



Employee Benefits Policy Directive

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Employee Benefits Policy Directive

1. Policy Statement

The objective of this policy directive is to ensure the financial measurement of employee benefits are disclosed accurately in the Annual Financial Statements (AFS), in accordance with relevant legislative and mandated requirements.

2. Roles and Responsibilities

2.1. Business units and health sites

It is the responsibility of finance within the business unit/health site to:

- > perform integrity checks on employee benefit balances
- > request from your respective Workforce team the appropriate CHRIS21 reports to monitor and assess excess leave entitlement balances and negative leave balances
- > review employee negative leave balances and excess annual leave entitlement balance reports on a regular basis, in conjunction with your respective Workforce team, and
- > develop and assess appropriate action plans which progressively reduces and minimises the recurrence of negative leave balances in a timely manner.

2.2. Corporate Systems Support, DHW

It is the responsibility of Corporate Systems Support team to process monthly CHRIS leave accruals and actual pay files received from Shared Services SA (SSSA) into Oracle Corporate Systems (Oracle) in a timely manner.

2.3. Interface Reconciliation team, Shared Services SA

It is the responsibility of Interface Reconciliation team to:

- > reconcile monthly employee benefit provision data received from SSSA, and SA Health Human Resource (HR) and Workforce, to the financial Oracle General Ledger (Oracle GL)
- > request pertinent information from Workforce and SSSA, for the actuarial assessment calculations, and
- > ensure the information provided by SSSA is accurately reported and disclosed in the AFS.

2.4. SA Health Human Resource and Workforce Services

It is the responsibility of the SA Health HR and Workforce Services team to provide SSSA Payroll with current employee details in a timely manner. Examples include: new employee details pack, updates to employee changes, employment contract changes and employee terminations

2.5. Shared Service SA (SSSA) – Payroll

It is the responsibility of the SSSA's Payroll team to:

- > input employee related data as received from the business units in a timely and accurate manner, and
- > generate monthly employee benefits reporting information from CHRIS.

3. Policy Requirements

This policy directive is applicable to all SA Health Portfolio employees who are required to assess, quantify and / or report on the financial measurement of employee benefits, and those who provide inputs into the measurement process.

There are four categories of employee benefits with distinct requirements for each.

- > Short-term benefits
- > Post-employment benefits
- > Long term benefits, and
- > Termination benefits

Employee benefits must be recognised as expenditure at the time they are incurred (entitlement is accrued), and a liability will be recognised when an employee has provided a service in exchange for an employee benefit to be paid in the future. When an employee accesses their leave entitlement, this is recorded as a reduction against the liability provision. Employee on-costs are not deemed an employee benefit.

Employee benefits recorded in the Oracle GL will be reconciled on a monthly basis from data received from SSSA and HR and Workforce, to assist with accurate reporting for AFS purposes.

For all pertinent employee benefits, HR and Workforce Services will work in conjunction with Finance, to ensure all information requested is provided in a timely manner.

For further guidance and definition of each of the different employee benefits, please refer to the *SA Health (Health Care Act) Human Resource Manual*, Commissioners Determinations as applicable, or the pertinent Award and Enterprise Agreement.

3.1. Short Term Benefits

Short term benefits include annual leave, skills and experience retention leave, and sick leave. These benefits are to be measured at nominal amounts.

3.1.1. Annual Leave

Annual leave, including accrued leave loading, is classified as a current liability in the Statement of Financial Position, as the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Financial Accounting will assess the annual leave balance each year, as part of the AFS reporting process. Where this assessment proves that some balances are not wholly settled within the twelve months after the end of the reporting period, and these are deemed material, these balances shall be measured at present value, but will remain classified as a current liability.

3.1.2. Sick Leave

Non vesting sick leave is expensed as incurred, and no liability is recorded within the Statement of Financial Position; unless the leave is specifically classified as vesting sick leave.

3.1.3. Skills and Experience Retention Leave Entitlement (Retention Leave)

The retention leave entitlement will apply to all employees who have completed 15 or more years of service (eligible employees). Refer to the *SA Health (Health Care Act) Human Resource Manual*, or applicable award and enterprise agreement for further details.

Depending on materiality, where the retention leave liability is expected to be payable within twelve months, the liability is measured at the undiscounted amount expected to be paid. Where the retention leave liability is expected to be payable later than 12 months, the liability is measured at present value.

3.2. Post-Employment Benefits

Superannuation guarantee is a form of post-employment benefit. However, other than for members of the SAAS Superannuation Scheme (defined benefit), the Treasurer, not SA Health, assumes the accruing superannuation liability, in return for periodic payments. Payment of amounts owing is required in a timely manner and where these amounts are due, but not paid to the Treasurer, a current payable will be recognised within the Statement of Financial Position.

The defined benefit scheme superannuation liability is recognised by SA Health (SAAS) based on an actuarial valuation, represented by the net of present value of future payments less fair value of scheme assets.

3.3. Long Term Benefits

Long term benefits include all benefits other than short term employee benefits, post-employment benefits and termination benefits. These employee benefits are to be measured at the present value of future cash outflows, using the most appropriate discount rate.

The provision for long term benefits leave is classified between its current or non-current liability components in the Statement of Financial Position.

3.3.1. Long Service Leave

Long service leave, being long term benefits in nature, is to be measured at the present value of future cash outflows. Actuarial assumptions are to be used for measurement of the long service leave liability to be disclosed in the Statement of Financial Position. The allocation of current and non-current long service leave will be determined by analysis of recent history of long service leave payments.

3.4. Termination Benefits

Termination benefits are dealt with separately from other employee benefits, because the event which gives rise to an obligation is the termination, rather than employee service. Terminations are typically classified as lump sum termination payments, and based on information obtained by HR and Workforce Services, includes the targeted voluntary separation package (TVSP) payment, in accordance with the TVSP guidelines issued by the Department of Treasury and Finance, and any outstanding annual leave, long service leave, retention leave.

3.5. Employee negative leave and excess annual leave entitlement balances

Employee negative leave balances and excess annual leave entitlement balances must be reported on a regular basis. Business units and health sites across SA Health must review negative and excess annual leave balances on a regular basis. An appropriate action plan must be established to progressively reduce negative and excess annual leave balances and minimise the recurrence thereof, cognisant of occupational health and safety considerations.

4. Implementation and Monitoring

Compliance with this policy directive will be demonstrated when all categories of employee benefits and employment on-costs liabilities are correctly disclosed in accordance with relevant accounting standards, legislative requirements, and other mandated requirements.

The Interfaces Reconciliation team will monitor and reconcile on a monthly basis the employee benefit provisions data retrieved from Oracle GL and CHRIS21 Payroll systems. Any identified variances will be rectified in a timely manner.

5. National Safety and Quality Health Services Standards

N/A

6. Definitions

In the context of this document:

- > **discount rate** is the present value of the expected future cash flows. It is the rate of interest used in conjunction with the present value formula to express the expected future cash inflows or outflows associated with an asset or liability as an equivalent single amount. The discount rate to be applied is the prevailing market yield on Commonwealth or State Government bonds of a term similar to the average term of the liability.
- > **employee benefits** are all forms of consideration given by a public authority in exchange for services rendered by employees. They are determined through specific reference to the appropriate legislation, awards, or service contracts applicable to employees. There are two types of employee benefits:
 - > **non-vesting benefits** do not constitute a legal obligation of the employing entity until a valid claim is made by the employee, or an event has occurred; e.g. the claiming of sick leave is seen as an event which requires the employer to discharge an obligation. In addition, there is no obligation to pay non-vested benefits of an employee upon retirement or resignation.
 - > **vesting benefits** can accumulate as a result of legal obligation arising from various Acts of Parliament, Awards, and contractual agreements.
- > **employment on-costs** are expenses that are consequential to the employment of employees, but which are not defined as a benefit of the employee (eg. payroll tax, superannuation contributions, and workers compensation insurance). Employee benefit on-costs should be classified as payables, and not employee benefits; in accordance with the requirements of *AASB 119 Employee Benefits*.
 - > Superannuation Guarantee Charge (SGC) is considered an on-cost, and it is treated as an expense when it is incurred.

- > **excess annual leave** is where an employee's annual leave balance is greater than two years accrual.
- > **long term benefits** are those benefits which are not expected to be settled within twelve months after the end of the annual reporting period in which the employees rendered the service.
- > **negative leave is** where an employee has taken leave in excess of their leave entitlements. Staff must ensure they review the leave balance using the 'Total Days' and 'Total Hours' columns in CHRIS21, because 'Entitlement days' and 'Entitlement hours' will only display part of the entitlement.
- > **nominal rates** usually include the value of the salary rate (as per the appropriate legislation, award, or contract) as at the reporting date, plus a salary inflation rate. The rate is advised by the Department of Treasury and Finance, based on salary increases and/or enterprise bargaining arrangements.
- > **post-employment benefits** are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment and can include retirement pensions, or lump sum payments.
- > **public authority** means a government department, or a statutory authority. Currently there are seven public authorities within SA Health; the Department for Health and Wellbeing (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).
- > A **service year** means the period of twelve months from the commencement of the employee's service in the public service, or any of the succeeding periods of twelve months, subject to any variations as required by Determination 3.1 *Employment Conditions – Leave*.
- > **SA Health** is the corporate identity used for the following entities - Department for Health and Wellbeing, all Local Health Networks, and SA Ambulance Service.
- > **short-term benefits** are employee benefits (other than terminations benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employee rendered the related services. This includes: salaries and wages, annual leave, skills and experience retention leave, and sick leave.
- > **skills and experience retention leave** apply employees who have completed 15 or more years of service (eligible employees), and who are employed under the *Public Sector Act 2009* or, who are subject to long service leave entitlements provided for in the Act; which includes public health sector employees employed under the *Health Care Act 2008*. *Health Care Act 2008* employees derive their entitlement to retention leave as a consequence of having an entitlement to long service leave; pursuant to the *Public Sector Act*. For further information refer to Commissioner's Determination 3.1 *Employment Conditions – Leave*.
- > **unconditional entitlement** is the legal entitlement to payment arising after a qualifying period of long service leave. The accumulation of long service leave entitlement continues after this point, until the leave is taken.

7. Associated Policy Directive/Policy Guidelines and Resources

- > [AASB 119 Employee Benefits](#)
- > [AASB 101 Presentation of Financial Statements](#)
- > [Commissioner's Determination 3.1 Employment Conditions – Leave](#)
- > [Health Care Act 2008](#)
- > [Public Sector Act 2009](#)
- > [SA Health \(Health Care Act\) Human Resources Manual](#)
- > [Treasurer's Instruction 2 Financial Management](#)
- > [Treasurer's Instruction \(Accounting Policy Statements\)](#)
- > [TVSP Guidelines - Department of Treasury and Finance \(DTF\) AASB 119 Employee Benefits](#)

8. Document Ownership and History

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23/06/2016	V1.0	Portfolio Executive	
27/03/2015	V1.0	Director, Corporate Finance Services, Finance and Corporate Services	Oracle Assist



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