

Salary and Wages Recharges Inter-business Policy Directive and Procedure

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Salaries and Wages Recharges Inter-business Policy Directive & Procedure

1. Policy Statement

This policy directive details the requirements for salaries and wages inter-business recharge journals. There are a number of ways in which salary and wages recharges can be calculated, however, the option chosen by SA Health seeks to streamline processes across SA Health, aiming for timeliness, consistency in practice, as well as targeting efficiency in both practices and use of resources.

2. Roles and Responsibilities

2.1. Business Teams

The following details the responsibilities for both the business providing the seconded employee and its pertinent recipient business.

- > The recovering business will:
 - > initiate the inter-business (IB) recharge journal, including the business and cost centre for the recovery of charges
 - > attach a copy of the approval from the recipient business, and
 - > send the journal to the recipient business for the cost of the seconded employee, including the supporting timesheet.
- > The recipient business will upload and approve the IB journal.
- > When received, the recovering business will approve this journal and will monitor any outstanding recharge journals.

3. Policy Requirements

Recharges between businesses are processed as IB journals, with recharges within businesses being processed as business journals. Recoveries to entities outside of SA Health will continue to be processed through Accounts Receivable/Payable.

As long term seconded employees (i.e. secondments for a period of twelve months or greater) are required to be transferred to the receiving business' CHRIS payroll system, no IB recharge journal will be required, with the following exceptions:

- > Employee salaries that are split across more than one business;
- > Enterprise Patient Administration System (EPAS) employees long term secondment recharges;
- > MedSTAR employee recharges; or
- > SA Ambulance Service (SAAS) employees who are yet to come under the department's CHRIS payroll system.

IB recharge journals must be raised for short term seconded employees and rotational seconded employees.

3.1. Accounting treatment

No business is to offset the revenue and expense associated with a given seconded employee. Transactions should be fully recognised in the accounts of the business. This practice will ensure that requirements under AASB 101 *Presentation of Financial Statements* can be met for each business.

No accrued receivables or payables are to be recognised for salary and wages recharges in line with the *Oracle Journals Inter-business Policy and Procedure*.

3.2. Inter-business journals

An IB journal will be initiated by the business seeking to recover funds. The recharging business must attach supporting documentation in relation to the recharge when preparing an IB journal. The business incurring the expense will agree on the recharge, attach supporting documentation (i.e. the completed timesheet) and complete the IB journal business process, through to posting into Oracle Corporate Systems (Oracle) General Ledger. It is important that salary and wages recharge journal has the associated statistical data (i.e. hours) recorded.

The *Oracle Journals Inter-Business Policy and Procedure* outlines further details in relation to the requirements for initiation, approval and processing of IB journals. It is important that the business seeking to recover the funds includes appropriate supporting documentation, which includes approval from the other business (ie. letter, agreement, email etc). Every effort must be made to resolve salary and wages recharges on a monthly basis in the applicable financial year.

Where IB recharge journals are processed, every IB journal must represent only two businesses on each journal and the sector code and intercompany code must be applied appropriately.

4. Implementation and Monitoring

Compliance with this policy directive will occur when all IB salary and wages recharges are recognised within SA Health, resulting in compliance with Treasurer's Instructions and applicable accounting standards, with no adverse commentary from Audit.

The budgeting and reporting arrangements for inter-business salary and wages recharges will be monitored through regular business reporting requirements by each LHN/SAAS. Further, Taxation Services' regulatory reporting requirements will be provided to LHN/SAAS Business Finance teams at the end of each financial year.

5. National Safety and Quality Health Services Standards

N/A

6. Definitions

In the context of this document:

- > **business** refers to the 'Business' segment in the Oracle Chart of Accounts, i.e.
 - > Department for Health and Ageing;
 - > Central Adelaide Local Health Network (CALHN);
 - > Southern Adelaide Local Health Network (SALHN);
 - > Northern Adelaide Local Health Network (NALHN);
 - > Country Health SA Local Health Network (CHSALHN);
 - > Women's and Children's Health Network (WCHN); and
 - > SA Ambulance Service (SAAS).
- > **eligible earnings** refer to salary items which attract superannuation (i.e. conference / examination leave, sick leave, annual leave). See S&W Recharge Guideline Factsheet for details of eligible earnings.
- > **inter-business (IB) journal** is a general ledger journal between two businesses in Oracle, and it will create an intercompany loan between the business entities involved, (e.g. Department for Health and Ageing charges to SALHN)
- > **long term employee secondment** refers to a labour service provided by one business to another for a period greater than twelve months. Long term seconded employees must be shifted to the recipient business' payroll system (CHRIS).
- > **non-eligible earnings** refer to salary items that do not attract super on-costs (i.e. overtime, call backs and meal allowances).
- > **rotational employee secondment** refers to labour provided by a business to another business on a rotational basis.
- > **salary and wages recharge** refers to where a business supplying the seconded employee seeks payment from the other business for the services of the employee (this is a taxable supply).
- > **seconded employee** refers to where labour is provided by a business to another business. The secondment does not change the employment status of the business' employee. The business continues to pay the employees as if the employees were still working for their business.
- > **short term employee secondment** refers to labour provided by a business to another for period of less than twelve months.

7. Associated Policy Directive/Policy Guidelines and Resources

[AASB 101 Presentation of Financial Statements](#)

[Oracle Chart of Accounts](#)

[Oracle Journals - Inter-business Journal Policy Directive and Procedure](#)

[Oracle Journals Supporting Documentation Factsheet](#)

[Salaries and Wages Recharge Guidelines Factsheet](#)

[Tax Factsheet 8 – Seconded Employees and GST](#)

[Treasurer's Instruction 2 Financial Management](#)

8. Document Ownership and History

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Does this policy amend or update an existing policy? **N**
If so, which version?
Does this policy replace another policy with a different title? **N**
If so, which policy (title)?

Approval Date	Version	Who approved New/Revised Version	Reason for Change
08/12/2017	V1.0	SA Health Policy Committee	Original approved version published
10/12/16	V0.3	Director, Corporate Finance Services, Finance and Corporate Services Division	Scheduled Review on Oracle Assist
12/08/13	V0.2	Director, Corporate Finance Services, Finance and Corporate Services Division	Scheduled review on Oracle Assist
27/04/11	V0.1	A/Director, Financial Accounting, Finance and Corporate Services Division	Original Financial Accounting approved version & published on Oracle Assist



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APPENDIX

A Inter-business salary and wages recharge calculation

The IB recharge calculation detailed below will provide an efficient method of recharging that is consistently applied across SA Health.

It is acknowledged that the recharge calculation methodology, refer to *S&W Recharge Guidelines* factsheet, may not be consistent with the expense charged in the provider's accounts at the end of the given financial year; however, it is considered the results are unlikely to be materially different.

The business seeking to recover funds for a seconded employee from another business must recognise the revenue against a level seven natural account that rolls up to 63900 Recharge – Employee Related Cost. The business incurring the expense must recognise the expense against a level seven natural account that rolls up to 76100 S&W Purchased Staff from Other SA Health Regions. Associated recharge on-costs are to be recognised against the S&W Purchased Staff – On cost account.

A.1 Ordinary hours/allowances/overtime

Ordinary hours, allowances and overtime are to be charged on actual costs as contained within the payroll data.

A.2 Long service, annual and retention leave

Long service, annual and retention leaves, including leave loading are to be charged on a fixed percentage in accordance with the – *S&W Recharge Guidelines Factsheet*. Please note that the accrued retention leave has a lifespan of only five years.

A.3 Sick leave

SA Health recognises sick leave as non-vesting and does not recognise any future employee liability for unused sick leave entitlements. As employees' unused sick leave entitlements are not paid out if that employee leaves (non-vesting), sick leave is to be charged only on actual data as contained within the payroll data.

A.4 Professional development/exam/study leave

Professional development/exam/study leave is to be charged based on actual data as contain within the payroll data.

A.5 Superannuation

Superannuation is to be charged based only on eligible earning using one of five possible superannuation categories:

- > Minimum SA Government Scheme
- > State Super Benefits Scheme
- > Pension Scheme
- > Lump Sum Scheme
- > SAAS Super Scheme – Operational or Non-operational

Where anything other than the minimum SA Government requirements are recharged, the recharging business must provide supporting documentation that the correct percentage is applied.

A.6 Workers compensation

Workers compensation is no longer charged for any seconded employee as it is not considered material.

A.7 Fringe benefits tax

Fringe Benefits Tax (FBT) costs for Medical Officer Specific Salary Sacrifice Scheme (MOSSSS) and SA Government Salary Sacrifice Arrangements (SAGSSA) should not be recharged within a business entity. Where there are FBT costs between business entities relating to MOSSSS, only a financial year end adjustment can be made, and this may only be actioned by Taxation Services. Monthly journals should not be created as they will reverse out later when Taxation Services posts the end of financial year actuals.

Given the FBT year is from 1 April until 31 March, FBT will be expensed to the cost centre where the employee resides in as at 31 March, or as of their last date of service. Accruals in the future year will be to the same cost centre each month and will not be adjusted or recharged between sites or cost centres.

Financial year end FBT adjustments (actioned by Taxation Services) will occur to reverse all accruals made within the financial year and the previous quarter in the last financial year, and then post the actual FBT expense, plus the next quarters FBT accrual (which is paid to the ATO in advance). Taxation Services will provide businesses with the end of year FBT expense allocations by Work Day (WD) 8 in June of each year. Businesses will be given a fortnight to review the adjustments and provide feedback to Taxation Services, in time for Financial Year end uploading. This will result in the FBT expense in the current financial year being correct and some cost centres may end up with a negative amount due to the previous year's overstated amounts.

A.8 Professional development

Professional development is to be charged on full per annum rates, in fortnightly instalments, in accordance with *S&W Recharge Guidelines Factsheet*.

Professional development claims must be charged to the current employer at the time the claim is being made.

A.9 Administration fee

An administration fee will not be charged for any intra health seconded employee. A negotiated administration fee should continue to be charged to external recharges.