

## Annual Reporting on Payment of Accounts

**The purpose of this Circular is to provide guidance on annual reporting requirements on payment of accounts performance, updated for the new payment of accounts policy (refer NSWTC 11/12). The Circular applies to departments and statutory bodies subject to the Annual Reports legislation and is applicable to annual reporting periods ending on or after 1 January 2012.**

### Summary:

This Circular is issued in conjunction with the new policy on payment of accounts (refer NSWTC 11/12).

The purpose of this Circular is to provide guidance regarding the annual reporting requirements on payment of accounts performance. The policy on payment of accounts is separately specified in Clause 13 of the *Public Finance and Audit Regulation 2010* and NSWTC 11/12.

Consistent with previous requirements, the *Annual Reports (Departments) Regulation 2010* and the *Annual Reports (Statutory Bodies) Regulation 2010* require agencies to make the following disclosures in their annual reports regarding payment of accounts performance:

- Payment of accounts: Details of performance in paying accounts during the reporting year, including details, where appropriate, of action taken to improve performance in paying accounts.
- Time for payment of accounts: All instances where interest has been paid under clause 13 of the *Public Finance and Audit Regulation 2010* and the reason for the delay in making the payment which led to the payment of the interest.

In accordance with these requirements, this Circular determines the performance payment indicators that must be disclosed by agencies in their annual reports, which have been updated to require separate disclosure for small business suppliers and other suppliers, consistent with the new payment of accounts policy. The disclosures on penalty interest have also been extended. The Circular includes a sample disclosure that satisfies the above requirements.

In addition, as outlined in NSWTC 11/12, agencies must provide quarterly reports on payment performance to their chief executive officer (CEO) and the Department of Finance and Services (DFS). The CEO must monitor payment performance.

This Circular applies to departments and statutory bodies subject to the *Annual Reports (Statutory Bodies) Act 1984* and *Annual Reports (Departments) Act 1985* and the associated Regulations, for annual reporting periods ending on or after 1 January 2012 (i.e. from the 2011-12 annual report).

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## Payment of Accounts Performance Reporting

### 1. Background

This Circular is issued in conjunction with the new policy on payment of accounts (refer NSWTC 11/12).

The purpose of this Circular is to provide guidance concerning the annual reporting requirements on payment of accounts performance. The policy on payment of accounts is separately specified in Clause 13 of the *Public Finance and Audit Regulation 2010* and NSWTC 11/12.

In general terms the payment of accounts policy (refer NSWTC 11/12) is summarised as follows:

*Small businesses:*

- Payment for goods and services must be made not later than 30 days from the date of receipt of a correctly rendered invoice or statement, unless an existing contract or standing offer (i.e. pre 14 July 2011) provides for an alternative time period.
- Where payment is not made within the specified time period, agencies must automatically pay penalty interest, unless an existing contract (i.e. pre 14 July 2011) specifies otherwise, from 1 January 2012.

*Other suppliers; i.e. not small businesses:*

- Payment for goods and services must be made by the end of the month following the month in which a correctly rendered invoice or statement is received, when a contract for goods or services does not provide for the time of payment.
- If payment is not made within this time, the Head of the Agency (or delegate) may automatically pay the supplier penalty interest.

The *Annual Reports (Statutory Bodies) Regulation 2010* and the *Annual Reports (Departments) Regulation 2010* provide that agencies must disclose details of performance in paying accounts, assessed in accordance with indicators determined by the Treasurer from time to time. The indicators referred to in the Regulation are outlined below, together with a summary of the annual reporting requirements.

### 2. Application

This Circular applies to departments and statutory bodies subject to the *Annual Reports (Statutory Bodies) Act 1984* and *Annual Reports (Departments) Act 1985* and the associated Regulations, for annual reporting periods ending on or after 1 January 2012. This Circular is issued in conjunction with the new payment of accounts policy (refer NSWTC 11/12).

### 3 Annual reporting requirements

#### 3.1 Payment of accounts performance information

Agency annual reports must disclose the following payment of accounts performance information<sup>1</sup>:

- Ageing of accounts payable - A schedule of accounts payable **at the end of each quarter** of the financial year showing the dollar amounts and the dissections as follows, **separately disclosed for all suppliers and small business suppliers**:
  - Current (i.e. within due date)
  - Less than 30 days overdue
  - Between 30 and 60 days overdue
  - Between 61 and 90 days overdue
  - More than 90 days overdue

The overdue period is calculated from the due date in terms of NSWTC 11/12.

- Details of accounts due or paid within each quarter – A schedule of the number and dollar amount of accounts / invoices due or paid **within each quarter** of the financial year as follows, **separately disclosed for all suppliers and small business suppliers**<sup>2</sup>:
  - Number of accounts due for payment
  - Number of accounts paid on time
  - Actual percentage of accounts paid on time (based on number of accounts)
  - Dollar amount of accounts due for payment
  - Dollar amount of accounts paid on time
  - Actual percentage of accounts paid on time (based on dollar amount of accounts)
  - Number of payments for interest on overdue accounts (refer section 3.2)
  - Interest paid on late accounts (refer section 3.2)
- Commentary on action taken:
  - In the annual report, agencies must provide brief commentary on problems affecting prompt processing of payments during the year and on initiatives implemented to improve payment performance. The initiatives should include action taken as a result of any complaints received by the accounts complaint officer referred to in clause 13 of the *Public Finance and Audit Regulation 2010*.
  - As well as detailing all instances where interest has been paid (refer schedule above), the reason for the delay in making the payment that led to the payment of interest must be disclosed.

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<sup>1</sup> Entities not subject to NSWTC 11/12 (e.g. universities which are not subject to Treasurer's Directions) are not required to provide the information regarding small business suppliers.

<sup>2</sup> This information is largely consistent with the agency template for quarterly reporting to CEOs and DFS required by NSWTC 11/12.

### 3.2 Transitional requirements

This Circular is issued in conjunction with the new payment of accounts policy (NSWTC 11/12). The Circular applies from annual reporting periods ending on or after 1 January 2012, while the new payment of accounts policy is effective from 14 July 2011.

There will be a transitional period before the new policy and reporting requirements are fully operational. Penalty interest payments to small businesses will apply from 1 January 2012. In addition, there will be a period during which existing contracts expire (where these contracts include alternative terms) and suppliers will need to identify themselves as a small business. As a result, the information collected regarding small business suppliers for 2011-12 will not necessarily be complete. Nevertheless, this Circular requires disclosures in accordance with section 3.1 for the full 2011-12 annual reporting year, to the extent possible.

The effect of the transition to the new payment of accounts policy on the small business supplier payment of accounts performance disclosures must be explained in the annual report e.g. the extent to which the new payment of accounts policy is fully operational across the different quarters, including the extent to which small business suppliers have had the opportunity to identify themselves.

### 4. Other reporting requirements

*Quarterly reports to CEOs and to DFS<sup>3</sup>:*

- Agencies subject to the payment of accounts requirements in NSWTC 11/12 are required to provide quarterly reports to their CEOs and DFS, separately reporting on small business and other supplier payment of accounts performance.
- Reports on payment of accounts performance will be published on the DFS website. The agency reporting template format to be used for the quarterly reporting is attached to NSWTC 11/12 and is largely consistent with the reporting required for the annual report (except for additional information required in the annual report regarding ageing of accounts payable).
- CEOs are required to monitor payment of accounts performance.

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<sup>3</sup> Entities not subject to NSWTC 11/12 (e.g. universities), are not required to submit quarterly information to DFS.

**Sample Disclosure – Payment of Accounts for Goods and Services**

The following is an example of the annual reporting disclosure format for payment of accounts performance. Agencies may use another format as long as it complies with the annual reporting disclosure requirements.

**Aged analysis at the end of each quarter**

Quarter	Current (i.e. within due date) \$'000	Less than 30 days overdue \$'000	Between 30 and 60 days overdue \$'000	Between 61 and 90 days overdue \$'000	More than 90 days overdue \$'000
<b>All suppliers</b>					
September					
December					
March					
June					
<b>Small business suppliers<sup>4</sup></b>					
September					
December					
March					
June					

**Accounts due or paid within each quarter<sup>5</sup>**

Measure	Sept	Dec	Mar	Jun
<b>All suppliers</b>				
Number of accounts due for payment				
Number of accounts paid on time				
Actual percentage of accounts paid on time (based on number of accounts)				
Dollar amount of accounts due for payment				
Dollar amount of accounts paid on time				
Actual percentage of accounts paid on time (based on \$)				
Number of payments for interest on overdue accounts				
Interest paid on overdue accounts				

<sup>4</sup> The effect of the transition to the new payment of accounts policy on the small business supplier payment of accounts performance disclosures must be explained in the annual report, as discussed in section 3.2.

<sup>5</sup> Table is largely consistent with the template for quarterly reporting to CEOs/DFS, required by circular NSWTC 11/12.

**Accounts due or paid within each quarter (continued)**

Measure	Sept	Dec	Mar	Jun
<b>Small business suppliers<sup>6</sup></b>				
Number of accounts due for payment to small businesses				
Number of accounts due to small businesses paid on time				
Actual percentage of small business accounts paid on time (based on number of accounts)				
Dollar amount of accounts due for payment to small businesses				
Dollar amount of accounts due to small businesses paid on time				
Actual percentage of small business accounts paid on time (based on \$)				
Number of payments to small business for interest on overdue accounts				
Interest paid to small businesses on overdue accounts				

**Commentary**

Agencies must provide separate disclosures for small business suppliers and other suppliers, as follows:

- Discussion of problems affecting prompt processing of payments during the year and on initiatives implemented to improve payment performance.
- Where penalty interest has been incurred (refer schedule above), a summary of the reasons for the delay in making the payments that led to the payment of interest (including an explanation of the small business supplier transitional provisions, which require the payment of interest from 1 January 2012).

<sup>6</sup> The effect of the transition to the new payment of accounts policy on the small business supplier payment of accounts performance disclosures must be explained in the annual report, as discussed in section 3.2.