**Accounts Receivable – for larger NGB using an Accounting package**

***Amend as required to suit your specific needs***

* *Change the logo in the Header to your own*
* *Use the select all then replace all to amend the document for your NGB*
* *If your NGB is an unincorporated organisation i.e. not a Company replace all reference to the Board of Directors with the name of your NGB governing committee e.g. Executive or Management Group*
* *If your NGB is a charity your governing group may be the Trustees or similar*

**Enter Name of NGB**

**Accounts Receivable Procedure**

**Date........**

# **Introduction**

* 1. The (name of NGB) receives the majority of its income through (enter source). Circumstances will arise where budget holders agree to supply goods or services to an individual or organisation and a sales invoice needs to be raised. This procedure sets out the process for the raising of invoices and the timely collection of income.

# **Vetting of Debtors**

* 1. Before agreeing to supply goods or services, the budget holder needs to ensure that the individual or organisation has the ability to pay. The (responsible person) will undertake credit checks to ensure that the individual or organisation is a credit risk.

# **Payment Terms**

* 1. The Governing Body’s payment terms are that payments should be settled within 30 days of receipt of invoice.

# **Outstanding Debt**

* 1. If an invoice is not settled within agreed terms, then a standard letter will be sent to the debtor by (responsible person) to progress the debt. A telephone call will also be made to progress the payment.
  2. If the invoice is not settled within a further 14 days a second reminder will be sent, in the name of the Finance Director/other of the organisation stating that the debt is overdue and requesting immediate settlement.
  3. All invoices below £x0.00 should be progressed with three standard chase letters and telephone calls.
  4. If the invoice remains unsettled by 60 days the debt may be sent to solicitors for collection through the County Court following agreement by (responsible person)

# **Write off of bad debt**

* 1. The Chief Executive Officer has authority to authorise the write off of bad debt to the value of £x.
  2. Bad debt write off in excess of £x requires the authorisation of the Board.

# **Miscellaneous Credit Sales**

* 1. (Responsible person) has responsibility for entering sales invoice details into the finance system (enter name of system).
  2. Once an invoice is entered on the finance system it must be placed on hold as a ‘Query’ in the sales daybook ready for posting in the system.
  3. (Responsible person) will undertake a reasonableness check on invoices before posting in the sales daybook.
  4. Once posted in the sales day book the (responsible person) will send out invoices to Customers.
  5. To facilitate the prompt payment of invoices, Budget Holders should, where possible obtain an official Purchase Order number from the Customer. In the absence of a Purchase Order being available the Budget Holder should obtain a contact name to be used in place of the official Order number.
  6. (Responsible person) will send out statements to debtors by the x day following the end of the month.

# **Disputed Invoices**

* 1. The Budget Holder has responsibility for the timely resolution of any sales invoice queries raised by the customer and keeping (responsible person) informed of any progress on such disputes.

1. **Credit Control**
   1. (Responsible person) has responsibility for progressing late payments and for informing the budget holder of such late payments.
   2. (Responsible person) has responsibility for passing through details of any bad or doubtful debt to the solicitors nominated by (name of NGB) for recovery through the County Court.
2. **Credit Limits**
   1. The finance system should be set up with Credit Limits on all customer accounts. The (responsible person) shall determine the value of credit to be allocated to customer accounts.
   2. Where customers have outstanding debt or a history of late payment the (responsible person) will place the customer account on hold so that no further credit can be extended.
3. **Bad Debt Write Off**
   1. Whilst the budget holder has responsibility for any bad debts incurred, only the Chief Executive Officer can authorise a bad debt write off (*see above for limits*) Once authorised bad debts will be written off by (responsible person) against the issuing budget holder’s budget expenditure line.
4. **Bad Debt Provision**
   1. (Responsible person) has responsibility for monitoring bad debt and for calculating the provision for bad debt at the end of each financial year.
   2. The following rates for the provision for bad debt will be applied:

* Fully provide for any debts held in dispute or sent to legal for recovery.
* A 50% provision for any debt that is 90 days or greater than 90 days overdue for payment.

1. **Credit Notes and Refunds**
   1. Credit notes and credit refunds can only be issued by the (responsible person) who will act upon a requisition from the budget holder to issue the credit using the credit note reguistion form. Note for segregation purposes the same person should not be able to raise sales invoices/sales credit notes/set up new debtor accounts and posts sales income. Therefore a review of roles and responsibilities in allocating tasks within the sales ledger function.)
   2. It is the responsibility of the originating budget holder to check that a credit note or refund is warranted before authorising the form.
   3. Relevant invoice numbers (with copies) or dates payments were received should be quoted on the form.
   4. The reason for making the credit request together with any copies of relevant correspondence should be attached to the form.
   5. Where the credit is the subject of a further invoice then the whole supply should be credited and a new invoice raised for the revised supply.
   6. Particular attention must be paid to the effect a customer’s cancellation may have on the exempt supply of the original invoice. Where a facility has been supplied with VAT exemption and the resulting cancellation removes this qualification (e.g. block bookings) the total invoice must be credited and a new invoice raised for the booking inclusive of VAT
   7. (Responsible person) has responsibility for verifying the validity and accuracy of the credit request and processing any credit repayment or credit notes through the financial accounting system.
2. **Relationship to Other Procedures.**
   1. The Accounts Receivable Procedure will be implemented in conjunction with the other governance and financial policies and procedures of (name of NGB), (amend as necessary):

* Financial Delegations of Authority

1. Review of Procedure
   1. This procedure will be reviewed in outline by the Chief Executive Officer/ Finance Director (amend as necessary) and will be reviewed in detail every two years or more frequently if appropriate due to changes in circumstances. Changes to the procedure will be recommended by the Finance Committee (*amend as necessary)* to the Board)

Issue date:

Review date:

Version:

Responsible