

FIN

# Expenditure Management Policy Directive

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# Expenditure Management Policy Directive

## 1. Policy Statement

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The objective of this policy directive is to specify the minimum financial management requirements for the development, implementation, documentation and maintenance of an expenditure compliance and management program.

## 2. Roles and Responsibilities

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All SA Health officers are responsible for compliance with this policy directive. In particular the following officers who are responsible for the governance and financial obligations of SA Health:

- > Chief Executive, SA Health
- > Boards of each Local Health Network (LHN)
- > Chief Executive Officers of each Local Health Network and SA Ambulance Service
- > Deputy Chief Executive, Corporate and Systems Support Services
- > Deputy Chief Executive, Commissioning and Performance
- > Deputy Chief Executive, System Leadership and Design
- > Chief Public Health Officer, Health Regulation and Protection
- > Chief Executive, Wellbeing SA
- > Chief Digital Health Officer, Digital Health SA
- > Commissioner, Commission on Excellence and Innovation in Health
- > Chief Finance Officer, Department for Health and Wellbeing
- > Chief Finance Officer of each Local Health Network and SA Ambulance Service

### 2.1. Outsourced Service Arrangement

Certain financial management functions and responsibilities can be subject to an outsourced service arrangement, including an arrangement with Shared Services SA. Where this occurs, a Service Level Determination will define the responsibilities that have been agreed and allocated between the public authority and the service provider (Shared Services SA) for the tasks, activities and controls associated with the outsourced financial management functions.

## 3. Policy Requirements

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LHNs, SAAS and the department are responsible for the financial management and the development, implementation, documentation and maintenance of an expenditure compliance program. The program must meet the requirements set out in clauses 2.10 and 28.8 of Treasurer's Instruction (TI) 2 *Financial Management* and TI 28 *Financial Management Compliance Program*.

The below expenditure processes must be documented in a policy directive and/or procedure in compliance with TI 2. Documents must be reviewed regularly.

Specifically staff must ensure:

### 3.1. Responsibility for Financial Management Compliance

The responsibility for financial management compliance, relating to expenditure and accounts payable activities, is assigned to appropriate senior officers.

Documentation that substantiates the existence or occurrence; completeness; valuation or allocation; passing of control; rights and/or obligations relating to expenditure activities must be maintained.

### 3.2. Expenditure Recognition

An expense should be recognised in the Statement of Comprehensive Income in the determination of the result for the reporting period, when and only when it meets the following criteria:

- > It is probable that the consumption or loss of future economic benefits resulting in a reduction in assets and/or an increase in liabilities has occurred.
- > The consumption or loss of future economic benefits can be reliably measured.

### 3.3. Incurring Expenditure

No liability for expenditure shall be incurred unless:

- > the expenditure is necessary for the conduct of the LHN/SAAS/department, and the requirements of any Act under which these operate, (eg. the *Public Finance and Audit Act*, any other Act, law, agreement or instruction) have been observed in all respects
- > sufficient funding is available, and
- > the expenditure is authorised in the manner prescribed by the *Public Finance and Audit Act*, or any other Act, law, agreement or instruction.

The incurring of expenditure on goods or services for private purposes by officers is strictly prohibited. Expenditure on goods and services must be undertaken prudently, efficiently and economically, to maximise best value for money and minimise waste.

### 3.4. Processing and Payment of Invoices

All expenditure must be appropriately recognised and all valid invoices processed accurately, and as soon as practicable, following the provision of goods received and services rendered. This includes ensuring that all payments are promptly recorded, allocated against the correct accounts payable line (where applicable), issued in a secure manner, and any disputed invoices are flagged and resolved promptly. Payment methods must be efficient and regularly reviewed, including consideration of the use of purchase cards and electronic funds transfers. Any applicable invoices which attract interest will be paid in accordance with the *Late Payment of Government Debts (Interest) Act 2013* (the Late Payments Act).

### 3.5. Authorisation of Expenditure

Authorisation of expenditure will be in accordance with the pertinent delegation of authority. Officers will not exceed their individual financial delegations, and will not separate a single supply or service into parts, with the aim of issuing two or more orders or contracts that individually do not exceed the level of financial delegation attached to the position held by the manager.

### 3.6. Expenditure Reconciliation

Reconciliations between the general ledger and relevant subsidiary ledgers (for example; creditors ledger/accounts payable ledger) are performed on a regular and timely basis. Appropriate source documentation must be provided to ensure compliance with audit requirements. This information must be presented in an appropriate format and contain all relevant supporting documentation.

Reconciliations must show evidence of being reviewed and endorsed, by an officer who is independent from the process, and will check that the reconciliation is accurate and correct. Reconciling items, when they occur, must be dealt with in an appropriate and timely manner to prevent them from carrying over to a new period.

### 3.7. Contract/Suppliers Performance Management

Contractors'/suppliers' performance against orders, contracts, service level agreements (including services outsourced) or equivalent are regularly monitored and reviewed to ensure services are being received and payments are made, in accordance with agreed arrangements.

### 3.8. Fees/Charges Payable

The levels of fees/charges payable for services rendered are reviewed on an annual basis. Fees and charges can only be paid when the fee/charge schedule has been approved by the appropriate authority, (eg. board member sitting fees approved by the Governor).

### 3.9. De-recognition and/or Adjustments

Each public authority will ensure the establishment of authorisations that empower authorised persons to approve accounts payable de-recognition, or adjustments to amounts previously recognised; for example, correcting journals for amounts in dispute and / or credit notes received.

All de-recognition/adjustments must be authorised in accordance with these established authorisations.

### 3.10. Resource Management

Where there is additional authorisations relating to financial and expenditure management, other than those financial authorisations that are separately dealt with in Treasurer's Instruction 8 *Financial Authorisations*, these will be regularly reviewed (eg annually).

## 4. Implementation and Monitoring

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Requirements related to the expenditure business cycle are monitored by multiple methods including, but not limited to, procurement monitoring measures, delegation instruments, reviews of general ledger accounts, performance analysis, and internal and external audit functions.

Performance against the compliance requirements will be monitored via the Financial Management Compliance Program, specifically the annual Controls Self-Assessment process.

Public authorities must ensure that financial management non-compliance is managed appropriately. Any breach of TI 2 and/or TI 28 must be reported by the respective Chief Executive/Chief Executive Officer of the public authority to the Under Treasurer by 31 August of each year.

The prompt payment of invoices is measured through monthly reporting requirements under TI 11 *Payment of Creditor's Accounts*.

## 5. National Safety and Quality Health Services Standards

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N/A

## 6. Definitions

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In the context of this document:

- > **compliance program** means activities that when combined are intended to achieve compliance with financial management obligations/requirements.
- > **expenses** are consumptions or losses of future economic benefits in the form of reductions in assets or increases in liabilities of the entity, that result in a decrease in equity during the reporting period.
- > **public Authority** means a government department, or a statutory authority. (TI 1 para.1.6.7);
  - > Currently there are 12 public authorities within SA Health; the Department for Health and Wellbeing (the department), SA Ambulance Service, and Barossa Hills Fleurieu Local Health Network (LHN), Central Adelaide LHN, Eyre and Far North LHN, Flinders and Upper North LHN, Limestone Coast LHN, Northern Adelaide LHN, Riverland Mallee Coorong LHN, Southern Adelaide LHN, Women's and Children's Health Network, and Yorke and Northern LHN.
- > **SA Health** is the brand name for the health portfolio of services and agencies responsible to the Minister for Health and Wellbeing. SA Health is the corporate identity for the portfolio only and not the legal entity. The legal entities include the Local Health Networks, SA Ambulance Service and the Department for Health and Wellbeing (as an administrative unit under the *Public Sector Act 2009*).

## 7. Associated Policy Directive/Policy Guidelines and Resources

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- > [Contract Management Policy](#)
- > [Late Payment of Government Debts \(Interest\) Act 2013](#)
- > [Payment of Creditor's Accounts Policy Directive](#)
- > [Procurement and Contract Management System Policy Directive](#)
- > [Purchase Card Policy Directive](#)
- > [Requisition, Purchase Order and Invoice Management Policy Directive](#)
- > [Treasurer's Instruction 2 Financial Management](#)
- > [Treasurer's Instruction 8 Financial Authorisations](#)
- > [Treasurer's Instruction 11 Payment of Creditor's Accounts](#)
- > [Treasurer's Instruction 28 Financial Management Compliance Program](#)

## 8. Document Ownership and History

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### Approvals

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22/01/2015	V1.1	Portfolio Executive	
15/04/2013	V1.0	Director, Corporate Finance Services, Finance	Original



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