

Policy Directive: compliance is mandatory

Disclosure Requirements for Consultants and Contractors Policy Directive

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Summary This policy directive outlines the statutory requirements regarding consultants and contractors to enable compliant disclosure, in accordance with generally accepted accounting principles and the Department of the Premier and Cabinet's Circular 013 *Annual Report Requirements*.

Keywords Policy, consultants, contractors, annual financial statements, disclosure

Policy history Is this a new policy? **Y**
Does this policy amend or update an existing policy? **N**
Does this policy replace an existing policy? **N**
If so, which policies?

Applies to *All of SA Health portfolio*

Staff impacted *All staff*

EPAS compatible *N/A*

Registered with Divisional Policy Yes
Contact Officer

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Document control information

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Endorsements

Date	Endorsed by
23/07/12	Director, Corporate Finance Services, Finance and Business Services Division
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Approvals

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22/01/16	Portfolio Executive

Table of contents

1. Objective	4
2. Scope	4
3. Principles	4
4. Detail	4
4.1. Consultancy Listing.....	4
4.2. Consultancy Disclosure.....	5
4.3. Contractor Disclosure.....	5
5. Roles and Responsibilities	5
5.1. Public Authority.....	5
5.2. Financial Accounting.....	5
6. Reporting	5
7. EPAS	5
8. Exemptions	5
9. National Safety and Quality Health Service Standards	6
10. Risk Management	6
11. Evaluation	6
12. Definitions	6
13. Associated Policy Directives/Policy Guidelines	7
14. References, Resources and Related Documents	7
Appendix	8
A Consultancy Procedures	8

Disclosure Requirements for Consultants and Contractors Policy Directive

1. Objective

This policy directive has been created to ensure that the statutory requirements regarding consultants and contractors are disclosed correctly in the Annual Financial Statements (AFS) and the Annual Report, in accordance with the Accounting Policy Framework II (APF II) *General Purpose Financial Reporting Framework*, and Department of the Premier and Cabinet Circular 013 *Annual Report Requirements* (PC 013).

2. Scope

This policy directive is applicable to the entire SA Health Portfolio.

3. Principles

The following principles must be followed:

- > All costs associated with consultants and contractors must be correctly classified, i.e. posted to the correct Oracle Corporate Systems (Oracle) general ledger accounts.
- > A consultancy listing must be maintained and reconciled to the Oracle general ledger on a monthly basis.
- > Each public authority will provide a table of consultancy expenses for inclusion in their Annual Report and the AFS at the end of each financial year, which must be prepared in accordance with PC 013, and the Department of Treasury and Finance (DTF) *Model Financial Statements*.

4. Detail

The use of consultants/contractors to perform tasks is a means of assisting a business unit to achieve its objectives, but does not abrogate the business unit's responsibility for successful completion of projects. Therefore, the effective management of consultants/contractors, and evaluation of their work, is essential.

Engaging a consultant/contractor should be considered only when the organisation is satisfied that the work is essential and cannot, or should not, be performed using government staff. The expenditure should be justified and affordable.

4.1. Consultancy Listing

For each public authority, Financial Accounting, within Finance and Corporate Services, maintains a Consultancy Listing. The Consultancy Listing is reconciled to the Oracle general ledger on a monthly basis.

For consultancies where the total amount in the year is less than \$10,000 (excl. GST), the listing should provide the number of consultancies engaged. For all consultancies above \$10,000, agencies should name each consulting firm, and provide a brief summary of the services for which they were engaged.

4.2. Consultancy Disclosure

Consultancy disclosure, i.e. the table of consultancy expenses, for the Annual Report and the AFS must be in accordance with the requirements of PC 013, and the DTF *Model Financial Statements*.

4.3. Contractor Disclosure

There are no specific requirements to report contractual arrangements in the AFS or Annual Report. However for AFS reporting purposes, where the information is significant or relevant, or may increase the users' understanding of the business of the entity, disclosure of the number of contractors and associated dollar amounts is encouraged.

5. Roles and Responsibilities

5.1. Public Authority

Each public authority is responsible for:

- > ensuring that all costs associated with consultants and contractors are correctly classified, i.e. posted to the correct general ledger accounts; and
- > providing information, as requested, to Financial Accounting for all consultancy expenditure.

5.2. Financial Accounting

Financial Accounting is responsible for:

- > maintaining a Consultancy Listing;
- > reconciling the general ledger accounts for consultants to ensure that they contain information that relates purely to consultants;
- > notifying the employees who have made incorrect payments or journals to the consultants natural account in the Oracle general ledger; and
- > creating the table of consultancy expenses for the AFS and the Annual Report.

6. Reporting

Consultancy expenses will be disclosed accurately in the Annual Report and the AFS.

7. EPAS

N/A

8. Exemptions

N/A

9. National Safety and Quality Health Service Standards

N/A

10. Risk Management

Non-compliance with this policy directive could result in the AFS reporting incorrect information, or a contravention of PC 013.

11. Evaluation

Compliance with this policy directive will occur when the requirements of PC 013 are met, and reporting in the AFS is accurate.

12. Definitions

In the context of this document:

- > **consultant** is a person or entity that is engaged by a government reporting entity for a specified period to carry out a task that requires specialist skills and knowledge not available in the entity. The objectives of the task will be achieved by the consultant free from direction by the entity as to the way it is performed and in circumstances in which the engagement of a person under normal conditions is not feasible. Examples of consultants include development of IT strategic plans and/or system specifications, and research project and feasibility studies, where recommendations are made.
- > **contractor** is a person who is engaged to undertake activities which are normally carried out by employees of SA Health, however, due to resourcing or business processes, contractors or temporary staff has been engaged to perform duties. Contractors are usually managed or directed by SA Health to perform day to day activities of the core business. They do not generally provide a written report or recommendations. Examples of contractors include routine audit or accounting services that provide ongoing advice for day to day issues, temporary staff engaged to undertake office services, and trainers, presenters or workshop facilitators to perform actual training.
- > **distinctions between consultants and contractors**

The consultant:

- > provides independent advice;
- > will research and investigate independently, using their own professional judgement and skill to develop recommendations; and
- > will provide recommendations from the review which may be used in decision making and usually come in the form of a written report.

Some distinctions of a contractor are that a contractor:

- > will be engaged for a specific purpose or to perform a specific task, usually routine/core business tasks, which will probably not involve a recommendation, or if a recommendation is required, it would be because of the routine nature of the task being performed;
- > will take responsibility for the risks incurred in producing the outcome and operates as an independent business entity;

- > will perform within the scope of the tasks required. This is normally (and desirably) documented in the written contract.
- > **public authority** means a government department or statutory authority.
There are seven Public Authorities within SA Health; the Department for Health and Ageing (the department), 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).
- > **SA Health** is the corporate identity and not the legal entity for all the Local Health Networks, SA Ambulance Service and the Department for Health and Ageing.

13. Associated Policy Directives/Policy Guidelines

N/A

14. References, Resources and Related Documents

- > Public Authority's individual Delegations of Authority
- > [Treasurer's Instruction 2 Financial Management](#)
- > [Premier and Cabinet Circular 013 Annual Reporting Requirements](#)
- > [Accounting Policy Statement II General Purpose Financial Report Framework](#)

Appendix

A Consultancy Procedures

Monthly

1. At the end of each month, Financial Accounting will review and reconcile the general ledger natural account 75511, which outlines all transactions that have been posted for the month. These transactions are analysed for correctness and the consultancy listing is updated accordingly.
2. Financial Accounting will follow-up on any new transactions found in the natural account 75511.
3. Financial Accounting will confirm that these amounts meet the definition criteria of a consultant as per APF II and request information pertaining to that consultancy. This information will be captured in the Consultancy Listing.
4. Where transactions do not meet the definition of a consultant, the responsible employee will be notified and advised of the appropriate corrective action.
5. Reconciliations will be performed monthly between Oracle general ledger and the Consultancy Listing, with any discrepancies followed up and corrected.

Annually

1. At the end of each financial year, after the monthly procedure has been performed, Financial Accounting will prepare a table of consultancy expenses for the AFS and the Annual Report.
2. In accordance with PC 013 the listing needs to separately disclose consultancies into the following categories:
 - > Consultancies less than \$10 000 (excl. GST) must include the number of consultancies and total expenditure; and
 - > Consultancies \$10 000 and above (excl. GST) must provide the consultant's name, a brief summary of the services for which they were engaged and total expenditure.
3. For AFS purposes, only the total value and number of consultants is required for the disclosure, within the following brackets:
 - > Less than \$10 000; and
 - > Greater than \$10 000.