

Senate Standing Committee on Environment and Communications

Answers to Senate Estimates Questions on Notice

Supplementary Budget Estimates Hearings November 2013

Communications Portfolio

Australian Broadcasting Corporation

Question No: 136

Program No. ABC

Hansard Ref: In Writing

Topic: Government payment of accounts

Senator Ludwig asked:

- a) From 7 September 2013 to date, has the department/agency paid its accounts to contractors/consultants etc in accordance with Government policy in terms of time for payment (i.e. within 30 days)?
- b) If not, why not? Provide details, including what has been the timeframe for payment of accounts? Please provide a breakdown, average statistics etc as appropriate to give insight into how this issue is being approached)
- c) For accounts not paid within 30 days, is interest being paid on overdue amounts and if so how much has been paid by the portfolio/department agency for the current financial year and the previous financial year?
- d) Where interest is being paid, what rate of interest is being paid and how is this rate determined?

Answer:

- a) The ABC's standard payment terms are 30 days Commercial as stated on the ABC internet site under the section "Doing business with the ABC". 30 Days Commercial means 30 days after the end of the month the tax invoice was rendered. An exception to this is payments less than \$5 million to businesses that meet the Government's definition of a "small business" in Finance Circular 2012/02 "Procurement On-Time Payment Policy for Small Business", which are paid 30 days after the date the tax invoice is rendered (a small business is defined as having less than 20 full time equivalent employees).
- b) Between 7 September 2013 and 3 December 2013 (inclusive) the ABC made 198 payments to consultants and contractors amounting to \$2.1 million, of which 153 transactions (77%) totalling \$1.7 million (84%) were paid on or before the due date.

Those invoices not paid by the due date were most likely paid late because the invoice was in dispute or because the supplier had not provided sufficient details to facilitate the payment by the due date (ABN, bank account details etc).

- c) The ABC does not pay interest on overdue invoices unless a tax invoice for the interest is received from a supplier. It is extremely rare for interest to be charged by a supplier as the reason for deferred payment is typically due to a mutual understanding (ie disputed charges etc). Interest paid on overdue invoices YTD is insignificant.

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In some circumstances, an invoice may be received by a business unit and there may be a time lag between it being received and it being sent to accounts payable for processing.

- d) Interest would theoretically be calculated in accordance with section 8AAD of the *Taxation Administration Act 1953* and would be based on the relevant daily general interest charge rate quoted for the relevant day. However, as stated above, the ABC rarely is charged interest by its suppliers. An example of how interest is to be calculated is provided in *Finance Circular 2012/02*.