

# Action plan – Vendor payment timeliness improvement

## Document Control

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v1.0	01/12/22	K Watson	
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## 1 About this Document

### 1.1 Document Purpose

The purpose of this document is to aid the improvement in paying undisputed invoices within 60 days / on time.

MLL Telecom Limited aims to follow the prompt payment code for paying suppliers on time. It takes its obligations to small suppliers in particular, very seriously.

### 1.1 Scope and Exceptions

Due to the long contractual terms offered by customers of the Service Provider (SP) business, a different payment policy is required for SP vendors.

Invoices in dispute are subject to a separate policy.

## 2 Issues identified

### 2.1 Four step invoice approval process results in delays

One of the hold ups in the current process is that MLL has operated a 'four way match' process for invoices, whereby the approved PO, GRN, invoice and invoice approval are required. The cost centre owner needs to approve both the PO and the invoice, with another member of the team recording the GRN. A standard invoice approval process would usually just have a three way match.

### 2.2 Staff training

There has been a lot of staff changes in the last two years. Whilst there is some finance training for new starters to encourage timely processing, there are sometimes delays between goods /services being received and receipting in the finance system which delays matching and payment of valid invoices.

### 2.3 Payment proposal review cut off

When the payment proposal is prepared, the aged creditors is reviewed as at the payment due date. The result of this is that invoices due the day after the payment proposal date will not be picked up until the next pay run, by which time they are overdue.

### 2.4 Disputed invoices impact on reported late payments

The finance system doesn't currently have the function to exclude invoices that have been withheld from payment due to a dispute with the vendor. Payment will never be made when there is a material dispute on the invoice; however these invoices are not currently excluded when calculating the average days to pay, adversely impacting the metric.

## 3 Actions

### 3.1 Invoice approval process – system update

The invoice approval process is being shortened to move to a more normal '3 way match' where the invoice materially ties to the purchase order. This will remove the step of approval of the invoice from the current process and as a result, speed up the cycle from receiving

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invoice to it being put on the payment proposal. This is expected to go live by 1 April 2023. For some payments this may reduce the time to pay by up to two weeks.

## 3.2 Staff training

Training will be carried out with all staff who record goods receipts between Jan and Jun 2023 in order to remind them about the importance of receipting goods and services on a timely basis.

## 3.3 Payment proposal review

Over the next six months, the payment proposal review process will move from looking at approved/matched invoices not only due at the date of the payment run, but due up to the date of the next payment run. This will ensure payments are picked up that are not yet overdue but will become overdue in the next two weeks.

## 3.4 Disputed invoices flag on vendor ledger

Over the next six months the metric for reporting payment timeliness will be developed so as to exclude from the metric any invoices that have been put on hold. This should improve the reported numbers.