

SECTION 3
Accounts Payable
Control Procedures

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Payment Procedures

1. Supplier payment

All supplier payments made by the Institute are processed via the Institutes Finance system (Agresso). Payments are only made on foot of a valid invoice addressed to the Institute.

2. Invoice Type

Purchase Invoice: This is an invoice raised as a result of a commitment being made to the supplier via an official purchase order issued by the Purchasing function. The invoice should generally match the commitment.

Direct Invoice: This is an invoice which is sent to the Institute without an official purchase order and it not matching an existing commitment. Typically utility bills and some other contracted services or invoices on foot of a Consultancy Agreement (for which a purchase order was not raised, but the commitment was official authorized in advance)

3. Invoice Registration

All invoices should be sent directly to the Institute Accounts Payable Office, where they are registered on the finance system and circulated to the relevant budget holder for approval. Invoice should not be sent directly to budget holder or Departments as this delays the registration process.

4. Prompt Payment Interest

At payment stage Accounts Payable determine if prompt payment interest is due and if there are any reasons for the non-payment of interest and these are held on file.

5. VAT

Purchase invoices already include the VAT treatment for the invoice (Based on the cost center). For direct invoices the cost center needs to be checked to determine the appropriate VAT codes. *(See Payment Process Document for further information)*

6. Other Taxes

Invoices may be subject to deduction in relation to RCT & PSWT and these are determined at invoice stage by the Accounts Payable Office. *(See Payment Process Document for further information)*

7. Tax Clearance

Accounts Payable will ensure that the latest tax Clearance Certificate is available and will hold any payment without proper tax clearance until such time as it is provided.



Authorisation

8. Approval of Invoices

The Institute does not operate goods received Notes (GRN's) so all invoice irrespective of whether they have been previously committed via a Purchase Order or are a Direct Invoice need to be authorised before being released for payment.

In approving an invoice the budget holder is indicating that the good have been received, or the service has been satisfactorily delivered. This is the primary control point to ensure the Institute does not pay for good or services not up to the required standard.

9. Online Approvals

All payments are now approved electronically via the Agresso finance system web interface. Each budget holder has a unique sign on and the approval process can be tracked and approvals recorded.

Invoices have a minimum of one and a maximum of two approval levels, depending on the cost centre. In some instances the first approval level can be sent to a group so the relevant person can approve the invoice. In all cases the cost centre budget holder must be one of the approval levels.

Cost Centre	Minimum Authorisation
Members of Institute's Executive Board (IEB)	IEB Members
Faculties & Schools	Head of Faculty / School
Academic Departments	Head of Department
Central Admin/Support Offices	Central Service Managers
Projects	Project Manager (plus usually Head of Dept. or Centre)



Purchase & Payment

Purchasing

- A requisition signed by the head of Department is submitted to purchasing
- Quotations are requested and the supplier selected
 - If the supplier requires a C2, as per the definition, check that the payments card is in date. If it is out of date then ring the company for its current C2. The supplier brings a C2 card into CIT (similar to credit card). A C46 Application form is then filled out and the original is posted to revenue. **A copy of the application form must be sent to EF / DC. Copies of the application forms are held in a file in the Payments Office until the Payments Card comes in.** The payments card details should be stored and updated by the payments section.
 - If the supplier is subject to with-holding tax, as per the definition, ensure that the TS (supplier tax) is populated. WT for Irish suppliers and WH for all others.
 - If the supplier is foreign (outside Ireland) make sure that the correct VAT rate is applied. (refer to the Tax procedures)
 - where an order prompts you that the supplier does not have tax clearance, the supplier should be contacted immediately. Once received this should be updated on Agresso and sent to the payments for filing.
- The order is completed and sent to the company

Payments

Invoice Registration

- Orders - On receipt of an invoice it is matched to the order. Any variances should be identified and rectified at this stage(e.g. fatal P.O. tolerance). The invoice is then sent out to the head of Department for signature.
 - Direct Invoices -
 - If the supplier requires a C2, as per the definition, check that the payments card is in date. If it is out of date then phone the supplier requesting the C2. The supplier brings a C2 card into CIT (similar to credit card). A C46 Application form is then filled out and the original is posted to revenue. **A copy of the application form must be sent to EF / DC. Copies of the application forms are held in a pending file in the Payments Office until the Payments Card comes in.** Once the payment card comes in, the copy of the application is removed from the file so that the file contains only those forms awaiting payments cards. The payments card details should be stored and updated by the payments section.
 - If the supplier is subject to with-holding tax, as per the definition, ensure that the TS (supplier tax) is populated. WT for Irish suppliers and WH for all others.
 - If the supplier is foreign (outside Ireland) make sure that the correct VAT rate is applied. (refer to the Tax procedures)
 - If the invoice is valued at more than €10,000 including VAT, the supplier should be checked for current tax clearance. If this is out of date a current tax clearance cert should be obtained from the supplier. This should be updated on Agresso and filed by the payments section.
- The invoice is registered on Agresso and then sent out to the head of Department for signature.



Invoice Posting

Invoice Posting

- Once the signed invoice is returned to payments it is posted on Agresso. This updates the General Ledger.
- The remittance proposal and the tax deduction (non post mode) is then generated and the following checks have to be carried out,
 - that an invoice, with an original signature, is there for all items on the proposal (no exceptions)
 - Where a C2 is required, the payments card is in date. If the payments card is still out of date the invoice is to be removed from the payment run and held for the next run.
 - That with-holding tax is deducted from all relevant invoices.
 - that the VAT rate is correct for all foreign invoices.
 - that the prompt payment interest calculated is justified in all cases.
 - where a payment is flagged for no tax clearance, the supplier needs to be contacted. If the tax clearance cert is not available immediately the invoice needs to be pulled and held for the next payment run.
- The final remittance proposal and tax deduction proposal requires the signature of the Finance Manager once all the previous checks have taken place
- The payment run proceeds



Foreign Payments

To update - Updating Foreign Payments

Payment Forms Processing

Written Transfer

Select Remit ID number to be updated

Save

(this changes status in payment maintenance from K to S)

Payment Maintenance

Untick Domestic

Highlight Line - Tools Post - amend amount to include Fexco Charge

Update General Ledger

Also check that there is nothing gone in as domestic for this remit id

Go into B434 - single account reconciliation and make sure that the total for the particular remit ID ties up with the amount paid to Fexco (see copy of letter signed by the President and Finance Manager)

If this doesn't reconcile - a journal may need to be done to correct any error



Professional Services Withholding Tax

Withholding Tax at the rate of 20% is deductible at source from payments for "professional services" made to individual's and companies by CIT.

The tax is charged on the VAT exclusive amount of the invoice and applies to irish and foreign suppliers.

The tax system applicable on Agresso is WT for irish suppliers and WH for foreign suppliers.

The use of these codes automatically deducts withholding tax from the invoice and posts it to the withholding tax control account.

The amount in the WT control account is then paid over to Revenue on a monthly basis.

		Company / Registered Individual	Individual- Unregistered
Accountants and Auditors		YES	YES
Artist in general		NO	NO
Artistic Director	5	YES	YES
Careers/Counsellors/Coaches		N/A	YES
Computer Consultancy/Advice	1	YES	YES
Computer Services - a day solving technical problems	1	NO	YES
Computer Services - Training in classroom setting	1	NO	YES (PAYE)
Computer Services - Training one on one	1	NO	YES (PAYE)
Consultancy (incl all relevant travel expenses)	2	YES	YES
Consultancy Work		YES	YES
Counselling		YES	YES
Delivery of Courses		YES	YES
Design of a Laser	10	YES	YES
Digitising Traditional Music Archive	9	NO	NO
DJ		NO	NO
Doctors		YES	YES
Drawings in respect of building energy ratings	1	YES	YES
External Examiners - refunds (train/flight)	6	YES	YES
External Examiners (travel fee & milage)	6	YES	YES
Ground Maintenance	1 + 11	NO	YES (PAYE)
Individuals on hourly rates		N/A	YES (PAYE)
Installation/Maintenance of Computer Software/Hardware	1	NO	NO
Landscaping - Physical Work		NO	NO
Landscaping - Design Services		YES	YES
Lecture	1	NO	YES
Module Validation		YES	YES
Notetaking	1	NO	NO
Once off guest speakers		NO	NO
Overseas Education Consultants	8	YES	YES
Photographic Services	1 + 1A	YES	YES
Photographic Services - no consultancy involved		NO	NO
Piano Tuning	1	NO	NO
Presentation (classroom environment)		NO	YES (PAYE)
Printing - Design (posters etc/except Raven Design) - PSWT on total invoice	4	YES	YES
Professional Fees of Design Teams i.e. Architects, Engineers, Consultants		YES	YES
Programmatic Review - Fees & Expenses		YES	YES
Recruitment Agencies for employees pay		NO	NO
Review Panel		YES	YES
Solicitors		YES	YES
The manufacture / design of muscal equipment	7	NO	NO
Training -classroom environment	1	NO	YES (PAYE)
Training -one on one	3	NO	YES (PAYE)
Training Services provided by Cork Chamber	1	YES	YES (PAYE)
Translation	1	NO	NO
Travel expenses in relation to a professional service		YES	YES
Video / Film Production	1	NO	NO
Workshop / Seminar & Expenses	1	NO	YES (PAYE)
Yoga,irish,surf,guitar,dancing lesson		NO	YES (PAYE)



Subcontractor Tax (RCT)

Under no circumstances should a supplier be paid without holding a valid Payments Card in a payment run. Agresso will NOT automatically flag suppliers who do not hold a valid Payments Card. Therefore it is **VITAL** that a manual check is carried out to ensure a valid payments card is held. Tax Clearance certs are not required for suppliers possessing payments cards.

Subcontractor Queries	Payments Card	Note
Blinds	No	6
building Construction / building work	Yes	
Burglar Alarms repair/maintenance	Yes	11A & B
Cabling	Yes	
Call out maintenance/repair (outside contract)	Yes	
Drainage Work	Yes	
Equipment - freestanding repairs	No	
Fitting of Carpets / Flooring	Yes	
Groundwork - repair	Yes	
Groundwork - maintenance	No	
Installation of Heating, lighting, Air conditioning, Sound Proofing, Ventilation	Yes	
Installation of switches in a building	Yes	
Landscaping	Yes	
Maintenance Contracts	No	
Maintenance/repairs of movable objects eg photocopiers	No	
Nameplates attached to door	No	
Nameplates attached to wall	Yes	
Piping - Repair/Maintenance of item (ie dishwasher) - movable equipment	No	
Piping - Repair/Maintenance of item (part of building)	Yes	
Projector installation	Yes	1
Repairs to buildings and structures	Yes	
Routine Waste Disposal	No	2
Sanitation - plumbing & fixtures	Yes	
Shelving - Free standing	No	
Shelving - Fixed	Yes	
Signage -attached to footposts	Yes	
Signage- attached to wall	Yes	
Software consultancy (WT APPLIES)	No	
Software installation	No	
Telecommunications - installation	Yes	12A - 12D
Work on power lines	Yes	

Revenue has accepted on an administrative basis that where a college deducts RCT of 35% from a payment there is no requirement to hold a Tax Clearance Certificate.

Supply / Installation

Where there is a supply of both goods and a construction service, the reverse charge will not apply to a supply of goods where the goods are not installed as part of a construction service that is subject to RCT.

Where the goods in question are installed in the course of a construction service, then the total charge on the invoice is liable to VAT at 13.5% under the reverse charge procedure.

Generally any movable goods supplied (i.e. not installed) should be chargeable to VAT at 21% by the supplier. If the supplier does not charge VAT at 21% on movable goods, then we would consider that any VAT liability on the supply would rest with the supplier.

Exceptionally, if movable goods are incidental to a larger construction operation/contract, the goods may be deemed to "render complete" the larger construction operation and consequently would be liable to VAT on the reverse charge basis



Value Added Tax (VAT)

Irish Suppliers

CIT is liable to VAT and pays the VAT inclusive amount on all invoices to Irish suppliers. Codes P0, P1 and P2 will apply

EU Suppliers

Foreign Suppliers should not charge VAT on invoices to CIT. The supplier should be advised that CIT is registered for VAT and provided with CIT's Vat registration number - IE4773083G. These purchases are known as intra-community acquisitions.

The VAT on these goods must be paid directly by CIT to the Revenue Commissioners and not to the supplier.

The VAT rate applicable to these goods and services will be the same as the VAT rate applied by Irish suppliers, e.g. Goods - VAT will be applied at 21% and Services - VAT will be applied at 13.5%.

Codes of F0, F1 and F2 will apply to orders and invoices (see appendices). This will automatically post VAT to the VAT control account and this amount is paid over to the Revenue Commissioners every 2 months.

Suppliers outside EU

CIT accounts for VAT on supplies obtained from outside the EU by applying the following codes on orders and invoices: Y0, Y1 &

Again the foreign supplier should not charge VAT on the invoice.

The VAT on these goods must be paid directly by CIT to the Revenue Commissioners and not to the supplier.

Codes of Y0, Y1 and Y2 will apply to orders and invoices (see appendices). This will automatically post VAT to the VAT control account and this amount is paid over to the Revenue Commissioners every 2 months.

In certain circumstances the courier (e.g. DHL) may pay the VAT on the supplies, directly to Customs and Excise, at the point of entry - i.e the airport or port.

In this instance the DHL/Fedex invoice is posted to the VAT control a/c reducing the amount paid over to revenue and avoiding a double payment

VAT on Construction

Since Sept 2008 CIT are self accounting for VAT on construction services. This applies to items that would previously have required a payments Card.

See appendix for details of VAT rates

VAT - Foreign Suppliers

Books	Zero	
Goods	Standard	
Subscriptions to professional bodies	Zero	
Subscriptions with Journal	Zero	unless the journal is charged for seperately
Journals	Low	
Training held in Ireland	Zero	
Training not held in Ireland	Foreign VAT	pay full amount of invoice
Handling Charges	same as invoice	
Carriage	same as invoice	
Licence Agreement	Standard	
Sheet Music	Low	
Repair / Maintenance - outside Ireland	Foreign VAT	pay full amount of invoice
Software	Standard	
Consultancy	Standard	
Inter Library Loan	Standard	
Membership fees	Zero	
Medical appliances & equipment	Standard	Subject to some exceptions (note 1)
Marine safety courses	Zero	
Staying in hotel abroad	Foreign VAT	pay full amount of invoice
<u>Printing</u>		
Book - bound	Zero	
Leaflet/poster/headed paper	Standard	
Handbook / Prospectus	Low	

Where the company has an Irish VAT number the invoice should be put up at F0 with a separate line for the VAT.

If the service takes place abroad the foreign VAT needs to be paid to the foreign company, at the foreign VAT rate.

Zero - (P0, F0, Y)
Low - (P1, F1, Y1)
Standard - (P2, F2, Y2)

note 1

- (a) *Invalid carriages and other vehicles (excluding mechanically propelled road vehicles) of a kind designed for use by invalids or infirm persons;*
- (b) *Orthopaedic appliances, surgical belts, trusses and similar products, deaf aids, and artificial limbs and other artificial parts of the body excluding artificial teeth, corrective spectacles and contact lenses;*
- (c) *Walking frames and crutches*
- (d) *Parts or accessories suitable for use solely or principally with any of the goods specified above....*

Vat on construction

The treatment required is similar to the current treatment of purchases outside of Ireland. This is recorded and triggered using a TC of F0, F1, F2 (within the EU) and Y,Y1,Y2 (outside EU) Within the EU the VAT triggers to a VAT control account B781 - VAT Control Account Outside the EU the VAT triggers to a VAT control account B782 - Non EU VAT Control Account

We would recommend that we set up a TC of C, C1 and C2 with the same functions as above and also a Control account - B786 Construction Control Account

An Example

An invoice for a builder for 10,000 excluding VAT will be Input as follows

Account	TC	Dr	Cr
B621 Creditor			10,000.00
5120 Building Upkeep	C1	10,000.00	

Once this transaction is posted it triggers the posting to the VAT Control account as follows

5120 Building Upkeep		1,350.00	
B786 Construction VAT Control Account			1,350.00

The transaction once posted looks as follows

B621 Creditor			10,000.00
5120 Building Upkeep		11,350.00	
B786 Construction VAT Control Account			1,350.00

At the date of the VAT return all transaction posted to B781, B782 and B786 get paid over to revenue as part of the VAT Return