



# Trade Debt Management Policy

[REV004]

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# Trade Debt Management

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## Acronyms

<b>CFO</b>	Chief Financial Officer
<b>GSB</b>	Graduate School of Business
<b>eRA</b>	electronic Research Administration system
<b>FM</b>	Finance Manager
<b>HOD</b>	Head of Department
<b>IAPO</b>	International Academic Programmes Office
<b>NCA</b>	National Credit Act
<b>PI</b>	Principle Investigator
<b>POP</b>	Proof of Payment
<b>SAP</b>	UCT's integrated Finance system
<b>SLA</b>	Service Level Agreements
<b>VAT</b>	Value Added Tax

### 1. Objective

The objective of this policy is to:

- provide a framework for Trade debt management at UCT,
- ensure proper revenue recognition,
- optimize cash flow management to ensure UCTs financial sustainability,
- ensure consistency of debt management at UCT,
- minimize risk and proactively manage outstanding debt,
- communicate the debt management processes clearly and concisely,
- adhere to NCA requirements, and
- clarify roles and responsibilities in managing Trade debt.

### 2. Scope

This policy covers the management of UCT Trade debt, including debt managed and co-ordinated by the Finance Debtors Department as well as Debtors satellite offices i.e. GSB IAPO and the Baxter Theatre.

Specifically **excluded** from this policy is debt related to [Student Fees](#) (which is managed by the Fees office), as well as Vacation Accommodation, All Africa House and Staff Housing (which is managed by Commercial Development).

### 3. Applicable to

All UCT staff, or representatives engaging with customers on behalf of the University, and customers.



*This includes Research – Local and Foreign, Commercial and Ad-hoc Debtors and Short courses managed in SAP.*

### 4. Definitions

Term	Description
Bad Debt	An amount owed to the University that is deemed uncollectible after all reasonable collection efforts have been exhausted. This typically occurs when the debtor is unable or unwilling to pay, and the cost of further recovery exceeds the expected benefit.
Bad Debt written off	The formal accounting process of removing an uncollectible debt from the University's books, following approval in terms of the Delegation of Authorities. This does not necessarily absolve the debtor of liability but reflects that the University will no longer pursue collection.
Credit Note	A cancellation or reversal of an invoice for a specific reason, typically followed by the issuance of a corrected or revised invoice.
Customer / Debtor	An individual or entity that purchases goods or services from the University and is thereby obligated to compensate the University for the goods delivered, services provided, or as stipulated by a contractual agreement.
Debtors Age Analysis	A list of debtors with the amounts owed, categorised based on the number of days the payment is overdue.
Debtors Departments	Central Debtors department and the Debtors satellite offices.
Central Debtors Department	Central Debtors department located in the Finance Department.

Term	Description
Debtors satellite offices	UCT areas who manage their own Debtors function – i.e. the Baxter theatre, GSB and IAPO.
<a href="#">Delegation of Authorities</a>	A policy approved by the UCT Council that outlines the delegation of authority to specific individuals and committees within the University.
Fund Holder	The individual responsible for managing and overseeing specific funds administered by UCT.
Internal reminder	Request to follow up payment sent to organisational units for facilitation and follow up.
Invoice	An itemised list of amounts owing due to goods delivered or services rendered or in terms of the contractual obligation.
Letter of Liability	Confirmation from the funder that the deliverables have been met and that the invoice can be raised by UCT.
Organisational Unit	An organisational unit includes, but is not limited to faculties, divisions, schools, institutes, departments, sub-departments, clusters and business units, within the University.
Principal Investigator	The lead researcher, usually named in the contract, and with whom the customer has a direct relationship.
Pro-forma invoice	An estimated invoice, which is replaced by a Tax Invoice once accepted.
Re-issued invoice	A new invoice issued, when the original invoice has been credited, due to change or correction required for various reasons
SAP	The primary ERP system used for recording all financial transactions.

Term	Description
Statement	A record setting out all the transactions that took place between the customer and the University for a defined period, indicating the amount the customer has paid and the amount outstanding.
Supporting documentation	Supporting documentation may comprise of, a contractual agreement, schedule, calculation, written correspondence, confirmation of deliverables been met and/or Letter of Liability.

## 5. Policy

- The Debtors Departments are the only UCT departments authorised to create Trade Debtor invoices on behalf of UCT.



*All requests for pro-formas or invoices, must be forwarded to the Debtors departments.*

- All Debtors' supporting documentation must be stored electronically, in the central records management system.
- **Invoices and credit notes**
  - Self-made invoices, templates or any creation thereof, using any program or application, on behalf of the University, is prohibited, unless specifically approved by the Director: Financial Accounting.
  - Invoices can only be raised, after goods and/or services are provided by the University, or the agreed deliverables or milestones have been met.
  - Invoices raised in advance are invalid, unless such payment terms are clearly stipulated in the contractual agreement concluded.



*The agreement with Short courses, is that upfront payment is required before the commencement of the service.*

- Appropriate and adequate supporting documentation must be attached to the relevant invoice requisition.



*Adequate documentation support provided, will further assist the Debtors with subsequent, audit, customer enquiries and the debt collection process, in the event of delay or non-payment.*

- All invoices generated will be emailed directly to the customer, as per the email address on the customer master data.

- All invoices re-issued will be due for immediate payment and/or within the due date of the original invoice.
- Credit notes and hand-overs to the collection agency and write-offs are authorised as per the Delegated Authorities.
- **Payment terms and discounts**
  - The University's standard credit arrangement with its Trade Debtor customers, is that payment will be made within 30 days of the "invoice issued date".
  - Organisational units are not authorised to enter arrangements with Trade Debtor customers for payment terms related to invoices beyond the 30 days term and/or outside the terms, stated on the contractual agreements.
  - All extended payment terms and arrangement with the customer must be referred to the Debtors Department for consultation and the agreement to any change and for approval of the Finance Manager: Debtors or the Finance Manager of the Debtors satellite office.
  - There are no discounts on amounts owing or on any payments made.

## 6. Roles and responsibilities

### 6.1 Primary UCT contact

This includes the Principal Investigator, Fund Holder, and all UCT staff or representatives who have a direct relationship with the customer, who will:

- Assist the Debtors department to ensure that invoices are raised and monies are collected timeously.
- Alert the Debtors department of any developments with the customer which could impact on the invoicing and collection of the debt e.g., staff movements, change of email address.
- Forward all POPs received to [proof.of.payment@uct.ac.za](mailto:proof.of.payment@uct.ac.za)

### 6.2 Administrators

This includes all staff who assist with administration of the Debtors invoices and follow up within the organisational units, who will

- Maintain accurate customer master data in SAP.
- Ensure all invoice-related deliverables and payment requirements are met.
- Manage contract documentation and uploads to relevant systems.

- Process invoice and receipt requisitions with proper authorisation.
- Handle credit note requests for invoice reversals.

## 6.3 Finance Managers

This includes the Assistant Finance Managers and Finance officers who are designated to sign on behalf of the Finance Manager, who will:

- Review and approve the SD forms with required supporting evidence,
- Assist in debt collection and follow-up on overdue accounts, and
- Assist the Debtors department with the allocation of unidentified receipts.

## 6.4 Debtors' department



*Central Debtors department and the Debtors satellite offices.*

### 6.4.1 Finance Management

- o Ensure SLA with the organisational units are met.
- o Ensure consistency of Debtors functions provided by Debtors satellite offices.
- o Ensure adequate segregation of duties within all Debtors functions.



*All deviations and exceptions to segregation of duties due to staff constraints must be documented and accepted by the CFO.*

- o Ensure the Debtors Age Analysis is distributed to all areas monthly, for review and follow up.
- o Review monthly list of legal collections, new handovers and progress status of Trade Debtors handed over.
- o Manage urgent and exception requests.
- o Manage escalation of customer queries and requests for assistance.
- o Initiate any proposed Bad Debt write off or handover to the collection agency.
- o Review, analyse and provide updates for Director: Financial Accounting, including the following:
  - status and movement of the Debtors balances,
  - overall status of invoicing and collections,



- Credit Notes processed, and
- status of debt handed over.
- o Ensure all Debtors' supporting documentation is stored electronically, for the agreed audit retention periods.
- o Facilitate regular training and awareness sessions for relevant staff and organisational units to ensure consistent understanding and compliance across the University.

#### 6.4.2 Debtors' Administrative roles



*Within the Debtors Administrators, there is segregation of duties between invoicing and receipting.*

- o Raise valid invoices based on approved requisitions and supporting documents submitted.



*All incomplete requisitions will be returned to the organisational unit, thus delaying the invoicing processing.*

- o Ensure receipts are allocated based on POPs received.
- o Ensure master data is created and updated timeously.

#### 6.4.3 Debtors Co-ordinating roles

- o Ensure all invoices and statements are emailed to the customer.
- o Send copies of invoices, if requested, to the organisational unit, the requesting person or to any interested party.
- o Complete the relevant vetting and compliance verification for new customers.
- o Ensure completeness and accuracy of customer master data.

#### 6.4.4 Credit Controlling roles

- o Follow up and collection of all amounts owing, unpaid or overdue.
- o Update customer notes and history of collection, as well as the status / progress of debt collection.
- o Update the respective organisational units on progress with Debtors handed over to the collection agency.
- o Prepare a list of proposed debts to write-off, with detailed motivation and supporting documentation.

## 7. Procedures

### 7.1 Invoicing

Trade debt invoices are authorised by the respective Fund Holder and/or finance department delegate.

#### 7.1.1 Administrators

- Ensure that the customer exists on SAP, and if not, completes a request for a new customer ([SD004](#)).
- Complete a change to customer ([SD004](#)) if there are any changes to the customer master data which impact invoicing and receipting, together with supporting documentation.
- Confirm that all deliverables in terms of the invoice requested have been met.



*For Short courses, payment is required upfront, prior to the delivery of the course.*

- For Research contracts, upload the Letter of Liability onto eRA. For other contract types, the final signed contract must be referenced in the supporting documentation.
- Complete the Invoice Requisition ([SD001](#) or [SD006](#)) or Receipt Requisition ([SD002](#) or [SD007](#)), with the required authorisations and supporting documentation.
- For invoices requiring reversal, a Credit Note request ([SD003](#)) must be completed, clearly stating the reason for such a reversal, and whether a replacement invoice is required.

#### 7.1.2 Finance Managers

- Review and approve Invoice and Receipt Requisitions, Credit Note and Customer requests ensuring all relevant supporting documentation is included.



*Refer [Attachment A](#) for checklist to be checked prior to forwarding to the Debtors department.*

- Ensure supporting documentation includes a Letter of Liability or acceptance that deliverables, if applicable, have been met.

- Assist the Debtors department with debt collection, by reviewing and following up with the departmental administrator and/or PI and/or Fund Holder on all outstanding debt over 90 days old, as per the monthly Debtors Age Analysis distributed.
- Assist with the allocation of unidentified Receipts as notified by the Debtors department.

## 7.2 Collection

- The Debtors department collection cycle is as follows:
  - o After 30 days of invoice due date – internal first reminder.
  - o After 60 days of invoice due date – internal second reminder.
  - o After 90 days of invoice due date – person responsible for credit control will follow up directly with the customer, with the assistance of the organisational unit.
  - o After 120 days of invoice due date – person responsible for credit control will continue to follow up directly with the customer, with the assistance of the organisational unit, with external legal debt collection being the next step.
- External legal debt collection will be instigated at the discretion of the Finance Manager: Debtors after considering various factors, including the status and nature of Debtor, relationship with the University and organisational unit, contractual agreement, amount outstanding and cost of legal fees. The Debtors satellite offices must consult with the Finance Manager: Debtors before initiating any potential debt handovers for external debt collection.

## 7.3 Debt write-off

- If all collection options have been exhausted, a write off of the debt may be proposed by the Finance Manager: Debtors and approved in terms of the Delegation of Authorities.
- Amounts long outstanding, under R10,000, may be considered as potential Bad Debt write-offs.
- Customers with debt written off will be deactivated on SAP.

## 7.4 Collection agency

- All actions for legal collection will be initiated by the Finance Manager: Debtors, and/or the Director: Financial Accounting, after consultation with the Debtors satellite offices, if required.
- There is no minimum amount for legal handover.
- Discretion will be exercised by the Finance Manager: Debtors, for the amounts handed over, based on the potential of the successful legal collection versus the legal costs to be incurred.

## 7.5 Refunds

- A customer refund will be raised when a customer account has a credit balance. This could be because of overpayment, payment in error, or duplicate payment.
- Regular customers are encouraged to offset the credit balances against other invoices with the University.
- For customers who request a refund, a Customer Refund ([FM051](#)) must be completed.

# 8. Related legislation, policies, guidelines and practices

This includes but is not limited to:

- Delegation of Authorities [[GEN002](#)]
- [National Credit Act](#)
- [Guidelines: Consumer Protection Act](#)
- Student Fee Policy [[REV001](#)]

# 9. Implementation responsibility

The Finance Manager: Debtors is responsible for the implementation of the Trade Debtors management policy and ensuring that the policy is publicly available to both internal and external stakeholders, and for communicating the policy effectively across the University campus.

# 10. Contact

UCT Debtors department

[Fnd-Debtors@uct.ac.za](mailto:Fnd-Debtors@uct.ac.za)

## ATTACHMENT A: CHECKLIST

Invoice Requisition / Receipt Requisition / Credit Note checklist.

Finance sign off	Checked & correct	Checked & not correct	Further information if not correct
Customer exists	✓	✗	Complete SD004 - new customer. <i>Verify against the contract or email correspondence.</i>
Customer details unchanged	✓	✗	Complete SD004 - change customer. <i>Verify against the contract or email correspondence.</i>
Contract signed	✓	✗	Obtain copy of signed contract – On eRA or via central records management. <i>Ensure the final signed contract is in the central records management system.</i>
Letter of Liability or proof of delivery	✓	✗	Ensure Letter of Liability uploaded to eRA or that confirmation of delivery received.
Fund number and name	✓	✗	Ensure correct fund, based on previous invoices if applicable, or check to eRA if first invoice.
VAT status on fund same as VAT indicator on request	✓	✗	Ensure correct fund, based on previous invoices if applicable, or check to eRA re first invoice.
Credit note – check original invoice	✓	✗	Check to original invoice number in fund.
Research Levy (if applicable)	✓	✗	Check levy percentage on request agrees to percentage on eRA, if applicable.
Sales Order # (if applicable)	✓	✗	If preloaded Sales Order, add the Sales Order number.
Proof of Payment (if applicable)	✓	✗	If already paid, obtain Proof of Payment, and check whether invoice been issued. <i>For <b>invoices already issued</b>, forward POP to <u>Debtors</u> - no Requisition required.</i>
Updated status on eRA (if applicable)	✓	✗	For all steps, ensure status on eRA is updated e.g. “Completed and checked by Debtors”, “Processed via requisition”, “Return to Faculty Finance”.