



McGrathNicol

Payment Times Reporting Scheme

FACT SHEET



Time to prepare - non compliance could be costly

What is it?

New legislation that became law in October 2020, which imposes new reporting obligations on large businesses (>\$100 million turnover) in respect of their payment terms and behaviours with small business suppliers (<\$10 million turnover). The intention is to improve payment behaviours for small businesses.

Who needs to report?



An entity that had an annual total income of \$100 million or more.



A 'controlling corporation', where the combined annual total income for all members of the 'controlling corporation's' group was \$100 million or more.



A member of the group of a 'controlling corporation' as set out opposite, where the annual total income for the member entity was \$10 million or more.

Charities and Not-for-Profits exempt. Entities may also volunteer to report.

When do I need to report?

The first reporting period is for the six month period ending 30 June 2021, with ongoing reporting required six monthly thereafter. The report must be submitted within 3 months of the end of the period (i.e. by 30 September or 31 March). The period may vary depending on an entity's statutory accounting period.

The scheme has a 12-month transition period before compliance and enforcement measures apply. The transition period ends in December 2021.

What do I need to report?

There are detailed reporting obligations relating to the payment terms and payment performance for small business suppliers. There are also requirements to disclose supply chain financing arrangements and payment practices (i.e. policies and processes) for small business suppliers.

The Small Business Identification Tool will assist with identifying small business suppliers.

What are the expected challenges with reporting?



Extracting the relevant data to report is likely to be a cumbersome and manual task, particularly in larger and more complex organisations.



Disclosure of "poor" payment practices that may have commercial reasoning, or where there are genuine disputes relating to invoices.



Administrative burden from additional compliance obligations.

Are there consequences if I don't report?

Reporting entities may contravene a civil penalty provision of the Act if they:

- fail to give a report
- provide false or misleading reports
- fail to maintain payment records
- fail to comply with an audit notice, or to reasonably assist the auditor

The Regulator has certain powers to enforce compliance with the reporting requirements, and will publically publish the information from the reports on the Payment times register, online and potentially elsewhere.

Are you PTRS ready?

The Payment Times Reporting Scheme (PTRS) requires a detailed level of reporting on small business supplier payments that will increase the administrative burden for management teams. It also puts the onus on Boards to report accurate and timely information and gives rise to the potential reputational impacts of putting supplier payment data and related performance metrics on the public record.

At McGrathNicol, we have a thorough understanding of the PTRS and have developed bespoke tools and processes to support you and your team, and to ensure that you are best prepared to meet your reporting obligations.

01. Reporting preparation and compliance

- Prepare the business and your team to best meet your reporting obligations.
- Understand which entities need to report, identify your small business suppliers, and set up automated reporting templates in line with Government requirements.
- Provide management with an external view of its PTRS processes to help it give the Board a level of comfort that those processes are adequate and appropriate.

02. Data gathering and process automation

- Leverage our data analytics capability and bespoke PTRS dashboard to identify and extract the required data.
- Identify data issues early, collate necessary invoice receipt and payment information, and automate processes to deliver timely reporting.
- Test the integrity of information Directors will rely upon.

03. Forensic examination and response to Regulatory Inquiry

- Leverage our market leading Forensic capability to stress-test the accuracy and veracity of data and systems.
- Assist in responding to payment times audits and regulatory inquiry, ensuring a thorough and detailed analysis of existing practices supported with evidence.

04. Working capital and funding impacts

- Use the PTRS process to understand and assess your current payment times performance.
- Determine the impact that changing payment times will have on cash flow and any additional investment required in working capital.

05. P2P process improvement

- Provide independent review and supply chain expertise to strengthen your 'Procure to Pay' processes, and embed payment times reporting into BAU.
- Review and improve policies, controls and procedural guidance to help optimise your processes.

We have complementary working capital analytics, reporting, supply chain and forensic expertise to assist you with optimising your Procure to Pay processes, improving your payment times performance, and embedding the new PTRS reporting obligations into BAU.

Credentials



We were engaged to review the Procurement to Pay cycle for this construction and engineering business that experienced a period of rapid growth, tripling its revenue to c.\$300 million. Our review included data analytics testing and an assessment of the control environment, reviewing procedural documentation and process maps and developing a roadmap for a phased approach to improving procurement activities based on prioritising risk and opportunities.



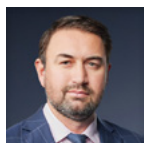
Utilising transactional data analytics, we undertook a diagnostic review and process mapped the working capital cycle of an ASX listed client that had operations domestically and throughout Asia. We identified over \$7 million of opportunity to release cash across the different regions, with a specific focus on inventory, as well as some enhancements to governance and reporting practices. Our review also considered the existing working capital facilities that included debtor and trade finance facilities.



We assisted our client with preparing for the first PTRS report, including validating the information required to meet the reporting requirements and interpreting the PTRS guidance and requirements. Our role included developing a PowerBI dashboard and automated process for preparing the PTRS report and to embed the dashboard into BAU. We have incorporated a number of tests of the integrity of the data and the ability to "deep dive" into results.

Speak to McGrathNicol Advisory to understand more

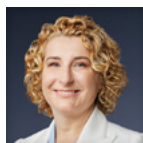
McGrathNicol Advisory's Cash & Working Capital team is available to discuss how you can prepare for the scheme and the potential impact on your business. We have a dashboarding tool that can help organise the relevant information required to report, and to understand the impact of any changes to your working capital cycle.



Sean Wiles

Partner, Sydney

T +61 2 9248 9986 **M** +61 437 097 180
swiles@mcgrathnicol.com



Siobhan Hennessy

Partner, Melbourne

T +61 3 9038 3154 **M** +61 400 324 094
shennessy@mcgrathnicol.com



Matt Fehon

Partner, Sydney

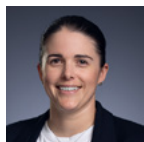
T +61 2 9338 2680 **M** +61 402 130 769
mfehon@mcgrathnicol.com



Michael Dunnett

Partner, Canberra

T +61 2 6222 1415 **M** +61 422 445 835
mdunnett@mcgrathnicol.com



Selina Gerner

Partner, Brisbane

T +61 7 3333 9848 **M** +61 409 205 819
sgerner@mcgrathnicol.com



Michael Shanahan

Partner, Perth

T +61 8 6363 7607 **M** +61 422 005 855
mshanahan@mcgrathnicol.com



Trent Whitbourn

Partner, Sydney

T +61 2 9338 2668 **M** +61 407 578 086
twhitbourn@mcgrathnicol.com

For more information please contact your local McGrathNicol office or visit [mcgrathnicol.com](https://www.mcgrathnicol.com)