being purchased.

Suppliers must not supply goods or services without the receipt of a valid purchase order. If a supplier continues to provide goods or services without a valid purchase order the Manager Financial Services can make the supplier inactive within the corporate finance system, and therefore that supplier should no longer be utilised for the purchase of goods and/or services.

Corporate Cards

The preference for small value purchases is for payment to be made by Corporate Purchase Card (refer to Corporate Purchase Card Policy).

Registered Suppliers

Purchases are encouraged to be made from suppliers that are a 'Council Registered Supplier'. A list of registered suppliers is available on the intranet page 'Council Approved Contractors and Council Registered Suppliers'.

A Request to Create a New Supplier form (DOC/14/26877) must be completed by Council staff and forwarded to the Finance Unit. Procurement staff will obtain new supplier details, and ensure suppliers agree to Council's terms and conditions (DOC/14/26878).

Goods Receipting

The process of receipting goods/services is an acknowledgement that the goods or services have been received and that payment can occur as the conditions of the purchase order have been met. A goods receipt should not be processed until the actual goods/services are received to ensure that the financial commitment is correctly stated.

Once the goods or services are received there is a legal obligation to pay for the goods/services and the goods/services receipting process reflects that obligation.

Invoice

For a supplier to receive payment, the goods/services must have been delivered and a valid tax invoice issued by the supplier.

Invoices must comply with the Australian Tax Office (ATO) guidelines that require:

- a tax invoice for all purchases where the supplier is registered for GST (as at June 2016, a tax invoice is required when the invoice value is over \$75 plus GST) and must include:
 - Supplier's ABN
 - The GST price and the GST amount
 - Purchase order number
 - The words "Tax Invoice" stated prominently
 - The date of invoice issue
 - The supplier's name
 - A brief description of the item supplied.

Where the taxable sale is greater than \$1,000, in addition to the above, the tax invoice must also detail:

- The address or ABN of the recipient
- The name of the recipient
- The quantity of the goods or the extent of the services sold.

If the supplier does not have an ABN then the supplier must provide a "Statement by a Supplier". Failure to provide such a statement will result in withholding tax being deducted from the supplier's payment.

Payment

Council pays its suppliers directly to their nominated bank accounts via EFT. A remittance advice will be forwarded to suppliers immediately after EFT payment.

Payments can be made by cheque to ad-hoc suppliers and this will be at the discretion of the Manager Financial Services.

Council's standard payment terms are net 30 days from invoice date and EFT payment runs occur on a weekly basis. Standard payment day is Thursday of each week, however the payment day and terms can be amended by the Manager Financial Services as required for operational purposes.

The following exceptions to the standard payment terms have been recognised as follows:

- Payment must be made within 21 days of receiving a progress claim under the general conditions of contract for building and construction contracts where either AS4000 or AS4905 have been used.
- Payment must be made within 10 business days of receiving a building and construction payment claim under the Building and Construction Industry Security of Payment Act 2002 for building and construction contracts where AS4000 and AS4905 have not been used.
- Payments must be made prior to the due date for leases, gas, water, electricity, fuel, vehicle and plant registrations, telecommunications, and insurances.
- Payments are included in the first available payment run for payments to government bodies, statutory authorities, banking institutions, taxation authorities, superannuation companies, and staff (for reimbursement of expenses).

Other payment terms will not be accepted without the authorisation of the Manager Financial Services.

Payment through the Advance Account

A payment may be processed through the Advance Account if it meets the following criteria:

- The number of payments made to the creditor is not likely to be more than two in the current financial year; and
- The payment is for less than \$3,000, unless it relates to the re-payment of overpaid rates which can be up to \$5,000.

Supplier Masterfile Updates

Supplier details are to be updated within Council's finance system by the Assistant Accountant, and appropriate supporting documentation saved within Council's document management system.

The Finance Officer - Purchasing and members of the Procurement Team have authority to update email addresses and other contact details for suppliers but not payment details, unless authorised by the Manager Financial Services.

The Management Accountant will run a "Creditors Audit Report" monthly and review a small sample selection of changes to ensure that the Masterfile changes have been made by the staff member authorised to do so.

Responsibilities:

The Manager Financial Services is responsible for implementation of this policy.

The Finance Officer (Purchasing) is responsible for processing of payments within terms.

All Council officers have a responsibility to complete purchase orders, receive goods/services and ensure invoices are provided to Finance for processing within the timeframes of this policy.

Definitions:

Goods and Services Tax (GST) – Is a broad-based tax of 10% on most goods, services and other items sold or consumed in Australia. Council is able to recover the GST it pays from the Australian Government.

Australian Business Number (ABN) – Is a unique eleven digit number that identifies the business to the government and community. The majority of businesses are required to hold an ABN.

Statement by Supplier – Certain suppliers are not required to quote an ABN, however in these cases they must provide the Australian Tax Office approved Statement by Supplier form found at <https://www.ato.gov.au/forms/statement-by-a-supplier-not-quoting-an-abn/>

Withholding Tax – When a supplier is not registered for GST, and does not provide a Statement by Supplier, Council is required to withhold from the payment an amount equal to the withholding rate at the time, and forward this to the Australian Taxation Office.

Related Policies:

Mount Alexander Shire Council – Terms and Conditions for Provision of Goods and/or Services (DOC/12/31981)
Corporate Purchase Card Policy

Relevant Legislation:

Local Government Act 1989
Building and Construction Industry Security of Payment Act 2002
A New Tax System (Goods and Services Tax) Act 1999