# FINANCIAL POLICIES AND PROCEDURES

## SECTION 5: OPERATING EXPENDITURE & PAYABLES

## POLICY 2: PURCHASING & PAYMENTS

### Policy Rationale

Having adequate controls over the purchase and payment of goods and services is an essential element of [organisation]'s financial management.

These policies should not only assist [organisation]'s efficient and effective purchase of goods and services in accordance with the [organisation]'s delegated authorities and budgeting policies, but also safeguard the organisation from fraud and / or mismanagement of its funds.

### Policy Statement(s)

Any activities associated with the purchase and payment of goods and services for [organisation] should be conducted in accordance with [organisation]’s Delegated Authorities.

[organisation] shall implement appropriate controls over the ordering, or commitment to expenditures, to ensure:

1. Staff have the appropriate delegated authority to commit [organisation] to the ordering or purchasing of goods and services
2. That the amount of expenditure commitments are within [organisation]’s available budget. If the expenditure has not been budgeted, then the expenditure will require further approval within [organisation]’s Delegated Authorities
3. That [organisation] adheres with all other specific policies relating to expenditure (including Procurement Policy, Capital Expenditure Policy etc.)
4. That goods and services are acquired from suitable and /or approved suppliers, and that goods and services will be received on terms agreeable to [organisation]
5. That [organisation] is getting value for money
6. Ordering and purchasing processes are efficient, effective and timely, and where possible include the receipt of quotes

[organisation] shall also implement appropriate controls over the receipt and processing of invoices and accounts payable, to ensure:

1. There are appropriate financial systems and procedures in place to manage suppliers’ records, processing of invoices and subsequent payments to suppliers
2. That supplier invoices received are date stamped and appropriately approved within [organisation]‘s Delegated Authorities before being processed for payment
3. That supplier invoices are checked that they are not fictitious and relate to goods or services actually received
4. That supplier invoices received by [organisation] and transactions entered within [organisation] ‘s accounting systems disclose all information as may be required for tax purposes or any other compliances

[organisation]’s CFO / Finance Manager is responsible for ensuring:

1. There is adequate segregation of duties between employees responsible for the processing of accounts payable transactions and employees responsible for the payments to suppliers
2. All changes to suppliers bank details or payment terms are appropriately reviewed and authorised before being processed in [organisation]‘s finance systems
3. That all supplier payments are paid electronically, as initiated by [organisation]. Manual payments or direct debits may be made in special circumstances, within [organisation]’s Delegated Authorities
4. That supplier payments will only be made following invoices having been entered into the account’s payable ledger
5. That payment runs occur on or before the date invoices are due for payment, thus avoiding any late payment penalties etc.
6. That payment runs are in accordance with [organisation]’s Bank Accounts Policy
7. That in the circumstances an invoice is overpaid, a recovery or refund of the overpayment is sought

[organisation]’s CFO / Finance Manager is also responsible for ensuring:

1. [organisation]’s accounts payable systems and any associated software is fit-for-purpose, current and secure
2. The accounts payable ledger is reviewed and reconciled at least monthly (to statements where provided by suppliers)
3. All accounts payable are fairly reflected in the Financial Statements and Management Reports of the organisation
4. Sufficient accruals are provided for at month end (for reporting purposes) for any supplier invoices anticipated but not received

### Policy Implementation and Related Procedure Documents

The implementation and review of these Purchasing & Payments policies are the responsibility of [organisation]’s Audit, Finance & Risk Committee.

[organisation]’s Audit, Finance & Risk Committee may request that the External Auditors review purchasing and payables as part of the annual audit.

[organisation]’s CFO / Finance Manager is responsible for the:

1. Implementation, review and monitoring of the systems and procedures relating to purchasing and the receipt and processing of suppliers invoices
2. Implementation, review and monitoring of the systems and procedures relating to suppliers records and payments to suppliers
3. Provision of training to those staff dealing with the purchase of goods and services on behalf of [organisation] and the processing of suppliers invoices and accounts payable.

The following [organisation] policies and frameworks should be referred to in this regard:

* Finance Manual
* Delegated Authorities Policy
* Accountability, Internal Controls & Audit Policy
* Financial Systems & Procedures Policy
* Records Management & Data Security
* Procurement Policy
* Bank Accounts Policy
* Credit Card Policy
* Tax Policies
* Fraud Policy

### Legislative Compliance Considerations

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* Goods and Services Tax Act 1985
* Tax Administration Act 1994
* Incorporated Society Rules [if an incorporated society registered under the 1908 Act]
* Incorporated Society Constitution [if an Incorporated Society registered under the 2022 Act]
* Trust Deed [if a Trust]

### Review Protocol

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| --- | --- |
| Policy Reviewed By: | Audit, Finance & Risk Committee |
| Date Reviewed: | [Date] |
| Next Review Date: | [Date] |
| Revokes Policy Reviewed: | [Date] |