



# The Payment Times Reporting Scheme

*Presented by*

Gavin Steinberg

CEO, Satori Group

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# Agenda

Topics	Timing
The PTRS ACT	2 Minutes
The PTRS Process	5 Minutes
Challenges and Benefits	15 Minutes
Automating the process	3 Minutes
Questions	5-10 Minutes

# WHAT is the Payment Times Reporting Scheme (PTRS)?

## Act of Parliament

- Effective 1<sup>st</sup> January 2021

## Objective

- Encourage companies to pay SEs quicker (terms)
- Increase transparency
- Help SEs choose who they want to work with
- Incentives for improved payment times
- Help the public choose who they want to buy from

SE= Small Enterprise < \$10m Annual Rev  
Stats

- Ave \$52,000 paid late per SE
- 53% of invoices paid late
- Ave 23 days late payment

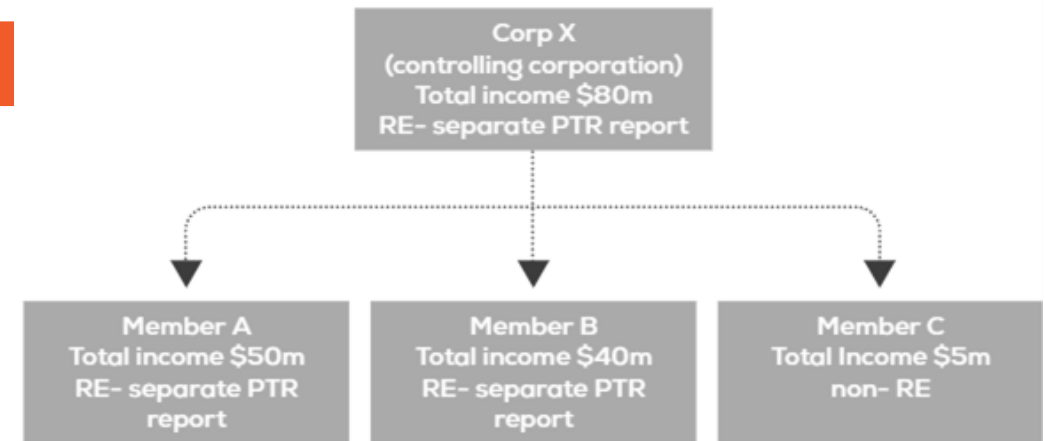
# Who does this apply to?

## Any company with annual revenue >\$100million

- Australian and International Companies (excludes Charities and NFP)
- If a controlling entities, then \$10 million
- Need to reporting twice annually to the regulator
- Information published online

## Penalties

- **Name and Shame** – until 2022
- 2021 transition and 2022 implementation year
- Scheme designed to be Preventative not Punitive
- Could impose civil penalty 0.6% of annual revenue
- **Encourage compliance** not coercion



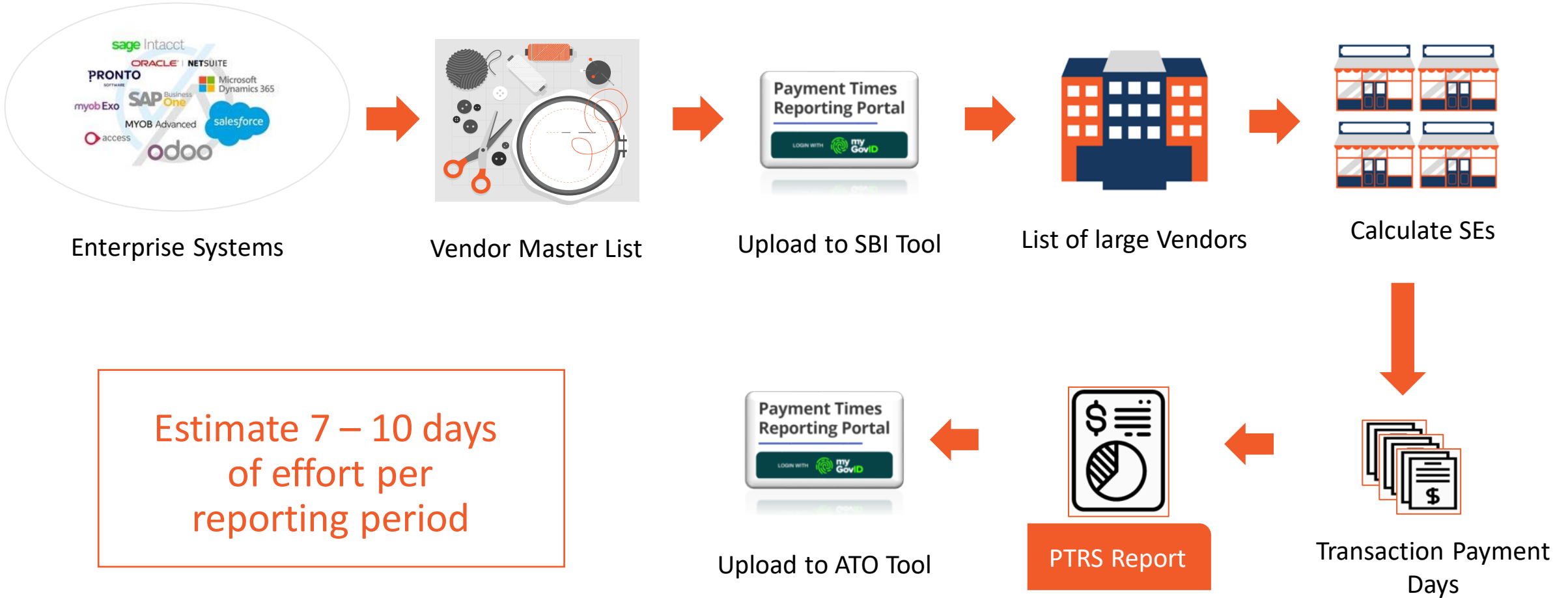
# Proposed Amendments (57B)

## Payment times failsafe mechanism

After the first 6 reporting periods (3 years)

- If the median to pay small business invoices > than **30 days**.
- Then Regulator must declare any RE that has a median payment time for small business invoices of >30 days to be a **recalcitrant reporting entity**.
- A recalcitrant reporting entity is required to pay all small business invoices **within 30 days**
- Liable to a civil penalty if it fails to do so (up to 0.6% of rev)
  - 57B – Consideration of Mandated Maximum Payment Periods

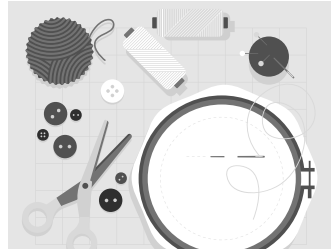
# The PTRS Process



# What you need to consider!



Enterprise Systems



Vendor Master List

10,000 Vendors

Error rate = 1%

= 100 vendor to fix @ 1 hour/vendor

= 2.5 weeks FTE

## VENDOR MASTER

- ✓ Only Active / Valid ABNs
- ✓ Consolidated List - tagged
- ✓ No Duplicate Vendors
- ✓ Not Missing key data
  - ABNs
  - Payment Terms - standard
  - Vendor Type – Employee, Vendor, Expense
  - Country – Australian but actually foreign entity
  - SE Flag

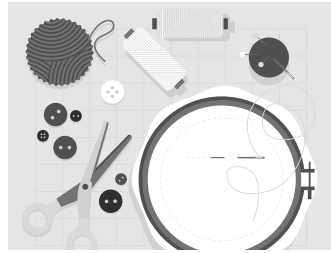
### Solution

- Continuously ensure VM is up to date
- Resolve issues immediately
- Continuously Review VM (automate)

# Added value and benefits



Enterprise Systems



Vendor Master List

## VENDOR MASTER

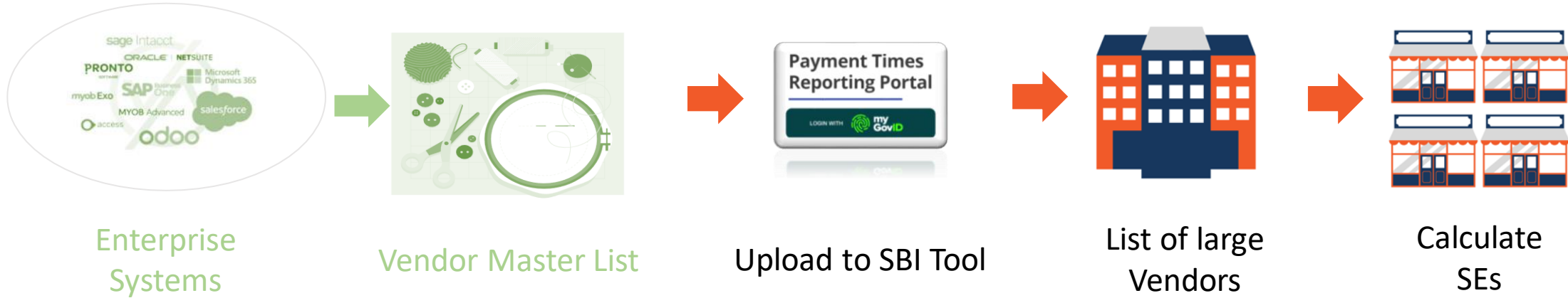
- ✓ Vendor NOT registered for GST but charging GST
- ✓ Change in Vendor details
- ✓ Vendor Risk
  - change in ownership
  - Change in directors
  - Change in risk
- ✓ Change to bank account
- ✓ SOD

### Benefits

- Accuracy
- Integrity
- Completeness
- Consistency
- Reduced effort
- Assurance in data quality and automate controls



# The Vendor Part Automated



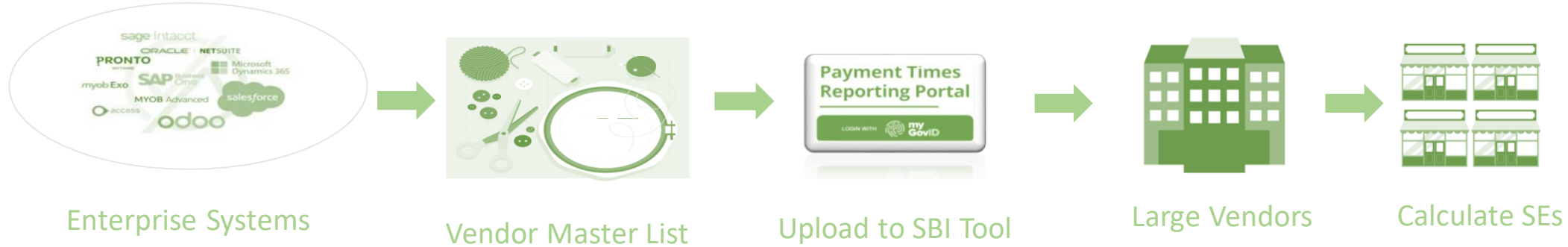
## To consider

- Continuously upload to SBI to check who is a SE or not
- Flag any changes (new SE)
- Ensure Vendor Master updated

## Solution

- Automate where possible
- Run continuously (Weekly/monthly)
- Impacts next process

# How it should be

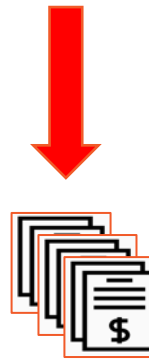


Using the AP Transactions from ERP:

- Know which SEs are paid late / early
- Ensure outliers are remediated(workflow)
- What was the **reason** and **action** (recorded)
- Ensure you have **standard terms** identified
- Identify which SEs are paid in/out of std terms
- Corrective action on terms

### Solution

- ✓ Not missing anything
- ✓ Follow up when identified
- ✓ Keeping records



Transaction Payment Days

## What invoices should be included in our reporting?

Reporting entities must report on invoice payments for **goods and services** they have procured from **small business suppliers** under a **trade credit arrangement**.

Reporting entities assessing invoices should ask:

- Does the invoice payment relate to the supply of a **good or service**?
- Has the supply of the good or service been procured from a small business under an **agreed trade credit arrangement**?
- Is the procuring entity **contractually obliged** to pay the invoice of the small business supplier?

If the answer to **all** of these questions is **yes**, it is likely the payment needs to be reported.

To calculate **total procurement** a reporting entity should refer to all invoices that are paid for the supply of goods and services under a **trade credit arrangement**.

This **includes** invoice payments for good and services made outside Australia.

# PTRS

Payment Times Reporting Scheme

## Reporting Requirements

Name, ABN, Business Activity

Reporting Period

Declaration by Officer

Shortest and Longest Payment times

Any changes over Reporting Period

Timings

- <20 days
- 21-30 days
- 31-60 days
- 61-90 days
- 91-120 days
- >120 days

\$ and % values

Any arrangements

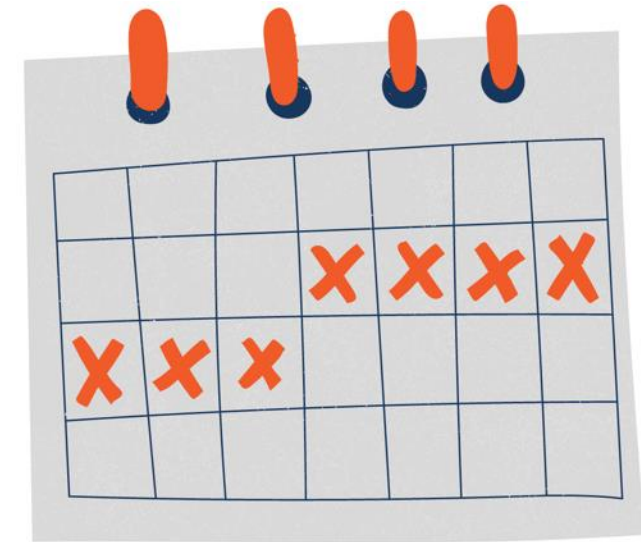
# The standard payment period

- This includes the shortest and longest standard payment periods offered to SEs (at the beginning of the reporting period).
- Must report any changes to these periods during the reporting period.
- There are currently **no penalties** under the scheme for not paying small business suppliers within a large business's standard payment periods.
- The **standard payment period** is the supply payment period on offer written
  - oral
  - partly written
  - partly oral

\*<https://www.industry.gov.au/data-and-publications/payment-times-reporting-scheme-guidance-for-reporting-entities/reporting-requirements>

# Standard payment periods example

- Entity X offers 3 payment periods to its SEs contracts in its first reporting period:
  - perishable goods : payment terms of 15 calendar days
  - long life goods : payment terms of 20 calendar days
  - repair services : payment terms of 30 calendar days
- The majority of contracts are **long life goods**.
- Changes all payment terms for **long life goods** to 15 calendar days.
- Need to report the following standard payment periods
  - standard payment period = 20 calendar days**
  - shortest payment period = 15 calendar days
  - longest payment period = 30 calendar days
- Include an explanation for the changes in their standard payment terms:
  - The standard payment period changed from 20 calendar days to 15 calendar days halfway through the reporting period.
- This will change in next reporting period



# Invoice issue day

- The invoice issue day is when an **invoice is received** by the reporting entity (date of receipt).
- An invoice is **'received'** and the payment clock **'commences'** when it is received by the entity in accordance with the invoicing requirements of the relevant contract (either written or oral).
- This could include contractual arrangements in order for payments to be made. For example,
  - having to provide the invoice to a particular email address
  - requiring that the invoice includes a purchase order number and ABN.
- The contractual arrangements may also deal with matters such as the treatment of **incorrect invoices**.

## Example:

- An employee of Entity X receives an invoice from Small Business Y.
- The agreement states invoices will only be accepted if they are submitted to **Entity X's shared inbox**.
- Until that invoice is received in Entity X's shared inbox, the invoice is not deemed to have been received.
- The payment clock for this invoice has **not** commenced.

# Date of receipt

- Date of receipt is not:
  - when the invoice is entered into the entity's accounting or information systems
  - when the invoice is authorised
- If the receipt date is unknown or cannot be established (i.e. the entity receives paper invoices), then the **date of the invoice** can be used as the **date of receipt**.
- This option is intended to be phased out over time.
- Businesses will then need to calculate their payment time from the date the invoices are received.



# Small business invoice Arrangements

Details of any arrangements for accepting invoices:

- accepting invoices only on **certain days** of the month, or at the end of the month
- requiring a total amount to be spent before an invoice will be paid
- imposing arrangements for progress payments
- partially paying invoices
- making payments **dependent** on the entity selling the goods or services (consignment) provided by the small business
- process for disputed invoices
- change your policy to be invoice date will be receipt date

# Examples for negotiated terms

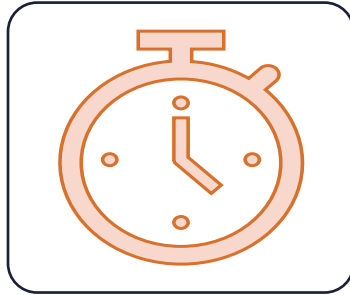
## Example 1

- The standard payment term is 30 days
  - offered a dynamic discount of 2% to receive payment in 10 days
  - the RE must use **30 days** when calculating its payment times for reporting purposes

## Example 2

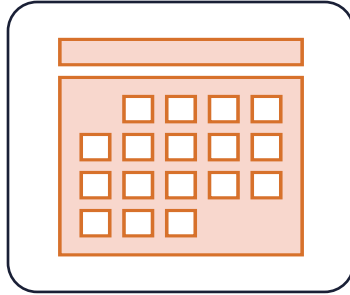
- The standard payment term is 30 days
  - have negotiated a settlement discount
  - a 2% discount for the invoice to be paid within 5 days
  - RE must use **30 days** when calculating its payment times for reporting purposes
- This will ensure that payment times are reported transparently.
- It will not be obscured by supply chain finance arrangements.

# Timing Calculation



## Date of Receipt

- Date **received** not when **entered** into ERP
- Invoice date irrelevant
- Process for disputed invoices
- Excludes settlement dates



## Payment Date

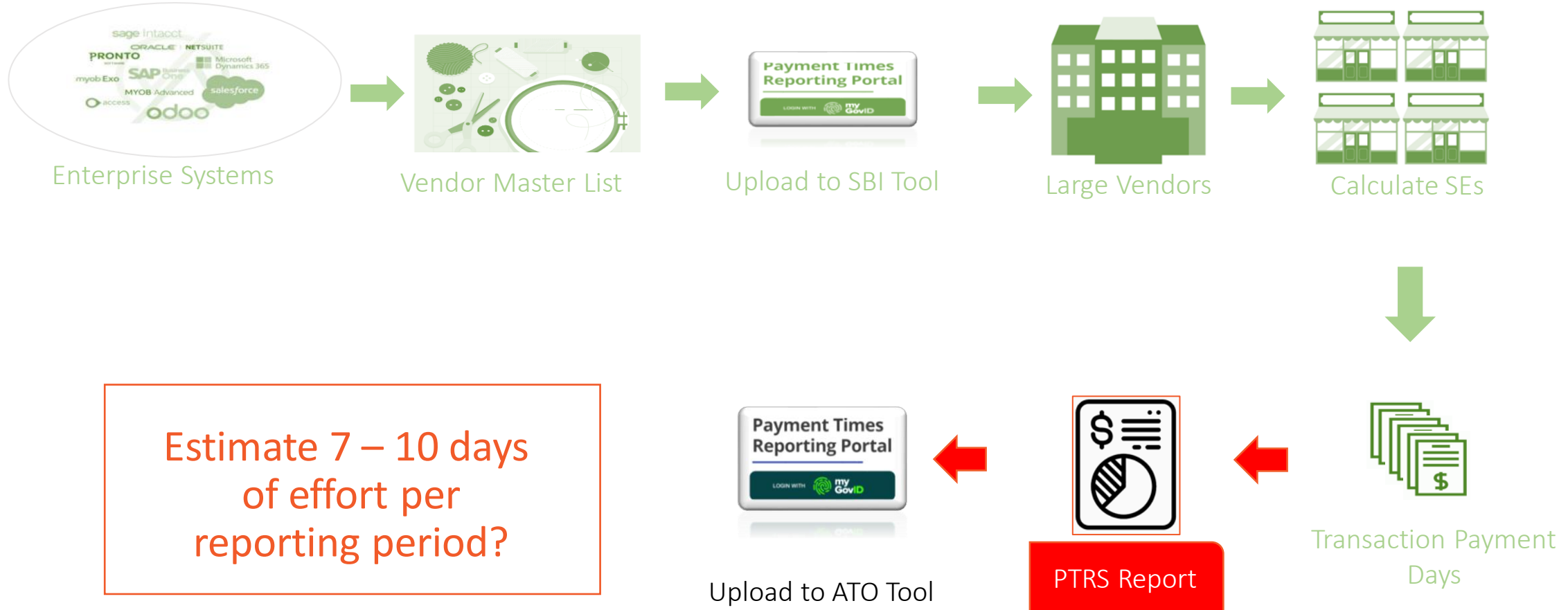
- Debited from bank
- Processed on a card
- Cheque provided to supplier
- Date paid in cash
- End of supply period



## What is to be excluded?

- payments between related entities
- payments that do not have trade credit payments such as prepaid rental
- payments and travel expenses
- employee related expenses
- Payment via credit notes

# The PTRS Process



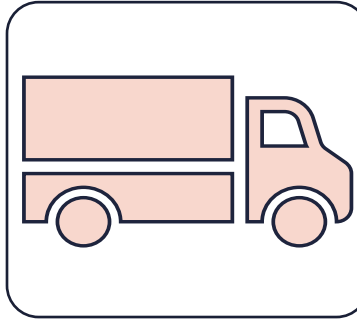
Estimate 7 – 10 days  
of effort per  
reporting period?

# The Benefits of Automating PTRS

- ✓ Reduce the effort involved (6 month forgetfulness)
- ✓ Achieve compliance on every payment every day
- ✓ **Ensure the controls, policies and procedures are still operating as designed**
- ✓ Avoid getting a surprise in 6 months time
- ✓ Not leaving payments to when its too late to fix up
- ✓ Not paying on a blanket policy (eg:7 days)
- ✓ Managing this as BAU process
- ✓ Evolving as the business changes and evolves

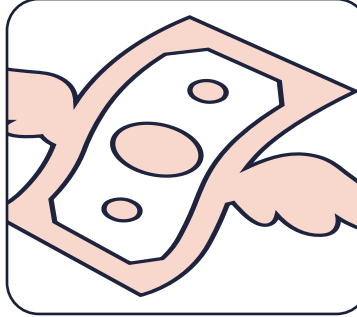
**More than just doing a report every 6 months**

# In Summary



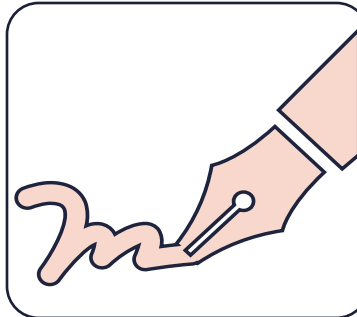
## Vendor Master

- Check all ABNs active, valid, correct
- Removing duplicate vendors
- Vendor details complete
- Check SBI for vendor status
- Check all vendors have term dates (eg: COD, 30 days)
- Checking this daily
- Suspicious Vendors



## Payment Terms

- Check payment term paid (who is still not paid)
- Ensure no payments issues
  - Scanning issues
  - Data entry issues
- Suspicious Invoices
  - Invoice sequences
  - GST but not registered

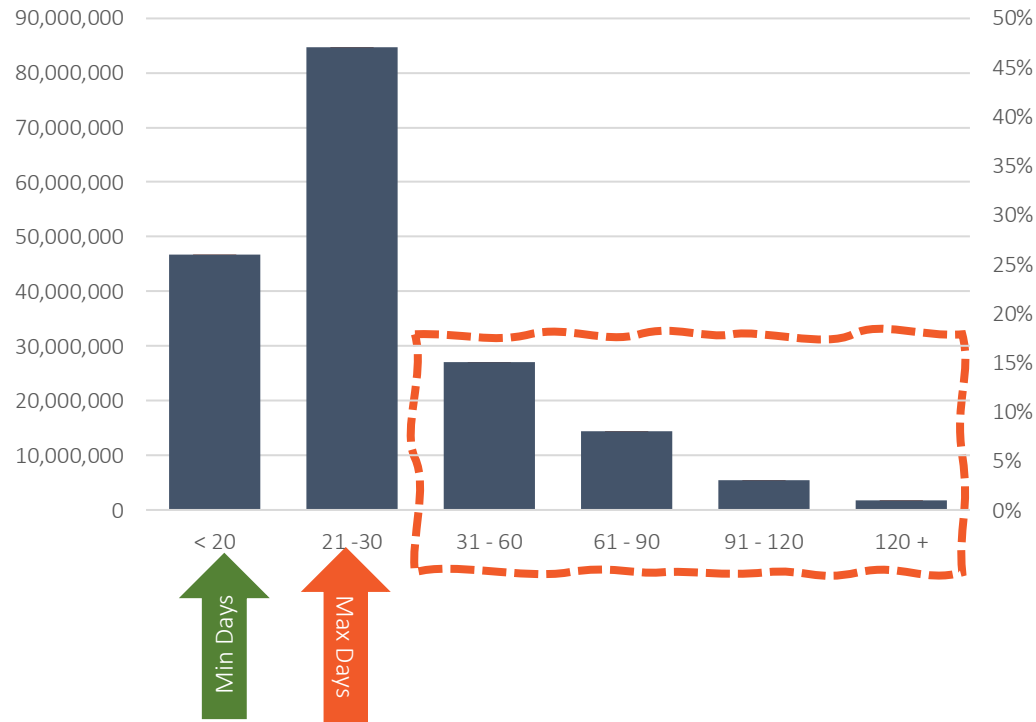


## Internal Controls

- Comply with controls and PTRS
- Ensure process still followed
- Monitor all transactions and vendors
- Reduce the workload and compliance
- Automate the process
- Increase re-assurance of compliance

# Media Frenzy

Average Payment Times



Days	\$	%
< 20	46,800,000	26%
21 - 30	84,600,000	47%
31 - 60	27,000,000	15%
61 - 90	14,400,000	8%
91 - 120	5,400,000	3%
120 +	1,800,000	1%
<b>Total SE Purchases</b>	<b>180,000,000</b>	<b>36%</b>
Total Purchases	500,000,000	
% > 30 Days	48,600,000	27%

## Questions like:

- Why are > 30 days so high?
- What are the root causes?
- What are you doing about it?
- Headlines
  - GoodCitizen Ltd X uses SE as their bank
  - Pays their SEs late by \$48m > 30 days
  - ...
- Creating stress, overhead and pain

# About Satori



**18**  
Years of experience

**+30**  
Staff across Australia / NZ

**2002**  
Year Started

**14**  
Different Cultures

**Sydney**  
Head Office

**>40**  
SatoriCCM Customer

**12 Years**  
SatoriCCM Customer

**175k**  
Ave # of monthly transactions monitored

**3**  
Average months ROI

**4**  
Average Subject Areas

**95/6**  
Highest number of analytics running daily

**15yrs**  
Years of unclaimed leave found

**\$12m**  
Value of duplicates saved

**85%**  
Accounts Payable / VM







[gsteinberg@satorigroup.com.au](mailto:gsteinberg@satorigroup.com.au)