

# Clearing of Long Outstanding Goods Receipts (GRs)

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## Background

In the audit of SingHealth FY2011 financial statements, an audit issue was raised for Goods Receipts (GR) and Invoicing (IR) transactions in the General Ledger booked in the GRIR account were not cleared for a prolonged period.

SingHealth Finance Shared Services (FSS) was tasked to clear the backlog of open items in the GRIR account for all the 8 SingHealth institutions as well as to work towards consistent clearing of long outstanding GRs in future as part of FSS standardised procedure going forward.

Although more than 98% of the backlog open GRs were cleared after one year, FSS was not satisfied with the outcome. There were many open GRs which FSS were not able to close single-handedly, the newly transacted GRs in the new financial year were not cleared and accumulating.

FSS recognised that partnership with Finance and Material Management Department (MMD) of Institutions was essential and the roles and responsibilities of each party to clear the long outstanding GRs to prevent backlog building up in future needed to be defined.

Figure 1. Original Status of Open Items in GRIR account


Open Items in GRIR Account	As at 31 Mar 2012		As at 31 Mar 2013	
	No. of Transactions	Value of Transactions	No. of Transactions	Value of Txns
Transacted less than 3 months	8,768	\$5,838,000	5,282	\$5,190,524
Transacted more than 3 months	13,459	\$1,237,593	1,363	\$1,028,578
<b>Age &lt; 1 year</b>	<b>22,227</b>	<b>7,075,593</b>	<b>6,645</b>	<b>6,219,102</b>
Transacted in FY12	-	-	-	-
Transacted in FY11	-	-	584	\$568,381
Transacted in FY10	3,667	\$247,221	247	\$141,258
Transacted in FY09	12,534	\$194,714	162	\$133,977
Transacted in FY08	13,240	\$26,001	47	\$14,399
Transacted in FY07	11,587	\$78,441	192	\$35,053
Transacted in FY06	11,431	\$98,709	120	\$26,908
Transacted in FY05	10,738	\$140,915	-	-
<b>6 years &gt; Age &gt; 1 year</b>	<b>63,197</b>	<b>588,583</b>	<b>1,352</b>	<b>919,956</b>
Transacted in FY05	-	-	29	\$8,022
Transacted in FY04	11,363	\$8,832	45	\$7,773
Transacted in FY03	54	\$58,179	8	\$1,190
<b>Age &gt; 6 years</b>	<b>11,417</b>	<b>\$67,011</b>	<b>82</b>	<b>\$16,985</b>
<b>Total</b>	<b>96,841</b>	<b>7,731,186</b>	<b>8,079</b>	<b>7,156,044</b>

## Methodology

Firstly, the reasons for delay in clearing GRs were reviewed to determine a solution that addressed the root cause.

A Finance Policy and Procedure (P&P) titled Timely Closure of Open Goods Receipt/Invoice Receipt Items was developed and implemented for cluster-wide adoption.

Figure 2. Cluster-wide P&P to enforce timely clearing of GRs



**SINGHEALTH GROUP Finance Policies & Procedures Manual**

<b>Title :</b> TIMELY CLOSURE OF OPEN GOODS RECEIPT / INVOICE RECEIPT ITEMS	<b>Policy No. :</b> SGFP-200-007
	<b>Effective Date :</b> 01-Mar-2014
	<b>Revision Date / No. :</b>
<b>Applies To :</b> All SHS Institutions' CFOs & Finance Depts	<b>Issued by :</b> SingHealth Finance
	<b>Approved by :</b> GCFO

Updates to the policy as follows:  
☒ New document    ☐ Major contents change    ☐ Minor contents change

Note : This is an uncontrollable document, please verify on the intranet for the latest copy

**1. PURPOSE**

1.1. The purpose of this policy is to provide guidelines for the timely closure of open goods receipt / invoice receipt (GR/IR) items within Materials Management Department.

**2. POLICY**

2.1. It is the policy of the Hospital that open GR/IR items are closed within a prescribed timeframe.

**3. DEFINITION**

3.1. Summary of abbreviations used in this policy

3.1.1. CTC	denotes Certified True Copy
3.1.2. DO	denotes Delivery Order
3.1.3. ePR	denotes electronic Purchase Requisition
3.1.4. eIRF	denotes Electronic Item Requisition Form
3.1.5. FSS-AP	denotes Finance Shared Services-Accounts Payable
3.1.6. GR	denotes Goods Receipt
3.1.7. IR	denotes Invoice Receipt
3.1.8. MMD	denotes Materials Management Department
3.1.9. PO	denotes Purchase Order
3.1.10. SOA	denotes Statement of Accounts

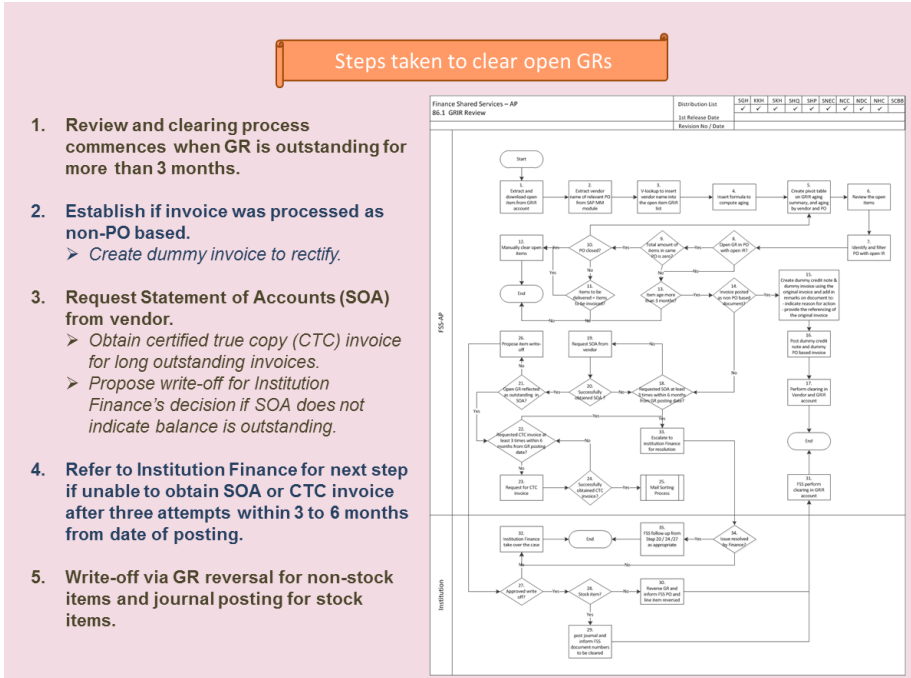
**Reasons for GRs not cleared:**

- Invoice not processed.**
  - Vendor did not bill.
  - Invoice lost in transit.
  - User did not submit invoice for payment processing.
- Invoice processed as non-PO based.**
  - Vendor / User did not indicate PO reference on invoice.
  - Human error by FSS staff.
- Credit memo (CN) processed in AP but goods returned not recorded by MMD.**
- Duplicate GRs.**
  - GR performed based on invoice & DO.
  - Human error by MMD staff – especially POs with multiple deliveries.

The responsibilities of FSS, Institution Finance and Institution MMD in the GRIR clearing exercise were defined in the P&P.

FSS also drew the process map to detail the steps to be taken to clear GRs ensuring controls are in-paced to comply with legislations as well as to minimise risk of overstatement of expenses and liabilities.

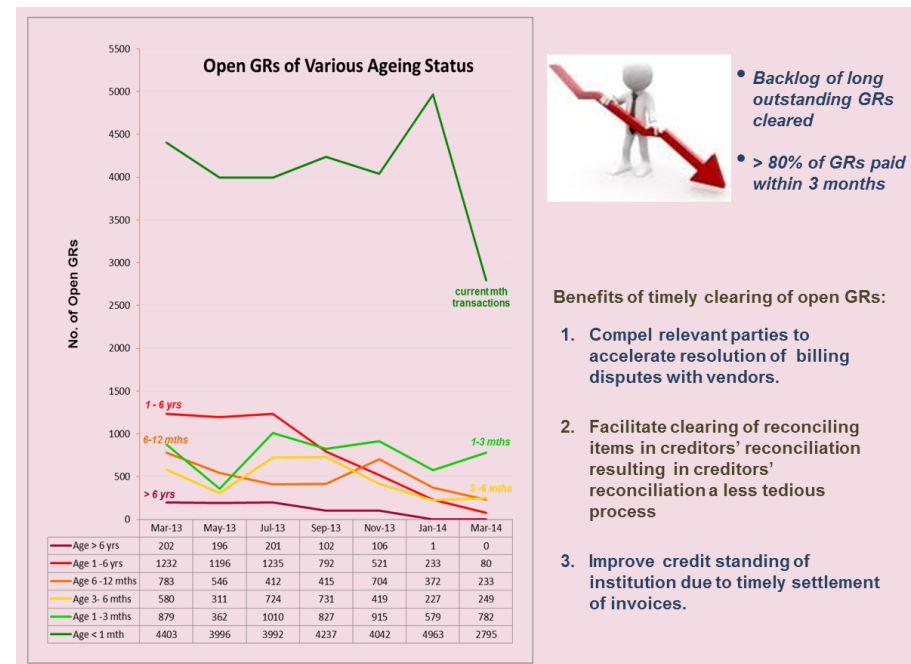
Figure 3. Process Map on GR Clearing



## Results

The outcome of GRIR clearing policy and structured process in investigation and clearing of long outstanding GRs was timely settlement of GRs. Most GRs were cleared within 6 months after transaction date. All GRs aged more than 3 months were closely tracked and followed up for early closure.

Figure 4. Status of Long Outstanding GRs FY13



## Conclusion

Having a P&P and process map has helped to induce all parties to perform housekeeping on a regular basis. This has not only addressed some financial issues, but also enhanced the credit standing of the institutions for being a prompt pay-master.